International Labour Organization

Project:-RAS/04/59/NET (RAS/04/SP11/N-RAM)
Subregional Initiative on Social Security in Pacific Island Countries

Government of the Netherlands



Social Protection for All Men and Women

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

February 2006

International Labour Office, Suva, Fiji

ILO Thirty years in the Pacific 1975 - 2005

Copyright©International Labour Organization 2006

First published 2006

Publications of the International Labour Organization enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the Publications Bureau (Rights and Permissions), International Labour Organization, CH-1211 Geneva, Switzerland. The International Labour Organization welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom or in other countries with associated Reproduction Rights Organizations, may make photocopies in accordance with the licenses issues to them for this purpose with the Copyright Licensing Agency, 90 Tottenham Court Road W1T4LP [Fax (+44)(0)20 7361 5500; email: cla@cla.co.uk], in the United States with the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923 [Fax +1)(978) 750 4470; email:info@copyright.com] or in other countries with associated Reproduction Rights Organization may make photocopies in accordance with the licenses issued to them for this purpose.

ILO
Social Security for All Men and Women – A sourcebook for extending social security coverage in Fiji
Suva, Fiji, International Labour Organization, 2006

ISBN 92-2-118356-4 (From January 2007 the new ISBN will be: 978-92-2-118356-3)

The designations employed in ILO publications, which are in conformity with United Nations practice, and the representation of material there in do not imply the expression of any opinion whatsoever on the part of the International Labour Organization concerning the legal status of any country, area or territory or its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Organization of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Organization, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO offices in many countries, or direct from ILO Publications, International Labour Organization, CH-1211 Geneva 22, Switzerland or from the ILO Area office in FNPF Place (Dolphins) 324 – 333 Queen Elizabeth Drive, Suva, Fiji. Catalogues or lists of new publications are available free of charge from the above address or by email: pubvente@ilo.org; suva@ilo.org.

Visit our website: www.ilo.org/publns; www.un.or.fj/ilo.

Printed in Fiji

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 Fiji.

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.

Linda Wirth
Director
ILO Subregional Office
for South-East Asia and the Pacific
Manila, Philippines

A.M. Zakaria
Director
ILO Office for the South Pacific
Suva, Fiji

February 2006

Acknowledgements

This book is a product of team work. The following people worked for the ILO project *Subregional Initiative on Social Security for the Pacific Island Countries.*

Project management:

Mr. John Angelini	Chief Technical Adviser (Team Leader)

Consultants and technical responsibility in the project:

Mr. Afsar Akal	Health Insurance
Mr. Warren McGillivray	Pensions
Mr. David Preston	Social Assistance and Maternity Protection
Dr. Steven Ratuva	Traditional Social Protection Systems
Mr. Kenneth Thompson	Employment Injury Benefit and Unemployment Benefit
Mr. Mike Whitelaw	Operations and IT

National Project Coordinators:

Ms. Anne Nacola	Fiji
Mr. Taatoa Kaiteie	Kiribati
Mr. Uili Matafeo	Samoa
Mr. Leslie Tamea	Solomon Islands (August 2004 – December 2004)
Ms. Ruth Fugui	Solomon Islands (from January 2005)
Mr. Marokon Alilee	Vanuatu

Technical backstopping by specialists of ILO SRO-Manila:

Mr. Kenichi Hirose	Social Protection Specialist (Project Coordinator)
Ms. Naomi Cassirer	Gender Specialist

Project staff:

Ms. Adisivia Qoro	Gender Specialist (July 2005 - January 2006)
Ms. Arieta Moceica	Gender Specialist (April 2005 – May 2005)
Ms. Salaseini Tupou	Gender Specialist (August 2004 – March 2005)
Ms. Sereana Cerelala	Project Assistant.

The project team would like to express sincere appreciation to the officials and staff in the various government agencies, social security organizations, employers' and workers' organizations, NGO's and other social partners who provided their valuable time and information in support of social security.

The team also wishes to thank specialists in the ILO Subregional Office in Manila and ILO Headquarters, Geneva headquarters, in particular SOCSEC, SafeWork, GENDER, who provided additional information and comments on earlier drafts of this book. Any errors which remain will be the sole responsibility of the authors.

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 Fiji.

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 Fiji. 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 Fiji. 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 Fiji in particular.

Part II contains eleven 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 Fiji. Chapter 11 sets out basic principles on unemployment protection and Chapter 12 analyses the feasibility of an unemployment insurance scheme for Fiji. Chapters 13 and 14 are devoted respectively to the principles of social assistance and the feasibility of its introduction to Fiji. 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 in the Ministry for Women, Social Welfare and Poverty Alleviation. Chapter 19 presents an analysis of the results of the survey of informal economy households and their health care needs.

Part III consists of Chapter 20 on a National Action Plan for Social Security in Fiji and represents the plans, road map and implementation of the policies developed by the feasibility studies.

Part IV supplements with ten Annexes.

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

ILO Subregional Office for South-East Asia and the Pacific
19th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, 1229 Makati City
P.O. Box 4959 Makati City, Philippines
Telephone: (632) 580 9900
Fax: (632) 580 9999
E-mail: manila@ilomnl.org.ph
Website: www.ilo.org/manila

ILO Suva Office
8th Floor, FNPF Place, Victoria Parade
PO Box 14500, Suva, Fiji Islands
Telephone: (679) 3313 866
Fax: (679) 3300 248
E-mail: suva@ilo.org
Website: www.ilo.org/suva

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: Kiribati, 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
FCC	Fiji Council of Churches
FCOSS	Fiji Council of Social Services
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
MOLIRP	Ministry of Labour Industrial Relations and Productivity
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
NZODA	New Zealand Official Development Assistance
OSH	Occupation Safety and Health
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
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 healthy 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.

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 developed and 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.

List of Chapters

PART I INTRODUCTION and REVIEW OF SOCIAL SECURITY

Chapter 1 The Project – Rationale and Implementation
By John Angelini

Chapter 2 Overview of Social Protection Systems
By John Angelini

Chapter 3 Extension of Social Security Coverage
By John Angelini

Chapter 4 Country Overview and Social Security Review
By John Angelini

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

Chapter 6 Traditional Social Protection Systems in Fiji – culture, customs and safety nets
By Steven Ratuva

Chapter 7 ILO Convention 169 for Indigenous and Tribal Peoples
By Steven Ratuva

Chapter 8 Gender Issues in Social Security in Fiji
By Adisivia Qoro

PART II FEASIBILITY STUDIES ON EXTENDING SOCIAL SECURITY

Chapter 9 Social Health Insurance: Principles
By Afsar Akal

Chapter 10 Social Security Pensions: Principles
By Warren McGillivray

Chapter 11 Unemployment Protection: Principles
By Kenneth Thompson

Chapter 12 Unemployment Protection in Fiji
By Kenneth Thompson

Chapter 13 Social Assistance: Principles
By David Preston

Chapter 14 Social Assistance in Fiji
By David Preston

Chapter 15 Employment Injury Schemes: Principles
By Kenneth Thompson

Chapter 16 Workers' Compensation in Fiji
By Kenichi Hirose, Maribel Ortiz and Kenneth Thompson

Chapter 17 Maternity Protection: Principles
By David Preston

Chapter 18 Operations and Information Technology for Ministry for Women, Social Welfare and Poverty Alleviation
By Mike Whitelaw

Chapter 19 Health Care Survey of Households in the Informal Economy
By John Angelini

PART III NATIONAL ACTION PLAN FOR SOCIAL SECURITY

Chapter 20 National Action Plan for Social Security in Fiji
By John Angelini

PART IV ANNEXES

Table of Contents

Acknowledgements iv
Introduction – user's guide to the sourcebook v
Chapter 1 The Project – Rationale and Implementation 1
1.1 Background 1
1.2 Limited coverage and inadequate benefits 1
1.3 Link to decent work approach at national level 2
1.4 National development frameworks 2
1.5 Poverty reduction 2
1.6 The project aims 3
Chapter 2 Overview of Social Protection Systems 5
2.1 The scope of social security 5
2.2 Why do we need social security? 5
2.3 What do the different social security terms mean? 6
2.4 What are the options for funding social security? 7
2.5 Social insurance 9
2.6 Social assistance 9
Chapter 3 Extension of Social Security Coverage 11
3.1 Introduction 11
3.2 The formal employment sector 12
3.3 The informal economy 14
3.4 Identification of priority needs and contributory capacity 15
3.5 Strategies for extension of coverage 16
3.6 Promoting micro-insurance schemes 16
3.7 Relevant trials and experiences in microinsurance schemes for the informal economy 17
3.8 Extending coverage of formal sector workers 18
3.9 Informal economy studies 19
3.10 Other legislative considerations 20
3.11 Compulsory vs. voluntary membership 20
3.12 Social security institutions for extension of social security coverage 21
3.13 Capacity for provident funds to extend membership 21
3.13.1 Service Delivery Networks 21
3.13.2 Process and administrative considerations 22
3.14 Conclusions 22
Chapter 4 Country Overview and Social Security Review 24
4.1 Introduction 24
4.1.1 Geography 24
4.1.2 History 24
4.1.3 Population 26
4.1.4 Land Management 27
4.1.5 Culture and Tradition 27
4.1.6 Traditional support systems 28
4.1.7 Welfare systems 29
4.1.8 Population 30
4.1.9 Statistics in Fiji 30
4.1.10 Urban household income and expenditure survey 2002-2003 - provisional results 30
4.2 Economic Overview 34
4.2.1 Sectoral Developments 35
4.2.2 Economic outlook for previous Year (2003 – 2004) provided by ADB 37
4.2.3 Insurance Industries 40
4.2.4 Reserve Bank of Fiji – Insurance Annual Report 2003 41
4.2.5 Rural Banking System 42
4.2.6 The role of UNDP 43
4.2.7 The International Labour Organization or ILO 43
4.2.8 Civil Society in the Pacific 45
4.2.9 The Civil Society in Fiji 46
4.2.10 Fiji Credit Union League 46
4.2.11 Fiji Council of Churches (FCC) 47
4.2.12 Fiji Council of Social Services (FCOSS) 47
4.2.13 Fiji Women's Rights Movement 50
4.3 Health Situation 50
4.3.1 Health trends 50
4.3.2 Health services 51
4.3.3 National Health Priorities 51
4.4 Labour Market Situation 52
4.4.1 The Labour Force 52

4.4.2 Labour force growth 54
4.4.3 The sectoral structure of employment 55
4.4.4 Labour force projections 56
4.5 Training and productivity authority of Fiji 56
4.6 Disadvantaged Groups in Fiji 58
4.7 Disabled people. 59
4.8 Social Protection in Fiji 60
4.8.1 Fiji National Provident Fund 60
4.9 Ministry of Women, Social Welfare and Poverty Alleviation 67
4.9.1 Department of Social Welfare 67
4.10 Summary of social protection programs in Fiji 72
4.11 Micro-Finance 74
4.11.1 Background 74
4.11.2 Executive Summary of Microfinance Report on Fiji 74
4.11.3 Highlights of the National Microfinance Project Achievements 75
4.12 Fiji – gender country assessment 76
4.12.1 The Fiji National Provident Fund (FNPF): 76
4.12.2 Employment factors 77
4.12.3 Fiji: Gender Analysis and Emerging Issues 80
4.12.4 Fiji: Emerging issues 82
4.12.5 Fiji: recommendations 83
4.13 Conclusion 83
Chapter 5 Survey of workers in the informal economy and formal employment sector 84
5.1 Fiji Informal Economy survey 84
5.1.1 Background 84
5.1.2 Methodology 84
5.1.3 Sample Selection 84
5.1.4 Survey locations 85
5.2 Informal economy survey findings 85
5.2.1 Aims and methodology 85
5.2.2 Key survey results 86
5.2.3 Identification of priority needs and contributory capacity 93
5.3 Fiji Formal Employment Sector Survey 94
5.3.1 Background 94
5.3.2 Key survey results 95
5.5 Comparison of formal and Informal survey findings 99
5.5 Concluding remarks 100
Chapter 6 Traditional social protection systems in the Pacific – culture, customs and safety nets 101
6.1 Executive summary 101
6.2 Broad patterns of findings 101
6.3 Some general recommendations 102
6.4 Traditional systems and customs in the Pacific: A comparative overview 103
6.4.1 Socio-political structures 103
6.4.2 Land 103
6.4.3 Economic exchange and reciprocity 103
6.4.4 Tradition and change 104
6.5 Country study: Fiji 104
6.5.1 Brief history 104
6.5.2 Traditional socio-political structure 105
6.5.3 Land tenure 106
6.5.4 Status and role of women 106
6.5.5 Traditional means of social protection 107
6.6 Some relevant cultural norms associated with social protection 110
6.7 Traditional means of dispute settlement 111
6.8 Tradition and change 111
6.9 Relationship between traditional and modern modes of social protection 112
6.9.1 Accommodation 112
6.9.2 Readjustment and re-adaptation 112
6.9.3 Reinforcing communal life 112
6.9.4 Replacement 112
6.9.5 Contradiction and tension 113
6.9.6 Synthesis: Tradition and social protection 113
6.9.7 Government policy and tradition 113
6.10 Schemes based on elements of tradition 114
6.10.1 Communal investment 114
6.10.2 Affirmative action and traditional culture 115
6.10.3 The Promotion of Reconciliation, Tolerance and Unity Bill (the “Bill”) 115
6.10.4 Ministry of Fijian Affairs small business scheme 115

6.10.5 Foundation for Rural Integrated Enterprises (FRIED) 116
6.10.6 Council of Credit Unions 116
6.10.7 Ministry of Youth and Sports 116
6.10.8 Fiji Council of Social Services (FCOS) micro- finance scheme 116
6.10.9 Ministry of Agriculture (MA) 117
6.10.10 National Centre for Small and Micro Business Development (NCSMED) 117
6.10.11 Department of Social Welfare 117
6.10.12 Recommendations 117
6.11 Summary of findings and major recommendations 120
6.12 Key findings 120
6.13 General recommendations 121
Chapter 7 ILO Convention 169 for Indigenous and Tribal peoples 122
7.1 Introduction 122
7.2 ILO Convention 169 and the Pacific: An overview 122
7.3 Local definitions of indigenous 124
7.4 Case study: Fiji 124
7.5 The indigenous question 125
7.6 Economic situation of indigenous Fijians 125
7.7 Political power 127
7.8 Relevance of ILO Convention 169 128
7.9 Other minorities in Fiji 129
7.10 Case study: Kiribati 130
7.11 Case study: Solomon Islands 131
7.12 Case study: Samoa 131
7.13 Case study: Vanuatu 132
7.14 Summary: ILO and indigenous peoples in the Pacific 133
7.15 Brief analysis and recommendations 134
Chapter 8 Gender Issues and Social Security in Fiji 137
8.1 Introduction 138
8.2 Overview 139
8.3 Social security project in the Pacific 139
8.3.1 Coverage problems 140
8.4 Economic and structural framework of small island states 142
8.5 International and regional instruments in support of gender equality in social security 142
8.5.1 Convention on the elimination of all forms of discrimination against women 143
8.5.2 Beijing platform for action and the Pacific platform for action 143
8.5.3 International Labour Organisation and gender equality 144
8.6 Social security in the Pacific Island countries 146
8.7 Economic and social conditions of women 147
8.8 Education and social security 148
8.9 Institutional mechanisms, policies, legislation and programmes in support of gender equality 149
8.10 Equality issues in social protection and social security 151
8.11 Survey of workers in the informal economy and the formal employment sector 153
8.11.1 The formal economy 154
8.11.2 The Formal Employment Sector in Fiji 154
8.12 The Informal Economy 156
8.12.1 Informal Economy Priority Needs Survey 157
8.12.2 The Informal Economy in Fiji 157
8.13 Conclusions and recommendations 159
Chapter 9 Social Health Insurance: Principles 165
9.1 Introduction 165
9.2 The policy context - readiness to implement health insurance 166
9.3 Common characteristics of the Pacific Island states 166
9.4 Demand for financial protection for health 167
9.5 Insurance coverage issues 170
9.5.1 Unit of coverage, compulsory and voluntary mechanisms for expanding cover 170
9.5.2 Membership registration, verification and contribution issues 170
9.5.3 Setting premiums and rating methods 171
9.6 Organizational and functional issues 171
9.6.1 Administration of health insurance 171
9.6.2 Revenue collection 172
9.6.3 Transitional strategies for the Pacific Island countries 173
9.7 Extending coverage to the informal sector – poverty focus 178
9.7.1 Government-funded social safety nets 178
9.7.2 Community-based financing and voluntary health insurance schemes 180
9.8 Country reviews 180
9.9 Fiji Health Scheme Overview 181
9.9.1 Basic Profile 181

9.9.2 Policy Context 181
9.9.3 Recommendations 182
9.10 Implementation plan for expanding cover 182
Chapter 10 Social Security Pensions: Principles 185
10.1 Introduction 185
10.2 Why do governments enact legislation about social security retirement benefits? 185
10.3 How has public retirement protection evolved? 185
10.4 Who is covered by public pensions? Why has coverage not expanded? 186
10.5 Why should the main retirement benefit be a pension? 186
10.6 Does converting provident fund balances into annuities provide adequate retirement pensions? 187
10.7 What is adjustment (indexation) of pensions? Why is it necessary? 187
10.8 What retirement protection is possible for workers without regular incomes? 188
10.9 What retirement protection is possible for wage and salaried workers? 188
10.10 What is an appropriate retirement age? 189
10.11 What is the effect of population ageing? 190
11.12 How are social insurance pension schemes financed? 191
10.13 Is a financial system based on full funding better than a partially funded system? 192
10.14 How do social insurance pension schemes promote national economic development? 192
10.15 What governance is appropriate for a social insurance pension scheme? 193
10.16 How can social security funds be productively invested? 194
10.17 Are public pension schemes gender neutral? 195
10.18 Is there a 'crisis' in public pension schemes in industrialized countries? 196
10.19 What is the Chilean reform model? 196
10.20 What are the administrative prerequisites for a social insurance pension scheme? 197
10.21 Further reading 197
Chapter 11 Unemployment Protection: Principles 199
11.1 Introduction 199
11.2 Relevant concepts, principles and standards 200
11.2.1 ILO instruments on unemployment 200
11.2.2 Employment policy and unemployment benefits 200
11.2.3 Definition of the contingency 200
11.2.5 Suitable employment 200
11.2.6 Partial unemployment 201
11.2.7 Qualifying periods 201
11.2.8 Cash benefits 201
11.2.9 Other benefit rights 202
11.2.10 Restriction on benefit entitlement 202
11.2.11 Financing 202
11.3 Unemployment protection in practice 202
11.3.1 Objectives and roles of unemployment benefit schemes 202
11.3.2 Overview 203
11.3.3 Costs of unemployment benefit schemes 204
11.3.4 Recent reforms 205
12.3.5 Analysis of unemployment insurance schemes in Asia 208
11.4 Development of unemployment protection 210
11.4.1 Policy framework and issues 210
11.4.2 Conditions for the introduction of limited unemployment insurance protection 212
Appendix to Chapter 11 – International Experience 214
Appendix 11A Unemployment Insurance Schemes in Selected Asian Countries 214
Appendix 11B – Unemployment insurance in Thailand 216
11B.1 Background 216
11B.1.1 Coverage 216
11B.1.2 Financing 216
11B.1.3 Entitlement 216
11B.1.4 Claims experience and procedure 217
11B.1.5 Procedure 217
11B.1.6 Financing 218
11B.1.7 Final comments 218
Appendix 11C Barbados unemployment benefits scheme 219
11C.1 Background 219
11C.2 Severance payments scheme 220
11C.3 Unemployment insurance in the Republic of South Korea 220
11C.3.1 Overview of the employment insurance system 220
11C.3.2 Coverage of unemployment insurance 221
11C.3.3 Sources of funds 221
11C.3.4 Benefits 221
11C.3.5 Issues 221
Chapter 12 Unemployment Protection in Fiji 223

12.1 Introduction 223
12.2 Initial observations on social protection in Fiji 223
12.3 Provision of information on unemployment insurance 223
12.3.1 Agenda and proceedings 224
12.3.2 Unemployment protection 224
12.3.3 Discussion of Issues 225
12.3.4 Concluding remarks on unemployment protection 226
12.4 Main concepts and principles of unemployment insurance 228
12.4.1 Concepts and structural features 228
12.4.2 Objectives of unemployment insurance schemes 229
12.5 Some main design considerations 231
12.5.1 Coverage 231
12.5.2 Contribution conditions 231
12.5.3 Benefit level 231
12.5.4 Financing 232
12.6 Organisation and administration of unemployment insurance schemes 233
12.6.1 Co-ordination between the social security institution and the employment services 234
12.6.2 Other functions 235
12.6.3 Summary general remarks. 235
12.7 Unemployment insurance benefit for Fiji 236
12.7.1 Summary 236
12.7.2 Introduction 237
12.7.3 Options for support of the unemployed 237
12.7.4 What would short term unemployment insurance cost? 239
12.7.5 Administering the fund and its reserves 242
12.7.6 Other Considerations 242
12.7.7 Other options – paid maternity leave 242
12.7.8 Dealing with other aspects of unemployment and underemployment 242
12.7.9 Setting up an unemployment insurance benefit 243
12.8 Conclusion 243
Chapter 13 Social Assistance: Principles 245
13.1 Introduction 245
13.2 Social protection in traditional societies 245
13.3 Modern extensions of traditional systems 246
13.4 Traditional systems in modern circumstances 247
13.5 Poverty in Pacific Island countries 248
13.6 General Issues for social assistance systems 248
13.6.1 Funding sources 249
13.6.2 Assessment unit 249
13.6.3 Identification 249
13.6.4 Economic situation of claimants 249
13.6.5 Effective payment systems 249
13.6.6 Welfare dependence 249
13.6.7 Anti-fraud 250
13.7 The scope of social assistance 250
13.8 Social assistance in kind by sectors 250
13.8.1 Education 250
13.8.2 Health 250
13.8.3 Food 251
13.8.4 Accommodation 251
13.8.5 Transport 251
13.8.6 Disability services 251
13.8.7 Maternity 251
13.9 Using the tax system for social assistance 252
13.10 Other poverty reduction options 252
13.10.1 Special community employment 252
13.11 Universal benefits 253
13.12 Universal sector in kind programs 254
13.13 Legally enforcing traditional obligations 254
13.14 Promoting community support options 255
13.15 Development 255
13.16 Choosing options 255
Chapter 14 Social Assistance in Fiji 257
14.1 Introduction 257
14.2 Social assistance, social security, and social protection 257
14.2.1 Social assistance 257
14.2.2 Social Security 258
14.2.3 Social protection 259

14.3 Social protection in traditional societies 259
14.4 Modern extensions of traditional systems 260
14.5 Traditional systems in modern circumstances 261
14.6 Poverty in Pacific Island countries 261
14.7 General Issues for social assistance systems 262
14.7.1 Funding sources 262
14.7.2 Assessment unit 262
14.7.3 Identification 262
14.7.4 Economic situation of claimants 263
14.7.5 Effective payment systems 263
14.7.6 Welfare dependence 263
14.7.7 Anti-fraud 263
14.8 The scope of social assistance 263
14.8.1 Social assistance in kind by sectors 263
14.9 Social assistance in Fiji 268
14.9.1 Summary 268
14.9.2 Introduction 269
14.9.3 Population 269
14.9.4 Economy 269
14.9.5 Poverty in Fiji 270
14.9.6 Existing social security 270
14.9.7 Preliminary estimates of a universal old-age pension scheme in Fiji: 2005-2020 279
14.9.8 What Would a Universal Pension Cost? 281
14.9.9 Other Social Security Issues 282
14.9.10 Summary 283
Appendix 14A Social security provision in Fiji 284
14A.1 Old Age Disability and Survivors Provision 284
14A.2 Work Injury 284
14A.3 Social Assistance 284
Appendix 14B Fiji Statistical Tables 285
Appendix 14C Population pyramids of Fiji, 1996-2030 287
Chapter 15 Employment Injury Schemes: Principles 289
15.1 Introduction 289
15.2 Concepts, principles and standards of workers' compensation protection 290
15.2.1 World-wide trends to develop more effective systems 290
15.2.2 Conversion into social insurance systems 290
15.2.3 Development of roles in accident prevention 291
15.2.4 Extension to whole population 291
15.2.5 Extension to 24 hours coverage 291
15.2.6 Abolition of workers' compensation scheme 292
15.3 Relevant ILO standards 292
15.4 Preferential standards for employment injury protection 293
15.5 Structure of workers' compensation schemes 294
15.5.1 Organisational framework 294
15.6 Coverage 296
15.6.1 Employees 296
15.7 Definitions of employment injury 297
15.7.1 General approaches 297
15.7.2 National examples 298
15.7.3 ILO instruments 299
15.7.4 Accidents whilst travelling 300
15.7.5 Prescribed occupational diseases 300
15.8 Benefits 302
15.8.1 Medical care 302
15.8.2 Cash benefits 303
15.9 Financing of the scheme 305
15.9.1 Financial systems 305
15.9.2 Contribution systems 305
15.10 Accident prevention and rehabilitation 306
15.10.1 Accident prevention 306
15.10.2 Rehabilitation 309
15.11 Reform and development of workers' compensation schemes 309
15.11.1 Planning of reforms 309
15.11.2 Involvement and participation of stakeholders 310
15.11.3 Administrative prerequisites and specialisation. 310
15.11.4 Differential contributions 311
15.11.5 Conclusions 311
Appendix to Chapter 15 – International experience 313

15A Summary of employment injury schemes in selected countries in Asia and the Pacific 313
15B The accident compensation scheme of Samoa 317
15B.1 The accident compensation insurance scheme of Samoa 317
15B.1.1 Introduction 317
15B.1.2 General information on Samoa 317
15B.1.3 Overview of the accident compensation scheme 318
15B.1.4 ACC organisation and operations 322
15B.1.5 Concluding remarks 323
15B.1.6 Samoan national statistics 324
Chapter 16 Workers' compensation in Fiji 325
16.1 Introduction 325
16.2 The Workers' Compensation Scheme in Fiji 325
16.2.1 The Workmen's Compensation Act, 1965 325
16.2.2 Scope of liability 325
16.3. Voluntary insurance coverage 327
16.3.1. Problems with voluntary insurance 327
16.3.2 Analysis of workers' compensation provided by private insurance 327
16.4 Benefits 328
16.5 Number of compensation claims and payments 329
16.6 Administration of the workers compensation 330
16.7 Problems with the administration of the compensation claims 331
16.8 Overview of the discussions on the workers' compensation 332
16.8.1 Tripartite discussions at the Labour Advisory Board in the 1990s 332
16.8.2 General agreement on the principles of workers compensation 333
16.8.3 The issue of compulsory insurance vs. levy-funded risk-pooling 334
16.8.4 Recent developments on compulsory insurance 336
16.8.5 Case study: New South Wales Workcover scheme 337
16.9 Guides for the development of workers' compensation in Fiji 337
16.9.1 Historical development of workers' compensation 338
16.9.2 Relevant ILO standards 339
16.10 Workers' compensation systems in selected countries 341
16.10.1 Coverage and contributions 341
16.10.2 Medical benefits 342
16.10.3 Cash benefits 342
16.10.4 Rehabilitation 343
16.10.5 Commuting accidents 343
16.10.6 Financing of the scheme 343
16.10.7 Prevention of accidents at work: 346
16.10.8 Administration 346
16.11 Recommendations for Fiji 346
16.11.1 Issues related to the proposed compulsory insurance 346
16.11.2 Issues related to no-fault 347
16.11.3 Medical assessment of disability and occupational diseases 348
16.11.4 Medical benefits 348
16.11.5 Periodical payments for permanent disability and fatal cases 348
16.11.6 Strengthening administrative capacity 349
16.11.7 Further issues 349
16.11.8 Conclusion: The way forward for Fiji 350
Appendix 16A Report of the Workmen's Compensation Service for 2004 352
16A.1 Role and function 352
16A.2 Workmen's compensation cases settled 352
Appendix 16B Workers' compensation schemes in Asia and the Pacific 353
Chapter 17 Maternity Protection: Principles 355
17.1 Introduction 355
17.2 The nature of maternity protection programmes 355
17.3 Purpose of the programmes 356
17.4 ILO Conventions 356
17.5 Organisation of maternity protection programmes 357
17.6 Coverage of the schemes 357
17.7 Conditionality 358
17.8 Periods of maternity leave 358
17.9 Who pays? 359
17.10 Level of paid maternity leave benefits 360
17.11 Cost of paid maternity leave 360
17.12 Maternity discrimination 361
17.13 Issues for the five Pacific Island countries 361
17.13.1 Cost and coverage Issues 361

17.13.2 Who would administer paid maternity Leave? 362
17.13.3 Existing paid maternity leave 362
17.13.4 Problems with existing maternity protection coverage 363
17.13.5 Maternal and child health 363
17.13.6 Institutional options – formal economy workers 364
17.13.7 Interface issues 366
17.13.8 Problems with covering the self-employed 366
17.13.9 Maternity protection in the informal economy 367
17.13.10 Income replacement 367
17.13.11 Maternity medical care 367
17.13.12 Out of pocket expenses 368
17.13.13 Summary 368
17.14 Cost estimates for individual countries - Fiji 369
17.15 Comments on assumptions 371
17.16 A standard paid maternity leave model 372
Chapter 18 Operations and Information Technology for MWSWPA 374
18.1 Introduction 374
18.2 Administration 374
18.3 Department of Women 376
18.4 Department of Social Welfare 378
18.4.1 Child and Family Services Section 378
18.4.2 Income Support Section 379
18.4.3 Strategic planning and research unit 379
18.5 Field Offices 379
18.5.1 Families Assistance Scheme 379
18.5.2 Payment of the allowance 380
18.6 Poverty Alleviation Unit 383
18.7 Corporate Services Department 383
18.7.1 Accounts Section 383
18.7.2 Personnel Section 384
18.7.3 Recruitment and Appointments Section 384
18.8 Conclusions and recommendations 384
18.8.1 Department of Women 385
18.8.2 Accounts Section 385
18.8.3 Documentation of Procedures 386
18.8.4 Training 386
18.8.5 Communication 387
18.8.6 Information technology 388
18.8.7 Connection to the Government Network 389
18.8.8 IT training & support 390
18.8.9 Transport 392
18.8.10 Telephones 392
18.8.11 Office expenditure 393
18.8.12 Staffing 394
18.8.13 Management training 394
Chapter 19 Health Care/Microinsurance Survey in Fiji 397
19.1 Background 397
19.2 Micro-insurance in Fiji 397
19.3 Micro insurance survey 398
19.3.1 Survey methodology 398
19.3.2 Survey sample 399
19.3.3 Survey results – personal information 400
19.3.4 Welfare information for MWSWPA 404
19.3.5 Primary health care findings 406
19.3.6 Secondary/tertiary health care findings 408
19.3.7 Comparison of treatments 410
19.3.8 Health insurance considerations 410
19.4 Conclusion 413
19.4.1 Out-of-pocket expenses 413
Appendix 19A 415
19A.1 Micro savings / insurance scheme overview 415
Chapter 20 National Social Security Action Plans 417
20.1 Objectives of the national action plan 417
20.2 The national action plan 417
20.3 The purpose of the NSSAP 417
20.4 General implementation strategy 417
20.5 Conclusion: The way forward 418
20.6 Fiji National Social Security Action Plans: Overviews and Road Maps 419

Annexes ___ *433*
Annex 1 Selected international experience in extension of social security ___ 433
Annex 2 Public service employees in established position ___ 435
Annex 3 FNPF historical data ___ 436
Annex 4 Social welfare – family allowance recipients 1998 – 2003 ___ 437
Annex 5 Social welfare – child welfare services 1998 – 2003 ___ 438
Annex 6 Department of Social Welfare – NGO funding 2003 ___ 439
Annex 7 Fiji - informal economy survey form ___ 440
Annex 8 Formal employment sector survey ___ 446
Annex 9 Health care and microinsurance survey ___ 449
Annex 10 Bibliography ___ 457
Index ___ 461

List of Boxes

Box 9.1 Alternative benefit package design for Pacific Island countries by source ___ 175
Box 15.1 An experience-based premium system in the workers' compensation insurance of Japan ___ 306
Box 15.2 Tito's repair and brick businesses-survival strategies after permanent total disability ___ 321
Box 15.3 Survivor's benefits put to good use-Julia's trust fund ___ 322
Box 17.1 Calculation model ___ 371

List of Figures

Figure 1.1 Project overview ___ 3
Figure 1.2 Conceptual framework for project social security in Pacific Island countries ___ 4
Figure 4.1 Fiji location ___ 24
Figure 4.2 Economic indicators ___ 38
Figure 4.3 Pension take-up rates, 1989-2002 ___ 64
Figure 7.1 Relative size and increase in population in Fiji, 1881-1996 ___ 124
Figure 9.1 Donor funding for health ___ 167
Figure 9.2 Health care financing profile ___ 168
Figure 9.3 Government financing of health care ___ 169
Figure 9.4 Shares of health funding in Fiji: 1998-2002 ___ 181
Figure 9.5 Per capita funding for health care in Fiji: 1998-2002 ___ 181
Figure 11.1 Barbados unemployment, contribution & benefit expenditure rates, 1990 to 2001 ___ 219
Figure 15.1 ACC organisation chart ___ 324
Figure 16.1 Workmen's compensation process mechanism ___ 330
Figure 18.1 Departmental organization ___ 375
Figure 18.2 Claims processing ___ 382
Figure 19.1 A schematic overview of a pilot micro health insurance scheme ___ 415

List of Tables

Table 2.1 Social security funding options ___ 8
Table 3.1 Table of comparison between formal and informal economy ___ 13
Table 3.2 Categories of workers in the informal economy ___ 15
Table 4.1 Key Demographic Indicators ___ 24
Table 4.2 Urban population by city/town and sex ___ 30
Table 4.3 Average annual household income/receipts ___ 31
Table 4.4 Household income sources ___ 31
Table 4.5 Income distribution deciles ___ 32
Table 4.6 Income distribution quintiles ___ 32
Table 4.7 Expenditure by item ___ 33
Table 4.8 Matched income and expenditure ___ 33
Table 4.9 Expenditure details by income decile ___ 34
Table 4.10 Major economic indicators, Fiji Islands, 2001-2005 ___ 37
Table 4.11 Leading causes of morbidity and mortality ___ 51
Table 4.12 Age/ Sex distribution of the forecast labour force 2000-2003 ___ 53
Table 4.13 First time jobseekers, 1995 -2001 ___ 53
Table 4.14 Labour force entrants and employment opportunities 2000 - 2003 ___ 54
Table 4.15 Emigration by occupation ___ 54
Table 4.16 Labour force evolution, 2000-2003 - males ___ 55

Table 4.17	Labour Force Evolution 2000-2003 - Females	55
Table 4.18	Structure of labour force and employment year 2000	55
Table 4.19	Distribution of forecast formal sector employment 2000-2003	55
Table 4.20	Projected labour force size in 2005, by age and sex	56
Table 4.21	FNPF Pension Annuity Conversion Rate	61
Table 4.22	Consolidated financial statements of the FNPF, 1996-2002	63
Table 4.24	FNPF members migrating & withdrawing contributions, 1997- 2001	64
Table 4.25	Summary of Estimated Transaction Costs in FNPF	67
Table 4.26	Number of juveniles received in the centre in 2003	70
Table 4.27	Ethnic and school breakdown- 2003	70
Table 4.28	Admission in the girls home 2003	71
Table 4.29	Social protection programs in Fiji	73
Table 4.30	Women in the formal sector workforce	76
Table 5.1	Survey samples by occupation	85
Table 5.2	Survey sample by occupation and selected location	85
Table 5.3	Structure of labour force and employment year 2000	94
Table 5.4	Projected labour force size in 2005, by age and sex	95
Table 5.5	Comparison between informal and formal surveys	99
Table 7.1	Proportion of indigenous population in Pacific countries	123
Table 7.2	Proportion of non-indigenous population for Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu.	123
Table 7.3	Fiji's population by ethnicity, 1881-1996	125
Table 7.4	Estimated per capita income by ethnicity, 1953 (FJD)	126
Table 7.5	Numbers qualified in selected professionals by ethnic group, 1958	126
Table 7.6	Ethnic distribution of "middle class" occupational category, 1986 and 1996	126
Table 7.7	Ethnic distribution of corporate managers by category, 1996	126
Table 7.8	Distribution of taxi permits by ethnicity	127
Table 7.9	Occupational categories of economically active by ethnicity (Indo-Fijians and Fijians only), 1986	127
Table 7.10	Civil service appointments, 1991-1994	127
Table 7.11	Total number of staff in the civil service by ethnicity	127
Table 8.4	Life expectancy for the 5 social security project's 5 PICs	153
Table 10.1	South Pacific Island countries – life expectancy at birth and age 60	190
Table 10.2	South Pacific Island countries – support ratios	191
Table 11.1	Unemployment insurance schemes in selected Asian countries	214
Table 11.2	Claims Data July 2004 to June2005	217
Table 11.3	Major changes to benefit provisions	219
Table 11.4	Changes to contribution rate	219
Table 11.5	Highlights of recent unemployment benefit scheme experience	220
Table 11.6	Maximum benefits period Republic of Korea scheme	221
Table 13.1	Country populations	245
Table 13.2	Selected human development indicators comparisons	245
Table 14.1	Country populations	257
Table 14.2	Selected human development indicators comparisons	257
Table 14.3	Distribution of FAS benefits 2005	271
Table 14.4	Community Employment Scheme cost Estimates	275
Table 14.5	Support ratios for aged persons	280
Table 14.6	Projected number of the elderly population	281
Table 14.7	Increase in the number of elderly (2005 = 100)	281
Table 14.8	Number of working age population (20-59 years of age) supporting the elderly	281
Table 14.9	Projected costs of universal old-age pensions (FJD 100 per month in 2005 prices)	281
Table 14.10	Projected monthly premium	281
Table 14.11	Estimates Pension Costs	282
Table 14.12	Gross domestic product FJD Million at 2005 prices	285
Table 14.13	Growth rate of real GDP	285
Table 14.14	Statement of fiscal operations	285
Table 14.15	Government assistance towards poverty alleviation	286
Table 15.1	ILO Conventions concerning employment Injury	292
Table 15.2	ILO Social Security Conventions concerning migrant labour	293
Table 15.3	Rates of periodical cash benefits (percentages)	294
Table 15.4	ILO Conventions concerning occupational safety and health	307
Table 15.5	Coverage and contribution rates for workers' compensation schemes in selected countries	313
Table 15.6	Selected employer liability schemes for workers' compensation	314
Table 15.7	Definitions of employment injury-selected countries	314
Table 15.8	Benefits for workers' compensation - social insurance schemes	315
Table 15.9	Benefits for workers' compensation - Employer Liability Schemes	316
Table 15.10	Cash benefits for work injury	321
Table 15.11	Number of claims received by type 2000-2004	323
Table 15.12	Total formal sector employment	324
Table 15.13	Income and expenditure 2003-2004	324
Table 16.1	Net insurance premiums by type of insurance, 2000-2003	328

Table 16.2	Net loss ratio of general insurance, 2000-2003	328
Table 16.3	Analysis of pending cases as of June 2003	331
Table 16.4	ILO Conventions concerning employment injury	339
Table 16.5	ILO Conventions concerning occupational safety and health	340
Table 16.6	Compensation claims reported by industry, 2002-2004	352
Table 16.7	Compensation cases settled and paid, 2002-2004	352
Table 16.8	Temporary incapacity settled, 2002-2004	352
Table 16.9	Coverage and contribution rates of social insurance schemes	353
Table 16.10	Coverage and insurance options of employer liability schemes	353
Table 16.11	Benefits of employer liability schemes	354
Table 17.1	Maternal and child health	363
Table 17.2	Indicative estimates by country	370
Table 18.1	Hardware distribution	388
Table 19.1	Distribution of household numbers and proportion of the sample.	399
Table 19.2	Distribution of household numbers in towns/cities by division	399
Table 19.3	Distribution of household numbers in rural areas around towns/cities	400
Table 19.4	Primary care - frequency of ailments and treatment	407
Table 19.5	Secondary/tertiary care - frequency of ailments and treatment	409

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 Jan 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 Fiji

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 Fiji, 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 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

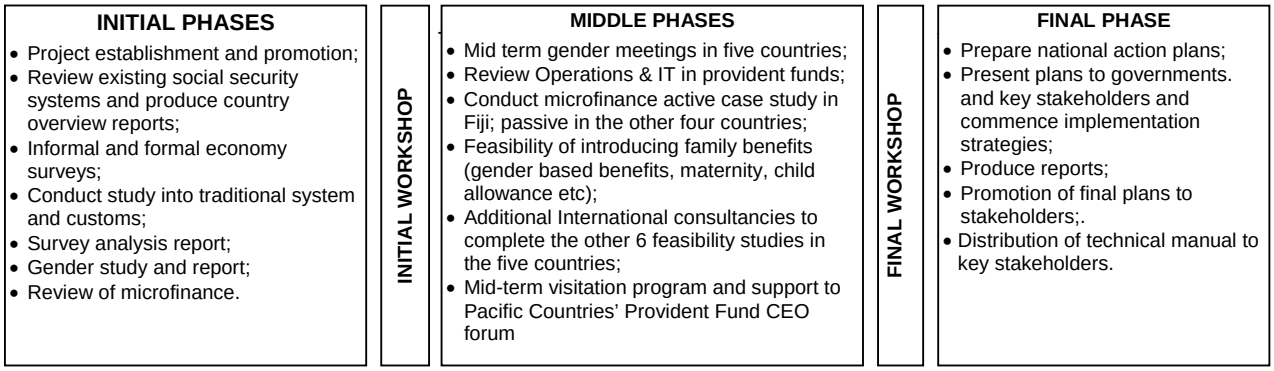
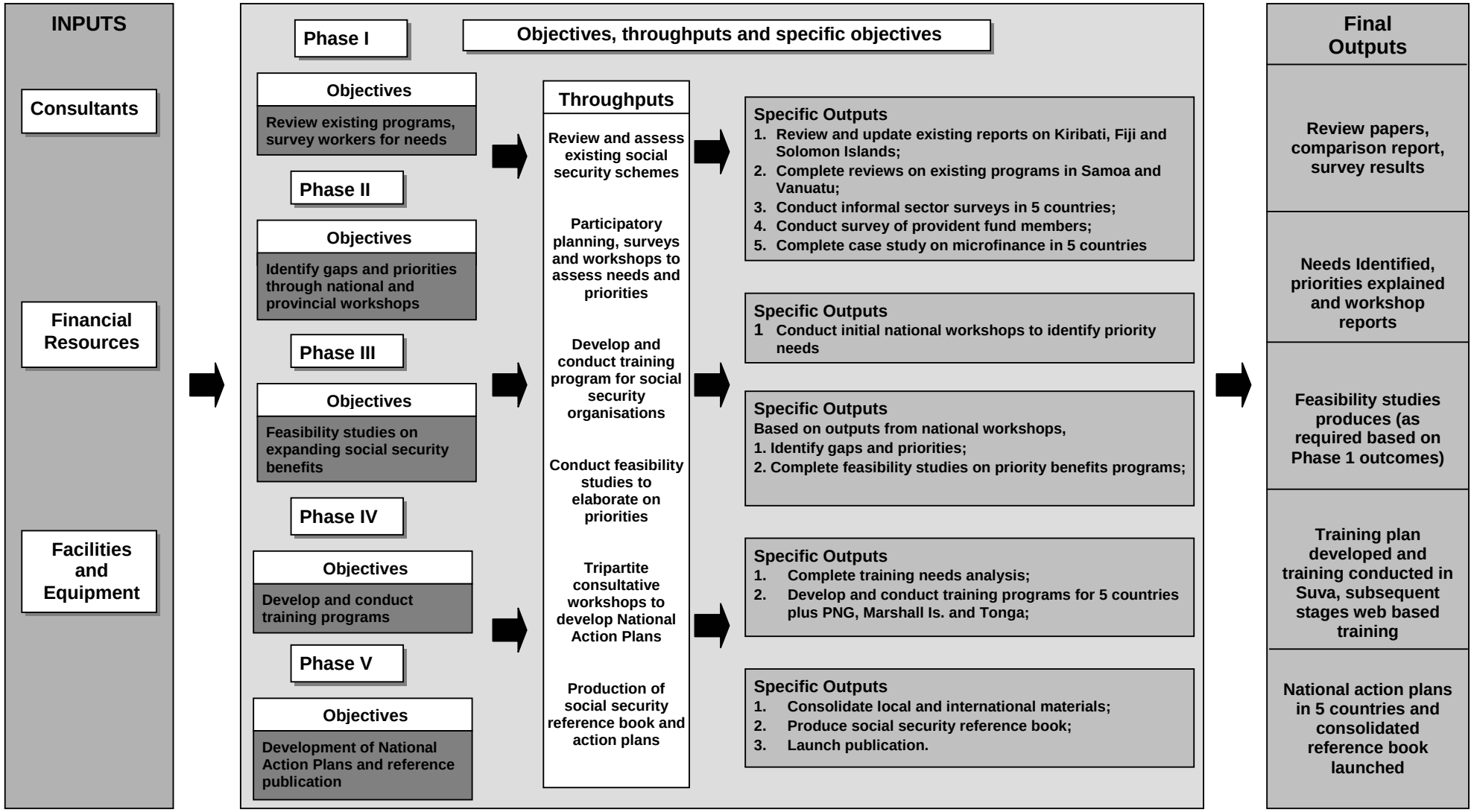


Figure 1.2 Conceptual framework for project social security in Pacific Island countries



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 generalized sense. The World Bank discusses

[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

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.

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.

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, sometimes means tested	
Government funding provides for universal schemes that are strong in social solidarity and transfer of wealth to the lower paid workers. They can be means tested and targeted at those most in need. Payments under the schemes are the same for all eligible beneficiaries	**Government funding** is subject to taxation and collection capacities and requires strong governance, strong accountability and no corruption if the schemes are to be sustainable in the long term. Higher paid workers are often dissatisfied with their benefits when compared to their contributions (taxes). When there is a high ratio of beneficiaries to contributors (taxpayers) as is the case in developing and aging countries the demand on the small workforce may be untenable.
Privatization - This is a debate about who should manage the funds - whether social security funds should be managed by the government or by private enterprise. Typically funds are managed in trust for the contributors (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

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 social insurance pension 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 a few 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.

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

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

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 & 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 Fiji.

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 Fiji 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 may 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 Fiji country assessment 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; and 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 to be 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 Fiji.

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 Fiji there are only three (Suva and Lautoka on Viti Levu and Labasa on Vanua Levu).

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:

- 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 Introduction

4.1.1 Geography

Known as the hub of the South Pacific, the Fiji Islands are located between latitude 15 and 22 degrees south and longitude 177 West to 175 East. About 2100 kilometres north of Auckland, New Zealand, Fiji is part of the Melanesian cultural region. With a total land area of about 18,376 square kilometres, the archipelago's 332 islands are spread over 3,000,000 square kilometres of ocean. Only 100 of these islands are inhabited.

The two main islands are Viti Levu (location of the capital Suva) and Vanua Levu in the North. Other major islands include Taveuni (known locally as the Garden Island), Kadavu and Ovalau. The two large groups of islands off Viti Levu's West Coast, the Mamanuca Group to the south and the Yasawa Group to the north are where many of Fiji's island resorts are located. There is also a major cluster of islands on the Eastern boundaries called the Lau Group. The Polynesian island of Rotuma, north of Vanua Levu, is also part of the Fiji group.

Fiji is one of the few places on earth where the 180 degree meridian (the line that separates yesterday from today) cuts across parts of dry land - passing through the tip of Vanua Levu (Udu Point) and the islands of Rabi and Taveuni. In early days, however, this meant that there were two time zones for Fiji. The International Dateline was adjusted accordingly and today Fiji is 12 hours ahead of Greenwich Mean Time (GMT).

Figure 4.1 Fiji location



Table 4.1 Key Demographic Indicators

Demographic Indicator		Total	Male	Female
1996 Census Pop, [de-facto]	No	715,375	362,568	352,807
Av. Inter census. Rate of Growth	%	2	2	1.9
Population Doubling Time	Yrs	35	-	-
Prop. Under age 15	%	38.4	38.8	37.9
Prop. age 15 - 64	%	58.7	58.3	59.1
Prop. age 65 and over	%	2.9	2.9	3
Dependency Ratio	%	70.4	71.6	69.1
Sex Ratio		102.8	-	-
Median Age	Yrs	20.6	20.5	20.8
Child - Woman Ratio	%	55.5	-	-
Urban Population	%	38.7	38.1	39.3
Population Density	Km^2	39	-	-
Never married [Pop.15+]	%	-	35.7	26.7
Married [Pop.15+]	%	-	61.5	63.5
Widowed [Pop.15+]	%	-	1.6	7.4
Divorced/Sep [Pop.15+]	%	-	1.2	2.3
Mean age at Marriage	Yrs	-	25.3	22.5
Infant Mortality Rates *	0/00	22	25	20
Child Mortality Rates	0/00	5	6	5
Av. Life Exp. at Birth	Yrs	66.9	64.8	69
Av. Life Exp. at age 25	Yrs	44.7	42.9	46.4
Total Fertility Rate		3.51	-	-
Gross Reproduction Rate		1.75	-	-
Mean Age Moth. at Childbirth	Yrs	26.3	-	-
Mean Age Father at Childbirth	Yrs	29.1	-	-
Literacy Rate*	%	87	90	84

Source: 1996 Population Census

4.1.2 History

Historians generally agree that Fiji was first settled about 3,500 years ago by voyagers sailing from Melanesia. European discovery of the islands was to come much later. Dutch navigator, Abel Tasman was the first European to discover the Fiji Islands in 1643 when he passed through Vanua Levu and the North Taveuni group. Another famous explorer - Englishman Captain James Cook - sailed through the Lau Group of islands in 1774. But it was Cook's fellow countryman - Captain William Bligh - who is

credited with the first charting of the islands. He passed through Fiji in 1789 after being set adrift in a small boat following the infamous Mutiny on the Bounty. He returned three years later in the HMS Providence to further explore the islands.

Fifteen years later, the discovery of sandalwood on the South-western coast of Vanua Levu led to an increase of Western trading ships visiting Fiji. Up until then, European contact with the Fijians had been limited to the occasional trading ship or shipwrecked sailor. Sandalwood was highly valued in China where it fetched a high price. Many beachcombers sailed from Australian ports in the hopes of making their fortune. A sandalwood rush began in the first few years but it dried up when supplies dropped between 1810 and 1814.

By 1820, the traders were back - this time for beche-de-mer or sea cucumber - considered a real delicacy in the East. The sandalwood and beche-de-mer trade attracted many people to Fiji during the early trading period including *manilamen*. Manilamen was a general term applied to Chinese seamen from outside of the Chinese Empire. The trading period led to the rise in power of some Fijian chiefs. The tiny island of Bau, off the coast of Viti Levu, and its chief Cakobau was one such example. Cakobau, later proclaimed himself the King of Fiji and was instrumental in Fiji being ceded to Great Britain.

The first Christian missionaries arrived in Fiji in 1830. They were Tahitian. Five years later, the first European Methodist missionaries arrived. They were David Cargill and William Cross. By the 1850s, the missionaries had gained influence over native Fijians and it wasn't long before most of the chiefs and people of Fiji had been converted to Christianity. The period between 1860 and 1870 saw an influx of European settlers into Fiji, with many making Levuka their home. Many were here to make their fortune in cotton following the world wide cotton boom. On October 10 1874, the Fiji Islands were ceded to England's Queen Victoria. The islands were colonized by Britain after this time.

The colonial government, under Fiji's first Governor Sir Arthur Gordon, brought in indentured labourers from India to work on sugar and cotton plantations from 1879. The indenture system ended in 1920. Today, almost half of the Indo-Fijian population are descendants of the early girmitya. Fiji's capital then was Levuka on the island of Ovalau. The Colonial administration eventually shifted the capital to Suva on Viti Levu in 1877.

Ninety-six years after the Deed of Cession was signed in Levuka, Fiji gained its independence on October 10, 1970. Fiji's first Prime Minister, Ratu Sir Kamisese Mara and his Alliance party held power until the 1987 elections when it was defeated by an NFP/FLP coalition. He later became President of Fiji. Sitiveni Rabuka staged a bloodless military coup on May 14, 1987 overthrowing Prime Minister Timoci Bavadra's government. He staged a second coup in September after which Fiji was declared a republic and ties were severed with the British Monarchy.

A new constitution was promulgated by the then President Ratu Sir Penaia Ganilau in 1990. It was seen as racially discriminatory. Rabuka later became Prime Minister in 1992 holding power till May 1999. On July 25, 1997, a new amended constitution was promulgated by the President. About two months later, Fiji re-entered the Commonwealth on September 30. The amended constitution came into effect on July 25 1998.

Shortage of labour in the developing colony (Fiji) and greater restrictions placed over black-birding - a term given to the practice of co-ercing people into labour (slavery) - later led to calls for the importation of Chinese to work on the plantations. This never materialized. Instead the Chinese community developed as small shopkeepers, importers and labourers associated with these businesses as well as market gardeners. Today some of prominent names in commerce are of the Chinese community. Currently as with the other pockets of cultural communities, the Chinese community too has become integrated as part of the wider community of Fiji and operates collectively as one community in all facets of life in Fiji.

Fiji resonates the global trend of cultural integration which through travel, mass migration, increased communication and advancing technology has enabled cultural interplay and deeply impressionable cultural exchange. Post-coup feelings also echoed a similar call, made by the Rabuka Government when trying to resolve issues of brain-drain and strikes by sugar-cane farmers/cutters.

4.1.3 Population

Fiji is a multi-racial country - rich in culture and diversity. There are, however, two distinct races and cultures in Fiji - the indigenous Fijians and the Indo-Fijians. Although classified as Melanesians, indigenous Fijians are a mixture of both Melanesian and Polynesian characteristics - the result of frequent contact with their Polynesian neighbours.

According to the most recent Population Census (1996), indigenous Fijians made up 51 per cent of the total population of 775,077. Indo-Fijians comprised 44 per cent while the remaining five per cent were made up of Rotumans, Chinese, part-Europeans, Europeans and other Pacific Islanders.

In 2004 the statistics department estimated there to be approximately 850,000 people in Fiji, 48 per cent of whom are indigenous Fijians, 45 per cent of Indo-Fijian origin and the remaining seven per cent are of Melanesian, Polynesian, Asian and European origin.

(i) Languages

English is the official language spoken in Fiji. Other languages commonly spoken include Fijian, Hindi and Rotuman, Gibertese (I-Kiribati) and Chinese.

(ii) Religion

The main religions in Fiji are Christianity, Hinduism and Islam. The majority of indigenous Fijians are Methodists. Other Christian denominations include: Anglican, Apostolic Church, Assembly of God, Baptist, Church of Latter Day Saints, Jehovah's Witness, Protestant, Roman Catholic and Seventh Day Adventist.

(iii) Politics

The Fiji Islands is a Democratic Republic governed by a President, Ratu Josefa Iloilo. He is elected by the Great Council of Chiefs (GCC), which also features prominently in the decision making process in Fiji.

Parliament consists of an Upper House (Senate) with 32 nominated members and a Lower House (House of Representatives) with 71 elected members. The 71 seats in the Lower House are made up of 25 open seats and 46 communal seats (23 - Fijian; 19 - Indo-Fijians; 1 - Rotuman and 3 - other races). The 32 senators are appointed by the President. 14 are nominated by the GCC; nine by the Prime Minister, eight by the Leader of the Opposition and one on the advice of the Council of Rotuma.

Until the military coup of 1987 which was led by a native Fijian, Colonel Sitiveni Rabuka, the indigenous people of Fiji represented an ethnic minority in their own land, which was dominated by the Indians and Australians economically and politically.

The native Fijians started to be given economic and political concessions in government programs in the years that followed under Rabuka. By 1999, Fiji has its first Prime Minister of Indian descent, Mahendra Chaudhry, whose programs were considered threats to the Fijians' landholdings. Tensions developed again between Indians and native Fijians and culminated in a coup in May 2000 that called for a guarantee of political supremacy by the native Fijians.

The diversity of the peoples of Fiji, history and culture is well recognized as an important characteristic of Fiji and has been made a basis of the government's overall policy framework. This is reflected in the government statements on its national vision, mission, and underlying philosophy. (Refer to *A Strategic Plan for the New Century: Policies and Strategies for the Sustainable Development of Fiji, February 1999.)*

The National Vision: *A united and progressive society committed to a collective future, where all can live in peace and security with fair and equitable opportunities for a better life for every citizen and each community*

Government's Mission: *Through sound governance and policies and programs, government will advance goals of peace and unity as well as sustainable economic and social prosperity in Fiji.*

Underlying Philosophy: *The private sector (both formal and informal components) operating in open markets provides the essential driving force of the economy. An expanding private sector is the main creator of employment and rising incomes with government playing a facilitating role.*

Elected municipal councils look after local government affairs in the various towns and cities. Fijian affairs are handled by the various Fijian provincial councils.

4.1.4 Land Management

Understanding land management in Fiji is an important step toward coordinating management of cultural resources in its many different forms, immovable cultural heritage in the form of monuments, archaeological sites, *tabu* areas; oral traditions, dance, and other skills and traditional knowledge. The system of land tenure in Fiji is made up of three types of land, Native Land that makes up approximately 83 per cent of the land, Crown Land and Freehold land. The Native Land is administered by the Native Lands Trust Board, and the landowners do not have unconstrained legal rights over the land. The land is owned by *Mataqali* who divide it up into family groups. Inheritance of the land is patrilineal.

The Ministry which deals with Fijian people is the Ministry for Fijian Affairs. The Native Lands Commission, which is a Department of the Ministry, is the agency responsible for identifying land boundaries and resolving disputes on that land. They are also the people who keep a register of land boundaries and genealogies, which identify a Fijian, and his/her right to inherit land. This information was recorded under oath in the early part of this century and is what is used to determine land boundaries and ownership of areas of land. This information is kept in books in a storeroom. The information is not computerized and has no public access without permission.

4.1.5 Culture and Tradition[9]

Fijian culture has managed to remain largely intact despite European contact and the influence of Western culture. However, many of the customs and traditions have been scaled down somewhat. In pre-missionary contact years, rituals, elaborate ceremonies, strict observance of customs were part of the Fijian way of life. Some of these violent customs were stopped after the missionaries arrived in Fiji. These included rites, associated with cannibalism, such as the piling up of bodies (which were later cooked) for a chief's installation. Human sacrifice was also a part of daily living then. For example, when the posts for a temple or chief's house were being set up, live men were put in the holes where the posts were to go - *to hold them up*.

But Fijian tradition and culture still lives on. The Fiji society is a communal one - with values placed high on the family unit, the village and the *vanua* (land). People in villages and those in urban areas share the communal obligations and rewards of community life and are led by a hereditary chief.

(i) Hierarchy

Unlike other Melanesian countries where a chieftainship is a position that one ascends to, the Fijian chiefly system follows the Polynesian system where the position is hereditary. The Fijian village is made up of several *yavusa* - the largest social unit for Fijians. RA Derrick in his book *History of Fiji* says that the *yavusa* is neither a tribe nor a clan. The members of the *yavusa* are *direct agnate descendants of a single kalou-vu* (deified ancestor) - the unit originating from the original *Lutunasobasoba* migration.

The *yavusa* is basically a family group going back to one original member of that migration. If the founder of the *yavusa* had only one son then after his death, the son succeeded him as chief of that *yavusa*. If there were two or more sons - then the succession was from brother to brother. When the last brother died, then the eldest son of the senior brother became chief.

Each member of the family of brothers then formed his branch of the *yavusa* called *mataqali*. The *mataqali* acquired a distinct name and identity and became the custodian of a particular task.

In a fully developed *yavusa*, there are several *mataqali*. They are as follows:

- The *turaga* or chiefly *mataqali* who were the most direct line of descent (through patriachal links) to the ancestor. The chief of the village is chosen from this *mataqali*.
- The *sauturaga* or executive *mataqali* - who were next in rank to the chiefs of blood. The chief's second in command - they carry out his commands and support him.
- The *mata ni vanua* or diplomatic *mataqali* are the official heralds and masters of ceremony.
- The *bete* or priestly *mataqali* performed the religious rites and were the mouthpiece through which the *kalou-vu* spoke.

[9] Fiji Museum, Suva, Aug. 1999.

- The *bati* or warrior *mataqali*.
- The smallest unit in the Fijian village is the *tokatoka*, a subdivision of the *mataqali*. The *tokatoka* is made up of closely related families with the same blood relative as their head. Each *yavusa* is part of a village, with that village being part of a district and that district being part of a province.

The different provinces make up the three traditional Fijian governments or *matanitu*. The first is *Kubuna* which is made up *Tailevu, Verata* and *Bau* (on the south east side of Viti Levu, the main island). The second is *Burebasaga* which comprises all the other parts of Viti Levu (the island of *Kadavu, Beqa, Vatulele, Ra* on the north eastern side of Viti Levu, the *Ba* province, *Nadroga* province, *Namosi, Serua* and *Rewa*). The third *matanitu* is *Tovata* made up of the Lau Islands, the *Lomaiviti* Group and the Northern islands.

4.1.6 Traditional support systems[10]

(social customs as they relate to social cohesion, welfare, meeting basic needs etc.)

The cultural aspects of the *vanua* are related to the belief and value systems of the people and the various types of relationship which exist between man and man, and man and his physical environment. These determine how people think and do things.

In an economy which is still very much subsistence based, the idea of caring for and sharing with others is an important aspect of the value systems of the Fijian people. The members of the community often depend upon one another for the various needs for survival. Although this expectation has a strong biological basis, it is further enhanced and extended through the exigencies of social living and the need to cooperate and live together in a context where people have to depend a great deal on what their physical environment could provide for the satisfaction of their needs.

The Fijian inherited responsibility and obligation of caring for one's immediate blood relatives is extended to include all other blood kin irrespective of generation and group affiliation. Through marriage, this obligation is further extended to one's in-laws and their kin. The wider the social network of relationships, the more one feels secure and assured of being cared for. However, to make sure that such help or care will be available, a person has to perform his duties and responsibilities in relation to his kinsmen. Wherever this is complied with, it is still one's own close blood kin who have the strongest feeling and responsibility for looking after their relatives. The idea of share and care is embodied in the Fijian ideal terms of *veivukei* (offering a helpful hand), *veinanumi* (the act of being considerate), *veilomani* (loving and friendly with one another) and *duavata* (togetherness) or *yalovata* (of the same spirit). These ideals, when manifested in action, are the means through which the concept of share and care is realized. Sharing land resources and other material goods is only one way in which these ideals are practiced. This is demonstrated by the practice of *kana veicurumaki*, whereby the land resources of one group or individual can also be used by others and vice-versa. Since no one in the village can provide everything he needs from his own piece of land, he must depend on other people's lands for other things he requires. Even after the land had been registered under the title of various *mataqali* within any *vanua*, the practice of kana *veicurumaki* continued in various forms and degrees. It is a stabilizing and equalizing factor in the allocation and distribution of land resources and the maintenance of harmony and solidarity among the people of a *vanua* or *koro*.

The moral or physical support one gives to another during any life crisis, or the sharing of one's guilt and shame by kinsmen, are only a few of the practical aspects of living together in which share and care is emphasized.

In the ideal and practice of share and care, kinship is an important determining factor in the allocation and distribution of land resources and the acquisition and distribution of goods and services. Those related by blood and even by marriage have some rights of access to the use of each other's land, property or talents. The closer the link, the stronger the claim. The check and balance is the principle of not doing it in excess and the practice of respect for each other's property.

A man is entitled to use his brother's property, but this must not be exercised to the extent that the brother feels he is being used or exploited so that he feels helpless or loses confidence. This sometimes happens where two persons do not

[10] Fijian Ethos, Asesela D.Ravuvu

recognize their mutual obligations and fail to reciprocate with some regularity. In-laws are also obligated, and are expected to support and assist one another. In this context, any social action thus becomes an economic action and vice versa. Existing social relationships are reflected in other economic relationships and they in turn affect how people acquire, allocate and distribute the various resources of their environment amongst themselves.

4.1.7 Welfare systems[11]

Before the arrival of Europeans, the welfare of every Fijian was a community responsibility. His house was built for him, the acquisition of his wife and the arrival of his children was a celebration of the community. At old age he was looked after not by the immediate family but by the community as a whole. He was provided with his immediate needs, he had his plantation, he participated and contributed in the communal sharing of food and wealth - he was not forgotten. His welfare in time of sickness was a community responsibility. Everyone fared well. Everyone was a landowner and was related to everyone else and the practice of reciprocity brought the community together to a cohesive whole.

When the Europeans arrived they introduced the colonial administration which centralized administration of the welfare of even the most distant society in the offices of the provinces and in some ways took over what has been the business of Fijian village leadership or *Tokatoka* leadership, or *Yavusa* leadership or the *Vanua* leadership. The administration of the welfare of society is from outside. It is not something from within in which the people participated in their daily welfare. This took away the initiative of the people either of the chief as head of the clan or a man as head of a family to be the master of his *Tokatoka* or *Yavusa* or his own household.

More recently, there is a *Turaga ni koro* appointed by the government in a village whom the government expects to supervise or deliver the services of government. Generally this role is held by men. He organizes and leads the building of houses, the cleanliness of the village, directs the programme for education, for production of food stuff, medical village nurse, welfare of the aged and the general running of the village. This change over from traditional to central government erodes the cohesiveness and the structure of traditional set up which had worked well in the past. The society begins to fragment because where this *turaga ni koro* could not cope single handed either with his initiative as the new leader or omission in the policies of the central government to meet a particular need. The society breaks down in meeting the basic needs of the people - good housing, welfare of the aged, sanitation, education and the importance of immediate cash to meet immediate needs when their structure is not really servicing that need either in productivity, or in selling the produce or finding the markets. People begin to look for casual employment outside of the village where they can earn cash as the society is no longer providing a source of need. Then what is left of the social structure, the chiefs and the leaders of the *Tokatoka* and family are somehow idle and are not able to cope. Whereas once they were very self sufficient in living off the land now they have to have some source of cash to survive or maintain the welfare of the village. It is the dislocation, or the inability on part of the people or the government to ease the transition from traditional to modern without corrupting or losing traditional values that are applicable in the changing paradigm. This somewhat explains the present state of stagnation or disintegration so that poverty, the inability of the society or the government to meet human needs, is the heart of the problem of a society which was once cohesive, buoyant and self sustaining. So we see a continuous movement to urban areas or people leave the village for short periods to earn cash in cities and towns. While money is everything it hasn't been able to replace communal labour comfortably.

From the village perspective it has been recommended by some local authorities that Fiji should utilise communal labour as the backbone of productivity in all agricultural produce, with establishment of a national network of marketing agencies for local and overseas consumption and fully harness the traditional leadership in the village which is still functional, but has not been fully utilized to foster increased production for commercial purposes. A productivity framework should include what needs to be planted for sustainable consumption and what is required for village obligations and personal savings. Quality standards used to be maintained through an annual Agricultural Show where certificates for the best crops and cattle were publicly presented.

[11] Ratu Jo Nacola, former Cabinet Minister and Member of Parliament, Vunivalu of Bure, Nakorotubu, Ra

This worked effectively in the colonial days when each family produced small amounts of crops generally for sustainable livelihood and which was supervised and monitored by the traditional leadership in the village, the *turaga ni koro* who was the representative of the central colonial administration and the village chief who represented and activated the traditional system.

A feasibility study on changes in the traditional system is provided in chapter 6 and it describes how the system can be enforced or revitalized to satisfy more than basic needs and how the villages and peri-urban communities with their low cash characteristics can interface with the cash economy and supply of services from the urban areas.

4.1.8 Population

Table 4.2 Urban population by city/town and sex

City/town	Total	Male	Female
Suva	167,975	83,910	84,065
Lautoka	43,274	21,732	21,542
Ba	14,716	7,342	7,374
Labasa	24,095	11,924	12,171
Levuka	3,746	1,866	1,880
Nadi	30,884	15,524	15,360
Savusavu	4,970	2,501	2,469
Sigatoka	7,862	3,987	3,875
Nausori	21,617	10,987	10,630
Lami	18,928	9,582	9,346
Tavua	2,419	1,227	1,192
Korovou	318	156	162
Navua	4,183	2,074	2,109
Deuba	1,607	792	815
Rakiraki	4,836	2,455	2,381
Vatukoula	7,079	3,552	3,527
Nabouwalu	592	305	287
Seaqaqa	394	203	191
Total	**359,495**	**180,119**	**179,376**

Source: 1996 Population Census

4.1.9 Statistics in Fiji

The Fiji Statistics department is part of the Ministry of Finance and is responsible for a range of statistical products that are produced by surveys or collection from other government or private agencies. The major current reports that are relevant to social security analysis include:

- Population census (1996),
- Annual employment survey 1999,
- Urban household income and expenditure survey 2003, and
- Rural household income and expenditure survey (2004) – expected to be released after this sourcebook is finalised.

The next ten year population census is due in 2006.

4.1.10 Urban household income and expenditure survey 2002-2003 - provisional results[12]

This is a summary of the Urban Household Income and Expenditure Survey 2002-03 (UHIES) and the results are based on a representative sample of 3,015 households, covering all urban areas in Fiji. Further validation is still to be conducted from other data sources on expenditure items normally under-reported.

The findings in this report are national estimates. Sub-national figures will be released later. The Estimates of Total Household Income with Other Receipts and that of Regular Household Income (in brackets) are reported separately. This better reflects how householders support their daily requirements.

(i) Average Household Income and Expenditure by Residential Area Type

The Average Annual Household Income/Receipts for the Urban Areas was FJD 15,757 (FJD 12,784). For the different residential area types this figure varied from FJD 23,618 (FJD 18,713) in High Class areas to FJD 9,512 (FJD 8,548) among Squatters. The Average Annual Household Expenditure for urban areas was FJD 11,730. For the different residential area types this figure varied from FJD 18,144 in High Class areas to FJD 6,987 in Squatter settlements. Further details are provided in Table 4.3 below.

[12] Statistical Bulletin No. 70, 18 December, 2003

Table 4.3 Average annual household income/receipts

Residential Area Type	Average Annual Total Household Income/Receipts	Average Annual Regular Household Income	Average Annual Household Expenditure
High Class	23,618	18,793	18,144
Middle Class	16,507	13,059	12,259
Settlement	11,950	9,922	8,873
Housing Authority/PRB Flats	14,449	12,066	9,900
Squatter	9,512	8,548	6,987
Urban Village	12,163	11,284	8,297
All Urban	15,757	12,784	11,730

Source: Statistical Bulletin No. 70, 18 December, 2003

(ii) Household income sources

Slightly over eighty five percent (85.5 per cent) of households had wage and salary earners where the average annual income from this source was FJD 11,842. About half of the surveyed households received money through arrangements collectively termed as current transfers. This includes welfare payments, pensions, gratuities, insurance, workers' compensation, scholarship, remittances, FNPF withdrawal etc. The average annual amount from such receipts was FJD 2,590.

Over a third of the surveyed households had other receipts which included drawings from savings, loans etc, with their average amount received annually being FJD 6,031.

Over a quarter of the households had subsistence income on average about FJD 485. About a quarter of the households received goods in cash or in-kind. The annual average sum of such receipts was FJD 516. Other details are provided in Table 4.4 below.

Table 4.4 Household income sources

Sources of Income/Receipts	Number of Households	%	Average Regular Annual Income ($)	Average Total Annual Income and Receipts ($)
i) Wages and Salaries	2,577	85.5	11,842	11,842
ii) Own Account Agricultural	276	9.1	3,590	3,590
iii) Own Account Non-Agricultural	384	12.7	6,363	6,363
iv) Property	90	3.0	2,373	2,373
v) Current Transfer	1,537	50.9	2,590	2,590
a) Remittance- Fiji	145	4.8	2,219	2,219
b) Remittance- Abroad	255	8.5	3,294	3,294
vi) Subsistence	864	28.7	485	485
vii) Goods Obtained from Employer/Business	170	5.6	1,434	1,434
viii) Gifts- Cash and Kind	762	25.3	-	516
ix) Other Receipts	1,278	42.4	-	6,031

Source: Statistical Bulletin No. 70, 18 December, 2003

Close to a fifth of households were entirely dependent on a single mode of income earning. These were mainly wage and salary earners accounting for 90.9 per cent of such households, with the remainder relying on household based own account activities or remittances in areas such as, transport business 2.1 per cent, remittances 1.7 per cent, wholesale and retail trade 1.2 per cent, with much smaller numbers involved in either *dalo* (taro), sugarcane, *yaqona* (kava), and the building and construction business. The remaining 2.8 per cent were involved in other own account activity.

(iii) Income distribution

Household income was grouped into deciles and quintiles. These are statistical frequency bands into which household income or expenditure is classified for statistical purposes. Total household income for the 3,015 households in the urban sample (3,006 for households with Regular Income), is ordered in ascending order and broken down into 10 equal groups in the case of deciles and 5 equal groups in the case of quintiles.

(iv) Decile grouping of income distribution

The highest earning 10 per cent of households accounted for nearly one third of the surveyed households total income/receipts, while the lowest earning 30 per cent of households received, a mere 10 per cent of total income/receipts collected. A similar trend is observed for regular

income distribution. Further details are provided in Table 4.5 below

.

Table 4.5 Income distribution deciles

Decile Group	Cumulative Household Number	Upper Total Income/Receipts Level ($)	Cumulative Percent of Total Income / Receipts	Upper Regular Income level ($)	Cumulative Percent of Total Regular Income
1	301	4,416	2.0	3,480	1.8
2	603	6,214	5.4	5,197	5.2
3	905	7,744	9.8	6,538	9.8
4	1207	9,360	15.2	7,943	15.5
5	1509	11,256	21.8	9,568	22.4
6	1811	13,591	29.6	11,478	30.7
7	2113	16,861	39.2	14,235	40.8
8	2415	21,671	51.3	17,949	53.4
9	2717	31,295	67.9	25,025	69.6
10	3015	196,000	100	196,000	99.4*

Percentage total does not add up to 100 due to rounding error.
Source: Statistical Bulletin No. 70, 18 December, 2003

(v) Quintile grouping of Income distribution

Table 4.6 below provides further details on income distribution for quintile groups by incorporating information on the number of households, average number, of persons, average annual income per household, per capita annual household income, median annual household income and the range for each group in order to provide some measure of spread. Major observations are:

- The average number of persons per household in each quintile group increased, as the earnings for that quintile group increased;
- Average annual income per household among those in the top earning 20 per cent of households is 10 times more than that of the lowest 20 per cent of households; and
- Per capita annual household income ranges from FJD 1,091 (FJD 858) on average in the lowest earning 20 per cent of households to FJD 7,252 (FJD 5,580) in the highest earning 20 per cent of households.

Table 4.6 Income distribution quintiles

Item	*Quintile group of household income distribution*					
	Lowest 20%	**Second quintile**	**Third quintile**	**Fourth quintile**	**Highest 20 %**	**All incomes**
Total number of households	603 (601)	604 (602)	604 (602)	604 (602)	600 (599)	3,015 (3,006)
Total number of persons	2,340 (2,355)	2,797 (2,751)	2,975 (2,915)	2,992 (3,065)	3,190 (3,183)	14,294 (14,269)
Quintile of household income distribution	6,214 (5,197)	9,360 (7,934)	13,591 (11,478)	21,671 (17,949)	196,000 (196,000)	–
Average number of persons per household	3.9	4.6	4.9	5.0	5.3	4.7
Average annual income per household ($)	4,256 (3,346)	7,792 (6,536)	11,338 (9,678)	17,096 (14,350)	38,434 (29,574)	15,757 (12,683)
Per Capita annual household income ($)	1,091 (858)	1,694 (1,421)	2,314 (1,975)	3,419 (2,870)	7,252 (5,580)	3,352 (2,698)
Median annual household income ($)	4,416 (3,480)	7,746 (6,538)	11,286 (9,569)	16,880 (14,241)	31,332 (25,051)	11,256 (9,568)
Range of annual household income ($)	5,694 (5,122)	3,146 (2,745)	4,233 (3,537)	8,130 (6,475)	173,025 (177,061)	194,480 (194,935)

Bracketed figure shows households with regular income
Source: Statistical Bulletin No. 70, 18 December, 2003

(vi) Household Expenditure by Major Group

Table 4.7 shows the average expenditure by major groups for those households that incurred the expenditure during the collection period and nearly all households (99.8 per cent) had expenditure on food, beverages and tobacco. The remaining households received food either from relatives or other sources. Less than half had expenditure on medical care and health services, but this only implies that expenditure on these services did not occur during the collection period. The highest average annual expenditure is on investments at FJD 7,677 followed by food, beverage and tobacco at FJD 3,141, then housing tenure rents and other maintenance costs at FJD 1,883. Transport and communications at FJD 1,842, miscellaneous goods and services, which include personal care and effects, jewellery,

holidays, miscellaneous services, restaurants and hotels with FJD 1,511.

Table 4.7 Expenditure by item

Expenditure Group	**Expenditure item**	**Number of Households**	**%**	**Average Annual ($)**
i) Household Consumption Expenditure	Food, Beverages and Tobacco	3010	99.8	3,141
	Housing Tenure Rents & Other Maintenance Costs	2976	98.7	1,883
	Clothing and Footwear	2,290	76.0	517
	Household Equipment and Operations	2,779	92.2	428
	Medical Care & Health Services	1,436	47.6	604
	Transport and Communications	2,949	97.8	1,842
	Recreation and Entertainment	1,780	59.0	483
	Education	2,055	68.1	666
	Miscellaneous Goods and Services	2,894	96.0	1,511
	Total Consumption Expenditure	***3,015***	***100.0***	***10,062***
ii) Household non-consumption expenditure	Insurance Premiums, Social Security Contribution, Direct Taxes etc.	1,323	43.9	1,399
	Investments (purchase of land, houses, shares, etc.	414	13.7	7,677
	Total Non Consumption Expenditure	***1,479***	***49.1***	***3,400***
iii) Total		**3,015**	**100.0**	**11,730**

Source: Statistical Bulletin No. 70, 18 December, 2003
It is not clear from the table how the Average annual total of 11,730 has been arrived at from the sum of totals (i) and (ii).

Table 4.8 Matched income and expenditure

Expenditure Class	Income class								
	Less 2,000	2001-5000	5001-7500	7501-10000	10001-15000	15001-20000	20001-30000	30001 +	Total
Less 2,000	44	56	6						106
2001-5000		297	187	89	45				618
5001-7500			271	171	141	33	8		624
7501-10000				188	200	65	23	10	486
10001-15000					263	153	78	26	520
15001-20000						126	111	31	268
20001-30000							123	99	222
30001+								171	171
Total	44	353	464	448	649	377	343	337	3015

*S*ource: Statistical Bulletin No. 70, 18 December, 2003

(vii) Income and expenditure levels

Table 4.8 shows the distribution of households with a match of total income/receipts against expenditure levels. The figures indicate definite savings in at least 50.8 per cent of total households.

(viii) Income level and consumption expenditure pattern

The information provided in Table 4.9 below illustrates how consumption expenditure patterns change depending on the household income decile.[13] The table shows the percentage of expenditure on each of the broad expenditure groups, with respect to the total.

On average the highest percentage of expenditure is on food beverage and tobacco (31.2 per cent) followed by housing tenure rents and other maintenance costs (18.5 per cent), transport and communications ((17.9 per cent), miscellaneous goods and services (14.4 per cent) with other expenditures making up the remainder.

[13] Households are grouped into income deciles. Their average expenditures by major expenditure groups are calculated. Finally the figures are taken as a percentage of the total average expenditure of the decile group.

Highly significant trends observed ***as income levels increase*** are:

- Decline in the proportion of household expenditure spent on food, beverage and tobacco i.e. from 48.0 per cent to 19.4 per cent of total household consumption expenditure, and
- Increase in the proportion of household expenditure spent on miscellaneous goods and services from 6.0 per cent to 22.5 per cent of average household consumption expenditure.

Table 4.9 Expenditure details by income decile

Consumption Expenditure	Decile group										
	1	2	3	3	5	6	7	8	9	10	Total
Food, Beverage & Tobacco	48.0	43.4	42.5	40.2	38.2	38.3	33.9	30.6	27.6	19.4	31.2
Lease, Rents & Other Maintenance Costs	20.5	19.5	18.6	18.9	19.0	18.0	19.0	18.5	16.9	18.8	18.5
Clothing and Footwear	3.0	3.6	3.6	4.0	3.9	3.5	4.4	3.8	4.5	3.6	3.9
Household Equipment & Operations	3.7	3.7	3.8	3.8	4.1	4.0	3.9	4.0	4.7	3.4	3.9
Medical Care and Health Services	2.2	1.9	1.9	2.1	2.5	2.3	2.6	2.5	2.2	4.5	2.9
Transport and Communications	13.1	16.2	16.2	16.4	17.7	18.0	18.0	19.1	18.3	18.6	17.9
Recreation and Entertainment	0.6	1.2	1.6	1.8	2.1	2.4	2.5	3.4	3.6	3.6	2.8
Education	2.9	3.2	3.4	3.3	3.8	3.5	3.8	4.4	5.8	5.5	4.5
Miscellaneous Goods and Services	6.0	7.3	8.5	9.4	8.8	10.0	12.0	13.7	16.3	22.5	14.4

4.2 Economic Overview

Fiji Economy – Overview (as of 22 June, 05) provided by RESERVE BANK OF FIJI

Economic expansion this year continues across the globe showing a positive prospect for all our major trading partners and selected non-Japan Asian (China, Hong Kong & Singapore) countries.

Domestically, economic indicators are holding up well. Labour market conditions though slowing down, remains firm. Nevertheless, the partial indicators suggest favourable trends in investment while import growth registered a sharp fall during the first 4 months of the year. Export performance has been disappointing.

The Government had a net deficit of FJD 67.8 million, equivalent to 1.4 percent of the GDP. Partial indicators of labour market conditions suggest a slowdown in employment growth. Cumulative to May, 5600 new taxpayers were registered representing a fall of approximately 22 percent, which was largely due to fewer registrations in all sectors of the economy with exception of the construction sector.

Inflation stood at 2.5 percent in May compared to the previous month when it was 1.3 percent. The underlying measure of inflation, the trimmed mean, was 1.4 percent in May. The year-end inflation forecast remains at 4.5 percent.

Broad money grew by 21 percent to FJD 2.2 billion in April. This was largely associated with the increase in narrow and quasi money, which in turn was influenced by higher demand and savings deposits. Narrow money rose by around 34 percent to FJD 1 billion, while the quasi money rose by 11 percent. On the determinants side, total value of outstanding loans in the banking system increased by around 20 percent underpinned by higher lending to wholesale & retail, hotels & restaurant, private individuals, and real estate sectors. New loans by commercial banks rose by 29 percent over the year. Increased borrowing by the wholesale & retail trade sectors and private individuals influenced this outcome. Also total loans and advances of Licensed Credit Institutions (LCIs) grew by around 17 percent, with the private individuals sector accounting for a prime share of these loans. Total outstanding deposits of commercial banks aggregated to $2 billion.

On the external front, cumulative to May, current Overseas Exchange Trade (OET) data showed merchandise exports declined by 22 percent. The decline in receipts was largely attributed to the negative contribution from sugar, textile, clothing & footwear, merchanted goods, fish, other exports and timber, which outweighed the positive contributions from other re-exports, ginger and

mineral water. The decline in import payments was due to negative contributions from consumption and intermediate goods, which more than offset the positive input from investment goods.

As at the end of May 2005, foreign reserves stood at around FJD 727 million, sufficient to cover 3.1 months of import of goods and non-factor services or 4.1 months of import of goods only.

4.2.1 Sectoral Developments

On the domestic front, the sectoral developments were quite stable during the review period. Growth, on an annual basis was noted in the copra industry and electricity. Fiji Sugar Corporation (FSC) produced around 90,400 tonnes of cane, from which 6,400 tonnes of sugar was produced. Current forecasts indicate around 12 percent growth in both cane and sugar for the 2005 calendar year.

On the fiscal front, as indicated by recent data, the Government's net deficit for the first 5 months of the year was about FJD 67.8 million, representing 4.4 percent of the GDP. Additional appropriation of FJD 10 million is anticipated to marginally raise this year's net fiscal deficit from 3.5 to 3.7 percent of the GDP.

(i) Sugar

Recent data on production provided by the FSC shows, for week ending 13 June, approximately 90,400 tonnes of cane output was crushed into 6,400 tonnes of sugar, giving the total cane to sugar ratio of about 14.1:1. However, this ratio is expected to improve as crushing gains momentum. Current forecasts indicate around 12 percent growth in both cane and sugar.

(ii) Electricity

Electricity production remains favourable. Cumulative to May, total electricity generated was around 301 million-kilowatt hours (kwh), representing an increase of 7 percent on an annual basis.

(iii) Copra

Copra, cumulative to April was around 2,800 tonnes, an increase of almost 6 percent over the comparable period in 2004. The minimum mill gate price of copra for the month of April stood at FJD 500 per tonne. Government's subsidy towards the mill gate price was FJD 39.25 per tonne.

(iv) Inflation

Inflation for the month of May was 2.5 percent, 1.2 percent higher than the previous month. Over the month, consumer prices rose by 0.8 percent mainly due to higher prices of heating & lighting, transport, food and alcoholic drinks & tobacco. Costs of heating & lighting and transport increased due to a 9 percent rise in domestic fuel prices. With a rise in prices of volatile food items, the prices of food rose in aggregate. Similarly, increase in prices of spirits and beer resulted in the increase in prices of alcoholic drinks & tobacco.

The underlying measure of inflation, the trimmed mean, was 1.4 percent in May, up from 1.2 percent in April. The year-end inflation is still expected to be 4.5 percent, however, persistent high oil prices are posing some adverse risk to this assessment.

(v) Labour Market

Partial indicators of labour market conditions suggest a slowdown in employment growth. Cumulative to May, 5600 new taxpayers were registered representing a fall of around 22 percent. The decline was largely due to fewer registrations in the manufacturing, agriculture, forestry and fishing and the wholesale, retail trade, restaurants & hotels sectors over the same period last year. However, the construction sector recorded an increase of around 64 percent. Community, social and personal services sector recorded the most new taxpayers followed by the wholesale, retail trade, restaurants & hotels sector, agriculture, forestry and fishing, and finance, insurance, real estate & business services sectors.

(vi) Monetary Aggregates

Broad money expanded at an annual rate of 21 percent to FJD 2.2 billion at the end of April 2005. The outturn was largely attributed to increases in narrow and quasi money, which in turn was influenced by rise in demand and savings deposits. Narrow money grew at an annual rate of 33.6 percent to FJD 1 billion, while quasi money rose by 11.2 percent during the review period.

The determinants of broad money, comprising domestic credit and net foreign assets, grew by 13.2 percent and 6.2 percent to around FJD 2 billion and FJD 692.3 million respectively over the year. The increase in the former was spurred by higher credit to private sector, which rose by 18.4 percent.

In the year to April 2005, the total value of outstanding loans in the banking system increased by 19.5 percent to FJD 1.7 billion. This outcome was largely underpinned by higher lending to wholesale & retail, hotels & restaurant, private individuals, and real estate sectors. Unfortunately, lending to the mining & quarrying and agricultural sectors contributed negatively to lending growth during the review period. Moreover, new loans by commercial banks stood at around FJD 73 million in April 2005, a decline of 1.9 percent over the month and an increase of 28.8 percent on an annual basis.

In addition, total loans and advances of LCIs grew at an annual rate of 16.8 percent during the review period to FJD 245 million, with more loans extended mainly to private individuals. The weighted average lending rate of LCIs was 11.62 percent at the end of April, a decline of 6 basis points over the month. Moreover, total outstanding deposits[14] of commercial banks were FJD 2 billion, 13.8 percent higher in comparison to last year.

On the interest rates front, at the close of April, the weighted average lending rate of commercial banks and the weighted average commercial bank time deposit declined by 5 basis points and 7 basis points to 6.87 percent and 1.80 percent respectively while the savings deposit rate remained unchanged. During the same period, interest rates on new deposit rate offered by commercial banks decreased by 15 basis point to 1.45 percent while the new lending rate increased to 7.42 percent from 7.21 percent that was recorded in the previous month. Meanwhile, interest rates offered by LCIs on new loans and advances and new time deposits decreased from 13.72 percent to 11.67 percent and from 3.61 percent to 2.99 percent respectively at the end of April 2005.

[14] Private business enterprises and individuals contributed to the increase in the total deposits.

(vii) Exchange Rates

In May 2005, the performance of the Fiji dollar was mixed against the major currencies. Bilateral movements in the exchange rate showed that the Fiji dollar strengthened against the Euro (1.4 percent) the Australian dollar (0.5 percent) and the New Zealand dollars (0.4 percent) but weakened against the US dollar (1.9 percent) and the Yen (0.2 percent).

The Nominal Effective Exchange Rate (NEER) index4[15] of the Fiji dollar rose by 0.3 percent in the year to May, indicating an appreciation of the Fiji dollar against the basket of currencies.

The Real Effective Exchange Rate (REER) index[16] of the Fiji dollar, a gauge of our international competitiveness, rose by 0.5 percent during the review period. The increase in the REER Index over the year reflects deterioration in our international competitiveness and was largely due to higher domestic inflation outcomes. Domestic inflation increased to 2.5 percent in May 2005, while average trading partner inflation was around 2.4 percent during the same period.

(viii) External Sector

On the external front, latest OET data showed that cumulative to May, merchandise exports fell by around 22 percent, compared with an increase of around 10 percent in the corresponding period last year. The decline in receipts was largely attributed to negative contributions from sugar, textiles, clothing & footwear, merchanted goods, fish, other exports and timber, which more than offset positive contributions from other re-exports, ginger and mineral water.

Merchandise imports fell by around 3 percent cumulative to May this year, compared to a growth of around 15 percent in the corresponding period in 2004. The decline in import payments was due to negative contributions from

[15] The NEER index is the sum of the indices of each trading partner currency against the Fiji dollar, adjusted by their respective weight in the basket. Each weight reflects a trading partner's contribution to Fiji's total trade in goods and services. The index measures the overall movement of the Fiji dollar against the basket of currencies. An increase in this index indicates a slight appreciation of the Fiji dollar against the basket of currencies and vice versa

[16] The REER index is the sum of each component of the NEER index, adjusted by the relative price differential between Fiji and each of the major trading partners. This index measures the competitiveness of the Fiji dollar against the basket of currencies. A decline in the REER indicates an improvement in Fiji's international competitiveness and vice versa

consumption goods (-2.9 percent) and intermediate goods (-2.8 percent), which more than offset the positive contributions from investment goods (2.9 percent). The decline in imports of consumption goods was mainly underpinned by negative contribution from other imports, food, beverages and tobacco and transport equipment while mineral fuels and textiles, clothing and footwear led the decline in payments for intermediate goods. The increase in imports of investment goods was mainly due to positive contributions from machinery and electrical equipment and chemicals.

4.2.2 Economic outlook for previous Year (2003 – 2004) provided by ADB

The economy grew quite fast in 2003, led by the tourism and construction sectors. Against this positive background, the Government remained committed to implementation of economic and public sector reforms, including restructuring of the sugar industry, while seeking to rein in the budget deficit. The medium-term outlook is for growth at modest rates.

(i) Economic assessment

The economy expanded for the third year in succession in 2003, with GDP strengthening by an estimated 5.0 per cent. Tourism, which accounted for about 10 per cent of GDP, was the leading growth sector, with visitor numbers reaching a new record of 426,000 in 2003, up from about 398,000 in 2002. The hosting of the South Pacific Games and the perception of a safe and affordable destination were major reasons for rising tourist arrivals. Stimulated in part by the latter, and by increased remittances from overseas, the wholesale and retail trade, restaurant and hotels, and transport and communications sub sectors registered strong expansion of over 8.0 per cent. Other services sub sectors grew more slowly. The construction sector grew by a rapid 17.0 per cent because of government spending on physical infrastructure and the implementation of several large private sector projects in hotels and trade activities.

Table 4.10 Major economic indicators, Fiji Islands, 2001-2005

Major Economic Indicators, Fiji Islands, 2001-2005, %

Item	2001	2002	2003	2004	2005
GDP growth	3.0	4.1	5.0	3.9	3.0
Gross domestic investment/GDP	14.8	13.8	14.2	13.5	-
Inflation rate (consumer price index)	4.3	0.8	4.1	3.0	3.0
Money supply (M2) growth	-3.1	7.9	15.6	7.3	-
Fiscal balance[a]/GDP	-6.6	-5.6	-6.1	-3.5	-0.8
Merchandise export growth	-8.4	2.6	-17.6	12.7	14.5
Merchandise import growth	-4.2	13.5	-11.6	7.6	18.6
Current account balance/GDP	-3.3	-3.7	-10.0	-6.6	-9.6
Debt service ratio	1.9	1.9	2.5	-	-

- = not available. [a] Including asset sales.
Sources: Ministry of Finance and National Planning, *Economic and Fiscal Update: Supplement to the 2004 Budget Address*, 7 Nov 2003; RBF, *Quarterly Review*, various issues; staff estimates.

Manufacturing recovered from a downturn in 2002 as a result of strong rises in all sub sectors except sugar manufacturing, which continued to suffer from inefficiencies in milling and transporting of sugarcane. The garment sub sector, in particular, rebounded strongly from its 2002 decline. In the primary sector, sugarcane production dropped because of the effects of prolonged drought and the ongoing no renewal of land leases, while copra production was weakened by the effects of cyclone Ami, which hit early in the year. The fisheries sub sector grew slowly, with poor weather and over-fishing possible reasons for low catches. The forestry and mining sub sectors each grew by about 1.0 per cent.

Private consumption remained strong in 2003, as evidenced by an 11 per cent rise in VAT revenues (adjusted for the 2003 rise in the tax rate). Imports of investment goods were about 20 per cent higher than in 2002, and a rise in investor confidence was evident in the start of several large private sector tourism projects in the last quarter. Under the Hotel Aid Act, duty exemptions and tax breaks of 10 years for investments of over FJD 10 million and 20 years for investments of over FJD 40 million are granted. Confidence among the resident business community was also growing in 2003.

Labour market conditions remained strong. In the period from January to end-December, 9,524 new taxpayers were registered, representing a 14.3 per cent increase on the 2002 figure. Employment

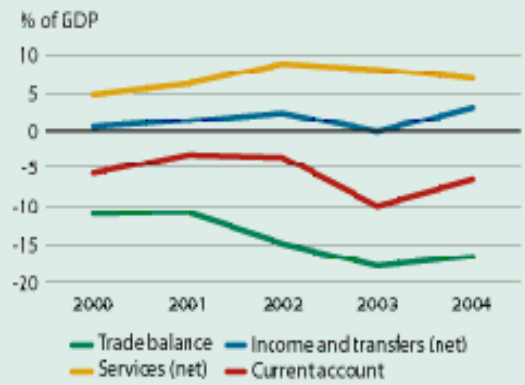
surveys showed a rise in job advertisements, and jobs were created in the ICT sector with the establishment of back-office operations in the country. However, in the first 10 months of 2003, 4,800 people emigrated, representing an increase of almost 6 per cent on the corresponding period in 2002. The health and education sectors, in particular, were hit by the continuing brain drain, which began after the two coups in 1987 and accelerated after the mid-2000 coup.

The 2003 fiscal target of reducing the budget deficit to 4.0 per cent of GDP was not met. Current revenues were up by 6.2 per cent on the 2002 level because of strong economic growth and the January 2003 increase in the VAT rate from 10.0 per cent to 12.5 per cent. However, a substantial extra-budgetary appropriation was made in order to deal with the impact of cyclone Ami, and planned asset sales were not made. The budget deficit consequently came in at 6.1 per cent of GDP. At end-2003, the Government's domestic debt stood at 44.7 per cent of GDP, with the Fiji National Provident Fund, which accounts for almost half of financial sector assets, holding 62.0 per cent of it.

Inflation increased from 0.8 per cent in 2002 to 4.1 per cent in 2003, reflecting primarily a rise in food prices attributable to the supply-side impact of cyclone Ami, as well as the drought. Other contributory factors were the one-off impact of the higher VAT rate and a general strengthening of domestic demand. The nominal effective exchange rate index of the Fiji dollar rose by 0.8% in 2003, indicating a slight appreciation against a basket of trading partner currencies. With inflation running at about double the rate of that in the country's major trading partners, the real effective exchange rate index rose by 3.0 per cent, indicating some deterioration in international competitiveness of an economy characterized by relatively high wage costs.

Broad money grew by 15.6 per cent in the year to end-November 2003, largely because of a rise in domestic credit. Net credit to government increased rapidly in order to finance the budget deficit, and there was a significant rise in credit to the private sector, which was concentrated in personal loans and loans to the trade, construction, and food and beverages sectors. The commercial banks' weighted average lending rate fell from 7.89 per cent in January to 7.36 per cent in November. Real interest rates on deposits became heavily negative.

Figure 4.2 Economic indicators



Sources: Republic of Fiji, Ministry of Finance and National Planning, *Economic and Fiscal Update: Supplement to the 2004 Budget Address*, 7 November 2003, Tables 4 and 7; Reserve Bank of Fiji, *Quarterly Review*, February 2004, Table 4.1; staff estimates.

The current account deficit widened significantly to 10.0 per cent of GDP in the first 3 quarters of 2003 as the trade balance worsened substantially (Figure 4.2). Exports were down by about 1 per cent in domestic currency terms on the corresponding period in 2002 because of major falls in gold, fish, and timber exports. Imports picked up substantially in domestic currency terms, especially in the categories of machinery and transport equipment and in manufactured goods. The growth in tourist arrivals contributed to inflows on the services account though higher transport costs linked to imports reduced the surplus on this account. Net inward transfers increased. The capital account moved into surplus because of higher FDI and loan draw-downs by the Government. The overall balance-of-payments deficit rose slightly to 2.3 per cent of GDP. A pickup in exports in the quarter to December 2003 contributed to a current account improvement, but there was nonetheless some deterioration in the balance of payments over the whole year. By the end of the year, foreign reserves had declined to the equivalent of 3.0 months of imports of goods and non-factor services, compared with 3.6 months at end-2002. The Government's external debt, as of September 2003, was 4.2 per cent of GDP, with debt servicing equivalent to 2.5 per cent of total exports.

(ii) Policy Developments

Soon after its election in 2002, the Government announced a target of increasing the sustainable economic growth rate to 5 per cent a year. The

key to achieving the target is the reversal of a long-term decline in the investment rate, which had fallen from around 20 per cent of GDP in the 1970s to around 12 per cent in the 1990s, and had been associated with a drop in average annual GDP growth rates from over 8 per cent in the 1970's to under 3 per cent in the 1990s. Declining private sector investment was of particular concern, having dropped from about 14 per cent of GDP in the 1970's to about 4 per cent in the 1990's. Major reasons for the decline were political instability following the coups of 1987, uncertainty over land leases, administrative delays and impediments in the investment approval process, and shortages of skilled workers. These factors remain relevant today. The investment ratio in 2003 was estimated to be 13-14 per cent of GDP, compared with 21.3 per cent in 1977.

Achieving 5 per cent annual growth by raising the investment rate to 25 per cent of GDP is a priority area of the current medium-term strategic development plan. IMF, however, estimates that an investment rate of 30 per cent of GDP would be needed to sustain 5 per cent growth. The Government aims to increase the share of capital expenditures in total public expenditures to 30 per cent, from the budgeted level of 14 per cent in 2004, and to encourage private sector investment by ensuring macroeconomic stability, implementing structural reforms, improving infrastructure, and maintaining existing incentives (e.g. accelerated depreciation for buildings and duty-free importation of raw materials for companies planning to expand their operations). The Government also plans to amend the Foreign Investment Act. Despite the rising investment in tourism in 2003, a general improvement in private sector investment was not evident, with foreign investors, in particular, remaining hesitant because of ongoing concerns over political stability. In addition, increasing public capital expenditures toward the 30 per cent target requires a reallocation of expenditures away from personnel. This will be difficult to achieve in the medium term.

Other priority areas that received explicit resource allocations in the 2004 budget included rural development, social justice and poverty alleviation, infrastructure, tourism, social and community development, natural resources and environment, and law and order. The Government is committed to reducing poverty by 5 per cent annually. The proportion of households living below the national poverty line rose from about 15 per cent in 1983 to about 26 per cent at the start of the 1990's, and is likely to have increased since then. However, the budget provides for only a 1.3 per cent rise in nominal expenditures on poverty reduction projects, a significant drop in real terms. In addition, nominal expenditures on rural sector and outer island assistance are to fall by 16.5 per cent. The only component of the poverty reduction program to attract significant additional funding is tuition-free education. Social welfare payments, housing assistance, and micro finance also suffer a drop in funding.

The 2004 budget estimates an overall deficit, excluding asset sales, of 3.9 per cent of GDP, which is to be financed by domestic borrowing. Current revenues are forecast to rise by 8.3 per cent from the 2003 level, with collection expected to improve as a result of greater coordination between the processing of income and VAT returns through the introduction of the Fiji Integrated Tax System. The top marginal personal and corporate tax rate is to be reduced from 32 per cent to 31 per cent, the export tax on sugar goes back to 3 per cent from the 10 per cent rate introduced in the 2003 budget, and the number of tariff bands is to be reduced from six to four. Operating expenditures are forecast to rise by 3.5 per cent, with personnel costs increasing by 2.2 per cent and accounting for 48.7 per cent of total operating expenditures. The Government intends to replace wage indexation in the civil service with productivity-based wage increases. A staff freeze is also to be imposed on all ministries except education, health, and the police, and expenditure control is to be improved through the introduction of a new financial management information system. Expenditures on military personnel may prove difficult to limit. Capital expenditures are budgeted to drop substantially.

In 2003, the functions of the Reserve Bank of Fiji were extended to include formal supervision of the Fiji National Provident Fund and an interim Financial Intelligence Unit was established to counter money laundering and terrorist financing, pending passage of enabling legislation. Means of improving rural financial services delivery were under investigation, including restructuring the Fiji Development Bank. Exchange controls are to be relaxed in 2004 by increasing delegation of capital transactions to the commercial banks.

Implementation of structural reforms has generally been a slow process. In late 2003, the Government restated its commitment to the

difficult task of restructuring the sugar industry, and will guarantee loans raised by the Fiji Sugar Corporation for a 5-year FJD 170 million program of upgrading transport and milling infrastructure. The Government will also seek to resolve long-standing land tenure issues within the framework of the Native Land Trust Act, which potentially allows agricultural leases of 50 years. Labour legislation is to be consolidated into a new, comprehensive Industrial Relations Bill aimed, among other things, at supporting collective bargaining procedures and establishing tribunals and courts for dispute settlement.

(iii) Outlook for 2004-2005

The forecast is for the growth rate to drop to 3.9 per cent in 2004. With sugarcane production continuing to fall, growth in the agriculture, forestry, and fisheries sector will be slow at an estimated 0.9 per cent. Mining production will grow rapidly as a strong gold price stimulates exploitation of new ore deposits at the existing mine. Continued rapid growth in the construction sector will be driven by completion of private investment projects in tourism, and by some aid-funded infrastructure projects. Manufacturing is forecast to expand by just over 4 per cent as food and beverages production increases and textile, clothing, and footwear producers take advantage of the final year of full preferential access to the Australian market under the South Pacific Regional Trade and Economic Cooperation Agreement. The services sector, which accounts for 58.7 per cent of GDP, is forecast to grow at 3.0 per cent. Tourist numbers are expected to increase by 3.5 per cent on the record 2003 level, assuming that stronger Australian and New Zealand currencies will encourage tourism from the region.

In 2005, growth is forecast to slow further to 3.0 per cent. The agriculture, forestry, and fisheries sector is expected to continue its limited overall expansion, while the growth rates in the mining, manufacturing, and construction sectors are expected to drop. The garment sub-sector faces removal of quota protection in the US market, and is likely to register little growth. The services sector is forecast to grow at 3.5 per cent on the assumption that tourist numbers will grow by around 6 per cent. Given the growth in supply of tourist accommodation and the possible expansion of aircraft seat capacity with the entry of an additional airline into the regional market, the realization of this projected increase in tourist numbers will depend largely on marketing efforts and cost competitiveness.

Economic growth at rates in the 3-4 per cent range will generate annual increases in formal sector employment of about 2 per cent, which is well below the rate required to absorb the annual net increase in those seeking paid employment. Simultaneously, efforts to increase the capacity of the poor to take advantage of income-earning opportunities will be limited by the real decline in funding for poverty reduction programs, as the traditional family-network support system continues to weaken.

The Government's past projections of declining budget deficits have proven to be overoptimistic, and this may again be the case for 2004 and beyond. Official projections suggest a reduced budget deficit (after inclusion of asset sales) of 0.8 per cent of GDP in 2005. Revenue projections are conservative, but projections of a fall in nominal operating expenditures are unconvincing, and projected cuts in nominal capital expenditures will have major implications for infrastructure development if they are actually implemented. It is unlikely that government debt will track down toward the targeted level of less than 40.0 per cent of GDP by 2006.

Export growth (in domestic currency terms) in 2004 is forecast to be negligible as a decline in re-exports offsets a surge in gold exports and strong growth in mineral water exports. At the same time, imports are expected to drop, largely as a result of a fall in imports of machinery and equipment, so that the trade balance could improve. However, the above trends change if trade is calculated in USD terms due to an expected appreciation of the local currency relative to the USD (from FJD 1.9/USD 1 in 2003 to FJD 1.7/USD 1 in 2004). In particular, exports and imports in USD terms are forecast to increase in 2004 by 12.7 per cent and 7.6 per cent, respectively. The current account deficit is likely to increase to about 10 per cent of GDP in 2005 as import growth resumes. The overall balance of payments is expected to record a small surplus in 2004 and 2005.

4.2.3 Insurance Industries

Insurance companies are well developed in Fiji. The Fiji Insurance industry is governed by the Fiji Insurance Act 1998, and supported by the Insurance Regulations 1998. The Insurance Act

gives powers to the Reserve Bank of Fiji to administer and to perform all the functions assigned to it under the Act.

The insurance sector is part of the Fiji financial system and plays an important role in the development of the Fiji economy.

The local insurance industry consists of 2 life insurers, 8 general insurers, 2 insurance brokers and 318 insurance agents. Of the 318 agents, 141 are agents for life insurance, 8 for health insurance, 72 for general insurance and 97 for both life and general insurances.

The Insurance Council of Fiji and the Licensed Insurance Brokers Association of Fiji had their annual meeting with the Governor of the Reserve Bank of Fiji in September 2003. One of the issues raised and discussed was the move to make Workmen's Compensation in Fiji compulsory. The issue was raised by the Ministry of Labour and is being discussed in-house.

4.2.4 Reserve Bank of Fiji – Insurance Annual Report 2003

(i) FijiCare

FijiCare is a private insurance company governed by the Reserve Bank of Fiji that complies with the Fiji 1998 Insurance Act. With more than 100,000 customers, and yearly growth rate of 58 percent average per year, *FijiCare* is the leading medical insurance company in the country with a 72 per cent market share. It has more than 10 years of experience in Fiji and has around 13,341 shareholders. The Company is one of the leading providers of health, medical evacuation, life and accident insurance in the country. It has several health insurance plans, which may include outpatient, dental and optical, personal accident, life and total disability insurance and workmen's compensation. It offers three levels of health insurance covering individuals, couples and families as well as group insurance plans for employees and members of companies, associations and unions, government and the general public. Aside from local hospitalization in a private or public hospital, overseas medical evacuation to New Zealand is an option, a plan which includes the cost of transportation and, upon medical advice, an accompanying relative or medical specialist. For 2004, *FijiCare* reported that the average cost of medical evacuation is FJD 20,658.

The year 2003 saw *FijiCare* Insurance Limited write good volumes of life, medical and *medivac* business which were previously offshore. And apart from the repatriation of the offshore business, support from their major clients and brokers saw renewals and new business at an all time high. *FijiCare* now operates the *FijiCare* Medical Centre that offers a full range of FIL medical outpatient services including claims management for FIL customers and small surgical procedures.

(ii) Colonial Fiji Group

The Colonial Fiji Group is one of the South Pacific's leading providers of integrated financial services including retail and business banking, funds management, life insurance and health insurance. A member of the Commonwealth Bank of Australia Group, Colonial has been operating in the Fiji Islands since 1876, expanding its services to Tuvalu, Tonga and Samoa in 2000.

Colonial Fiji Group is also a private insurance company governed by the Reserve Bank of Fiji. Colonial recently announced a combined operating profit after tax of FJD 7.8 million for the year ended 30th June 2004.

Colonials Health Care includes several health products designed to assist individuals and families as well as group schemes. These include local hospitalization in any government public hospital, day care hospitalization and surgical and Medical treatment in a Colonial preferred local private hospital, Colonial's private hospital for day care surgery or inpatient hospitalization, air transportation subsidy, funeral cover, dental and optical benefit, allied services benefit which include the services of specialists, overseas evacuation to New Zealand or Australia if the condition cannot be treated in Fiji. Major exclusions include all pre-existing conditions, all congenital conditions, all conditions related to HIV, drugs and alcohol abuse and sexually transmitted diseases. Age at entry is 18 years and the maximum age is 60 years at next birthday. For dependent insured minimum age is 6 months. Cover will extend to 75 of age next birthday provided the insured joins Colonial prior to 60 years of age and cover continues without a break during that period.

(iii) Association of Banks in Fiji (ABIF)

With all commercial Banks operating in Fiji as its members, the Association of Banks in Fiji (ABIF) is regarded by most businesses and other fraternities as the representative body of the banking industry in Fiji.

The banking industry is considered to be among the larger private-sector industries in Fiji, employing over 1,400 people. Banks are regarded as perhaps one of the better employers in terms of paying salary and fringe benefits. Generous remuneration packages are necessary if the industry has to sustain suitably qualified personnel, and continue attracting skilled professionals to the sector. The industry not only complies with the labour laws of the country (and also other statutes relating to provident fund, workmen's compensation and maternity leave, etc) but also provides " a bit more than others" in terms of benefits to its employees.

In keeping with the trends in other countries the banking sector in Fiji has installed other banking amenities such as automated teller machines (ATM) and electronic funds transfer at point of sale (EFTPOS). Banks in Fiji are no different to financial intermediaries around the world who take deposits and lend funds, and earn profits primarily from the difference between the interest rates they charge on loans and those they pay on deposits. Banks, however, also provide a range of other finance services, insurance, funds management, advisory services, financial markets products, and a wide range of transactional services, in-house trading activities, and provision of products such as foreign exchange to customers etc.

Banks here are also following an international trend by banks to seek to recover costs for services and like other businesses; they are required by their shareholders to make profits. They must therefore remain financially viable while operating under a very thin spread of margin of profit. Some reluctance may therefore be seen towards the introduction or pursuance of any other type of banking sophistication unless such additional services are financially self-supporting. Like any other profit oriented institution, Banks may also tend to get away from operating in areas that are "cost-centres" based and confine their operations to key locations that they consider to be "profit-centres".

The present commercial banks have been here through Fiji's hard and good times and have made significant contributions to the nation's economy. They have been able to sustain their existence here and consistently improve their standard of customer services.

(iv) FNPF

Fiji's foremost provider of social security the Fiji National Provident Fund (FNPF) has set 55 years as the age at which its members may avail themselves with funds under any one of its several retirement schemes and options are entirely a member's choice.

Those who opt for pensions, still of limited number as of 30th June, 2005, continue to be serviced by banks which receive remittances made directly by the FNPF into the retired members' accounts. Alternately, the FNPF issues members with post dated pension cheques (after verification members are still alive) the Banks negotiate on behalf of their member clients.

As from 1 August, 2005, all FNPF members' withdrawal payments will be made through electronic money transfers direct into their bank accounts, replacing the system of issuing cheques. If members do not have bank accounts they will receive their monies through a Disbursement Account at a designated Bank. Under the electronic money transfer scheme members will receive their monies within 48 hours. This development will obviously see further involvement of the banking industry.

4.2.5 Rural Banking System[17]

In Fiji, close to 340,000 people living in rural villages and settlements remained un-banked until the setting up of the Rural Banking System. While government and UNDP supported microfinance schemes had made inroads into the rural areas, outreach remained small at less than 2 per cent at the outset of the scheme. The aim of the UNDP and ANZ bank partnership was to start a commercial banking service to all rural communities in Fiji that was also supported by a financial literacy training programme to enable rural people to better manage their money and to make informed choices on the best use of the new banking service. The service began in October

[17] *Rasiklal Jogia, Executive Secretary/Treasurer, Association of Banks in Fiji – Fiji Institute of Bankers*

2004. To date there are 30,000 rural bankers enjoying the facility.

ANZ Bank provides a fleet of 6 mobile banks that travel on a regular schedule to 150 designated rural villages in the main islands of Viti Levu, Vanua Levu and surrounding islands. Two savings products are offered – a long term savings account and an everyday savings/transaction account. Clients have access to other banking products offered by the bank and can transact in any of its urban branches including receiving deposits directly from relatives in towns and overseas. The Service is also extended to rural schools with special runs every 2 weeks. Loans products are planned in the second phase and, in the meantime, UNDP is actively working with the National Microfinance Division to fill this market gap.

4.2.6 The role of UNDP

UNDP assisted with the feasibility assessment work by sharing experience on microfinance schemes, providing information on the rural economy and validating that the poor are bankable. The partnership is formalized in an MOA that recognizes the importance of providing an inclusive, transparent, convenient and affordable service that matches the needs of the people. It also acknowledges the importance of empowering people to save and invest. UNDP continues to courage other banks and institutions to respond to the many service gaps in the rural sector.

4.2.7 The International Labour Organization or ILO

The ILO emerged in 1919 with the Treaty of Versailles which enabled it to carry out social reforms, after World War I at an international level. In 1946 it became a specialized agency of the United Nations Organization to promote growth, national independence and technical cooperation with the developing world.

Today, the ILO's Head Quarters is located in Geneva headed by its Director-General, Juan Somavia. ILO has five regional offices in: Africa; Arab States; Asia and the Pacific; Europe and Central Asia; and Latin America and the Caribbean Region; and a total of 65 sub-regional and area offices for its 157 member states globally.

The regional offices monitor most of the programmes and activities in their area offices. The ILO Office for the South Pacific falls within the area of the Asia Pacific Regional Office. The International Labour Organization (ILO) is a technical agency of the United Nations system which promotes Decent Work for all women and men.

Decent Work is an aspiration of individuals and a development goal for nations. It is refers to work that is carried out in conditions of freedom, equality, security and human dignity that provides the social foundation for the global economy.

This goal is promoted through four strategic objectives:

1. To promote and realize standards, and fundamental principles and rights at work;
2. To create greater opportunities for women and men to secure decent employment;
3. To enhance the coverage and effectiveness of social protection for all; and
4. To strengthen tripartism and social dialogue.

In 1975 the ILO opened its Suva Office in the Fiji Islands, since then with its traditional partners or constitutents; representatives from the government, workers' and employers' organizations, ILO has been promoting Decent Work for all through various means of action including technical cooperation in the South Pacific countries.

ILO Suva office serves 22 South Pacific Island countries. Six of these - Fiji, Papua New Guinea, Solomon Islands, Kiribati and Vanuatu and Samoa are ILO member states.

The ILO headquarters is in Geneva, Switzerland, and has five regional offices in: Africa; Arab States; Asia and the Pacific; Europe and Central Asia; and Latin America and the Caribbean Region. It has a total of 65 sub-regional and area offices to serve the constituents of its 177 member states globally.

Fiji became a member of the ILO in1974. In 1975 ILO opened its Office for the South Pacific in Suva. During this time, the ILO has assisted the country develop in many different ways; the principal amongst them has been the provision of technical expertise.

In a recent tripartite workshop in June 2003, ILO constituents identified a number of deficits in relation to the promoting Decent Work agenda. A draft Decent Work National Plan of Action is has been drafted identifying strategic responses to these gaps. The details of this will be placed on this website soon.

Since the May 2000 Coup, ILO has concentrated its support on the institutional capacity building of its social partners. The following major achievements have been made in the following areas:

(i) Sector 1 - Standards & Fundamental Principals & Rights at Work

Major Achievements

1. Ratification of the eight fundamental conventions (C29, C87, C98, C100, C105, C111, C138 and C182).
2. Translation of the declaration and fundamental convention into Fijian and Hindi.
3. Awareness on the issue of child labour with particular reference to its worst forms and promoting project on 'Type & Extent of Child Labour".
4. Review of selected conventions such as: Maternity Protection; Tripartism, etc.
5. Translation of Convention 169 on indigenous rights.
6. Study on Discrimination in Employment & Occupation.
7. Review of Industrial Relations Bill.

(ii) Sector 2- Decent Employment & Income for all

1. Promotion and implementation of the Integrated Human Resource Development Programme for Employment Promotion (IHRDPEP) - a medium term strategy for job creation in the formal and informal sector in rural and urban areas. The programme has succeeded in creating 3370 jobs.
2. The other two major achievements of this programme are: a) Tripartite PEAK Body composed of 15 ministers and executives of employers', workers' organizations to provide policy guidance. b) Declaration of unemployment free zones c) Development of small & micro-enterprise policy framework d) Development of Youth employment policy framework e) Development of draft labour market information policy framework f) Implementation of IHRDPEP as a pilot scheme in the rural town of Sigatoka to find formal employment and or gainful engagement in economic activities by all unemployed persons.
3. Assistance in the establishment of the Computerized Human Resource Information System with the Ministry of Finance and National Planning.
4. Review of the Industrial Training Board of the Training and Productivity Authority of Fiji.
5. Recommendation on vocational Rehabilitation of persons with disability.
6. Study on skill losses.
7. Trained officials of government, employers' and workers' organizations on Labour Market Information system.

(iii) Sector 3 - Social Protection

1. Actuarial evaluation of Fiji Provident Fund.
2. Ongoing discussion on the possible expansion on social security coverage for health care.
3. Study on the social protection systems of Fiji.
4. Trained officials of the government, employers' and workers' organizations on Occupational Safety and Health (OSH). Development of OSH Information Center is under progress.
5. Study on the 'Working condition and welfare of maritime workers'.
6. Inter-agency UN project on HIV-Aids, Training of workers' and employers' organizations on code of practice of HIV-AIDS at the workplace.

(iv) Sector 4 -Social dialogue & tripartism

1. Assistance to the government, workers' and employers' organization in the review of the Industrial Relations Bill.
2. Institutional capacity building of constituents by granting fellowships / training in various economic and social areas and organizing national and sub-regional workshops.
3. Institutional capacity building of trade union organization in areas of Occupational Safety and Health, Youth employment, leadership training, democracy and workers rights, Industrial Relations, Fundamental

Convention, Gender equality and women leaders, etc.

4. Study on globalization and its impact on workers' rights.
5. Study and strategic planning on the institutional capacity building of Fiji Employers' Federation.

1975 – On Invitation of Fiji Government ILO Suva Office is opened
1977-Vocational Rehabilitation project with the Fiji Rehabilitation Council implemented
1978 - Assistance to PNG and Fiji Trade Unions to set up basic research Libraries
1981 -

- ✓ FIJI_ Vocational Rehabilitation project with the Fiji Rehabilitation Council launched
- ✓ Advice and assistance in drafting the employment injury social insurance scheme to replace WC
- ✓ Project on dispute settlement and promotion of industrial peace
- ✓ Training of Logging Workers
- ✓ Technology Policy Assessment
- ✓ Population Information and Communication Programme through Cooperatives

1983 - Adult Education and Training for Rural Women (1983 - 1990)
1984

- ✓ Fiji Logging School to train skilled loggers to meet increased wood production (1984 - 93)
- ✓ Comprehensive Programme for Youth in Family Welfare and Community Development (1984 - 1989)

1985

- ✓ Women's Activities in the South Pacific (1985 - 89)
- ✓ Women's Pilot Population Survey

1986 - Training of Logging Workers Phase II
1987

- ✓ Modernization of Hotel, Catering and Tourism Occupational Training Programme (1987 - 1992)
- ✓ Cooperative Training Needs Analysis and Curriculum Development Consultancy
- ✓ Adult Education and Training for Rural Women (1987 - 88)

1988

- ✓ Fiji School of Hotel and Catering Project
- ✓ A population Family Life Programme for Urban Youth (1988 - 90)
- ✓ Study of Manpower and Training Needs (Forestry Sector)
- ✓ Logging Training (1988 - 1993)

1989

- ✓ SYB / IYB (1989 - 1993)
- ✓ Population Family Welfare Education Projects (1989 - 92)

1990

- ✓ Fiji National Code of Logging Practice launched

1992

- ✓ FNPF Pension Scheme implementation

1993

- ✓ Technical Assistance to the Logging Training School (1992 - 93)
- ✓ Population Family Welfare Education Projects (1993 - 1996)

1994 – Two tripartite seminars on Industrial Relations
1995

- ✓ Assistance in Population Workforce & Human Resource Development Planning (1995 - 97)
- ✓ Meeting on IHRDPEP framework
- ✓ Re-establishment of tripartite Forum as a peak tripartite body for economic issues

1996 – Mission on Employment of Women in the formal sector (Fiji & PNG)
2003 – Walking out of poverty Programme

- ✓ Assistance with drafting of the IR Bill

4.2.8 Civil Society in the Pacific

Civil society is the realm of organised social life that is open, voluntary, self-generating, at least partially self-supporting, and autonomous from State, and bound by a legal order or set of shared rules. The term 'NGO' is more commonly used in the Pacific but Civil Society Organisations is generally used because it defines the concept actively and positively rather than passively and negatively. CSOs are critically important to both participation and deliberation in public life.

The Pacific has a certain number of CSOs but they are nowhere near as numerous and well entrenched as in some other democracy transition countries like the Philippines or Thailand. Pacific CSOs tend to fall into broad categories of church groups, development NGOs and women's groups. There is some overlap between these general headings. Many of these groups receive support from outside their immediate membership base. They may receive support from a broader faith community or from Official Development Assistance or from international NGOs like World Wildlife Federation, Transparency International and Amnesty International. The definition of civil

society quoted above accepts that CSOs may only be partially self-supporting and so receiving outside funding is not a disabling feature. The definition, however, requires these organisations to be 'self-generating' which I take to mean to have sustainable roots in the community. A CSO that is wholly the creature of a foreign donor may thus not come within the definition.

In relation to development, social service and self-help CSOs, a good departure point is to look at he Pacific Islands Association of NGOs (PIANGO) now headquartered in Suva. PIANGO lists 22 full and interim national liaison organisations, which are by and large themselves umbrella groups for local NGOs. Some of these umbrella groups represent a significant number of local groups. FCOSS of Fiji has more than 300 member organisations. SUNGO in Samoa, NANGO in PNG, VANGO in Vanuatu and Development Services Exchange in the Solomon Islands also have broad membership though not nearly as large as their Fijian counterpart.[18]

Church groups also play a significant role in civil society with varying degrees of transparency in terms of their financial and leadership structures. The issues here concern the degree of indigenous authority within the church, the involvement of the various churches in social service work, money collection and tithing practices, and political involvement of church leaders.

4.2.9 The Civil Society in Fiji

Civil society plays an important role in Fiji, following a long tradition where non-governmental organizations, trade unions, consumer groups, women's associations, the media, local community groups, traditional councils, religious bodies, human rights groups and academic institutions actively participated in important discussions affecting the country.

4.2.10 Fiji Credit Union League

Credit unions have long existed in Fiji, and in many ways have provided the informal introduction to the more formal banking transactions of depositing/contributing and borrowing/paying loan obligations. They may be community or company-based, and regular contributions may be done irregularly or regularly in the form of shares of membership or deposits. Members are allowed to borrow to the extent of their deposits or share ownership in the credit union. At times, they may borrow up to one and a half the value of their union share and use the loan proceeds for school fees, acquisition of computers, or repairs of cars or houses. The interest rate is one per cent per month of the declining loan balance. The borrower may also be insured for death and disability at 1.04 per cent for every FJD 1,000 of loan. Some credit unions operate a welfare fund that resembles a mutual aid society in case of death of a member. The administration of credit unions is by the members themselves, and in big companies, the officers of the labour union manage the credit union.

The contributions or shares in the credit union are also a form of saving which is similar to the concept of the provident fund. However, while members may contribute regularly, they usually receive much of the annual income as dividends, preventing the accumulation of principal. They may also withdraw their membership by simply not paying their loan obligations.

If credit unions are given the mandate to serve as a supplemental provident fund, they can be another pillar in the system of safety nets, where the individual, without any employer contribution, is solely responsible.

The Fiji Savings and Credit Union League have an insurance scheme with Colonial Insurance. The individual savings of the FSCUL members and their loan have all been insured under the scheme. If a member dies, his/her loan is taken care of by the insurance and so in essence the debt "dies" with the debtor. The savings that a person has is then matched by insurance and the beneficiary gets that amount. For example, if a person has FJD 20,000 in savings, the insurance will give another FJD 20,000 and the beneficiary gets FJD 40,000 and the debt paid off.

There are stringent rules that the Credit Unions must pay their premiums by the 15th of every month. They send in all their members' names and their savings and loans monthly to Colonial and their premiums. It is 95c to every FJD 1,000 in loans and savings. The more credit unions join the scheme, the lower this premium becomes. Micro-Finance organisations are encouraged to join so that cooperatively premiums can be re-negotiated as group schemes and lowered. It is a win-win situation for both the credit union and the insurance company.

[18] See http://www.piango.org/

4.2.11 Fiji Council of Churches (FCC)

The Fiji Council of Churches has 90 per cent of the Christian population of Fiji affiliated to it, and includes all seven major churches. Founded in 1965, the FCC has been recognized in Fiji for its role in promoting the welfare of the marginalized people. The FCC has been concerned with *the need to set up a system that will include (marginalized people) without patronizing them but instead helps to empower them and break the cycle of poverty*.[19]

At present, the FCC undertakes projects funded by its international partners in the areas of child rights; gender, women, and culture; violence, justice and peace; and on peace and reconciliation.

Within the institutions themselves, the clergy and staff of some of the churches are in the process of negotiating membership in the Fiji National Provident Funds, small though the contributions may be and are concerned about housing and transport facilities generally provided by the church during their working lifespan, which will not become available to them when they retire.

FCC is particularly supportive of a pension scheme, and on the enhancement of the rights of women for maternity benefits

4.2.12 Fiji Council of Social Services (FCOSS)

The FCOSS started in 1960, and is a national umbrella organization that advocates, promotes and strengthens civil society. It recognizes the needs of the marginalized, represents the community, and strengthens the voluntary sector. Its vast network includes religious, welfare, women and youth, and school communities, community development and environment awareness. As networking and umbrella organisation for over 150 members and 300 network partners, FCOSS recognizes the centrality of government role and collaborates closely with the Department of Social Welfare, Ministry of Finance and National Planning and Ministry for Regional Development. To achieve its goals FCOSS has had specific involvement in 2003 included participation in the Community Capacity Building project, the National Disaster Management Council and assisting the various government agencies in the development of a National Policy on NGOs. In the international arena, FCOSS continued to strengthen its ties with the International Council on Social Welfare (ICSW), The CIVICUS International, and Asia Pacific Forum on the Family (APFAM), Pacific Islands Association of Non Government Organisations (PIANGO) AusAID, NZAID AND ACOSS AND NZFVWO and many others on the basis of mutual respect, independence and exchange of resources.

The activities of FCOSS are funded from grants and donations from membership fees, publications, donations and project administration costs from international donor agencies, mostly from Australia, New Zealand, Canada and others. Among its many activities in year 2003, Government provided slightly more assistance; it was selected by CIVICUS as the National Coordinating Organisation for the implementation of the Civil Society Index Project in Fiji. FCOSS continued its work in both the rural and urban areas on poverty eradication, education for all, community empowerment, health, drugs and substance abuse, employment, facing change, donor agencies and capacity building.

(i) FCOSS Objectives

- Forum for exchange of ideas, actions and free expressions
- Coordinate human services and resources
- Encourages self-reliance and complements government services
- Strengthen s sustainable livelihood
- Creates environmental awareness at national level

FCOSS – a focal point of Civil Society Organisations involved with non-formal and adult education, shelter and care for homeless, people with different abilities and marginal groups, population and family life education, consumer, environment, social and economic justice issues and tackling poverty, crime and employment

FCOSS works towards

- Fostering development of Civil Society Organisations across Fiji influencing government's social and economic policies
- Ensuring concerns of members organisations are heard in the public arena and by the relevant authorities

[19] Quoted from Mrs. Esiteri Kamikamica, FCC General Secretary

- Fostering links between member agencies and with other organisations, which have similar objectives
- Assist member organisations in delivering humanitarian service efficiently

The District Council of Social Services (DCOSS)
Decentralized networking arms of operation amongst the CSOs. District Council of Social Services exists in Suva, Nadroga, Nadi, Lautoka, Ba, Tavua, Rakiraki and Labasa. Rural Council of Social Services exists in Nalawa, Seaqaqa, Savusavu and Nadogo

Sarita Mani Resource Centre (SMRC)
Collect and disseminates information on Social Welfare, population activities, community development, and non formal and adult education Publishes Voluntary Action Network (VAN) _ the medium for information sharing and literacy promotion

Family and Population Activities Centre (FAMPAC)
To develop, enhance and strengthen families of Fiji by supporting the activities of CEOs, involved with family welfare and social development.

National Forum for Children's Development
Facilitates coordination of CSOS working with child related issues.

Counter Disaster Action of NGOS (CODANGO)
Coordinates and strengthens NGO efforts in disaster preparedness and awareness and acts as a collective voice of NGOs involved in disaster awareness at government and international agencies

Promoting Rural Women Initiative Development and Education (PRWIDE)
Promoting rural women's welfare

National Advisory Committee on Ageing and Elderly (NACAE)
Promotes coordination, joint planning and consultations amongst the voluntary organisations dealing with issues related to ageing for providing services to the elderly.

Helpage Centre (HAC)
Campaigns for the care of ever increasing number of elderly and ageing people in Fiji. Promotes retired and senior volunteer programme and provides counselling and publishes Sage

National Forum for the Prevention of Drugs and Substance Abuse (NFPDSA)
Strengthens activities of member organisations for combating drugs and substance abuse. Helps mobilize available financial and community resources to encounter drugs and substance abuse problems in Fiji. Publishes Drugnet

National Fund for Eradication of Poverty (NFEP)
Assists the poor through education training and entrepreneurial development.

National Agency for Volunteers (NAV)
To promote public recognition of volunteers services and to identify fields where volunteers could be utilized.

Social Economic Development through Microfinance
To promote sustainable livelihood by encouraging entrepreneurial initiatives amongst people through training and information.

Fiji National Council for Disabled Persons
Vision:
Total empowerment, equal opportunities and full participation in a barrier-free environment for all persons with Disabilities in Fiji.

Mission:
- To facilitate the process of creating a barrier free society through a collective collaboration and partnership with all stakeholders.
- To bring about for persons with disabilities in Fiji, a situation whereby government ministries and statutory authorities, local government, corporate sector and civil society organisations meet their legislative, constitutional and international convention obligation.
- To organize and continue to strengthen national affiliates through democratic, gender balanced, cross-disability based processes.
- To partner with other development agencies and governments towards the equalization of opportunities and full participation of persons with disabilities in their own development and development of other communities.

- In partnership with government, civil societies and corporate entities create a fully/truly inclusive society.

Services for persons with disabilities in Fiji began in the mid sixties and seventies. The pioneering organisations were The Crippled Children Society, the Society of the Blind and the Red Cross. Momentum built up and the need to diversity into vocational and teacher training programmes became apparent. This was organized by the Education Department.

A Review saw the inadequacy of programmes as they favoured urban centres which were inaccessible to persons with disabilities rural population. Service improvement was inevitable. The 1981 International Year of Disabled catalysed further attempts to reorganize Disability Development in Fiji with the focus on the establishment of a central Authority with powers under the legislation to spearhead development. The responsibility to organize and implement the much needed change was taken up by the Department of Social Welfare, who set up a sub-committee comprising NGOs and people with disabilities in 1989. They recommended the establishment of a central authority to look after the development needs of the country. Cabinet in September 1992, approved the establishment of the Fiji National Council for Disabled Persons (FNCDP) as the central authority and National co-coordinating body.

Fiji Red Cross Society

Founded in 1954 the Fiji Red Cross Society is acknowledged within the country as possibly the largest and most active non-governmental organisation, but works hand in hand with the government in its mission to relieve human suffering wherever possible. The government and public have very high expectations of the society in other disaster and non disaster times. Fiji is exposed to regular cyclones, earthquakes, flooding and tidal anomalies that add to the society's public role. Sound leadership and a geographically comprehensive branch structure have ensured the National Society's integration into and recognition and support by the community. The expansion of programmes for the disabled has also cemented strong cooperative relationships between FRC staff, volunteers and the disabled community.

Partnerships

The FRC collaborates with the Ministry of Health, social welfare department, and Ministry of Youth, the national disaster management council, the national training council and the national road safety council.

The society has received financial support from the New Zealand Red Cross for core costs for its Mind That Child programme, teachers' seminars the for people living with AIDS programme, and its community-based self reliance programme. Funding has also been received from the British High Commission for the HIV/aids awareness programme and from Aus Aid for prisoners' rehabilitation.

Disaster preparedness/response

The FRC is the largest NGO in the field of disaster relief in Fiji. A Fiji Red Cross representative sits on the executive board of the national disaster management council and the society has an accepted role in the Fiji disaster plan and can mobilize an emergency response team with vehicles and communications within an hour of any disaster.

Health and Social Services

Volunteers are based at old people's homes. The society is the country's largest supplier of ambulatory aids (wheelchairs, crutches and walking frames). Other activities include: trauma counselling services; provision of relief packs to house-fire victims; and provision of baby packs for abandoned, unmarried teenage mothers. The society also provides rehabilitation courses for prisoners and trains baby sitters. It also provides adequate housing through social welfare grant to the under-privileged and home care for people with HIV/AIDS

Blood

The Fiji Red Cross has a memorandum of understanding with Fiji Government to be responsible for all blood donor recruitment in the country. The society operates under a contract with the Ministry of Health to provide an agreed number of blood units in any given period.

First aid

The FRC conducts first aid and CPR classes for the public.

4.2.13 Fiji Women's Rights Movement

The Fiji Women's Rights Movement was formed in 1986 by a group of women who believed that changes can happen if the law treats women and men equally. It was therefore very important that a group be established to primarily lobby for law reforms.

FWRM is a national Non- Governmental organisation which aims to remove all discrimination in law and in the treatment of women; to improve women's domestic, social, legal, economic and political status; to provide women with more practical and protective support services; and to create equal opportunities and equal rights for every woman in Fiji.

(i) Fiji Women's Crisis Centre

The FWCC provides crisis counselling and legal, medical and other practical support for women and children who are sufferers and survivors of violence committed against them by men. The organisation is also involved in public advocacy and community education on gender violence. The Centre's strategies are based on the conviction that violence against women is a fundamental human rights and development issue.

Home of Compassion
The Home was opened in 1954 and is run by the Catholic nuns of the Sisters of Compassion. The Fiji institution offers sanctuary and loving care to everyone. The Sister's purpose is simply to bring to the disadvantaged the love, care and compassion of Christ. The needs of every case are looked at individually. There are 18 full time residents. Government provides a grant but this is eaten up by the growing wage bill which includes cooks, laundry staff and gardeners.

Ecumenical Centre for Research, Education & Advocacy (ECREA)
ECREA is a Non-Government Organisation (NGO) based in Suva, Fiji Islands. Founded in 1990 by the late Reverend Paula Niukula, with the aim to address the social religious, economic and political issues that confront people. ECREA is guided by the principles of social justice & equity, Integral human development, servant leadership and participation.

Citizens Constitutional Forum
CCF is a non-partisan civil society organisation that has been working since 1992 to secure democracy and to strengthen institutions of accountability, human rights and multiculturalism in Fiji.

4.3 Health Situation

4.3.1 Health trends

Fiji faces a number of health challenges. They include an increasing prevalence of non-communicable diseases (NCD), such as diabetes and hypertension due to lifestyle changes, poor diet, smoking and changing patterns in physical activity, and continuing nutritional problems particularly in schoolchildren and women. NCD have become the principal cause of ill-health and death. The NCD survey in 2002 showed that the prevalence of diabetes in Fiji is 11.9 per cent. The prevalence of hypertension was recorded at 19.1 per cent. A third of all deaths and half of the deaths in the 40–59 years age group have been due to circulatory diseases. Traffic accidents also represent an ever-increasing burden. All the above provides a testimony to the ongoing epidemiological transition in Fiji and constitutes a typical example of a triple burden of diseases (communicable diseases, non-communicable diseases and injuries) in a developing country. A rapid increase in HIV/AIDS (142 cases of confirmed HIV infection as of 31 December 2003) and sexually transmitted infections (STI) has been recorded. Despite the increasing burden of chronic and degenerative diseases on the system, respiratory disease and infectious and parasitic diseases continue to represent the leading cause of admission to hospitals in Fiji.

Table 4.11 Leading causes of morbidity and mortality

Five leading causes of morbidity and mortality (2001)			
Morbidity (rate per 100 000 population)		Mortality (rate per 100 000 population)	
Respiratory disease	614.05	Circulatory disease	329.96
Circulatory disease	500.58	Respiratory disease	50.17
Injury and poisoning	401.28	Infectious and parasitic disease	45.76
Infectious and parasitic disease	364.34	Neoplasm	37.98
Genitourinary disease	321.60	Injury and poisoning	31.71

4.3.2 Health services

The Fiji health sector was transformed in 2003 from a highly centralized system to one that is decentralized within the Ministry of Health. This transition has taken place at a slower pace than originally conceived, and will continue to require substantial technical support and systems development to put into place. Decentralization has taken place at two levels. The first level of decentralization is the delegation from the central agencies – Ministry of Finance and the Public Service Commission (PSC) – to the Chief Executive Officer (former Permanent Secretary for Health). The second level is the delegation of powers by the Chief Executive Officer to the Divisional Directors of Health Services (DDHS) in the Western, Northern and Central-Eastern Divisions.

Health care in Fiji is financed mainly by general taxation. The Government has been allocating about 8–10 per cent of total public expenditure for health care in the last 10 years. Total health expenditure is 3 per cent of GDP, which is the lowest rate among the Pacific island countries. Although the government budget for health care has been increasing each year, total health expenditure in terms of percentage of GDP has not increased. Of the appropriated allocation, 62–67 per cent has been spent on personal emoluments at divisional and sub divisional hospitals. Only about 7.5 per cent of the total government budget for health care was allocated for drug procurement in 2002, compared with 10–20 per cent allocated by member countries of the Organisation for Economic Co-operation and Development (OECD). The allocation for health care facility maintenance was very limited. Out-of-pocket payment for health care was estimated at 35 per cent of total health expenditure, mostly in the private health sector. The Ministry of Health is aware of the limitations of the current health financing mechanism and the necessity for health care financing reform. In the 2003 Budget Address in Parliament, Mr Solomoni Naivalu, Honourable Minister for Health said:

"… the best option that seems to emanate from these discussions is the option of a social health insurance scheme for both the formal and informal sectors that will help supplement the existing government health budget."

The Fiji National Provident Fund, a compulsory social savings scheme for formal sector employees has become a significant player in the Fiji financial system. The Fund has a well developed infrastructure, with a head office in Suva and two branch offices in Lautoka and Labasa. The Fiji National Provident Fund is interested in a medical benefit scheme for its members and in development of social health insurance policy. A feasibility study on a medical benefit scheme has been carried out with ILO assistance and a proposal has been prepared and issued to the FNPF in December 2004.

4.3.3 National Health Priorities

The Fiji National Plan for the Millennium (2001) provides the strategic framework for the development of the health sector in Fiji. The Plan defines the goal of the Ministry of Health to provide quality health services for the citizens of Fiji. The vision is defined as:
"an integrated and decentralized health system to foster good health and well-being."
The Plan outlines a series of priorities for the next five years including:

- Re-organization of the Ministry of Health;
- Internal coordination for effective services (communication, referral systems, patient management);
- Effective external relationship management (collaboration with donors, communities,

multi-sectoral approach to communication, advocacy);
- Human resource development (HRD) and management (development of an HRD plan, implementation of human resource retention strategies, development of quality improvement in hospitals, and in-service training)
- Development of a comprehensive health information system;
- Primary health services (provision of services, greater involvement of communities, supporting village health workers, reproductive health, community mental health and environmental health surveillance);
- Curative services; and
- Private sector participation.

The Ministry of Health's *Corporate Plan 2004* is an annual publication that articulates how the Ministry of Health will meet the objectives of the *Fiji National Plan for the Millennium* (2001).

4.4 Labour Market Situation

The supply of current labour market statistics in Fiji is similar to other pacific countries in that Labour market surveys are conducted very infrequently and the following assessment is based on projections by the statistics, planning and labour departments from the 1996 census, employment survey 1999. It is unlikely that they reflect the data from the urban household income and expenditure survey which was only been released in 2004.

As a consequence of the political instability in 2000, low realised investment and little economic growth, the generation of formal sector employment opportunities has failed to meet the needs of a burgeoning supply of new job seekers. With a cap imposed on public sector employment, the private sector has been capable of absorbing no more than one-half of the new labour market entrants in recent years. This imbalance in the labour market – the gap between the number of new job seekers coming out of the school and vocational training institutions and the number of new job opportunities opening up – remains one of the major social and economic problems yet to be adequately addressed.

In addition, large numbers of skilled workers, overwhelmingly Indo-Fijians, have migrated overseas. This is not a recent phenomenon since, even before the turmoil in 1987, there is evidence of out-migration. However, the political instability generated by the events of 1987 and 2000 gave greater impetus to the process and the numbers leaving Fiji have grown in recent years. It is impossible to quantify the impact on the economy other than to say that the effect of skill losses must have been negative. Yet, if the political situation had been more stable in the last 15 years, and investment had been greater, then job opportunities would have been that much greater and the numbers leaving Fiji would have been fewer. In this view, the loss of skilled labour is very much the dependent variable and a consequence of low-level investment and poor economic growth and diminished job opportunities.

However, it must be noted that the flow of migrants is not all one way. It appears that about 30,000 persons took up residence in Fiji between 1987 and 1998, helping to offset the much larger gross outflow. In addition, between 1998 and 2000, a total of 10,772 "visitors" to Fiji changed their status to become residents, partly off-setting the outflow of 14,941 Fiji citizens who migrated in this period. Of those changing their "visitors" status to become "residents", 8,956 persons were over the age of 14 years and potential members of the labour force. Unfortunately, we have no information about whether they entered the labour force and, if so, what kind of professional and other skills they may have brought into the labour market.

4.4.1 The Labour Force

The size of the labour force (those employed and those actively seeking work in both the formal and informal sectors of the economy) is determined by the size of the population of working age and by the extent to which people in this age group are seeking work (the participation rate). Over the period 1986 to 1996, the labour force grew by 0.8 per cent per year. That is, the labour force, those in employment and those looking for work, was growing by approximately 2,300 per year. For the period 2000 to 2003 this growth was estimated to be about 15,000 or about 4,000 (1.12 per cent) per year. This was the net increase after taking account of those leaving the labour force through, for example, retirement or migration, and those joining the labour force from school.

Table 4.12 Age/ Sex distribution of the forecast labour force 2000-2003

Age Group	2000			2003			Increase, 2000-2003		
	Male	Female	TOTAL	Male	Female	TOTAL	Male	Female	TOTAL
15-19	17,380	9,474	26,854	16,009	9,030	25,039	-1,371	-444	-1,815
20-24	31,477	17,556	49,033	34,037	19,491	53,528	2,560	1,935	4,495
25-29	29,753	14,663	44,416	30,645	15,845	46,490	892	1,182	2,074
30-39	57,763	28,869	86,632	56,467	28,731	85,198	-1,296	-138	-1,434
40-49	44,613	22,135	66,748	48,065	24,327	72,392	3,452	2,192	5,644
50 +	38,801	19,645	58,446	42,485	21,918	64,403	3,684	2,273	5,957
TOTAL	219,786	112,342	332,129	227,707	119,342	347,049	7,921	7,000	14,921

Notes: It is projected that a total of 9,700 new jobs a year to be created over the period, including 2,400 in the formal sector and 7,300 in the informal sector. These numbers represent an average annual increase of 2.0% over the 3 years, based on an estimated output/employment elasticity of 0.5 applied against an average annual GDP growth of 4.0%.In order to reduce the backlog of the unemployed, a more favourable output /employment elasticity will need to be promoted. It is estimated that 7% of the year 2000 labour force is unemployed, or 23,000.

The following tables and text was sourced form the Statistics department and based on planning department projections. There is some discrepancy between estimates as described below.

Of the estimated 17,000 persons seeking employment each year, about 8,000 can be expected to succeed in gaining formal sector work. These 7,700 job opportunities will derive from the need to replace an estimated 2000 persons in the formal sector migrating each year and 3,300 leaving the formal sector due to natural attrition, plus an estimated 2,400 new jobs created in the formal sector annually (representing a growth rate of 2.0 per cent per annum based on a 4.0 per cent per annum GDP increase and an output employment elasticity of 0.5).

Table 4.13 First time jobseekers, 1995 - 2001

Year	1995	1996	1997	1998
Applicants	3,192	3,407	1,851	831
Year	2000	2001	2002	Total
Applicants	390	333		10,965

Source: ministry of Youth, Employment Opportunities and Sports

Under such a scenario, 9,300 job seekers each year will be obliged to enter the informal economy of non-farm enterprises and cash crop or mixed cash crop/ subsistence, agriculture. (See table below). With additional numbers entering such typically low productivity activities, the extent of underemployment can be expected to increase unless support is provided to informal economy workers to improve their productivity and incomes through skill upgrading and other forms of assistance, as included in this Plan.

Figure for replacements for emigrating (formal sector) employed persons is based on 5,000 emigrants a year, of whom 40 per cent in the (formal sector) work force. While total attrition in the informal sector is estimated at 4,600 a year (or 2.5 per cent x 184,000), only 2,000 of the jobs left are expected to continue.

The following table represents a "flow" approach to the labour supply and demand situation expected over the 2000-2003 period. The future situation can also be seen in the form of "stocks" of labour for 2000 – 2003, representing the net situation after outflows from the labour force have been subtracted from inflows.

Table 4.14 Labour force entrants and employment opportunities 2000 - 2003

Labour Force Element	Components	Avg. Ann, 2000-2003		Total 2000-2003
		No.	%	
Labour Force Entrants	School leavers entering labour force (including from Post Secondary Institutions)	15,000	88.2	60,000
	Belated entrants into the labour force (almost exclusively women)	600	3.5	2,400
	Laid-off workers seeking re-employment	1,200	7.1	4,800
	Never attended school	200	1.2	800
	Total	17,000	100.0	68,000
Formal Sector Employment Opportunities	Replacements for emigrating (formal sector) employed persons	[2,000]	[11.8]	[8,000]
	Replacements for employed persons leaving in formal sector due to normal attrition (2.8% x avg. 120,000 employed in 2000)	[3,300]	[19.4]	[13,200]
	New formal sector employment (2.0% per annum)	[2,400]	[14.1	[9,600]
	Total Formal Sector	7,700	45.3	30,800
Informal Sector and cash-crop or mixed cash crop/ subsistence agriculture	Replacements for employed persons leaving informal (non-farming) employment and cash-crop agriculture due to normal attrition	[2,000]	[11.8]	[8,000]
	Targeted expansion in employment opportunities to absorb balance of labour force entrants if nos. of unemployed and those in subsistence agriculture employment are not to expand	[7,300]	[42.9)	[29,200]
	Total informal economy & agriculture	9,300	54.7	37,200
Total Employment Opportunities		17,000	100.0	68,000

Source: Bureau of Statistics for population projections which include estimates for migration.

Seen from the standpoint of change in the labour force, the outward flow will constitute 8,000 migrating employed persons, 13,200 persons leaving the formal sector (and the labour force), and 8,000 persons leaving the informal economy (and the labour force), for a total of 29,200 over the 4 years. Deducting this number from the 68,000 entering the labour force indicates a net growth in the labour force over the 4 year period of 38,800

Table 4.15 Emigration by occupation

OCCUPATION	1997	1998	1999	2000	2001	2002
Professional, Technical and Related Workers	502	578	658	823	977	802
Administrative and Managerial Workers	230	290	258	371	398	368
Clerical, Supervisors and Related Workers	349	464	425	479	544	521
Sales Workers	137	116	139	140	151	127
Service Workers	94	95	115	109	119	128
Agriculture, Animal Husbandry Forest Workers & Fishermen	74	112	98	102	111	90
Production Workers, Transport, Equipment Operators & Labourers	486	476	451	769	554	489
Workers Not Classifiable	2,621	2,698	2,693	2,782	3,462	2,955
TOTAL	4,493	4,829	4,837	5,575	6,316	5,480

(Source: Bureau of Statistics, 2002)

4.4.2 Labour force growth

In 2003 the estimated size of the labour force is 347 thousand, after projecting minor changes in the age specific labour force participation rates[20] (LFPRs) from 1996. These entail marginal declines in the LFPRs for younger persons, reflecting increased opportunities to stay on in school and declines in the LFPRs for older persons, following the pattern in many other countries around the world. Increased LFPRs are projected for women between the ages of 25 and 39, resulting from the greater employment opportunities they face as the fertility rate declines and their education attainments increase. Tables below depict the labour supply side of this equation for males and females.

[20] LFPRS are estimates of National Planning office.

Table 4.16 Labour force evolution, 2000-2003 - males

Age Group	End year 2000			End year 2003		
	Popul-ation	LFPR (est.)	Labour Force	Popul-ation	LFPR (est.)	Labour Force
15-19	46,471	37.4	17,380	45,223	35.4	16,009
20-24	39,643	79.4	31,477	44,089	77.2	34,037
25-29	33,022	90.1	29,753	35,551	86.2	30,645
30-39	61,647	93.7	57,763	62,353	90.6	56,467
40-49	48,178	92.6	44,613	53,287	90.2	48,065
50 +	52,790	73.5	38,801	59,419	71.5	42,485
Total	281,751	77.8	219,786	299,922	75.18	227,707

Source: Bureau of Statistics for population projections which include estimates for migration.

Table 4.17 Labour Force Evolution 2000-2003 - Females

Age Group	End year 2000			End Year 2003		
	Popul-ation	LFPR (est.)	Labour Force	Popul-ation	LFPR (est.)	Labour Force
15-19	44,269	21.4	9,474	42,076	21.5	9,030
20-24	37,836	46.4	17,556	41,988	46.4	19,491
25-29	31,132	47.1	14,663	33,560	47.2	15,845
30-39	59,401	48.6	28,869	59,300	48.5	28,731
40-49	46,019	48.1	22,135	50,453	48.2	24,327
50 & over	55,339	35.5	19,645	61,592	35.6	21,918
Total	273,996	41.2	112,342	288,969	41.3	119,342

Source: Bureau of Statistics for population projections including estimates for migration.

4.4.3 The sectoral structure of employment

In 2000 the total labour force was estimated to be 332,000 with 36 percent employed in the formal economy, 57 percent in the informal economy and about 7 percent unemployed.

Table 4.18 Structure of labour force and employment year 2000

Component of Labour Force	Numbers	Percent of Total
Total Labour Force	332,000	100.00
Employed persons (1)	309,000	93.00
Formal Sector	120,000	36.14
Informal Economy	189,000	56.93
Unemployed	23,000	6.93

Source: Table 3.4 (for labour force). Estimates of % unemployed & formal sector employment are those of NPO

Table 4.19 Distribution of forecast formal sector employment 2000-2003

Industrial Activity	1998 (actual)	2000	2003	Increase 2000-03
Agriculture, Forest & Fisheries	2202	2,334	2,544	210
Mining & Quarrying	1950	2,067	2,253	186
Manufacturing	29,200	30,952	33,738	2,786
Electricity & Water	1,936	2,052	2,367	315
Construction	4,906	5,200	5,668	468
Trade	13,236	14,030	15,293	1,263
Restaurants, Cafes, Hotels	7,789	8,256	8,999	743
Transport	9,231	9,785	10,666	881
Finance	3,390	3,593	3,916	323
Business Services	3,486	3,695	4,028	333
Government Administration Services	15,232	16,146	17,599	1,453
Education, Health & Other Social Services	16,943	17960	19,576	1,616
Domestic, Repairs, & other services	3,018	3,199	3,487	288
Total	112,519	119,270	130,134	10,865

(Source: Bureau of Statistics, 1999 Employment Survey and estimates based on sector –specific employment/output ratios 1990-1997 as applied to 2000 and 2003 output forecasts).

An estimate of the additional jobs likely to be created over the plan period in the according to industrial activity is provided in Table 4.20

below. The total numbers represent an average annual increase of 3.0 per cent.

4.4.4 Labour force projections

The results of the labour force projections exercise for 2005 are reported in Table 21. While the population is projected to grow and the dependency ratios decline, the working age population or potential labour force, those over the age of 15 years, is projected to grow from 505.3 thousand in 2000 to 579.2 thousand by 2005, an annual growth rate of 2.8 per cent over the period. On the other hand, the labour force is projected to grow to over 337 thousand by 2005, or by almost 39 thousand over the 5-year period, representing roughly 7,700 persons per annum. This represents an annual growth rate of 2.45 per cent over the period 2000-2005. One of the greatest challenges will be to find productive work for the younger newcomers to the labour market, since those labour force participants aged 20-24 are projected to grow by 20 per cent over the 5-year period 2000-2005.

Table 4.20 Projected labour force size in 2005, by age and sex

Age Group	Males	Females	Total
15-19	16,227	8,301	24,528
20-24	33,299	18,040	51,339
25-29	31,478	15,593	47,071
30-34	29,412	14,974	44,386
35-39	28,934	15,085	44,019
40-44	26,775	12,917	39,692
45-49	20,161	9,173	29,334
50-54	15,763	7,113	22,876
55-59	10,047	4,867	14,914
60-64	5,435	3,249	8,684
65+	6,950	3,578	10,528
Total	224,481	112,890	337,371

Source: Estimates by ILO consultant W. House 2001

4.5 Training and productivity authority of Fiji

Vision: The centre of excellence in training and productivity.

Mission: Raise productivity by encouraging organizational excellence and managing training standards.

Values: Customers first and foremost

- Information sharing and communication,
- Teamwork,
- Job satisfaction, and
- Empowerment.

Project – "Training Fiji"

The need to work together with industries and Government through a project of "Train Fiji" would be a priority activity for the Technical Training Division of the Training and Productivity Authority of Fiji. A target number needs to be set for TPAF to achieve during the next five years. This approach of predetermined training numbers needs to be industry focused and in line with our National Training Needs. The anticipated benefits will be realized by all stakeholders and especially TPAF in determining its future requirements in terms of its financial commitments and resources at all levels.

The present system of enrolling potential students/participants would meet individual demands, but poses a problem of non-directional approach to training in terms of market and trend demands related training. Since the majority of our training activities are subsidized by industry paid levies, the need to approach training from the industry and Government perspectives would take priority over individual needs.

Government should therefore be approached to direct the relevant ministry to conduct a national survey in close liaison with industries in order to determine the sector, number and direction TPAF should pursue through training in the next five years. This objective-focussed approach to training will ensure a directed maximum utilization of our capital resources. Training approach based on individual demands does not guarantee a future skilled workforce for the country.

Approach

The approach to the concept of "Train Fiji" should be jointly pursued by Government Industries and TPAF to enable stakeholders to experience tangible outcomes of their financial commitments. Government in close liaison with industries should provide a clear indication in terms of numbers required to be trained in each sector in the next five years. This should provide TPAF a platform to launch its future directed-training activities. Individuals form another group of stakeholder whose training needs can not be ignored completely due to number and their ability to pay for their personal development. However, the intellectual capital gained from undertaking training in this regard may not

necessarily be directed towards addressing our industry and/or national needs.

The approach to directed-training would be more realistic and ensures all sectors of our national workforce are serviced through provision of relevant training. The gaps in training as claimed by industries are probably due to non-directed approach existing at present. The change in our approach to the provision of training is therefore important in order to gain the Government and industries confidence in TPAFs ability to provide training that meets their needs

Resources

Given the present approach to training, it is not uncommon to have training resources and materials declared obsolete within their workable life span. This is mainly due to decline in demands which may have resulted from mis-directed approach to training. In order to ensure that our financial commitments are focused towards actual national needs, a directed approach to training should be adopted as the basis for which the quality and quantity of training resources are approved for procurement.

Facilitating our laboratories, workshops and library in all our centres are evidently expensive. However, the adoption of the directed-approach to training will encourage objective prioritizing for procurement purposes and maximum utilization of resources.

Training Demands

Training demands are normally in terms of individual, market and trend related. The directed-approach to training focuses on the market and trend demands as they are normally indicatives of our existing and forecasted national needs. Because individuals are also relevant partners in the achievement of our short term goals, their demand for training must be considered together with market and trend demands.

The establishment of market and trend demands related training can be achieved through a national survey. Equally important is the ministry or firm of consultants empowered to undertake such surveys for the purpose of establishing market and trend figures. Since figures are not available at present, it is most likely that our training is focusing mainly on individual demands. This may not represent our national needs and such will be only short term in nature. Our training should be focused both on short term and long term demands established figures.

Paid Education and Training Leave

In order to ensure that Fiji has a trained workforce and to reward employees for their productivity, Fiji should introduce through a national collective labour agreement, paid education and training leave for employees.

At present, a vast majority of employees are funding their training using their FNPF and such, do not have any commitment towards their employers. This is a contributing factor when determining staying in Fiji and emigrating abroad.

Paid education and training leave will entitle workers in both the government and private sectors to be absent from work for a certain number of hours in order to attend recognized education and training courses. An extension to the present levy/grant funding mechanism could be developed to fund this paid education and training leave.

Expected Outcomes

Positive outcomes in terms of the following as a result of adopting the directed approach to training:

- Maximum utilization of resources,
- Training directed at national needs,
- Increase in participation from all sectors, and
- Increase in productivity at the workplace.

As a result of adopting this approach to training, the outcomes listed above are prevalent, but other positive outcomes may surface during the course of its implementation. The adoption of this approach to training will enable us to register the total number of participants we have training in any one sector in any one year.

Furthermore, through networking with embassies in Fiji, we should be able to effectively record the number of trained personnel in any one sector who has left the country.

Recommendations

- Government to provide the next five years sectoral prioritized figures to TPAF,
- Government/Industries to guarantee job opportunities to trainees,

- Government/Industries to participate fully in the project in terms of exhausting their levies on training their employees,
- TPAF to develop and provide quality basic and up-skilling training programs in line with national needs,
- TPAF to evaluate the project annually and inform Government/Industries accordingly, and
- Government/Industries to provide feedback to TPAF regarding quality of training outputs.

Source: Manager Technical Training, April 2004

4.6 Disadvantaged Groups in Fiji

The assessment of disadvantage groups is a subjective view of the relative deprivation of these groups within Fijian society and it is also closely linked to vulnerability to poverty caused by loss of income. The nature of the environment in Fiji in a series of dispersed sub-tropical islands with their inherent risks from cyclones and reliance on limited agricultural markets leads to a moderate co-variate (group) risk for most communities. Disadvantaged groups include:

- ***Formal economy*** - The limited social security coverage as regards formal sector workers and limited workers compensation benefits, increases vulnerability against poverty in the event of accident, death, illness or unemployment. Many workers in formal employment are only covered by only the basic social security elements provided by the provident fund scheme and lack protection from a range of life cycle risks.

- ***Workers in the informal economy –*** Social security provisions are not available to these workers yet they represent most of workers and their families in Fiji 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 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 the major urban areas Suva, Nadi, Lautoka and Lambasa .

- ***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 Suva and Nadi and on the island of Viti Levu.

- ***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 Fiji that included:

  - Unemployment. Each year, around 15,000 school and college graduates join the labour force, but only about half of them find productive work, let alone any cash income. Unemployment is the most pressing problem facing young people in Fiji today. Although more young people are staying at school to senior secondary level, there are few jobs outside of the government or, for men, work overseas in the military, sports or security positions. Most cash jobs are in Suva or Nadi/Lautoka. The large semi-subsistence village economy disguises a high level of unemployment in the country.

  - Changing *Fiji traditions and customs*. Young people are particularly affected by the fast change in cultural practices and the narrowing range of economic opportunities in Fiji. Although cultural identity and pride in being Fijian 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.

- 'At risk' sexual behaviour Traditional Fijian and modern religious 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 where 171 confirmed cases have been recorded.

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

4.7 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. Total population of persons with disabilities in Fiji is still not known today. Education for disabled persons are largely provided through the seventeen special schools where students with disabilities are now placed in primary, secondary and tertiary schools. The Fiji Education for All National Policy includes provisions for children with disabilities as a result of interventions by some disability agencies. Girls and women with disabilities enjoy similar access to education like their male counterparts. Hence the literacy level of persons with disabilities in Fiji is relatively high due to exposure to educational opportunities particularly at primary level. Fiji does not have a special education policy or specific disability act as yet. There are provisions within the 1997 Constitution of the Republic of Fiji which provide useful discriminatory clauses against persons with disabilities. Also the Social Justice Act of 2001 provided two specific affirmative action programmes for persons with disabilities in areas of education under the responsibility of the Ministry of Education as well as care and rehabilitation of disabled persons to be implemented by the Department of Social Welfare.

- A Cabinet decision to ratify an International Labour Organisation convention 159 on disabled people will mean equal opportunities for employment and training for them. The convention included the implementation of a policy for vocational rehabilitation and employment for disabled persons and ensure that measures taken are available to all categories of disabled persons. About 20 people with disability have good jobs in the civil service, banks and other places. But disabled persons need to have the necessary skills to get a better opportunity to get into the job market. It was quite hard for disabled people to get into the job market with the scarcity of jobs in the country. Legislative frameworks aligned to ILO Convention 159 would facilitate the ratification process. He said it was important to establish and develop vocational rehabilitation and employment services for disabled people living in rural and remote areas in the country.

- ***Households that have no land.*** Many households in urban areas are squatters or displaced lessees and lack proper access to water or sanitation. There is limited availability of land for immigrants. Traditional owners control the use of their land and resources. Dense, congested, and haphazard squatter housing contributes to health and social problems and inefficient land use.

  Landlessness may be becoming an issue throughout Fiji. Despite legislation to curb illicit land sales, this still occurs. Landlessness defines poverty in local terms. Traditionally, landless people could often cut copra on the chief's land or get access to land or sea resources through social traditions such as adopting of an old or sick person with land or offering a gift. Lack of access to land may now be an important marker of

disadvantage. A main source of crime now is land disputes among relatives as people increasingly turn to land for a cash income. This places urban people at greater risk by not being available to supplement incomes with their own food, especially important in time of unemployment and economic downturns.

- ***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 Suva, Nadi, Lautoka and other major towns), changing in traditional culture and capacity of the households and relatives to support these groups more formal means may be required to substitute for local support.

- ***Victims of natural disasters*** – Fiji has a history of severe disruption of life through a range of natural disasters, particularly cyclones which usually destroy the food gardens and cash crops that most Fijians rely on to subsidise their food requirements. These gardens take about three months to restore after a cyclone during which period the lack of social security and pro-active disaster recovery and social welfare programs places great stress on family incomes and subsequent nutrition intakes for families. Most disaster recovery support comes from central government and donor assistance.

4.8 Social Protection in Fiji

4.8.1 Fiji National Provident Fund

(i) Overview

The Fiji National Provident Fund (FNPF) was established in 1966 with the primary objective of providing retirement benefits. It is governed by a Board of Trustees consisting of two representatives each from the labour, employer and government. The FNPF was under the supervision by the Ministry of Finance and by the Reserve Bank of Fiji (RBF) in its investment activities. Since 2002, the FNPF has been under the general supervision of RBF[21]. Its Chairman had been for most of its existence the Minister of Finance, but has been the Governor of the RBF since 2002.

The FNPF operates a typical provident fund, to which workers and employers each contribute 8 per cent of salary to the workers' individual accounts. The contribution rate was first set at 5 per cent for each worker and employer in 1966 and has gradually been increased in tandem with the enhancement of the benefit programme. The totality of contributions and the interest earned is what may be withdrawn as benefit by the FNPF member at time of separation.

The retirement age is set at 55 years of age for both males and females, and part or all of the fund balance may be converted to a monthly pension payment by applying the current annuity factor. In the course of its development to improve its programmes, in 1976 the FNPF introduced the conversion of the lump sum payment of fund balance into a single or joint husband and wife pension plan. Caps on the amount for conversion are set. The members who converted their lump sum benefits into pensions reached 35 per cent of eligible members in fiscal year 2003[22].

Recently the FNPF has adopted the following corporate Vision and Mission statements as guide to the effective implementation of the FNPF Act.

Vision: *The people of Fiji will enjoy peace of mind during their working life and in retirement.*

Mission *Improve the financial security of our members and contribute to the development of our nation through sound management and prudent investment.*

These statements set the future direction of the institution as well as strengthening existing programmes. This is consistent with the review into health care benefits for active members and pensioners.

[21] The current Governor of the Reserve Bank of Fiji was also the Permanent Secretary of Finance prior to this designation, and had been serving as FNPF Chairman since 1997.

[22] The 2003 fiscal year of FNPF covers the period from 1 July 2002 to 30 June 2003.

(ii) Coverage

Compulsory coverage is applied to employed workers under the following conditions:

- Between 15 and 55 years of age,
- Contributions cease to be paid at age 65,
- 12 or more days' work for an employer in any month, and
- Includes expatriate employees and directors who hold 20 per cent shares or less in a company.

Compulsory members comprise about 99 per cent of total membership (about 282,000 in 2002).

The FNPF also provides for voluntary contributors: (i) for self-employed workers, and (ii) for the domestic workers of a private employer

(iii) Resources

The main financial resources of the FNPF are contributions from members and interest income on investments. The contribution rate is set at 16 per cent (employer: 8 per cent, employee: 8 per cent) of the payroll. There is no minimum or maximum threshold on the insurable earnings. The employer may also voluntarily remit excess (of 8 per cent) contributions. The entire 16 per cent is allocated to the individual accounts of members.

Each year, a fixed amount is deducted from each individual balance as a Special Death Benefit premium. The deduction is currently FJD 15. At the end of each fiscal year, interest is credited to the individual balances of members. The interest rate is determined by the FNPF Board. The minimum interest rate is set at 2.5 per cent.

(iv) Withdrawals

Members can withdraw their balance on the following grounds:

No.	Grounds
1	Attainment of Age 55,
2	Death of Member,
3	Permanent Physical or Mental Incapacity,
4	Fiji Citizens Migrating,
5	Marriage (for females & late approvals only),
6	Non-Fiji Citizens Migrating,
7	Closure of Small Accounts,
8	Partial withdrawals, and
9	Housing Assistance Scheme.

(v) Share Investment Scheme

Additional grounds for withdrawal is for purposes of investing into the FNPF Share Investment Scheme that has been operational since March 2002. This scheme was created to provide FNPF members with an opportunity to voluntarily invest a portion of their savings in shares of companies that have been authorized by the FNPF Board. Being voluntary in nature, the investment risk is borne entirely by the member. As at 30 June 2002, 1067 members have utilized the scheme.

(vi) Pensions

If a member withdraws the balance due to retirement, death, or incapacity for employment, all or part of the balance can be converted into an annuity. Pensioners have the option of a single-life pension, a joint-life pension or a combination of the two. As per the FNPF reform package, the annuity factor used in calculating pensions is applied as follows:

Table 4.21 FNPF Pension Annuity Conversion Rate

Period	Joint life	Single life
From July 1998 to June 1999	25.0%	16.7%
From July 1999 to June 2000	24.0%	16.4%
From July 2000 to June 2001	23.0%	15.8%
From July 2001 to June 2002	22.0%	15.2%
From July 2002 to June 2003	21.0%	14.6%
From July 2003 to June 2004	20.0%	14.0%
From July 2004 to June 2005	19.0%	13.4%
From July 2005 to June 2006	18.0%	12.8%
From July 2006 to June 2007	17.0%	12.2%
From July 2007 to June 2008	16.0%	11.6%
From July 2008 and after	15.0%	11.0%

As shown above, the annuity factor used in calculating pensions in 2003/2004 is 20 per cent for single-life pensions and 14 per cent for joint-life pensions. This reduction shall continue until it reaches 15 per cent for single life pensions and 11 per cent for joint life pensions in July 2008, by which time another actuarial valuation review shall be undertaken to decide whether these factors should be further reduced to the actuarially fair rates of 10 per cent and 8 per cent respectively.

The FNPF reform package also adjusted the threshold for the calculation of pensions for voluntary members from FJD 960 to FJD 2,400 per annum. Suppose that a voluntary member maintained an FNPF account for 10 years with a balance of FJD 30,000, and retired in July 2003, his pension and lump-sum payment will be calculated as follows:

Account balance = FJD 30,000

The maximum convertible amount = FJD 2,400 x 10 years = FJD24,000

Pension = 20 per cent of FJD 24,000 / 12 = FJD 400 per month (Pension rate for year 2003 = 20 per cent)

Balance as lump sum payment to member = FJD30,000 – FJD 24,000 = FJD 6,000

(vii) Special Death Benefit

The Special Death Benefit (SDB) is a life insurance that covers all members who have not withdrawn. It is paid in addition to the deceased member's balance. The deceased member's balance with the SDB will be paid to the person or persons nominated by the member. In the event of death, SDB amounting to F$5,000 is paid to the nominated survivors.

(viii) FNPF amendment history

In addition to the above reform of the pension scheme, the FNPF also undertook several other amendments. These measures were implemented based on varying objectives such as enhancing investment opportunities for the FNPF and its members, increasing revenues from contributions, improving benefits for members, and assisting members who lost jobs or suffered pay cuts. The following list provides the amendments implemented from 1995/96 to 2001/02.

1995/96

- FNPF allowed by the Government to invest offshore (worth FJD 25 million).

1996/97

- Change to accrual accounting system.
- Continued relaxation in Exchange Control policies allowing FNPF to increase its foreign currency holdings.

1997/*98*

- Special Death Benefit premium was increased from FJD 12 to FJD 13.

1998/99

- Special Death Benefit premium was increased from FJD 13 to FJD 14.
- Special Death Benefit was increased from FJD 4,500 to FJD 4,700.

1999/00

- Changes to the pension scheme were effective as from July 1999.
- Special Death Benefit was increased from FJD 4,700 to FJD 4,800.

2000/01

- Establishment of pre-retirement withdrawal scheme in August 2000 to assist members who had lost their jobs or suffered pay cuts due to the political crisis of May 19.
- Revised policies and guidelines of the FNPF housing scheme.

2001/02

- Amendment to FNPF Regulations to allow women who withdrew on grounds of marriage and re-entered prior to 1975, to opt for a pension (this amendment thus allows all members of FNPF to qualify for a pension on retirement).
- Special Death Benefit premium was increased from FJD 14 to FJD 15.
- Special Death Benefit was increased from FJD 4,800 to FJD 5,000.
- Introduction of the Share Investment Scheme.
- Provide expatriate workers the option to join FNPF.

In the recent law amendment, the supervisory responsibility for the FNPF has changed from the Ministry of Finance to the Reserve Bank of Fiji. It is rare that a monetary authority, rather than fiscal authority, takes on a supervisory role of a national provident fund. The Governor of the Reserve Bank expressed his view that the Reserve Bank would focus on the asset side of the FNPF in view of the substantial size of the fund.

(ix) Historical Data

The table that summarises selected historical data of the Fiji National Provident Fund since its inception in 1966 is included as Annex 3.

(x) Financial status of the FNPF at 2002

This overview of the present financial situation of the FNPF is based on the statistical and financial data from the annual reports of the FNPF. As of

30 June 2002, the FNPF covered 281,570 workers, of which 181,597 or 64 per cent were males and 99,973 or 36 per cent were females. The number of pensions in payment was 5,991, of which 3,741 or 62 per cent were single-life pensions and 2,250 or 38 per cent joint-life pensions. The overall average monthly pension was FJD 366. The average single-life pension was FJD 399 and the average joint-life pension was FJD 310.

The FNPF changed its accounting system to an accrual accounting system in 1997/98. Prior to that, financial operations of FNPF had been managed by a system with two accounts (the Contribution Account and the General Reserve Account), which is more suitable for the financial analysis.

For the purpose of financial analysis, figures which consolidate both accounts by cancelling out the inter-account transfers were constructed (as was done in the previous actuarial valuation). Table 1.3 shows these consolidated figures for the period 1995/96 to 2001/02. Note that because of the cancellation of inter-account transfers, the income and expenditure of the consolidated account are not equal to the sum of the income and expenditure of both accounts (but the surplus adds up). In this report, the consolidated account is referred to as the Total Fund.

At the beginning of 2001/02, the total asset of the FNPF was FJD 2,428 million. During that year, the income of the FNPF was FJD 296 million (FJD 193 million from contributions and FJD 103 million from interest on investments). Expenditure was FJD 183 million (FJD 27 million for benefit payments, FJD 148 million for withdrawals, and FJD 8 million for administrative expenses). This produced a surplus of FJD 113 million. Consequently, the Fund amounted to FJD 2,537 million at the end of that year, which is 13.8 times the annual expenditure. Annual contribution income has remained at more or less the same level as annual expenditure in the last six years. Thus, income from interest on investments plays a more important role in ensuring sufficient revenues to cover expenditure.

Table 4.22 Consolidated financial statements of the FNPF, 1996-2002

(in thousands of Fiji dollars)

FISCAL YEAR	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
CONSOLIDATED ACCOUNT							
(A): INCOME	251,823	299,586	307,781	320,495	322,924	322,153	295,803
- Contribution	127,626	134,954	141,949	149,250	178,496	180,978	193,240
- Interest on investments	124,197	164,632	165,832	171,245	144,428	141,175	102,563
(B): EXPENDITURE	110,804	122,639	139,541	155,434	159,049	198,872	183,158
- Benefit payments	9,492	11,754	14,688	15,532	20,042	24,240	26,705
- Withdrawals	95,511	102,872	117,497	132,690	131,126	166,783	148,443
- Administrative expenses	5,801	8,013	7,356	7,212	7,881	7,849	8,010
(C): SURPLUS	141,079	177,011	168,308	165,129	163,984	123,417	112,766
- Net surplus: (A)-(B)	141,020	176,947	168,240	165,061	163,875	123,281	112,645
- Exceptional items	59	64	68	68	109	136	121
Fund at the beginning of the year	1,488,601	1,629,670	1,806,681	1,974,989	2,140,118	2,304,103	2,427,520
Fund at the end of the year	1,629,670	1,806,681	1,974,989	2,140,118	2,304,103	2,427,520	2,540,286
Rate of increase	9.5%	10.9%	9.3%	8.4%	7.7%	5.4%	4.6%
Contribution/Expenditure	1.2	1.1	1.0	1.0	1.1	0.9	1.1
Fund at the end of the year/Expenditure	14.7	14.7	14.2	13.8	14.5	12.2	13.9

Source: Based on FNPF Annual Reports

(xi) Out-Migration from FNPF Data

Table 4.24 FNPF members migrating & withdrawing contributions, 1997- 2001

Estimated Salary (FJD)	Sex	1997 No.	1998 No.	1999 No.	2000 No.	2001 No.
Unemployed	Male	378	307	231	169	161
	Female	178	177	110	71	77
0-3,750	Male	188	179	242	247	223
	Female	130	147	149	212	243
3,751-7,500	Male	175	219	188	246	260
	Female	98	119	140	210	173
7,501-11,250	Male	97	139	131	168	144
	Female	70	94	88	128	118
11,251-15,000	Male	100	85	113	130	149
	Female	37	56	53	101	106
15,001-18,750	Male	50	60	68	108	97
	Female	20	34	44	66	75
18,751-22,500	Male	31	41	48	81	83
	Female	10	20	22	54	50
22,501-26,250	Male	26	17	35	76	65
	Female	8	18	14	27	40
26,251-30,000	Male	23	23	19	56	49
	Female	8	3	12	25	18
30,001-33,750	Male	6	6	7	12	12
	Female	16	16	19	41	38
33,751 & over	Male	134	159	145	292	190
	Female	20	38	36	77	41
TOTAL		1,803	1,957	1,914	2,597	2,412

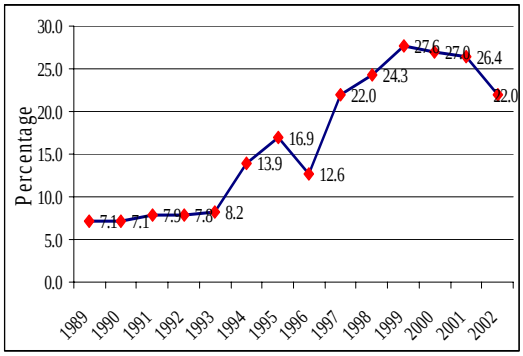
Note: Estimated salary is calculated as Contribution*75
Source: Fiji National Provident Fund

(xii) Recent trend of take-up rates for pensions

A beneficiary can decide whether and how much of the balance he/she can convert into an annuity. As shown in Figure 3, the percentages of those who withdrew and opted for pension remain low. Historically, the take-up rate of annuities was around 7-8 per cent prior to 1993. In 1994, this dramatically increased to 13.9 per cent, and continued increasing until 1999 when it peaked at 27.6 per cent. However, since 2000 the take-up rate has been decreasing. In 2002, the take-up rate stood at 22.0 per cent.

This recent decrease in the pension take-up rate is accounted for by the political coup of May 2000. Growing uncertainty in socio-economic conditions raised the demand for immediate cash payments rather than periodical annuity payments. Another reason suggested by FNPF staff is that the reduction of the annuity factor which started in 1999 discouraged the retired members to opt for annuity. However, as the current annuity factor is still at a favourable level, a well-informed person would rationally choose the annuity option.

Figure 4.3 Pension take-up rates, 1989-2002



(xiii) Increasing trend of partial withdrawal

There has been a sharp increase in the number of members applying for partial withdrawals since 1998. In addition to housing, the fund extended partial withdrawals on grounds of education, medical and other reasons. The maximum rate of partial withdrawal is set at two-thirds of the balance. In 2002, influenced by the Singaporean system, the fund also introduced a scheme which allows members to invest a certain portion of the balance (up to FJD 10,000) in shares of listed companies, including Amalgamated Telecom Holdings Limited (ATH). As of 30 June 2002, 1067 members had utilised the scheme with a total amount of slightly more than FJD 3 million.

In 2002, out of the total FJD 148 million spent for withdrawals, 26 per cent were for partial withdrawals, 23 per cent for migrating Fiji citizens, 23 per cent for members attaining age 55, 17 per cent for the Housing Assistance Scheme, 6 per cent for withdrawals due to the death of a member, and the balance of 4 per cent were for non-citizens leaving Fiji, permanently incapacitated members, and marriage by female members. Partial withdrawals have dramatically increased since 1997 when they accounted for only 7 per cent of total withdrawals. This ratio was 13 per cent in 1998, 10 per cent in 1999 and 16 per cent in 2000; in 2001, it surged to 29 per cent. Consequently, the amount of withdrawals for the three contingencies, i.e. attainment of age 55, permanent incapacity, and death accounts for less and less. In 2002 the amount of these withdrawals represented only 31 per cent of total withdrawals.

In the absence of public health insurance or extensive housing and education assistance programmes in Fiji, savings in the FNPF accounts

are used to meet the needs of health care, housing and education. However, it should be kept in mind that such a premature withdrawal is not a long term advantage for the beneficiaries and consequently weakens the savings for old-age. In this regard, the currently proposed policy to reduce the maximum rate of partial withdrawal from two-thirds to one-half (except for the Housing Assistance Scheme) is therefore supported.

According to an analysis undertaken by the FNPF, workers with low salaries (and consequently small balances) are more likely to apply for the partial withdrawals and tend to do so more than once. On the other hand, high-income workers (consequently with large balances) tend to opt for annuity and receive favourable pensions by virtue of transitionally high annuity factors. In such circumstances, the FNPF *de facto* contributes to widen the income inequality of the members. This highlights one of the limitations of provident funds, as these schemes do not have any income redistribution function.

(xiv) Issues in investment

Yield on investment of the fund has a significant impact on the long-term sustainability of the Fund. The fund retains FJD 2.5 billion as a reserve, which is equivalent to 75 per cent of the annual GDP of Fiji. Given the limited capacity of the domestic capital market in Fiji, the fund is facing a problem finding appropriate investment opportunities. In fact, the rates of return on the fund's investment have decreased after the political unrest in 2000 and the global downturn of the stock market in 2001. In 2002, the fund credited a higher rate to members' balances than the actual rate of return. The FNPF management authorities requested that the financial consequences of such policy be evaluated.

(xv) Issues in extension of coverage

The ILO, in pursuit of its overarching goal of securing Decent Work, has adopted as one of its strategic objectives to enhance coverage and the effectiveness of social protection for all. Three dimensions associated with these strategies are (i) extended population coverage, (ii) extension of the range of the risk covered by the protection, and (iii) the improvement of the benefit levels.

The FNPF plans to extend the compulsory coverage by changing the definition of employers, employees and wages. There are two main reasons for this. One is to strengthen compliance by employers. The current legislation defines the compulsorily covered workers as those who work minimum 12 days in a month. Some employers evade paying the FNPF contributions by contracting workers for less than 12 days a month. The FNPF intends to abolish this minimum working day condition. The second reason is to extend the coverage for workers under commission and workers in the informal economy. Workers who will be newly included under the compulsory coverage of this amendment are taxi drivers, hairdressers and agricultural employees such as sugar cane workers. Consultation with employers and workers organisations is currently underway. Experiences in other countries suggest that this is not an easy task. However, the ILO recognises that this is an important step towards the achievement of universal coverage of social security in Fiji and will be ready to provide further technical assistance in effectively implementing and administering this policy.

(xvi) Issues in health care coverage

In Fiji, there is a clear need for a more efficient and equitable resource allocation of health services. Currently, health care services are provided by a tax-financed public health system. However, due to limited government resources allocated to health, the quality of publicly provided health care is far from satisfactory. Only a small proportion of the population can afford private medical insurance policies or cover the cost from their own income or savings to use private hospitals and clinics. There is a vital need to improve the quality of medical services and equipment, public information and education, primary and preventive care, drug management, and the training of medical doctors.

The financing of a health care scheme is a major challenge. Various means of funding should be examined so that the system is affordable and sustainable in the long run. Possible funding avenues include VAT on cigarettes and alcohol, Native Lands Trust Board (NLTB), and additional contributions from the FNPF members and other organised groups such as churches.

Since 1989 the ILO has conducted several studies and technical consultations on the introduction of health insurance. One option is for the FNPF to start health insurance covering its members and

their family members and then extend the coverage to the whole uninsured population. In the past decade, there has been a gradually emerging private insurance market in Fiji. Therefore, when formulating a health care financing policy, the use of market resource allocation should also be taken into account.

At the brainstorming session held in Suva on 16 April 2003, it was agreed to establish a task force consisting of the Ministries of Labour, Health, National Planning and Finance, employers' and workers' organisations, the FNPF, insurance companies and other stakeholders. The FNPF was expected to take a leading role in this task force to formulate the recommendation on health care coverage and the extension of FNPF coverage to workers in the informal economy. Following increasingly misleading publicity on the national health care strategy the FNPF has publicly withdrawn support for the national scheme and is concentrating on reviewing its options for providing health care for its members only. This has been supported by recent reports produced by ILO on the health care options for FNPF.

(xvii) Broader role of the FNPF in the Pacific region

In view of its leading experience in the governance of the provident funds, the FNPF is expected to play a broader role in social security in the Pacific countries. The areas where the FNPF can provide extended assistance to other provident fund schemes in the Pacific sub-region include: (i) technical advice in governance and organisation, (ii) training in management and administration, (iii) research on the development and extension of coverage and (iv) investment in local and overseas markets. In this regard, the FNPFs initiative in 1993 to organise and chair the inaugural CEO forum on the sustainability of provident funds in the Pacific was supported.

(xviii) Cost of collecting contributions

A gross figure for the cost of administration per contribution can be produced using the gross administration costs and gross contribution receipts and provides the following gross estimate of Administration costs as a per cent of Contributions collected:

$$= \frac{\text{(FNPF Annual Administrative Costs)}}{\text{(Total Actual Annual employer contributions)}}$$

$$= \frac{(9{,}334{,}000)}{(209{,}000{,}000)}$$

= 4.47% of Total Contributions

(xix) Administration Costs as a Ratio of Total equity

Another typical indicator of costs and used to compare the efficiency of retirement funds and often to set their management fees is *administration cost as a percentage of total equity*. The estimation for FNPF in year 2003 was:

$$\frac{\text{(FNPF Annual Administrative Costs)}}{\text{(Total equity of the fund)}}$$

$$\frac{(9{,}334{,}000)}{(2{,}763{,}758{,}000)}$$

= 0.34 % of Total Equity

Based on these broad estimates it would only be cost effective to collect smaller contributions from informal sector workers if the group size was maintained close to the existing average (42 employees per employer group[23]). This could be achieved by deputising a key individual or agency as the group leader and to be paid on commission or fee for service on a part-time basis to collect and deposit monthly contributions on behalf of individual contributors.

(xx) Administration Cost of Key Transactions

The approximate minimum costs per customer can be calculated by totalling the number of transactions (excluding automated internal processing transactions) and dividing by the total administrative expenditure. For simplicity it is assumed that all types of transaction are of equal work value and in 2003 there were 77,339 withdrawals, a total of about 61,836 employer contribution transactions (5153 x 12 months), 10,532 enforcement and compliance transactions giving a total number of transactions for the year of 149,707. Without breaking the costs down by

[23] This result is based on the 2003-2004 statistics from FNPF of 230,230 active members and 5,445 active employers

section the overall estimates for 2003 were 10,400,000 / 149,707 = FJD 69.47. Assuming that there are 42 employees per employer then the cost of collecting contributions would be 69.47 / 42 = FJD 1.64 per month for each individual employee contribution transaction.

Table 4.25 Summary of Estimated Transaction Costs in FNPF

Estimated Key Transaction Costs	Monthly (FJD)	Yearly (FJD)
Employer contributions (12 contributions per year)	69.47	833.64
Payment of withdrawal claims (each claim)		69.47
Individual Employee Contribution cost (based on average of 42 employees per employer)	1.64	19.68

(xxi) Cost Estimates and the Expansion of FNPF

These cost estimates may provide some indication on how FNPF will be able to manage an expanded customer base and the feasibility of extending contribution options to the remainder of the formal sector and ultimately to the informal sector. This assumes of course that FNPF would become the core social security agency in any expanded program. In any event the costs are indicative of what might be expected in a new institution. The cost estimates do not take into account:

- Economies of scale that may be achieved by increasing the size of branch offices;
- Efficiency improvements by introducing cost based resource monitoring and management information;
- Improvements in productivity based on an organization wide *best practice* environment;
- Cost reductions in management by promoting devolution of support tasks to Branch offices; and
- Additional automation of processes by enhancements to IT systems.

The improvements need to be offset against additional resources that will be required to:

- Implement a new compliance program to enforce the new style of contributions; this may involve additional staffing, training, accommodation, IT programs and transport;
- Service a potentially lower employer/employee contribution ratio to accommodate smaller workplaces, self employed workers and informal sector workers;
- Provide additional resources to shift focus from employers to individual members, especially for marketing, promotion and claims;
- Expand property requirements and most likely open new offices to improve access, and
- Upgrade IT systems to accommodate a more individual service including the dispatch of individual annual statements, compliance, new registration system and possible additional categories of membership for self employed and informal sector workers.

4.9 Ministry of Women, Social Welfare and Poverty Alleviation

4.9.1 Department of Social Welfare

Vision Statement
Building a caring Fiji by providing modern welfare services which promote social well-being.

Mission Statement
To protect children and families at risk, and to strengthen communities, to improve quality of life and alleviate poverty, in partnership with others.

Values
The Department will develop and foster an organizational culture that achieves its Vision and Mission through:

- Commitment to Excellence in management and customer service,
- Acting with Integrity and treating all people with Respect and Dignity,
- Taking Responsibility and being Accountable,
- Being Transparent, and
- Efficiency and optimum use of resources.

(i) Program Statement

The Department of Social Welfare is responsible for the provision of welfare services to the poor and needy through income support, child and family welfare support services, residential care and community development initiatives in the area of poverty alleviation. It is also concerned

with social policy issues on welfare reforms for an evolving modern society. The Department's three core business functions are child and family services, community economic development and social policy advice.

(ii) Statutory Obligations

The Department is mandated with eight separate Acts of Parliament. The statutory obligations relate to child care including fostering, adoptions and residential care in terms of the Juveniles Act, Cap. 56 and the Adoption of Infants Act, Cap.58.

The other significant statutory obligation relates to the Probation Act, Cap. 22, Matrimonial Causes Act, Cap. 51, Maintenance and Affiliation Act Cap 52 Maintenance and Causes Act Cap 53, Community Work Act 1994 and Disabled Persons Act 1994. These Acts encompass all responsibilities relating to the protection and welfare of children at risk, mediation on domestic disputes including custodial rights of children and divorce proceedings, court work, supervision of offenders and improved coordination for people with disability

(iii) Overview of Services

Income support and Child & Family Welfare Services
The Department administers the Family Assistance Allowance, which is a monthly supplementary income support to the chronically ill, widows, disabled, prisoner dependents, and deserted spouse(s). Counselling services include marriage counselling, domestic conflict and custody matters. Services to children include protective and supportive care to orphans, children at risk or abused, abandoned and neglected children through foster care, adoption and residential care. The department is also responsible for providing community-based rehabilitative services to and supervision of offenders.

Residential Care Services
The Department administers a juvenile boy's home and provides care and protection allowances to organizations that provide residential care for children up to the ages of 17 years who are in need of care and protection under the Juveniles Act. The aim of the homes is to provide love and care, vocational training and education, counselling and parenting support. These homes are also used to detain young persons on remand from the courts.

Targeted community funding
The Department administers the poverty alleviation fund, which provides seed grants for income-generating projects and housing assistance to family assistance allowance beneficiaries and other targeted groups. The funds are channelled through sponsoring NGOs contracted to oversee the implementation of projects. The department also provides grants to social service providers to support the delivery of other welfare services in the community.

Policy and administration
The administration of support services for the Department includes financial management, human resource development, management of information systems, planning and management decisions, research functions and strategic policy advice.

(iv) Overview of operations

The Department is headed by the Director of Social Welfare who is assisted by three Assistant Directors based at Headquarters in Suva. Support services are provided by staff of the Strategic Planning and Research Unit, Administration and the Accounts Section. There are five divisional field offices located around the country also headed by Senior Welfare Officers. The Department also provides rehabilitative services for juvenile boys at the Boys Centre in Suva and juvenile girls at the Girls Home in Suva.

There was a decrease in the number of both the established and non-established staff for the Department. This was due to transfers, resignations and terminations. The number of established staff decreased in 2003 from 95 in 2002 to 80 in 2003. The number of un-established staff also decreased from 28 to 24.

Headquarters
The Department is managed by the Director based at its Suva headquarters and is accountable to the Minister through the Permanent Secretary.

Assisting the Director are three Assistant Directors who head the Child and Family Welfare Services Unit, Income Support Unit and Corporate Services Unit respectively and are responsible for policy advice in the following areas:

Child and Family Services - Policies relating to the following: Adoption of Infant Act (Cap 58); Juveniles Act (Cap 56); Probation of Offenders Act (Cap 22); Community Work Act 1994; Matrimonial Causes Act, Cap. 51, Maintenance and Affiliation Act Cap 52 Maintenance and Causes Act Cap 53, Family Support Services; Marriage Guidance; Counseling; Care and Protection Allowance (C&P) and Grants to Social Services Providers.

Income support services - Policies relating to the following: Family Assistance Scheme; Poverty Alleviation Program (Housing Assistance & seed grants for income generating activities); Community Economic Development; Grants to Non Government Organizations.

Corporate Service- Effective management of financial resources and assets; Human Resource Management and Development; coordinating and facilitating proper budget planning; monitoring and preparation of Departmental budget.

Support services are provided by the Strategic Planning and Research Unit; Accounts and Administration section. Their responsibilities include:

Strategic Planning and Research Unit – Provision of Strategic policy advice; research functions; Secretariat to NGO Grants Committee; Ministerial services which includes preparation of Cabinet papers; reply to parliamentary questions; speech writing, coordination and implementation of the Department Strategic Plan; monitoring and evaluation of capital projects through quarterly reports to National Planning, Finance Ministry and the Prime Minister's Office.

Accounts Section - Preparation of cash flows and outflows, monitoring disbursements of funds according to government financial procedures, advice the Director of Social Welfare on all finance and budgetary development within the Department.

Administration - Responsible to the Director for the efficient and effective delivery of administration services; efficient function of the registry; managing staff recruitment; coordination of training program and human resource development, managing of all Departmental assets and liaising with PSC on all staff matters.

Field Services. The Department's field services are managed at the administrative divisional offices situated in the major centres around the country. The area of coverage is as follows:

Southern Division – Provide services for Namosi, Serua, Beqa, part of Naitasiri and part of Rewa, Navua and the greater Suva area. The Southern divisional office is located in Suva with a district office in Navua.

Central Eastern Division − provide service for the Lomaiviti and Lau groups, Rotuma, Kadavu, Naitasiri, Tailevu and Rewa. The Central Eastern divisional office is located in Nausori with district offices in Vunidawa and Korovou /Tailevu.

South Western Division − the divisional office is located in Lautoka. This division provide services for the Yasawa Islands and the greater Lautoka area. It also includes the district office in Nadi, which serves part of Ba and the Sigatoka district office, which serves the Nadroga Navosa province.

North Western Division − the divisional office is located in Ba. This division provides services for the province of Ra and part of Ba. It also includes the Tavua district Office which serves the Nadarivatu/Colo North area and the Rakiraki district office, which serves the Ra Province.

Northern Division − the divisional office is located in Labasa. This division provides services for the province of Macuata. It also includes the Savusavu district office, which serves Caukaudrove and also the Nabouwalu district office, which serves the province of Bua.

These administrative divisions are managed by Senior Welfare Officers who are responsible to the Director for the administration of the department's program activities, including provision of services from its field offices.

Institutional Services

The Department of Social Welfare administers two Homes − the Boys Centre and Mahaffy Girls Home. These provide residential care for children between the ages of 10 to 17 years who are in need of care, protection or control or have offended under the penal code as defined by the Juveniles Act.

Boys Centre
The Department provides and manages the Boys Centre located at Walu Bay, in Suva. The Centre is managed by a Senior Welfare Officer, assisted by three welfare officers, 2 support staff and 10 non establishment staff.

The Centre caters for male juvenile offenders and juveniles in need of care protection or control who are placed into the care of the Director of Social Welfare by the Courts in accordance with the Juveniles Act (Cap 56). The aim of the Centre is to create an environment that will provide a range of life experiences and will enhance positive development in each young person placed into the care of the Department. The Centre also operates as a detention area for children and young persons who are remanded in custody, before the disposal of their cases by the courts.

The Centre cares for the following categories of children: Committals: Those committed to the care of the Director of Social Welfare through the courts until they attain the age of 17 years. Juveniles under this category are either committed as offenders or those in need of care and protection. Remands: Those committed by the courts for safety reasons and need to appear in court on their respective court dates. Interim Care: Under this category there are those offenders who are committed by a J 4 court order for 14 days and those juveniles in need of care and protection who are committed temporarily for 3 months under a CC1. 40 juveniles were received at the Boys Centre during the year. The majority of the cases were for remand purposes as depicted in Table 4.26.

Table 4.26 Number of juveniles received in the centre in 2003

Reasons	Fijian	Indo-Fijians	Others	Total
Committal (offenders)	06	01	-	07
Committals (care and protection)	02	07	-	09
Remand	16	02	-	18
Interim Care	04	02	-	06
Total	28	12	0	40

Source: MWSWPA 2003

The basic premise that education is vital in the rehabilitation of young people had indeed prompted the staff to seek opportunities at schools to enrol those who were qualified. During the year a total of eighteen boys were able to attend school in the greater Suva area. Table 4.27 shows the number of juveniles attending the various schools around the greater Suva area.

Table 4.27 Ethnic and school breakdown- 2003

SECONDARY EDUCATION				
SCHOOL	FIJIAN	INDO-FIJIAN	OTHERS	TOTAL
Nabua Sec. Sch.	5			5
Suva Sangam	1	3		4
Indian College		3		3
				PRIMARY EDUCATION
Annesley Prim.		1		1
Indira Ghandi Mem.		1		1
Raiwaqa Primary	2			2
Arya Samaj Prim.		1		1
Vishnu Deo Prim		1		1
TOTAL	8	10	0	18

Source: MWSWPA 2003

Apart from prioritizing education, there are also vocational programs available for the juveniles who do not attend school. The programs are:

- Woodwork,
- Basic Agriculture,
- Automotive Engineering,
- Basic Education,
- Physical Education,
- Spiritual Programme, and
- Community Work.

As part of their effort to ensure the proper assimilation of the juveniles back into the community, welfare officers engage in continuous liaisons with the juvenile's families, their communities and also provide counselling at the centre.

Mahaffy Drive Girls Home
This is a State home for juvenile girls who are mostly victims of abuse. This home provides residential care for girls between the ages of 10 to 17 years who are in need of care, protection or control as defined by the Juveniles Act.

Similar to the Boy's Centre the Girl's Home cares for the following categories of children:

- **Committals:** Those committed to the care of the Director of Social Welfare through

the courts until they attain the age of 17 years.

- **Remands**: Those committed by the courts for safety reasons and need to appear in court on their respective court dates
- **Interim Care**: Those committed under court order as either offenders or those who need care, protection, and control.

The management of the home is contracted out to the Salvation Army on a three-yearly basis with the contract being reviewed at the end of the period. The Department of Social Welfare provides an annual grant of FJD 87,000 for the operation of the home.

The home is situated at Mahaffy Drive in Suva and is managed by a Manager who is assisted by four supervisors. The supervisors are on duty on a shift basis to ensure that the girls are under supervision at all times. The manager, apart from the overall coordination of the home, is also responsible for counselling the girls and escorting them to their various destinations. The manager has a major responsibility and is on call for 24 hours. The home also has 2 non-established staff, a driver and a caretaker.

At the beginning of January 2003, a total of 14 girls resided in the home. During the year, there were 19 new admissions at the Girl's Home as shown in Table 4.28 below. The majority of the girls were placed in the home on Care Order. All girls living at the Girl's Home are wards of the state and are placed into the care of the Director of Social Welfare. The 19 admissions in the home in 2003 were children referred from the various district and divisional offices of the Department of Social Welfare. They were from the following areas: - Central Eastern Division: 16, Southern Division: 1, South Western Division: 2. Sixteen (16) girls were discharged in 2003 due to expiry of Interim Care (age 14) and Care Orders (17or 18 years)

Table 4.28 Admission in the girls home 2003

Reasons	Fijian	Indian	Others	Total
Committals	11	4	2	17
Interim Care	1	-	1	2
Remand	-	-	-	-
Total	12	4	3	19

Source: MWSWPA 2003

A number of program activities are run at the Home. These include:

Education/vocational training - Throughout the year, seven girls attended school while those not attending formal education were engaged in vocational training.

Home programs - Girls who cannot cope with formal educational requirements are engaged in home programs, which comprises of cooking, baking domestic duties, craft gardening and crochet

Recreation programme - All the girls are encouraged to undergo learning experiences and participate in various activities that contribute to their overall personal development. This includes recreational program, which gives the girls the opportunity to participate in sports and religious activities, go out on excursions and socialize at camps and social events.

Parents and guardians are allowed to visit the girls during weekends. Girls deemed high risk are allowed visit from relatives only with consent from the magistrate or welfare officers. During school holidays the girls are given the opportunity to visit their families. This allows for assessment on whether they are ready to be placed back with their families

(iv) WOSED

A National Women's Plan of Action resulting from Fiji's commitment to the Beijing Conference was launched in October 1998. It is from this national Plan of Action that the overall policy objectives have been derived

Government recongnises and values *women as resources which can be utilised and assisted to contribute more effectively in an economically productive development process*. It looks to way to involve women as equal partners in the national, economic and social development of the country through positive discrimination where appropriate

The development of women's micro-enterprises in all sectors such as agriculture, fisheries, trade, industry and tourism and to mainstream women into these sectors of development will enable them to participate more fully and to share in the benefits of development. In the absence of national security benefit such as old age pension and unemployment benefits, micro enterprise development is seen as one of the key strategy

that would directly and indirectly impact on poverty.

WOSED is a micro-enterprise development programme for women in Fiji which encompasses both economic and social development aspects. The programme is patterned after the Grameen Bank. The Grameen concepts of Unity, Discipline, Courage and Hard work are an integral part of our programme. As in Grameen, the five member support group is the essential key to the ongoing success of the women. WOSED was started in April 1993 with a Pilot programme encompassing six groups of 27 women in three locations. As its objective it lists the following:

- Create self-employment or support those wishing to be self- employed but are presently unemployed or under-employed,
- Extend assistance to support women's income earning activities,
- Promote savings,
- Improve the participant's standard of living and thereby contribute to the social development of the community,
- Inculcate a sense of independence, dignity and confidence in dealing with one's needs and problems, and
- Prepare women for integration into commercial banking systems so they can access larger financial resources.

WOSED targets low-income household through the country. About 70 per cent of the loan requests are for agricultural based activities. The maximum given for the first loan is FJD 200 and FJD 250 for second loans and not more than FJD 500 for the third loans. Loans are repaid for over 6 months with an interest rate of 15 per cent. WOSED has received assistance from sources like the Pacific community, the New Zealand Government and the US Peace Corps. Between 1993 -2001 about 587 loans have been provided including first, second and third loans. Total disbursed amounted to FJD 156,433.88. Repayment has reached 80 per cent amounting to FJD 141,989.67. The long term plan is for WOSED to be established as an NGO.

The Women's Interest Assistant with the Ministry of Women meets on a weekly basis with the groups and conducts training sessions. The groups select their own leaders and set their group policies. They are responsible for overseeing the repayments of member loans. It states that when a woman expresses an interest in obtaining a loan for a small business, she will told it is necessary for her to form a group of five women who share like goals. The criteria for new groups are as follows:

- Need for financial assistance,
- Same for geographical area,
- Five Participants, and
- Desire to set up or expand a business.

4.10 Summary of social protection programs in Fiji

Table 4.29 shows a comprehensive list of many of the major social protection programs that can be provided for vulnerable and disadvantaged members of society. The responses in the currently available columns generally refers to those widely available and where there is only very small isolated instances of available services then the response is shown is no although this is qualified in the remarks column of the table. 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 4.29 Social protection programs in Fiji

Sector and Programs	Currently Available		Remarks
Labour Market			
Vocational training	Yes		
Income generation programs	Yes		Not part of labour but part of microfinance
Labour standards	Yes		
Apprenticeship training	Yes		
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	Yes		Formal employment sector only
Social funds	Yes		
Job seeker program	No		
Labour exchanges		No	
AIDS in the workplace programs	Yes		Some in formal sector only. Little penetration in rural areas
Social Insurance			
Old age pensions		No	Provident fund is lump sum, pensions as part of FNPF
Disability benefits	Yes		Part of FNPF, formal sector only
Survivor benefits	Yes		Part of FNPF, formal sector only
Work injury insurance	Yes		Through employers or private insurance schemes, compliance questionable
Private pensions		No	Minor mostly expatriate superannuation
Maternity benefits	Yes		Part of public sector and employment conditions, formal sector only
Unemployment insurance		No	
Sickness insurance		No	
Social health insurance		No	
Social Assistance			
Family Assistance allowance	Yes		Paid to some of the poorest families chronically ill, prisoner dependents and deserted spouse(s)
Food for work transfers			
Food security programs		No	
In-kind education incentives		No	
School feeding programs		No	
Conflict compensation		No	
Utility subsidies			
Programs for disabled	Yes		
Homeless person assistance			
Medical rehabilitation	Yes		Limited budget, first come first serve basis
Assistance to disaster victims	Yes		Limited to critical cases evacuated to Suva or overseas
Subsidised medical treatment			Ad-hoc, ministry not fully developed. Part of national health care policy
Micro schemes			
Micro loans	Yes		
Micro insurance		No	
Agricultural insurance		No	
Welfare funds		No	
Assistance for disadvantaged minorities	Yes		20 year development plan aims to assist indigenous Fijians
Child Protection			
Child maintenance	Yes		
Human rights	Yes		
Scholarships for disadvantaged	Yes		
Vaccination programs	Yes		
Nutrition programs	Yes		Part off health care policy - identification process but no welfare programme.
Rehabilitation programs	Yes		Limited through MWSWPA and NGOs
Assistance for homeless youth	Yes		Provided to juvenile boys and girls, vocational training and education
Anti child labour/trafficking programs	Yes		Provided under the Juveniles Act – up to the age of 17 years

4.11 Micro-Finance

4.11.1 Background

Informal lending has been in existence in Fiji for a long time. However the operations were mostly disorganized, lacking in substance and proper objectives, hence, have not really contributed to the welfare of the people who have availed of its services. According to the 1996 Fiji Poverty Report, twenty-five percent (25 per cent) of the population live below the poverty line and growing by the year. In an attempt to address the alarming situation, the Fiji Government adopted a series of strategies to reduce poverty incidence. A conference was held in Fiji from 21st to 23rd October 1998, which gave rise to a Taskforce Committee specifically to look into Micro Finance development. The Committee was comprised of Government, private sector and non-government organization representatives. The 1998 government allocated funds totalling FJD 3.0 Million in its 1999 budget in support of the development of appropriate micro finance initiatives for Fiji.

Resulting from the work of the Task Force, the National Micro finance Unit (NMFU) was setup initially under the Ministry of Finance in early 1999. However, it was later transferred to the Ministry of Commerce, Business Development and Investment. The National Micro Finance Unit (NMFU), is the special Government unit created through the Cabinet Memorandum, reference number CP (98/76) dated 28/9/1999. Its primary function was to promote and enhance the development of micro finance initiatives all over Fiji. The NMFU began its full year of operation in 2000 with the formation of two Micro finance Institutions namely Fiji Council of Social Services (FCOSS) and Aglow Lautoka. To date, it prides itself of having promoted, organized and assisted in the full and successful implementation of several micro credit and savings projects in at least ten (10) areas and servicing 142 communities and villages.

4.11.2 Executive Summary of Microfinance Report on Fiji[24]

The trends of micro finance internationally are dynamic and are widely used as a poverty alleviation and employment generation tool. It also has demanded the attention of financial sectors of various countries primarily due to the massive funds generated through its savings programmes and the high population number that the programme reaches. It has also been supported by international organizations like UNDP, World Bank, ADB and created international agencies of its own.

The Government of Fiji initiative to introduce micro finance in Fiji and to maintain it through the four years of the Pilot Project Phase should be commended. The lack of provision of basic financial services for the low-income earners and the poor has a direct bearing on the ability of this target group to employ their skills in income generating activities and save excess income to allow regular income through a longer period of time. Without such a system this target group is left open for prey of unscrupulous moneylenders or left to fend for themselves.

There are a various number of methodologies and innovative systems that the NMFU has introduced during this Pilot Project Phase. This is the Group Solidarity Methodology, Village Banking Model, Cooperative system and the Individual Direct Lending Model. With the exception of the Individual Direct Model all have shown progress and promising results. These models have been implemented in various parts of Fiji to allow the Unit to evaluate the performance of these models if any in different areas. While some remote areas had higher communication and transaction costs than others it appears that this was not such a crucial factor. Proper management, strong leadership, continuous innovation and enterprise support are more pertinent points contributing to the success of the programme.

The introduction of NMFU's "Save First" policy in late 2002, for all the programmes has been commended by World Bank. This will ensure a wide range of benefits for the MFIs and instilling the savings culture for the target group. There is a challenge for the Unit to promote savings widely

24 The National Micro Finance Unit End of Project Report provides an in-depth presentation of the operations of the National Micro Finance Unit and the Micro Finance Programs and Initiatives implemented through the local MFI and NGOs.

in Fiji, through existing MFIs, existing organizations and through promotional programmes. Existing Savings Programmes with other organizations could be coordinated through NMFU.

Creation of Micro finance Institutions (MFI's) to implement these models for the Unit has also been a challenge. While some of the MFI's have been able to revolve grant funds provided to them to on-lend and to finance their operations there is still room for improvement. The World Bank Fiji Micro finance Policy Report in September 2003 has recommended capacity building across the board for all stakeholders of this sector. This includes NMFU, MFIs, Reserve Bank, Credit Union, NCSMED and MOF staff.

NMFU has been acting as an apex organization for Micro finance Development in Fiji to date. It has implemented its programmes to the best of its ability. While capacity building was almost non-existent in the initial 2 years of the programme, it has still not had the exposure and technical assistance required. Most of the programmes have been implemented through its own short experience of the programme within Fiji and the on the job training of the UN Volunteer MF Specialist attached to NMFU from mid-2001 to mid-2002. The lack of operational funding and the inability to implement its new Organizational structure resulted in the Unit working on limited and stretched resources.

The World Bank Report found that NMFU needs further development in the capacity building and also to change the focus from not only of creation of operational objectives in setting up of MFIs and implementation of the services but to take on more systemic approach to the micro finance sector in Fiji and this includes to work more closely with existing institutions and systems that have the existing infrastructure in place, promotional activities and creating the enabling environment for the delivery of MF in Fiji.

The future role of the NMFU is covered extensively in the report, it must be used as a coordinating body, and catalyst for MF Development a promoter for strategic alliances for its poverty alleviation programmes and become the Government arm in the implementation of a savings mobilization campaign/promotion.

NMFU has been a policy initiative of Government created as a Unit on Pilot Phase since 1999. While Government has provided for the Unit within its budgetary constraints; Government systems and procedures are not necessarily the best environment within which the NMFU can operate. As long as it remains an apex body it needs an institutional framework within which it can implement its policies and procedures independently, but within the broad framework of government policies. The NMFU was merged with NCSMED in 2004.

4.11.3 Highlights of the National Microfinance Project Achievements

The following sections, present a glimpse into the achievements of the NMFU relative to its mandate; likewise in the area of technical development as an institution and the individual accomplishments of the funded MFI relative to operational targets. The salient points in the achievements of the Project are as follows:

Since its inception, the NMFU has promoted microfinance programs in four (4) major areas of Fiji. These are the North, Viti Levu, Central areas and the Maritime communities.

The Project had developed ten (10) NGOs into full pledge microfinance project implementers, recording a total of 4,200 financial assistance to 2,275 individuals, belonging to the poor and the low income groups.

The NMFU microfinance promotion and development work had assisted poor and low income households in one hundred and forty two (142) communities, and initiated the establishment/sustenance of 2,275 micro enterprises and/or home-based income generating activities.

Although NMFU had not maximized the utilization of the government grants provided for the Project, the implementation of the micro finance projects had provided the experience and lessons learned for the technical growth/development of the NMFU.

The NMFU had designed and successfully pilot implemented four (4) microfinance project models;

The NMFU had properly utilized the grants provided for its objective.

4.12 Fiji – gender country assessment

The common misconceptions about social security expressed by stakeholders include the cost to employers and loss of productivity, weak governance, inability of government to contribute and suspicion of government controlled institutions. These opinions are common reactions in a highly unionised environment and in an economy which still relies to some extent on foreign aid.

The national social security institution is the Fiji National Provident Fund but, this only covers workers in the formal, paid employment sector. There have been moves in recent years to capture workers in the informal economy. When the draft Employment Relations Bill becomes law, informal sector workers will by law be covered but, what will be the more important question is the enforcement and monitoring of informal sector employers for compliance.

4.12.1 The Fiji National Provident Fund (FNPF):

The Fiji National Provident Fund is the workers' annuity fund. It is jointly supported by employees, employers and government. Created in 1966 by an Act of Parliament to provide financial security for workers' when they retire at the age of 55. It also provides for two other main contingencies prior to retirement – when the member is incapacitated and is not able to work and financial support to survivors in the event of the member's death. Over the years, the fund has evolved and now provides a number of pre-retirement withdrawals to members for home ownership, health care and education. The contribution rate is set at 16 per cent (employer 8 per cent and employee 8 per cent) of the payroll.

Compulsory coverage is applied to employed workers under the following conditions:

- Between 15 – 55 years of age,
- Contributions cease to be paid at age 65,
- 12 or more days' work for an employer in any month,
- Includes expatriate employees and directors who hold 20 per cent shares or less in a company, and
- It also provides for voluntary contributions for self-employed workers and domestic workers of a private employer.

Members can withdraw their balance on the following grounds:

- Retirement or attainment of age 55,
- Death of a member,
- Permanent physical or mental incapacity,
- Fiji citizen migrating,
- Non-Fiji citizens migrating,
- Closure of small accounts,
- Partial withdrawals, and
- Housing Assistance Scheme.

In terms of formal economy workers being compulsory members, we see from the tables below how within the working age range, women are outnumbered by men by a good margin.

Table 4.30 Women in the formal sector workforce

1986		
	MALE	FEMALE
Age range	15 – 50+	15 – 50+
Total	222, 316	219, 516
Employment Rate	94.6%	90.7%
Unemployed Rate	5.4	9.3%

1996		
	MALE	FEMALE
Age range	15 – 50+	15 – 50+
Total	252, 722	248, 191
Employment Rate	95.2%	92.2%
Unemployed Rate	4.8%	7.8%

Source: Bureau of Statistics study of 1986 and 1996

Anecdotal evidence in the Pacific and from studies done by the ADB in the Asian countries show that in poor households, when women control the family income or when poor households are headed by women, there is a more equitable sharing of resources and there is more family resource put into family consumption. Compared to when men are in control, there is a tendency for an emphasis on family traditional obligations as it is their honour at stake and for their own consumption – e.g. kava and cigarettes. Hence, any policies for social security extension must ensure that it does not indirectly worsen women's situation through gender-blind policies.

With regards to the option available to members on whether to take a full withdrawal or pension or a partial withdrawal and pension, the following

factors are cause for a need to make pension mandatory and to take away the option for lump sum payment at retirement:

The current unemployment rate in Fiji stands at around 14 per cent. There are about 17, 000 young people graduating annually and the formal sector can employ at the most 4, 000 annually. These young people, retirees at age 55 and the hundreds and thousands who have lost a regular source of income as a result of the May 2000 upheaval are turning to small micro-enterprise development.

The various government programmes that deal with rural development and poverty alleviation view small micro-enterprise development as a strategy. With the current export of labour internationally, the receiving families are mostly using the remittances to help set up small micro-enterprise businesses.

The above examples of small and micro-enterprise development as a source of income are considered good ideas but, what people often need is start-up capital. With the retirement age at 55, often these workers still have children to put through school, have extended family members in their households and many would not have been able to buy homes because their salaries have not allowed them to. With the majority now with falling economic standards, there is regular withdrawals from the FNPF for school fees, housing schemes, etc. So, often, they would opt for the lump sum. If there have been regular withdrawals, the lump sum will be relatively small. Waged workers don't get paid too well so, contributions would be much lower, these groups too will not get much in lump sum payout. Poverty, hardship and a desire to get into micro-enterprise businesses to keep people out of poverty will force people to opt for the lump sum payout to start small business enterprises. There is wide documentation and it is also general knowledge that indigenous people are not good business people because of the cultural and traditional customs. Business ethics are foreign to the traditional Fijian customs of communal living. Indigenous Fijian failure in business is well documented. So, you have the situation of FNPF lump sum payment being used to start up small businesses and failing.

The average life-span of a Fijian male is 67.7 and a female is 71.9 years.25

With the national retirement age at 55 years, taking the lump sum at that age, for a male, he would need to make that lump sum stretch to support him and his extended family members for about 12 years on average and a female member would need to do the same for another 16.9 years.

According to a 2002 actuarial FNPF report, low income earners tended to take lump sum withdrawals upon retirement. The realities of these low income earners would be inter alia regular drawings from their FNPF for children's' education and other reasons allowed under FNPF rules for withdrawal so, by the time of retirement, the lump sum is not such a big sum anyway. This lump sum will be used up in a very short period. This would possibly lead to members returning to their villages to live or if they do not wish to leave the comforts of town living, they end up squatting as many of them would not have been able to buy homes during their working lives. These social consequences should make the pension mandatory. Whether they be high income or low income earners, the Fijian traditional and cultural obligations would see the quick depletion of any lump sum payment opted for by withdrawing members.

4.12.2 Employment factors

The Reserve Bank of Fiji (RBF) briefing paper 14 of 2004, states that the formal sector makes up about 38 per cent of the labour force of which 34 per cent are women; and the informal sector comprises the remaining 62 per cent of the labour force.

In 1999, Women made up 46 per cent of those employed by the Public Service of which; 14 per cent at the senior executive level; 13 per cent at deputy secretary level and 8 per cent at chief executive level.

The 1997 UNDP/Fiji Government Report showed that according to the statistics collected in the 1990-1991 Housing Income and Expenditure Survey:

[25] Report to the Government on the actuarial valuation of the Fiji National Provident Fund evaluated as of 30 June 2002 p. 18.

- 25 per cent of the population lived in poverty and unable to meet their basic needs,
- Another 25 per cent were surviving just at or slightly above the poverty line however, shock of any form (e.g. Loss of job, death of breadwinner, natural disaster) would send them instantly into poverty,
- 86 per cent households although they had someone employed, what they earned was barely sufficient to meet the costs of their basic survival needs. The national poverty line per household (this is generally considered to be a man, a wife and 2 – 3 dependent children) was FJD 83 per week in 1992; FJD 100.08 per week in 1990 and in 2001 was calculated to be at FJD 120.32 per week. The Fiji Trades Union Congress has been lobbying aggressively for a minimum wage, and
- Whilst, income creation is important, equally important is that people are paid a liveable wage.

A consequent study revealed that 46.8 per cent of those in full-time employment earned wages below the poverty line and a new term was coined to refer to them, "the working poor". Of these working poor, 67.9 per cent were women and 32.1 per cent were men.

There's an increasing trend of women single heads of households. These women have been either abandoned or divorced by their husbands supporting extended families or they are single working women supporting aged parents and children out of wedlock. Whatever the family structure, one thing is for sure, family structures in Fiji are fast changing and reflecting the global trends of changing and breaking down of traditional family structures.

Fiji is a signatory to a number of International Conventions and has resulting obligations to its citizens and within the international community to effectively implement these conventions by making them part of national laws, policies and regulations.

Under article 23(2) of the Universal Declaration of Human Rights an article 7 of the UN International Convention on Economic, Social and Cultural Rights, Fiji has an obligation to ensure 'the right to just and favourable remuneration'.

Under article 11 (1) (d) of the Convention on the Elimination of All Forms of Discrimination (CEDAW), government is obligated to take all appropriate measures to ensure the right to equal remuneration".

Where it was once thought that women working supplemented the family income now no longer can be the premise for policy decision making. Women are increasingly heading households hence, their incomes are not supplemental but, in many instances, the only source of family cash income. This global trend and the international conventions impose on the government of Fiji an obligation to ensure that any laws, policies rule or regulations it puts in place with regards to the economic livelihoods of its people must be gender-sensitive and not overtly or covertly discriminate against women.

Social security is ideally to be paid for by a country's working population and the rest to be subsidised by government. It therefore makes sense that women be employed and in decent employment earning decently to be able to contribute.

Maternity benefit is another area that has been a lobbying point by women's NGOs. In the Fiji Public Service, women get maternity leave with full pay for the first three children. After the third child, they get a daily allowance of $5 whilst on leave. In the private sector, it is dependent on the agreements between the relevant union/workers representation. Women's reproductive role is God-given, not based on choice and ensures the sustainability of the human race. The ancient times of women reproducing and men working for economic gain outside the home to sustain family livelihoods are no more. With globalisation, modernisation and the many changes our borderless globe is going through, women's income is not supplemental but, vital for families and communities either in partnership with their husbands or as single heads of households.

UNICEF, WHO and other Health studies have shown that poor maternal nutrition before pregnancy, during pregnancy and post delivery will result in a number of the following possibilities:

- Miscarriage,
- Pre-mature delivery,
- Low birth weight babies,
- Malnourished babies,

- Early childhood mortality,
- High child morbidity, and
- Maternal mortality.

When resources are scarce in the family, mothers often sacrifice their own needs for the sake of the other family members in particular children. So, families in poverty because of unemployment or low wages, their social exclusion will have negative consequences that reach far into the future.

In its draft MDG report, the government of Fiji does not believe it will be able to achieve goals 1 and 6 by the year 2015.

Goal 1 is to eradicate extreme poverty by 2015. Its two targets are:

- To reduce by half the proportion of people living on less that USD 1 per day; and
- To reduce by half the proportion of people who suffer from hunger.

Goal 6 is to combat HIV/AIDS, malaria and other diseases. Its two targets are:

- Halt and begin to reverse the spread of HIV/AIDS;
- Halt and begin to reverse the incidence of malaria and other major diseases.

It is well documented that two of human-kinds worst scourges, poverty and now HIV/AIDS have the face of a woman. The argument follows then, that in order to tackle the roots that create poverty and the fuel that drives the HIV/AIDS epidemic, the solution lies in dealing with women's oppression, economic and social exclusion and women's unequal status in society. It is argued that if women are economically, politically, socially and culturally empowered and can access good quality education, decent paying jobs; can live lives of dignity free from violence or fear of violence in all its forms; if young girls can make choices without the traditional obligations imposed on them for early marriage; when young girls and women no longer have to sell their bodies for a living, then and only then, can you start to see the structures and framework that create poverty and fuel the AIDS epidemic dealt with decisively and these goals can and will become a reality come 2015.

In looking at improving social security coverage, there is a need for mandatory extending the coverage and benefits to those in the informal sector where women are concentrated. There is a need for dependent's benefits for those women who choose to be homemakers and those women who have either lost their jobs as a result of the 2000 coup; for women who are denied access to decent jobs as a result of other forms of discrimination that have prevented them getting good quality, formal education and other forms of training to equip them for the labour force.

There is also a need for universal aged pension regardless of whether one has worked or not. There is an increasing trend of elderly people left in the streets by their children because of family poverty. There is also the need to look at the age from which elderly start getting old age pension. Samoa has set it at 65 years and Kiribati has it set at 70 years. With Fiji, the statistics are: the national retiring age of 55, life expectancy on average at 67.7 years for men and 71.9 for women.

More than 70 per cent of Fiji's population reside in the rural area but, this is starting to change with an increasing trend in rural-urban drift which is seeing an increase in squatter settlements. High teenaged pregnancy and high youth rural-urban drift is also causing an increase in rural aged female households caring for young grandchildren. These women are relying on the traditional sources of livelihoods to sustain themselves and their families. With very little cash income, these children are denied formal education creating serious problems for the future for when these children become youths. During the coup of 2000, the Parliamentary complex was overrun by rural youths with little or no formal education with the gripe that they had been denied access to a lot of development that urban dwellers took for granted.

This project in looking at the extension of social security needs to decide how it is going to provide for aged women. It needs to make strategic decisions on how it will efficiently capture women in the informal economy who have fallen into that category as a result of little or no formal education; no access to jobs and if they work, being paid unliveable wages. Women who work in the informal sector in the towns and cities in particular, domestic workers, when they get too old, they return to their villages to settle, without FNPF and any savings in many instances. They

return to the traditional system of social security and rely on the goodwill of clan's people for use of land and sea or river.

With the ever increasing population size, there is increased pressure and congestion of tribal land and we are slowly starting to witness in Fiji the situation where clan members are questioning a family's eligibility to residence and use of clan resources. This is more likely to happen in situations where a woman's grandchildren are questioned because they are assumed to belong to the clan of their father and why should they be crowding out those with paternal links to that particular resource. These traditional systems are also highly stratified and patriarchal in nature. Resources in the villages are communally owned but, the males in the clans make the decisions regarding its use. So, women access land and fishing grounds for family use but, have no control or say.

For women who may wish to go into business ventures in order to improve their livelihoods, one of their main constraints is capital and to be eligible for bank loans, they need a source of collateral. As land is communally owned and the Fijian traditional system being hierarchical, women are denied this traditional source of collateral.
There also needs to be employment assistance for:

- The 13,000 youths annually who are not able to get employment and who are trying to set up their small, cottage industries. These youths are responsible for the increasing crime rate as there is a lack of gainful employment, and
- For those who are being made redundant by the structural adjustments being carried out nationally and who will be looking for other forms of employment and livelihood.

As the individualism culture also creeps into the Fijian way of life coupled with the increasing cost of living, the demands of a cash economy, the social safety net that used to be once relied on is no longer as effective as it used to be.

4.12.3 Fiji: Gender Analysis and Emerging Issues

If gender is about the cultural, social, economic, political, religious and traditional socialisations of men and women which determine inter-alia the power balance, access to, use of and ownership of resources, then the gaps are obvious in the current set up of the Fiji social security system.

First and foremost is the lack of sex-disaggregated data in all sectors and from the Fiji National Provident Fund.

In the present formal social security system, only formal sector workers are covered. This excludes about 60 per cent of Fiji's labour force. In the formal economy, women make up less than 50 per cent. In the informal economy, it is a known fact that women are highly represented.

Although the grounds for withdrawal or partial withdrawal claim to be non-discriminatory, the realities that push those most vulnerable to make constant drawings need to be gender analysed. For example, women single-heads of households and or working poor families drawing annually for children's school fees. The real solution would be in the government provision of education that is truly free to these households in order for these households to focus their income on good nutrition and other family needs.

Some of the basic needs and rights of citizens are not provided for in the existing national scheme as it is such as medical insurance, maternity benefits.

Unemployment and child maintenance benefits: Counter to the argument that it will be an astronomical cost to taxpayers, if women are able to give quality care to their families especially children because of adequate child maintenance allowances, this should result in less pressure on the medical services as a result of a healthier population. Unemployment benefits will generate immediate cash spending in the local economy as the recipients will spend on immediate consumables. This could possibly have a spin-off effect in increased purchase of products created by local micro-enterprise operators, market-bought vegetable and produce; and the list of possible positive effects go on.

Women are more disadvantaged than men in many respects and less often employed.

Women generally earn less income than men. The Fiji Women's Rights Movement slogan of *Equal pay for work of equal value* came out of a survey done on the types of jobs and remuneration young men and young women graduates of the Fiji Institute of Technology received after an equal length of study time and similar qualifications and

job attachment experience. What their survey found was that although girls and boys studied for equal length of time and found employment in similar areas, their pay packets differed markedly. Some of the assumptions were because men were generally seen to be the providers of the family and women if they worked, their earnings were really pocket money. The realities then and today, a good percentage of these women are sole bread winners and single-heads of households.

Women are more concentrated in the low skilled occupations. e.g. in the garment industry, women outnumber the men and where men are employed, they are in the higher levels in the industry. Some counter arguments have been that the women are not as qualified as the men. This can be linked to the types of subjects' girls and boys were encouraged to take at school and the stream of studies they were guided into by parents, teachers and careers counsellors at schools. The whole socialization and norms of women's work and men's work has played a big role in these outcomes and these need to change and are slowly changing as a result of gender mainstreaming in government policies and education but, this process needs to be further strengthened.

In moves to capture those in the informal sector, the scheme is still voluntary, meaning, that it is up to the wage earner to contribute and there are no laws governing this. Given the nature of poverty, pressure for that meagre wage to either pay into a national fund for benefit much later in life vs. meeting the immediate, urgent needs of the family more often than not, swings the income earner's decision toward the latter.

The approach also is still gender-blind as the statistics are not sex-disaggregated and there's a lack of gender analysis of informal sector work, e.g. Farming and fishing.

(i) Farm and Farm Related Activities

This group comprises subsistence farmers, small landholders in specialised or mixed farming, landless farm workers and unpaid family members.

More than 50 per cent of the population resides in the rural area but, this demography is fast changing as the rural to urban drift is seeing a sharp increase. The majority of the informal economy work such as agriculture and fishing is concentrated in the rural areas.

A gender-analysis of farming done by a Ministry of Agriculture gender specialist showed that when it came to farming, the survey had to be more specific as to what ""farming" included.

Farming a crop begins with the seed preparation, ground preparation, planting, initial care of the seed, care of the maturing crop up to harvesting. A gender analysis of this whole process found that the women-folk in the household did some if not most of these initial, sensitive handling of the plants and men often came in towards the end, the harvesting. Yet, the statistics would capture the men as farmers because of the generalisation that farming is harvesting the crop only. The danger with a gender-blind social security extension to include the informal economy would be the very real further exclusion of women-farmers. We also talk here of subsistence women farmers.

(ii) Fishing

It is recognised that in some household's income and subsistence will be derived by a combination of fishing and farming. These activities are mostly done by rural dwellers and again, it is the women who are looking for shellfish at the low tide sea line, fishing off the seawall and in some areas, the women take the punt out to deep sea to fish or dive for fish or do net fishing.

When one looks at the statistics tables, even the term "fisherman" is gender blind. Again, if the social security coverage were to be extended to the traditional "fishermen", the women are excluded. In these fast, modernising times in our island nations, what we are seeing in an increasing number of households being headed singly by women. So, should the social security coverage be extended to the informal sector and provide for "fishermen", what in effect happens is that as a result of women's exclusion, family poverty worsens and increases; children most probably stop going to school and are vulnerable to exploitative child labour and sexual abuse; young girls who should be in school drift to the big towns and cities in search of a better standard of living and instead get lured into prostitution.

(iii) Home Workers

Including craft workers, mat weaving, garment making and housemaids.

Women in these forms of employment, because of a lack of organised representation are really at the

mercy of the employers; are vulnerable to sexual abuse and because of the nature of poverty, often will remain silent as they have a family to feed. When they are too old to be able to give care for a family, they retire to their villages with no pension entitlement. These former workers then return to the traditional system of care in their villages or to their children living in the towns, often in extended family-type situations, putting more pressure on an already overburdened resource base.

(iv) Self Employed Workers

Includes micro-entrepreneurs, small traders and miscellaneous enterprises.

(v) Transport Industry Workers

Including taxi drivers, small repairers and other small transport passenger and freight services.

Most of the men in these sectors are sole bread-winners. Often, they are caring not only for the immediate but, also for the extended family and often, live on or below the poverty line. Should anything unfortunate happen to them, their families and extended family dependents are pushed further into poverty and you have the social impact of school drop outs, crimes, poor health and nutrition putting pressure on the over-stretched public health systems. Another common fallout which does not get mentioned much is environmental degradation in terms of unsustainable farming or crop farming. Land security becomes an issue, squatting increases, and again, we have a multi-facetted socio-economic, socio-political time-bomb on our hands. This sector although male dominated, its members are not anywhere insulated from economic shock and any sudden unfortunate event will push them into poverty overnight.

4.12.4 Fiji: Emerging issues

- HIV/AIDS,
- Export of migrant workers to the US; Iraq and Kuwait, and
- Political instability and internal unrest.

The Ministry for Health has been very aggressive in the last two years or so with their HIV/AIDS public awareness campaign. The current official statistics show about 180 or so known cases but this is believed to be only about 10 per cent of the real figure. With stigma and discrimination, people fear going for voluntary testing. The Ministry for Health in using the WHO formula of calculating possible real positive statistics based on inter-alia known numbers, known mode of transmission, data from other sexually transmitted infections (STIs), put the projected statistics of possibly 5, 000 HIV + people walking about without knowing they are HIV positive and infecting others. The trend for Fiji has seen the disease highest in the age range 15 – 35, the most economically productive years of life. The FNPFs projections of its balances and its ability to sustain pensions for pensioners and other benefits is calculated upon the normal life span of its members, taking into account the normal life altering circumstances such as disabilities, accidental deaths and other normally occurring events in peoples' lives. With this epidemic concentrated in the youthful and working age ranges we can project to see a sudden sharp increase in application for death benefits, lump sum payouts or pensions by spouses and dependents of those that will start dying of HIV/AIDS in the next 10 years at the very least.
With wars breaking out around the globe, security jobs have become quite lucrative for the men of Fiji. More and more households are headed by women. Most of these households would have lived below the poverty line for most of their lives. They suddenly find themselves coming into a lot of money and US dollars at that. With this new found liberty, the last thing they will think of is savings and superannuation.

The retail and hire purchase stores are benefiting from the increased new spending but, how long will this last?

Ultimately Iraq will be expected to provide its own security personnel, what of the hundreds and thousands of Fijian men who will return to our shores, back to the village and subsistence lifestyle pre-Iraq?

Will they willingly and gladly go back to the substantial reduced standard of living?

An extended social security system would need to consider how to capture this new money to fund the system and more importantly, how the concept is going to be sold to these short-term high income earners and making them believe that it will benefit them most upon return, retirement and when unemployed.

Fiji has also been exporting thousands of its women as caregivers to the United States. Most of

them are living and working in the USA illegally. These women may be enjoying high wages and their families are benefiting here with the remittances but, because most of them are working illegally, they are not contributing to social security there and they are also not captured in the FNPF here unless they sign up as voluntary members. With the family poverty and hardship their families face here, it will take a major paradigm shift to expect their family members to go and voluntarily pay money into a member's FNPF account when they are not in country to ensure that.

With political upheavals as Fiji has experienced threes times in the last 18 years, the economic downturn has caused countless tragedies. Within the current socio-political environment and the current indicators, with the history of coups against certain leadership and with what we know from history about the casualties of unrest; with Fiji's major economic income earners and how they get drastically affected by political and civil unrest, an improved social security must provide accordingly and the case is really clear for some form of unemployment benefits.

4.12.5 Fiji: recommendations

To help people walk out of poverty, the government is looking to the further and structured development of the informal sector to absorb the thousands that the formal employment sector is not able to employ annually.

These are the realities:

- Not all school leavers or university graduates can be employed as there just aren't enough jobs and not enough can be created at the rate at which graduates and school leavers are entering the workforce,
- The informal economy can only support so many innovative enterprises in the various areas/industries due to the population size,
- Some may choose to be home makers and car givers especially mothers, and
- Given the very real presence and threat of the HIV/AIDS pandemic in the country and the region, we will see more and more female headed households and young children headed households due to HIV/AIDS related illnesses and deaths.

Some of the immediate priorities for Fiji would be:

- Employment assistance,
- Skills training for youths for income generation to create wealth from which deductions can be made to pay for the new and extended social security system,
- Family assistance schemes, and
- Dependent's benefits.

Given the statistics of employment and high unemployment in the country, there needs to be unemployment benefits or some form of allowance for the young seeking employment and those who are the caregivers at home, maintaining families and communities with no economic rewards or remuneration. An extended, gender-responsive social security system is a need and a basic right of all citizens of this country.

4.13 Conclusion

This overview of gender in Fiji 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 culminated in a joint stakeholder workshop that used existing social security overview reports, surveys from informal and formal economy (Provident funds members) workers and stakeholder inputs to identify the program gaps and priorities for extension of coverage. These recommendations were translated into feasibility studies of the major benefit types that now form part of the inputs to the final phase development of national action plans for extension of social security coverage in Fiji.

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

5.1 Fiji Informal Economy survey

5.1.1 Background

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

5.1.2 Methodology

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

The data collection form and supporting instructions is provided in Annex 7. It should be noted that the terminology used in the form was interpreted by the data collectors and presented to the participants in local language. A critical issue in the conduct of the surveys was providing data collectors with a good understanding of the requirements and their ability to translate the terminology into colloquial language. The data was collected by school teachers mostly during their semester breaks and following briefings and form testing by the staff. The samples in Fiji were taken from both islands Viti Levu and Vanua Levu.

5.1.3 Sample Selection

In Fiji the source for the informal economy information was the estimate made by the Reserve Bank of Fiji Economics Department, Prices and Wages Unit in its Briefing Paper No. 14 dated May 2004. The paper defines the informal economy as *consisting of all small scaled activities that are normally semi-organised, unregulated, use simple labour intensive technology undertaken by artisans, traders, and operators at work sites such as open yards, market stalls, undeveloped plots, residential houses and on street pavements. Additionally they may or may not be registered with the Registrar of Companies or have licences from local authorities. They may also lack necessary skills and qualifications to obtain employment in the formal economy*.

The Briefing paper estimates that there are about 235,500 workers employed in the informal economy which represents about 62 percent of Fiji's total labour force.

The Economics Department has mapped the informal economy along the lines of the occupation based classifications listed below.

1. Agriculture

(i) Sugar Cane Farming which employs around 63,000 people made up of about 21,000 registered cane growers and an additional 42,000 labourers.

(ii) Cattle Farming and whilst there are about 48,000 cattle farmers most of these breed working cattle as part of other activities such as sugar farming. Farmers who breed for meat or dairy are estimated to be 15,000

(iii) Other crops and livestock Activities comprising subsistence farmers, small landholders in specialised or mixed farming, landless farm workers and unpaid family members. There are about 135,000 people employed in this category.

2. Fishing[26], where this is the major income source. There are about 1,031 registered fishermen with a total employment of about 5,000 in the industry. It is recognised that in some households, income and subsistence will be derived by a combination of fishing and farming.

[26] this applies to coastal local fishing and not to commercial operators who are clear5ly in the formal economy

3. Forestry employs about 5,000 on the main islands of Viti Levu and Vanua Levu mostly on mahogany plantations.

4. Home Workers including gardeners and housemaids have been estimated based on growth in the informal economy in general since the last census and by extrapolating the estimated numbers employed in this category which is now about 5,200.

5. *Transport Industry Workers* including taxi drivers, small repairers and other small transport passenger and freight services. The land transport authority estimates there are about 7,300 workers based on the legal permit and licences issued

The predominantly rural occupations of agriculture fishing and forestry are mostly male; the home workers are substantially female. For the Transport industry workers most of the participants are male. Therefore the expectation is that the survey is expected to show a higher proportion of males than females.

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 based on a 0.5 per cent sample of 235,500 (rounded to 236,000) employees in the informal economy.

Table 5.1 Survey samples by occupation

Informal Occupation	Proportional Estimates[27]		Sample Ratio	Sample S=1,180
	Rural	Urban		
Agriculture				
Sugar cane	26.75%		26.75%	316
Cattle	6.37%		6.37%	75
Other crops	57.32%		57.32%	676
Fishing	2.12%		2.12%	25
Forestry	2.12%		2.12%	25
Home workers	1.11%	1.11%	2.22%	26
Transport Industry workers		3.10%	3.10%	37
Total	80%	20%	100%	1180

5.1.4 Survey locations

In the absence of a detailed break-up of the informal economy workers by district it has been decided to base the proportion of informal economy workers on the population in the two major islands as together they represent 97% of Fiji's population[28].

Viti Levu

Population 622,241[29], 77 per cent

Vanua Levu

Population 162,158, 20 per cent

Table 5.2 Survey sample by occupation and selected location

Informal Occupation	Viti Levu (77% population)				Vanua Levu (20% population)	
	Suva	Lautoka	Ba	Ra	Macuata	TOTAL
Agriculture						
Sugar cane		250			66	316
Cattle		50	25			75
Other crops		270	135	135	136	676
Fishing					25	25
Forestry					25	25
Home workers	20				6	26
Transport Industry workers	37					37
Total	57	570	160	135	258	1180

This guide to distribution of surveys by locality can be flexible depending upon the availability of the occupation types. These locations should be selected at random based on varying population densities and in the vicinity of major service centres in order to obtain survey staff.

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 Fiji, 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

[27] As a percentage of total informal economy

[28] Source: Bureau of Statistics – Vital Statistics Fiji 200

[29] Note the source ref in footnote 2 shows total population of 810,530, however the sum of provinces in the table XVI is 808,485

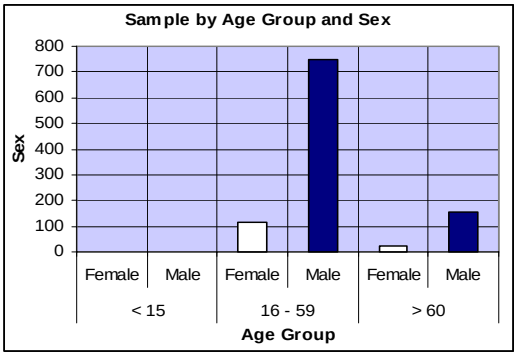
work and life interests. The potential to implement a future pilot scheme and a subsequent social security program was also a key consideration.

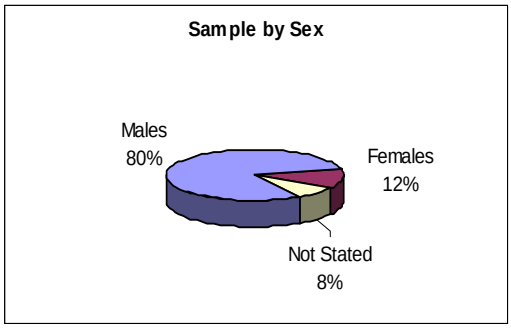
5.2.2 Key survey results

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

Personal details

The balance between sexes in the survey was biased strongly towards males because of the type of industries chosen. As the survey was aimed at informal economy workers who were employed in the major population areas, this naturally selected many land owners and small farmers, particularly on Viti Levu. Many of the traditional farmers, fishermen and transport workers were males. The predominant work areas for females in unpaid family care, family business and home workers were less accessible to the surveyors. The sample correlates reasonably closely to the 1996 census where 65.4 per cent of the workforce were male and 34.6 percent female.





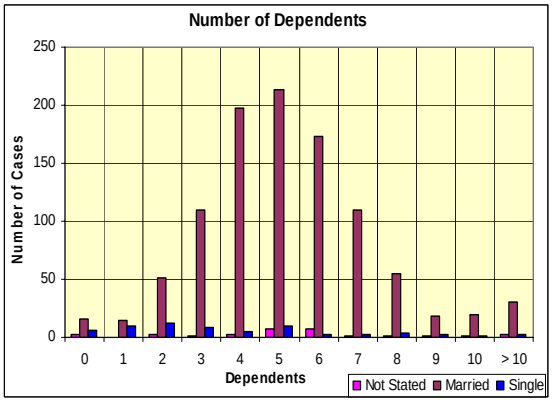
Age groupings

Age Group	Gender	Count
< 15	Female	1
	Male	1
15 - 59	Female	114
	Male	748
>60	Female	25
	Male	155
	TOTAL	**1044**

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 including in the over 60 year's group the gender proportion was about equal.

Dependents

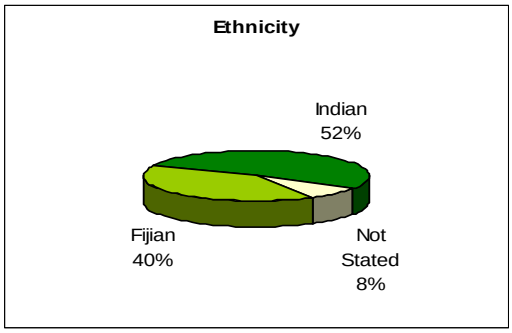
The number of dependents as shown in the following diagram follows a natural distribution curve with the mode around five dependents per family although the weighted average would be closer to 4.5 dependents per family. This compares favourably with the last census where the average family size was 4.5. The number of single parents was 69 in the sample of around 1100 which represents about 6.3 per cent of the sample. Given the large bias of the sample to males this is not likely to represent the true situation of single parent families. The 1996 population census identified 13.5 per cent of households headed by females.



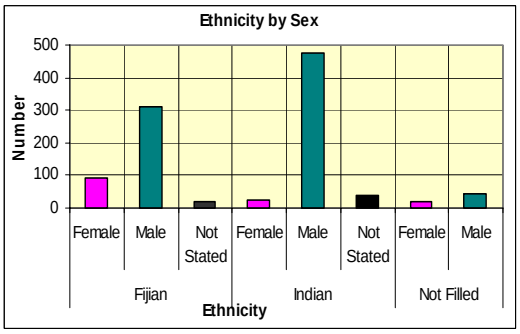
Ethnicity

Ethnicity is an area of concern in Fiji and it is common for statistics to be disaggregated by ethnicity as well as gender. The largest areas of informal economy workers are on the Island of

Viti Levu where the largest towns and cities are located.

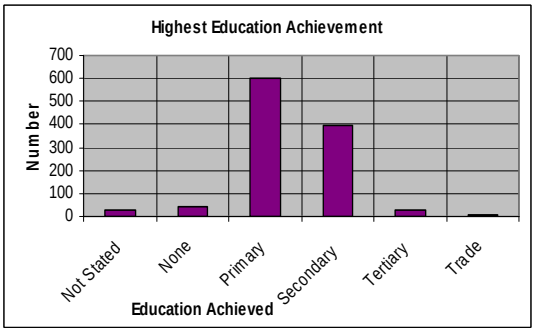


The informal economy is dominated by the sugar industry which employs about 15.4 per cent of the total labour force[30] and about 22.2 per cent of the informal economy[31]. A considerable number of the sugar farmers, labourers and seasonal workers are Indians. The most recent population statistics on 31 December 2000 has identified the ethnic mix to be 52.6 per cent Fijian, 41 per cent Indian and 6.4 per cent others. While the survey appears to reverse the population characteristics it should be noted that the project aims to identify the non poor members of the informal economy with a view to extension of social security (social insurance) and not to identify the poor and unemployed workers. The social security needs of the poor will need to be satisfied by some form of government sponsored social assistance scheme.



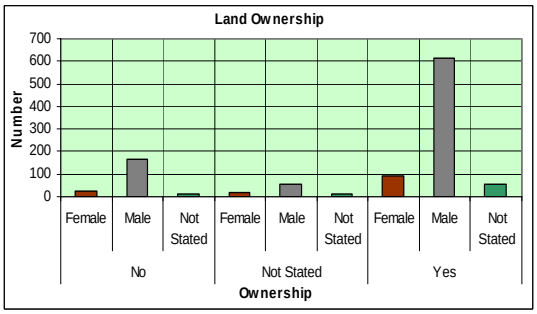
Education

The highest education attainment of the workers in the sample is shown in the following chart. In terms of absolute numbers in the sample males represent the highest numbers in all categories of education. These data reflect the high literacy rate in Fiji which was identified to be 87 per cent of the population in the 1996 census, 90 per cent for males and 84 per cent for females. High literacy rates imply that operating within a social security program and maintaining claim requirements should not pose any problems for the average adult Fijian.



Land Ownership

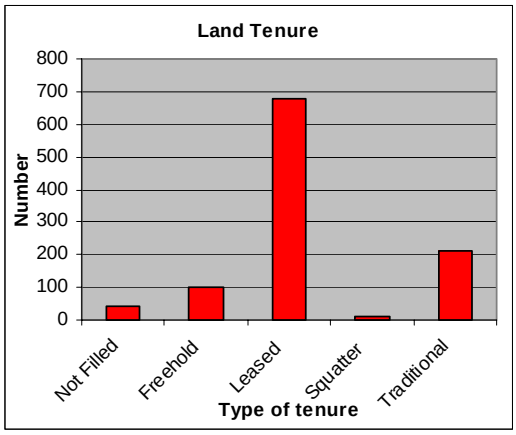
Land ownership posed some problems for surveyors and respondents alike and given that some of the sampling occurred in traditional villages and towns the ownership of land is not always clear. However much of the sampling was also done in the more densely populated sugar growing areas where the issue of land ownership is much clearer.

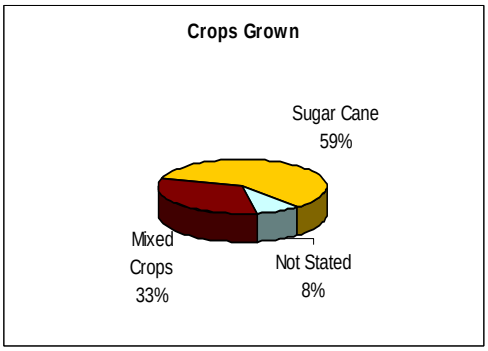


The ownership may have been interpreted as leased which gives security of tenure within the current legal system. One of the benefits of the traditional customs is access and rights to land as part of an extended family group. Security of land tenure suggests that incomes stability could be expected all other things being equal.

[30] Based on projections from the statistics, planning and labour departments from the 1996 census

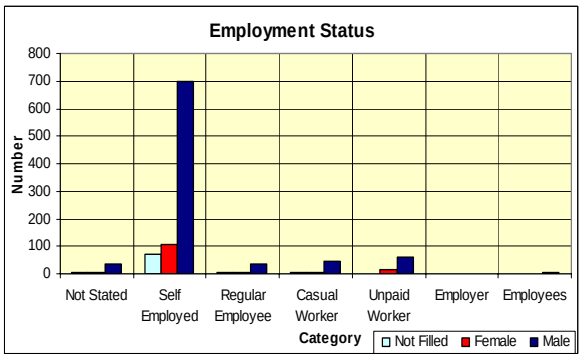
[31] Data on employment in the sugar industry from Fijian studies Vol 1, No. 1 2003



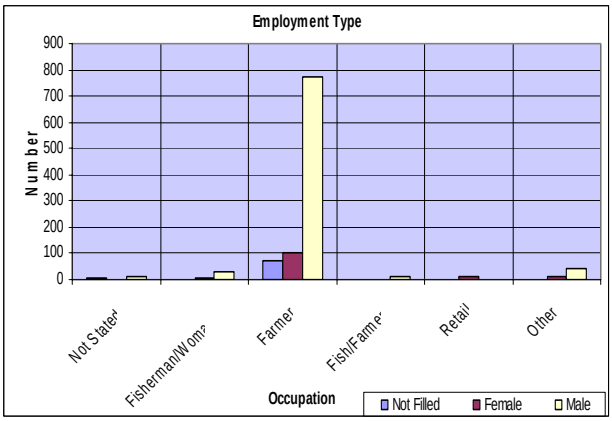


The above charts show that most of the land is either leased or freehold although the traditional land tenure identified in the survey was about 20 per cent. The emphasis on sugar cane as the dominant crop in the survey is probably not representative of the informal economy as a whole but is more representative of the employed sector of the informal economy.

Employment



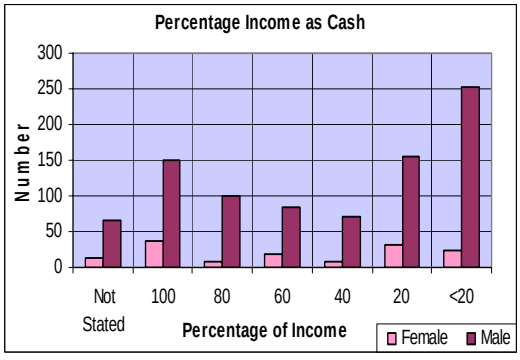
The employment status of the sample is dominated by self employment and regular or casual workers. This reflects the traditional rural nature of the sample where families share the workload. In line with the bias in the sample towards employed workers in the informal economy there are very few unpaid workers in the sample. 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.



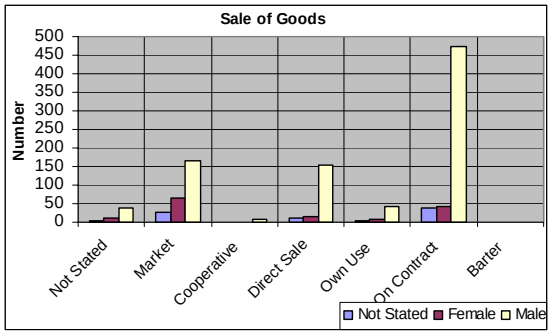
The employment types of the respondents in the sample reflect the nature of the rural areas in Fiji where farmers and home workers together make up about two thirds of the occupations. The other category is the only other significant proportion of the sample and is closer to gender equality than any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

Income Sources

This question that asked respondents to estimate the percentage of their income that is cash was expected to be very difficult for informal rural workers, however in Fiji almost 90 per cent of the sample were able to respond. The results show that about one half of the sample received less than one 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.

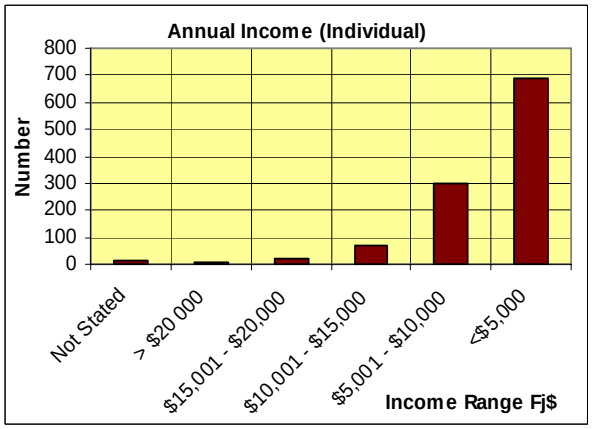


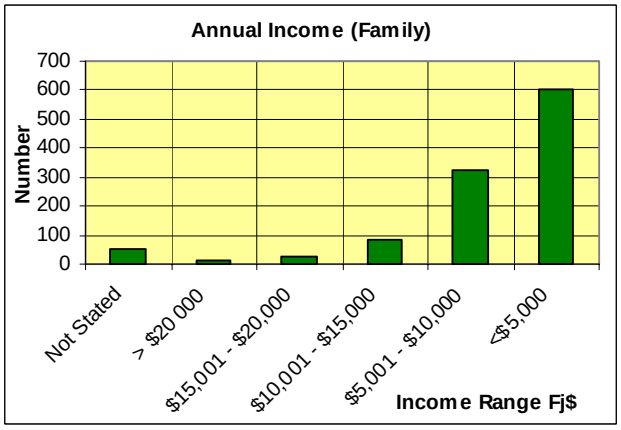
The main source of income for informal workers in the informal economy in Fiji is based on the sale of produce, typically sugar, copra, fruit, vegetables, fish and handicrafts. The results of this survey suggest that almost all produce is sold either by contract (sugar), in markets or by direct sale with almost no sale through cooperatives. The cooperatives can provide an avenue for centralised contribution collection at point of sale for micro schemes that can simplify administration. However contract sales offer a similar alternative to cooperatives where potential social insurance contributions could be deducted at point of sale. The alternatives are group building and maintenance which has proven to be an intensive and costly exercise.



Individual and Household Income

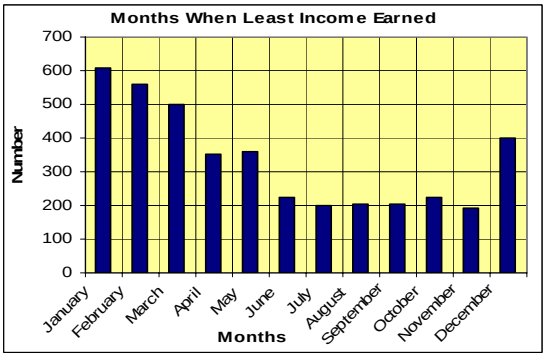
The majority of individual respondents earn less than FJD 5,000 per year, however the mean income moves up the scale very marginally for households and the majority of respondents received between FJD 5,000 and FJD 10,000 per year. The Urban Household Income and Expenditure Survey 2002 – 2003 indicated that the average household income was FJD 12,784. The results for the Rural HIES are yet to be released but are likely to be much lower than the urban incomes.

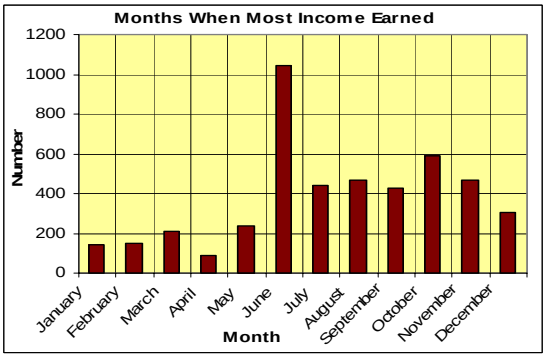




Earnings Patterns

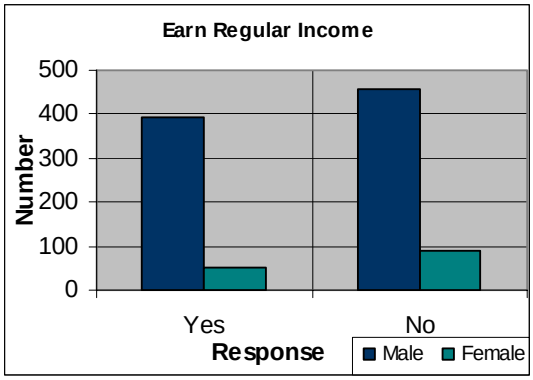
The earnings patterns of respondents were considered to identify the degree of fluctuation which may have a bearing on any potential voluntary schemes. Erratic income or large fluctuations would place considerable pressures on regular contribution collection. However this may be moderated by the methods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

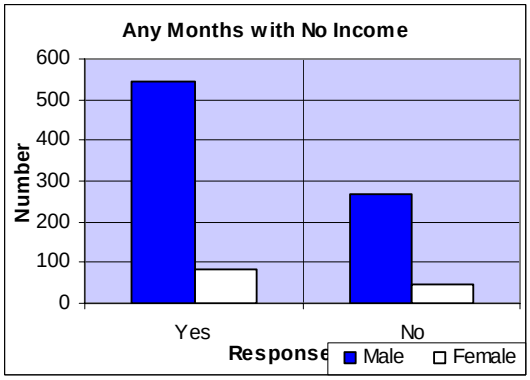




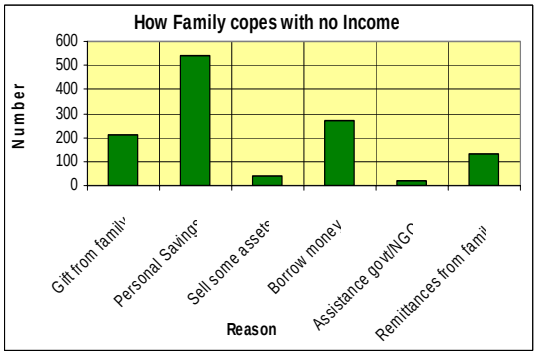
Income Regularity

In addition to the high and low months for earning income, the respondents were asked if their income was regular and if there were months without income. More than half (53.8 per cent) of the respondents confirmed that they did not have regular income and the proportion of females in this category was higher (64 per cent) than for males. The proportion of respondents who had months without income was high with 67 percent of males having months with no income and for females the ratio was slightly lower at 63 percent.



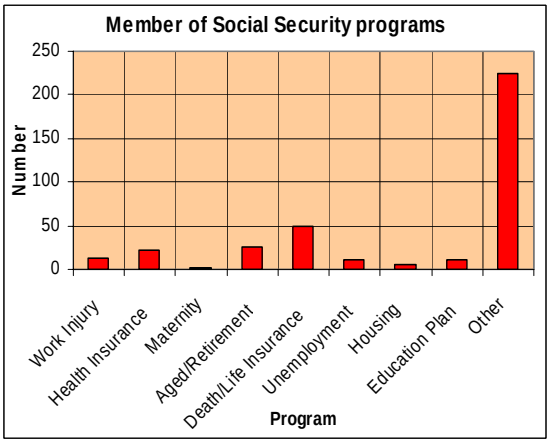


Respondents were also asked how they made ends meet when they had little or no income and the majority identified personal savings and remittances (and gifts) from family. This supports the importance of remittances to Fijian family income and also one of the strengths of local traditional customs. The low response to assistance from government and NGO's reflects the low level of social assistance provided in Fiji to the working aged population. This response may have been higher had the over 60 years population been included and the senior citizens benefit payments may have been reflected in the responses. The low response to sale of assets suggests that the sample was not suffering from poverty as sale of assets is one of the initial reactions to the transitional poor.

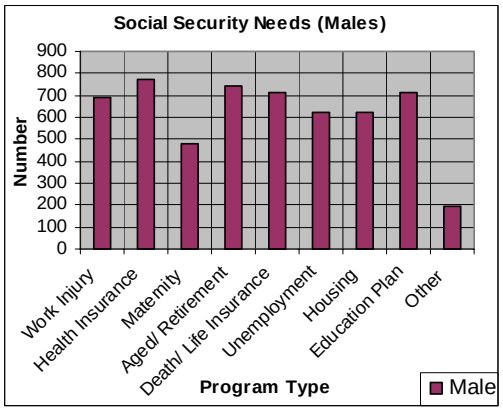


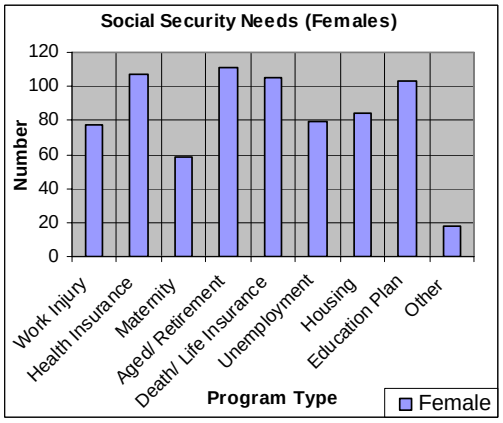
Social Security Needs and Priorities

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

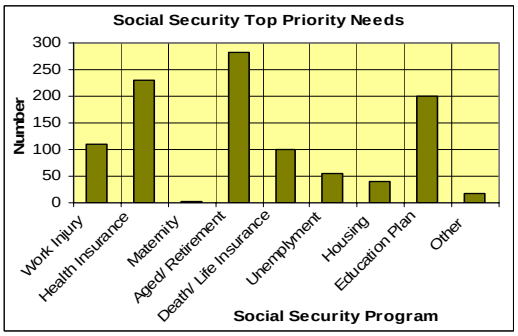


Respondents were asked to identify their social security needs in the same colloquial language for previous social security questions. In this case multiple needs were accepted and from a sample of 1106 people 6799 needs were identified. It is interesting to note that there was no clear cut preference but health insurance, age retirement, life insurance and education were the most popular needs by males and females.

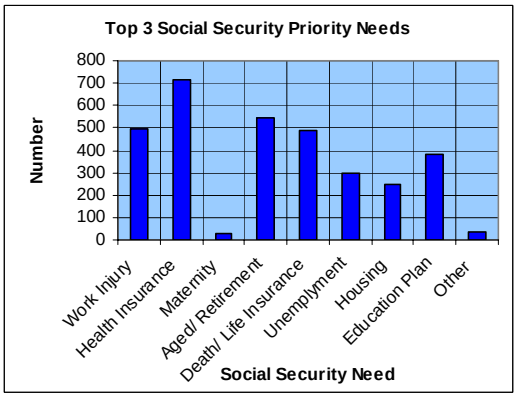




Respondents were then asked to nominate these needs in priority order and the following charts show the highest priority needs. This chart shows that age/retirement program is the most popular with health insurance and education programs maternity programs may be reflected in the low ration of females in the sample and the high proportion of female home workers in the informal economy.

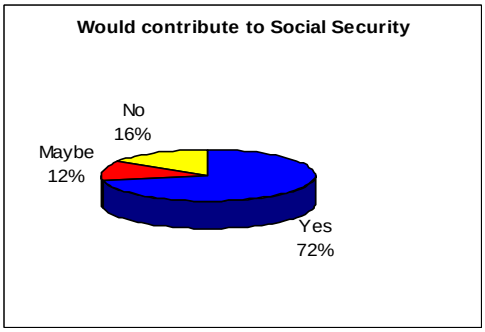


By grouping the top 3 priority needs identified by the respondents the priorities are somewhat moderated but not surprisingly health insurance obtained the most responses. Workers' compensation, life insurance and unemployment programs were also significant needs. Maternity housing and education programs were the lowest priority programs although given that females represented only about one third of the sample this rating may be skewed.



Social Security Contribution

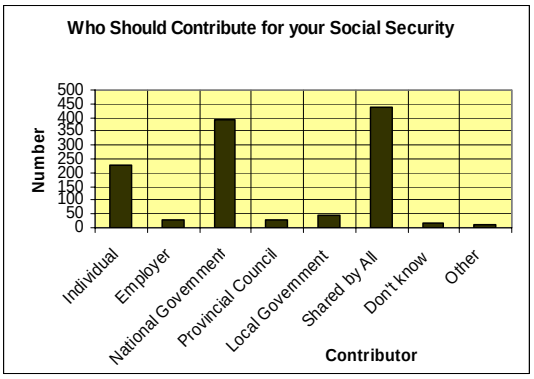
The response to the question about willingness to contribute to social security programs produced a surprising result of 72 per cent of respondents willing to contribute. Whilst there were no details provided on what level of contribution was required or what benefits could be provided for different contribution levels it is a positive point from which to explore the options for contributory social security schemes.



The reasons for not wishing to contribute "cannot afford" is representative of the 28 per cent of responses of No and Maybe. It is obvious from the income levels that many people could not afford to contribute particularly those with less than 50 per cent of income as cash and with some months with no income. It is interesting to note that there were very few responses to the negative options like low benefits, trust in administrators etc.

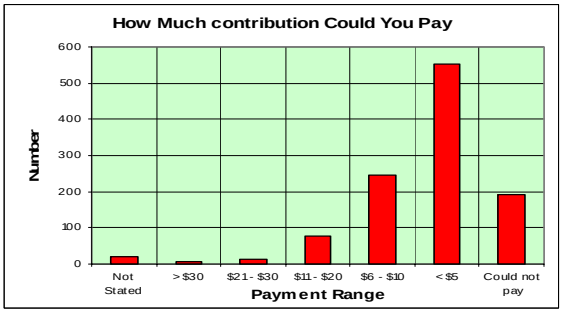


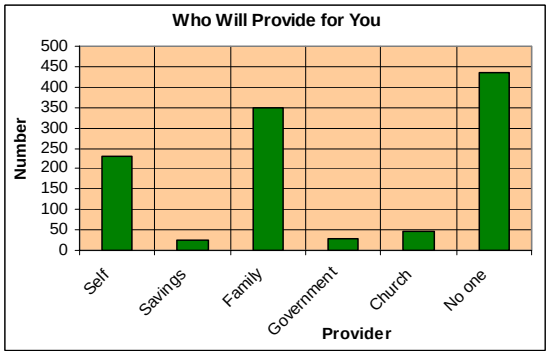
In response to who should contribute to your social security the "employer" and "Local Government" were the most common responses by over two thirds of the respondents. This appears to conflict with the willingness to contribute of about 72 per cent of those who



participated in the survey. The respondents understood that willingness to contribute was based on the premise that no one else would contribute, i.e. if voluntary contribution was the only option.

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 FJD 10 per month and about 45 per cent could only contribute less than FJD 10 per month.

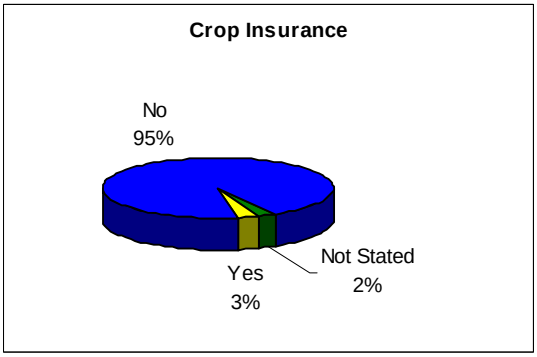




The response to how people will be supported without social security is somewhat inconclusive in that people believe they need to be self supporting. This is probably a statement of reality and what happens now. Given the situation with regard to traditional and family systems (particularly among families of Indian origin), the high response from family support could have been expected.

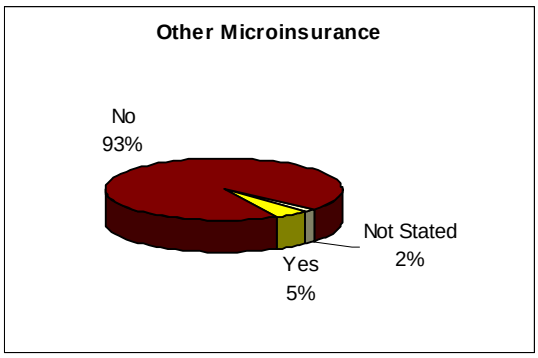
Insurance and Micro Schemes

The two forms of insurance represented in these charts reflects the general low acceptance of insurance in Fiji particularly crop insurance in farming areas which represented a significant area of the survey, however whilst not part of this

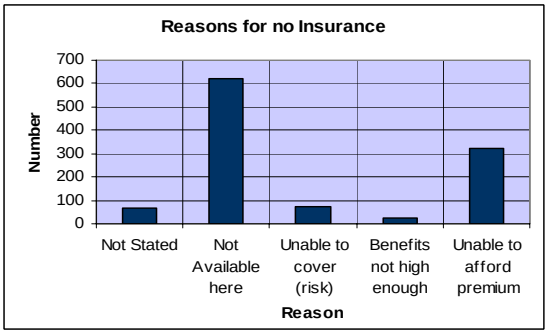


survey life insurance endowment policies are reported to be popular. However micro-insurance across the country is probably as low as indicated in the chart with most respondents reporting its unavailability in their area.

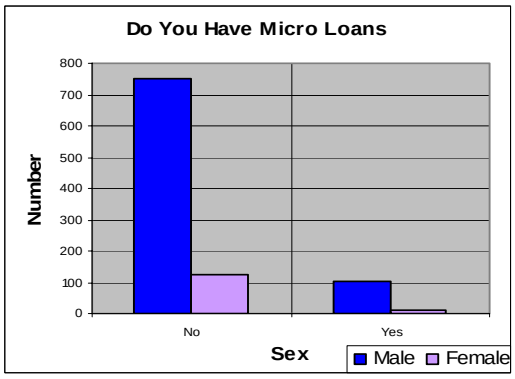
.



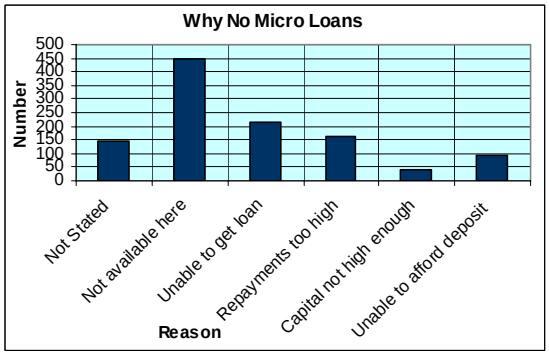
About 56 per cent of respondents gave lack of availability as the reason for no insurance or micro-insurance. The affordability of premiums was also a significant response and one which is difficult to resolve if sustainability is required of the micro-insurance scheme. Administration costs are much higher for micro schemes in rural areas and the subsequent interest rates and administration charges can total about 30 per cent.



In relation to micro-loans the survey found that more than 85 per cent of respondents had no micro loans and the main reason for this was that

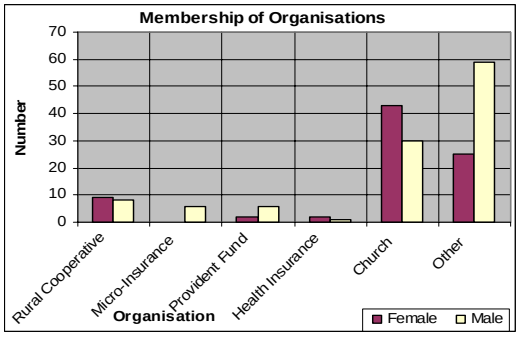


micro loans were not available in their location. Where respondents had micro loans they were not evenly apportioned between males and females where the ratios were 14 per cent and 9 per cent respectively. This may be partly due to the nature of some of the loan agencies. Although with high land ownership (or lease) amongst males then their collateral is better than for women. Compared to other Pacific countries a 11.5 per cent acceptance rate for micro loans is relatively high and this may reflect the operations of the National Microfinance Unit in promoting micro-loans.



Membership of Organisations

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. Rural cooperatives have low membership in the survey sample although much of the employment activity was farming. The responses for "Other" was very high representing almost half of the sample for males and the female membership was very high representing most of the female responses. It is also interesting to note the membership in the provident fund but it is unclear whether this is from previous employment or from voluntary membership.



5.2.3 Identification of priority needs and contributory capacity

It is evident from the initial results of the surveys of the informal economy workers that there is a high need for some form of social protection. The

results confirm that health insurance is one of the highest 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. 97.00 per month for the modal provident fund contributions in addition to premiums for other programs. Whereas formal sector workers and employers contribute 8 per cent of gross salary (about FJD 48.50 for modal salary range) 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 16.8 per cent of respondents indicated they could not make any contributions, 72.3 per cent could pay up to FJD 10 per month and about 8.6 per cent could pay more than FJD 10.00 per month.

However given the lower cost of living in the rural areas and the reduced capacity of informal economy workers to make voluntary contributions, it may be possible to develop micro insurance schemes that can cover the proportionately lower costs with a micro based scheme. The most positive findings from the survey suggest that people make savings, are prepared to contribute to their social security scheme and are aware of their needs. This combination offers promise for the development of micro schemes.

5.3 Fiji Formal Employment Sector Survey

5.3.1 Background

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

In 2000 the total labour force was estimated to be 332,000 with 36 percent employed in the formal economy, 57 percent in the informal economy and about 7 percent unemployed.

Table 5.3 Structure of labour force and employment year 2000

Component of Labour Force	Numbers	Percent of Total
Total Labour Force	332,000	100.00
Employed persons (1)	309,000	93.00
Formal Sector	120,000	36.14
Informal economy	189,000	56.93
Unemployed	23,000	6.93

Source: Table 3.4 (for labour force). Estimates of % unemployed & formal sector employment are those of NPO
(1) Annex 3 provides a breakdown of the public service by gender, occupation group and race

Table 5.4 Projected labour force size in 2005, by age and sex

Age Group	Males	Females	Total
15-19	16,227	8,301	24,528
20-24	33,299	18,040	51,339
25-29	31,478	15,593	47,071
30-34	29,412	14,974	44,386
35-39	28,934	15,085	44,019
40-44	26,775	12,917	39,692
45-49	20,161	9,173	29,334
50-54	15,763	7,113	22,876
55-59	10,047	4,867	14,914
60-64	5,435	3,249	8,684
65+	6,950	3,578	10,528
Total	224,481	112,890	337,371

Source: Estimates by ILO consultant W. House 2001

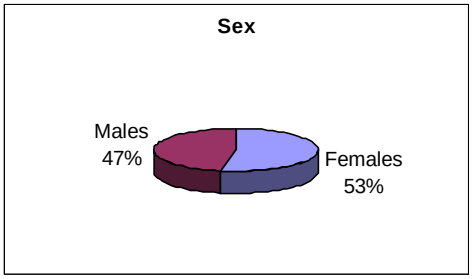
From the labour force projections undertaken by the ILO in 2001 the males would represented 66 per cent of the workforce and females 34 per cent. However this does not reflect the true situation in the formal employment sector and the FNPF data for 2002 showed that 64 per cent of members were male and 36 per cent were females. However, these ratios are for the entire membership including the inactive members but in the absence of other more recent data slightly more women are employed in the formal employment sector than in the overall workforce.

The design of the survey was based on the data provided by the FNPF which showed the location of each of the employers by industry and the number of employees registered with each employer. An analysis of the proportions of small medium and large enterprises was made and the ratio of private to public enterprise was also completed. A random sample of employers was undertaken within the broad categories identified. Surveys were conducted mainly around Lautoka, Nadi and Suva on the main island of Viti Levu in the Fiji Islands.

The survey was conducted by delivering the Survey form shown in Annex 8 to a random sample of employers based on the government/private ratios of the formal employment sector. A total of 542 forms were completed.

5.3.2 Key survey results

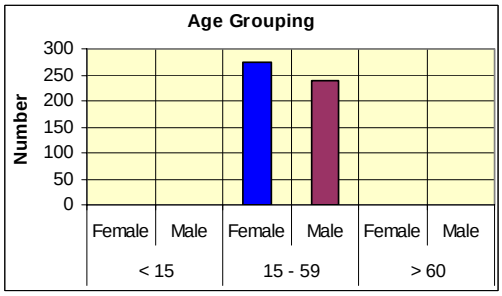
The questionnaires of the survey consist of four parts; personal details, employment, income, and, social security needs, priorities and desire to



contribute. A summary of the key findings are presented below.

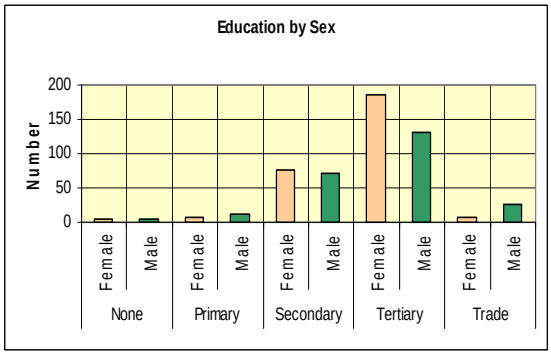
Personal details

The total sample was taken from the age groups between 15 and 60 years. The sample was biased towards females where they represented 53 per cent of the sample which is considerably higher than for the expectation of around 35 – 40 per cent. However in a random sample where data collection forms were self completed, such an error rate is not unreasonable.



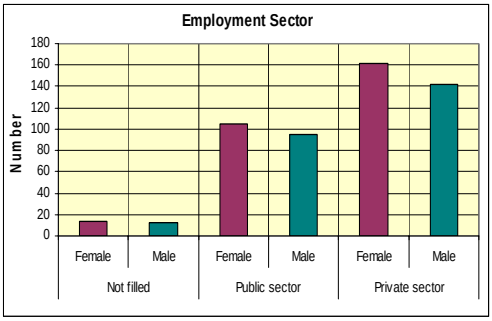
Education

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



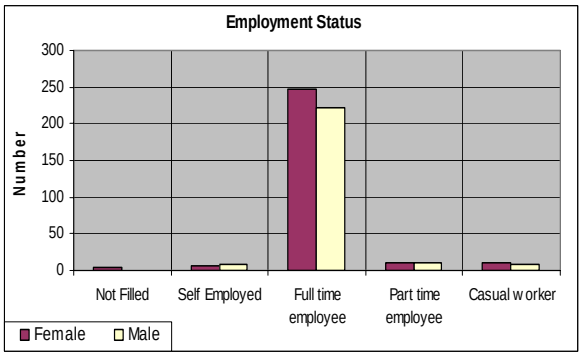
Employment sector

The sample identified 44 per cent of respondents as being employed by the public sector and in the absence of accurate data this appears to be slightly higher than expected although any deviation could be explained by the better access to public sector institutions and diligence in voluntary surveys.



Employment status

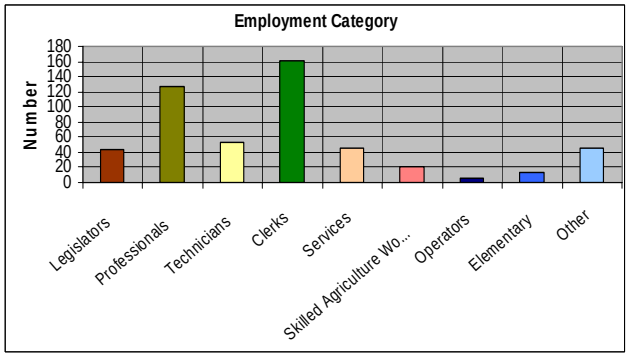
The employment status of the sample was almost completely composed of full-time employees which is expected for the formal employment sector and validates one of the key definitions and characteristics of formal sector employment.



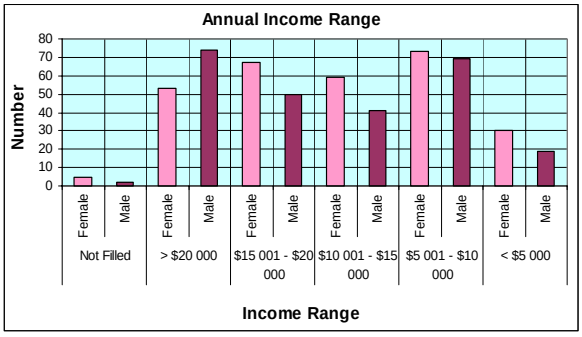
Employment category

The employment categories require some correlation with the range of ILO occupational classifications which were condensed for the purposes of this indicative survey. If the service related occupations are grouped from the 1999 bureau of Statistics surveys then about 40 per cent of the formal sector workers are engaged in clerical or professional activities. This survey produced a bias that shows almost 60 per cent of workers engaged in these occupations. However since the political coup in 2000 a considerable number of people have emigrated and manufacturing has suffered some decline and there has been an increase in the service sector particularly in tourism. There may not be as much variation in the survey ample as initially indicated.

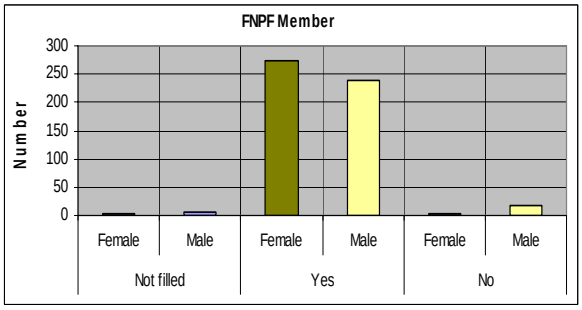
Annual income range



The initial indicators for annual income shows that females dominate the four lowest ranges (below FJD 20,000 per year) and males dominate the income above FJD 20,000. Unofficial figures from the FNPF contribution rates when extrapolated suggest that the modal salary for formal sector workers in Fiji is about FJD 7,400, just below the income tax threshold. Local studies conducted by NGO's suggest that the poverty line in urban areas could be as high as FJD 7,000 per year.



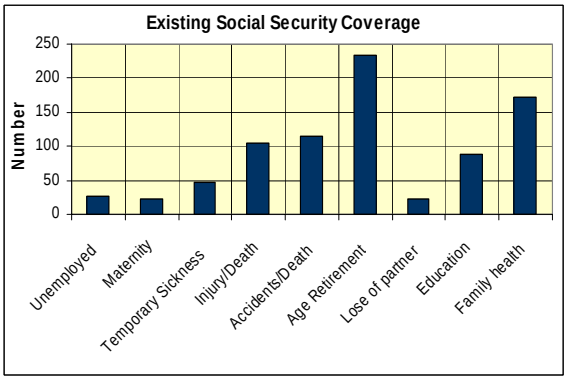
FNPF membership



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

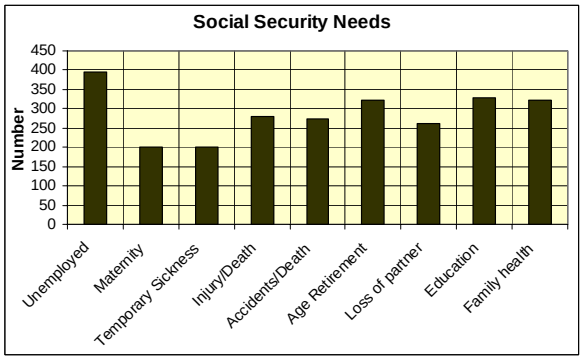
Existing social security coverage

The major responses to this question on the survey form were predictable with Age retirement (FNPF) and Family health (industry and employer based schemes) representing the majority. Injury and death also represent FNPF and employer liabilities although it is interesting that very few respondents identified the categories that represent workers compensation. Studies on this subject as part of the project confirmed the lack of understanding of the workers compensation scheme in Fiji.



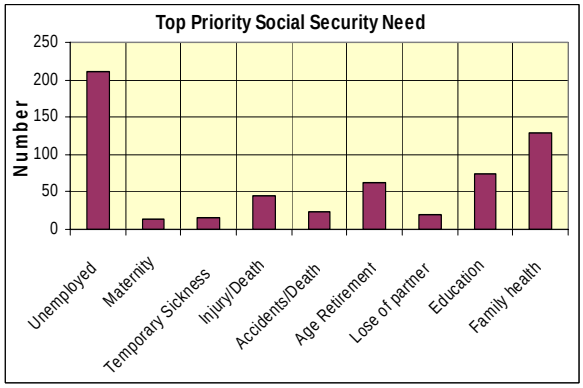
Social security needs

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



Top priority social security need

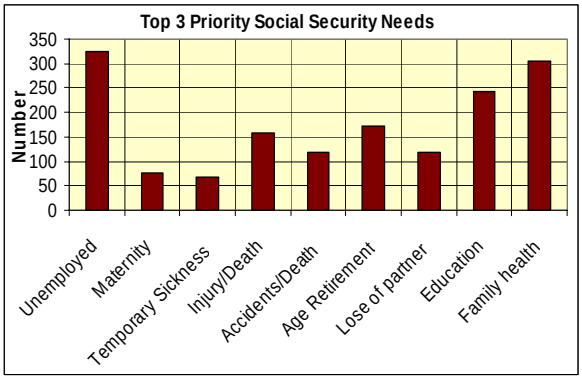
Respondents were asked to nominate their social security needs in priority order from one to eight. This outcome represents the number of instances where the need was identified as top priority. Unemployment protection was clearly the top priority followed by health insurance.



Top 3 priority needs

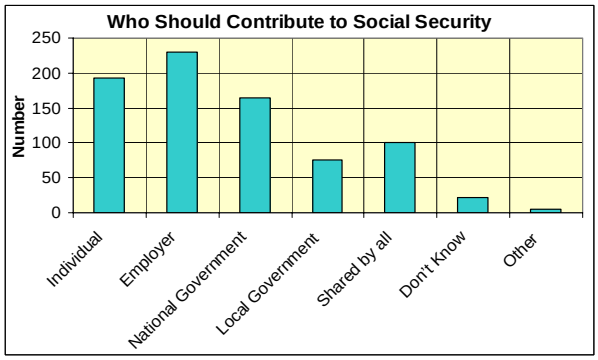
Given that it is very difficult to choose one priority need when only about three of the nine contingencies are covered in the formal employment sector, the top three response were

grouped to perhaps suggest a more indicative view of the needs. In this survey this re-inforced unemployment and health protection as clear priorities.



Who should contribute to social security

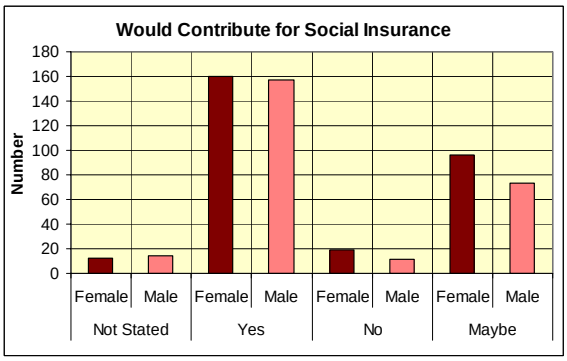
The responses to this question tended to reflect



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

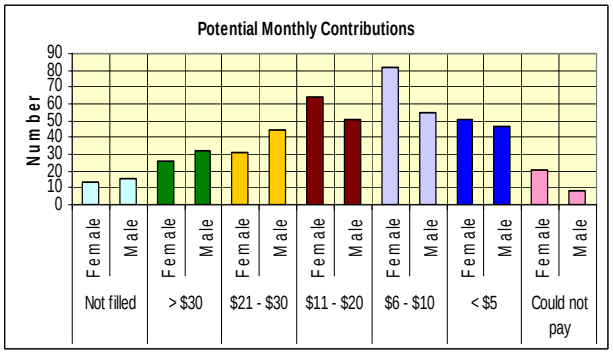
Voluntary contributor to a potential scheme

Responses to this question were very positive with around 80 per cent of respondents answering yes or maybe. Whilst it is recognized that this is very much a loaded question as people would not be able to commit fully until the product was available it does serve as an indicator to people's understanding that contributions may be necessary to obtain better services.

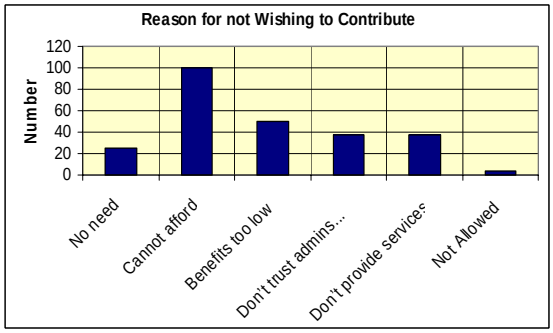


Potential monthly contributions

These responses suggest that about 25 per cent of people might contribute FJD 6-10 per month and about 20 per cent might contribute FJD 11 – 20. More significantly about 25 per cent might contribute more than FJD 20 per month. Whilst these figures may not be significant they indicate that in the absence of any proposal or program people would offer a value on contributions suggests that careful design of a tailored program may be able to entice people to contribute meaningful amounts that could produce useable benefits.



Reason for not wishing to contribute



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

5.5 Comparison of formal and Informal survey findings

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

Table 5.5 Comparison between informal and formal surveys

Survey Elements	Formal Employment Sector (%)		Informal Economy (%)
Sample Size	1180		542
Males	47%		80%
Female	53%		12%
Not Stated	-		8%
Ethnicity			
Fijian	-		52%
Indian	-		40%
Other	-		8%
Education			
None	2%		4%
Primary	3%		55%
Secondary	28%		36%
Tertiary	60%		3%
Trade	7%		1%
Employment Status			
Full time	88%		5%
Self Employed	3%		79%
Part-time/Unpaid worker	4%		7%
Casual worker	4%		5%
Employment type			
Public Sector	40%		
Private Sector	60%		
Annual Income			
0 – 5,000	9%		62%
5,001 – 10,000	26%		27%
10,001 – 15,000	18%		6%
15,001 – 20,000	22%		2%
Over 20,000	23%		1%
Top 3 Priority Social Security Needs			
Unemployment	21%		9%
Maternity	5%		1%
Workplace Injury/Dearth	10%		15%
Death/Life Insurance	7%		15%
Age Retirement	11%		17%
Loss of Partner	8%		-
Education	15%		12%
Family Health Insurance	23%		22%
Housing	-		8%
Who should contribute to Social Security			
Individual	24%		2%
Employer	29%		33%
National Government	21%		6%
Local government	10%		36%
Shared by All	13%		1%
Don't Know	4%		20%
Would contribute to Social Security			
Yes	61%		72%
No	6%		16%
Maybe	33%		13%
Potential Monthly Contributions			
Could not pay	6%		20%
Less than $5	19%		50%
$6 - $10	27%		22%
$11 – $20	22%		7%
$21 - $30	15%		1%
More than $30	11%		1%
Who will support without social security			
Self	-		21%
Savings	-		2%
Family	-		31%
Government	-		3%
Church	-		4%
No one	-		39%

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 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 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 Fiji 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 Fiji. 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 informal economy and formal employment sector 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 Fiji. 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 a 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: Fiji

6.5.1 Brief history

Located in the South Pacific around 18˚ 08' latitude South with the 180˚ meridian running through it, Fiji consists of more than 300 islands, the two main ones being Vitilevu and Vanualevu.

Fiji became a British colony on 10 October 1874 after three attempts to cede Fiji to Britain by the leading Fijian chiefs. Prior to this Fiji consisted of independent chiefdoms which were linked through kinship and at times engaged in disputes and even wars over territorial domination and influence. British colonial rule created a highly centralized socio-political system which integrated the various chiefdoms and tribes into a unified nation state.

Under the 1876 Native Ordinance, a dual system of rule was created whereby Fijians were to be administered under the Native Administration (later to be called Fijian Administration). This system re-shaped Fijian culture and socio-political structure in a significant way. The changes included:

- Provision for the inalienability of land;
- Creation, universalization and codification of a landowning system common to all parts of Fiji;
- Imposition of a rigid set of rules to keep Fijians within a subsistence and communal enclave under the tutelage of chiefs and the colonial state;

- Re-structure of the chiefly system to incorporate diverse clan groups under a centralized system;
- Creation of a number of institutions such as the Great Council of Chiefs, Fijian Affairs Board and later Native Land Trust Board, to represent the interests of Fijians.

The underlying justification for these changes was that the Fijian society could not compete against the more *superior* western culture and thus had to be protected through cultural institutions. It was argued that over time, these institutions would slowly evolve and eventually Fijians would be in a position to be *liberated* and develop on their own.

One of the advantages of these institutional re-arrangements was that Fijians were still able to retain much of their cultural values and cultural entities such as land. At the same time they were insulated from some of the adverse consequences of drastic social changes. However, on the other hand, the new system locked Fijians into a rigid socio-political mode and marginalized them from mainstream commerce and education. Education was only available to sons and later daughters of chiefs. It was only in the 1960s that the rigid communal rules were gradually relaxed and Fijians were increasingly encouraged to enter into the professional, commercial and educational activities.

In response to the growing demand for plantation labour, Indo-Fijians were brought in as indentured labourers by the British, starting in 1879 and ending in 1916. By and large Fijians and Indo-Fijians lived separately and had little communication with each other. There was separate representation into the Legislative Council and this helped to reinforce the process of ethnic separation. Various forms of the traditional Indo-Fijian culture in the form of the caste system and other practices have disappeared as a result of the indenture system.

After years of agitation Indo-Fijians were granted full universal franchise in 1931 and Fijians were accorded the same privilege in 1966 during the transitionary election towards independence in 1970. Upon independence, Fiji implemented a *multi-racial* policy under the Alliance Party. After the party lost the election in 1987 the military staged a coup against the victorious Labour Party coalition. This was followed by the second coup in September of the same year. The third coup was in 2000 one year after the same Labour Party came into power.

The 2000 coup was followed by an election in 2001. The current government under the Soqosoqo Duavata ni Lewenivanua (SDL) party is a broad-based Fijian political party. Political parties in Fiji are largely ethnic-based and usually grow in number around the time of elections.

6.5.2 Traditional socio-political structure

The traditional Fijian system is quite complex. It consists of a number of social groupings related to each other through kinship and political allegiance. The most basic social group is the nuclear family (*vuvale*). A number of *vuvale* makes up a nuclear grouping called the *tokatoka*, and a number of *tokatoka* constitute a *mataqali* and a number of these make up a *yavusa.* In their totality all of these make up the *vanua*. The *vanua* as a generic term has three dimensions. The first refers to land as a socio-economic entity which is used for sustenance. The second refers to the various levels of socio-cultural relations explained above and the third refers to the cosmological complex which links communal social relations to the ancestral world.

Each social grouping described above is headed by a *turaga* (chief) who is usually accorded the title of *tui* (this can be translated as chief, leader or king). Within a *yavusa* there would be a number of *tui* representing their respective *tokatoka* or *mataqali*. Each *turaga* (chief) is ranked according to the role of their social grouping within the *vanua*. The roles such as chief's spokesperson (*matanivanua*) or warrior (*bati*) are through inheritance. The nature of these role and their rankings are outlined below.

- *Mataqali turaga* (chiefly *mataqali*): The chief of the *yavusa* is chosen from this *mataqali* and succession is usually through the eldest in the male line.

- *Mataqali sauturaga* (second in line to the chiefly *mataqali*): Members of this *mataqali* ensure that the chief's decisions are carried out and they also decide as to who should be installed as chief of the *yavusa*.

- *Mataqali matanivanua* (chief's spokesperson *mataqali*): This *mataqali* acts as ambassador and spokesperson for the

chief. They are the link between the chief and the people.

- *Mataqali bati* (warrior *mataqali*): This *mataqali* provides protection for the chief and the whole *vanua*.

- *Mataqali mataisau* (carpenters and craftsmen *mataqali*): These are specialists in house and canoe builders as well as craftsmen.

- *Mataqali gonedau* (fishermen *mataqali*): These are the fishermen and sailors.

- *Mataqali bete* (priestly *mataqali*): Provided the link between the *vanua* and the gods. They provided spiritual leadership and advice.

One's traditional role was linked to these classifications. However, today major changes have re-shaped these systems although many still adhere to them in various ways and degrees.

Certain parts of Fiji, especially the eastern communities, have hierarchal structures with paramount chiefs while some parts have relatively egalitarian structures without paramount chiefs. As a result of the socio-political reconfiguration by the British each administrative unit in the form of the *koro* (village), *tikina* (district), *yasana* (province) came to be headed by chiefs of various ranks, the highest ranking being the provincial chief.

The chiefs acquire their *mana* from the ancestral world, and today this has been taken over by the Christian god. In the earlier days, commoners used to reinforce that *mana* through the practice of *lala* or service to the chief.

Some forms of traditional socio-political systems still exist in some communities today but in some cases they have gone through the process of transformation as a result of modern education, social mobility and migration.

6.5.3 Land tenure

Land or *vanua* in the Fijian community constitutes the basis for socio-cultural links. It is conceptualized firstly as a physical entity for daily sustenance (*qele*), secondly in terms of a socio-cultural complex of kinship and human relations, and thirdly as a part of the cosmological and spiritual order. For the third component land is conceived of as having a spirit and supernatural *mana* which can inflict harm on those who do things to "hurt" it. Fijian socio-cultural identity has direct links with the *vanua*.

Before British colonial rule, the landownership system in Fiji was quite diverse and varied from locality to locality. One of the first tasks of the colonial state was to regularize and codify a new system which was to apply throughout the colony. This new system of landownership came to be seen as "traditional" by Fijians over the years and became the basis for cultural identification.

Land is collectively owned by the *tokatoka* or *mataqali*. A *tokatoka* is a social grouping of patrilineal descendents consisting of a number of extended families. A number of *tokatoka* makes up a *mataqali*. Every member of the social group (whether *tokatoka* or *mataqali*) theoretically has unrestricted access to the use of land. To lease land out to entrepreneurs the consent of the chief of either group or the collective decision of all senior members would be sought. Power struggle between leading members of the social group in relation to the chiefly title is common. One reason is that the chiefs get the largest share of the lease money. The process of resolution of disputes over landownership and title is usually carried out by the parties concerned but if this is not possible, the Native Lands Commission (NLC) steps in to make a decision. If the NLC's decision is not accepted, the matter can progress through the courts up to the Supreme Court whose decision is final.

Land is a major factor in social protection for Fijians. Not only does it provide a sense of socio-cultural identity, it also provides the means for socio-economic sustenance.

6.5.4 Status and role of women

Traditionally Fijian communities are patriarchal in nature. Men (*tagane*) are generally considered *heads* of the family and mostly involved in activities such as gardening, hunting (usually for pigs) and spear fishing. Women (*yalewa*) on the other hand are involved in net fishing, gathering selfish and sometimes gardening. Some activities are common and some are gender *specialized*.

Women normally look after most of the domestic chores such as cooking, washing, cleaning, food

preparation and looking after the children. In the evening men usually engage in all night kava drinking, discussing favourite issues such as politics, rugby and sex. The family oriented nature of the women's role to some extent provides the explanation for the women's relatively greater enthusiasm for *modern* income generating activities such as community fundraising and micro business.

Traditional ceremony is considered to be the realm of male privilege. All ceremonial activities are restricted to men, except in cases where the chief or chief guest is a woman in which case she is allowed to receive and respond to ceremonial offerings such as *tabua* (whales tooth) or kava.

Generally chiefly titles are patrilineal, that is they are passed through the male lines. However, in some cases when no males are available or if a woman is the most senior in the family line, the title is passed on to the woman.

In summary, the traditional Fijian community is by and large patriarchal and patrilineal in nature. In other words power and decision-making normally rests within the male line and landownership titles are passed down through the male lineage. There are exceptions to these. In some cases, the chiefly title is given to women if they happen to be the eldest in the family.

However, the matrilineal link (*vasu*) plays a very important role in socio-cultural relations. For instance a person may walk into a mother's relative's place and take *anything* without permission. At the same time those with matrilineal ties are looked upon as significant contributors to community collections and ceremonies.

During the pre-European days, a chief's rank was also determined by the rank of the mother. Inter-marriage between tribes, especially involving women being married off to rival chiefs, was an essential means of peace-making. Women of high birth were the most sought after marital partners because of their potential to produce high status offspring. To some extent this still exists in various forms.

Because men were mostly involved in *security* matters (protection of the village, wars etc) women were involved in most of the socio-economic activities, apart from looking after the home and children. This gender division of labour has evolved over the years with men taking greater responsibility in terms of domestic responsibilities, but despite this, there is still a strong patriarchal culture. Men generally see themselves as *head* (*liuliu*) of the family and are of higher socio-cultural status compared to women. Positions of leadership and important decision-making are assumed to be part of men's natural role. Gender inequality has been reinforced by mainstream Christian beliefs about man's superior status within human cosmology. There are, however, liberal (but minority) voices within the churches advocating gender equality.

The women's more domesticated social role makes them more family oriented than men. Community and village projects under the control of women are more likely to be successful than those under men. In recognition of this many important social responsibilities such as payment of school fees or development projects relating to micro-finance are generally given to women. In a village on the island of Kadavu, the village shop was on the verge of bankruptcy and closure when it was taken over by the village women's group who turned it around to making unprecedented profit.

Over the years there have been significant changes in the dynamics of gender relations as a result of globalization, education and changes in people's perception of social roles. But there are die-hard cultural dispositions such as the Fijian male sense of machismo which, as in other societies around the world, have been deeply embedded and may continue for sometime yet.

In terms of social protection policy making, it is important to consider the gender dynamics, especially the community-building capacity of women as a way of ensuring equal participation and maximization of benefits.

6.5.5 Traditional means of social protection

Despite the drastic transformation of the Fijian society, there are still socio-cultural networks and mechanisms which act as social protection and social safety nets to satisfy people's needs and maintain community cohesion. These are briefly examined below.

(i) The kerekere system

The *kerekere* (literally means to *ask*) system refers to the process of *asking* fellow villagers, relatives or neighbours for goods or services to satisfy one's basic socio-economic needs or for the purpose of fulfilling certain social obligations. Goods and services "asked" for would range from taro to be consumed for dinner, whale's tooth to present at a funeral ceremony, labour to build a house, money to pay for school fees or pigs for a son's or daughter's 21st birthday. The *kerekere* system is a form of reciprocity because there is a moral and socio-cultural obligation on the part of the "recipient" to readily give back when approached at some point in the future.

There is usually no limit to the types of goods and services asked for. But increasingly in urban areas, this practice is slowly disappearing, but is still very pronounced only in relation to goods such as mats and whale's tooth, which are used for ceremonial purposes. In the small village communities the practice is still very strong.

- The *kerekere* system has a number of socio-cultural and socio-economic functions:
- It helps sustain those in need of basic necessities such as food and sometimes shelter;
- It helps to share and distribute "surplus" goods to ensure that they did not accumulate within a family. In the olden days when there was no refrigeration there was understandable logic in ensuring that perishable goods were consumed immediately;
- It ensures self-sufficiency, intra-communal reliable and community sustenance; and
- It helps to maintain social solidarity and mutual relations within kin groups and communities. The reciprocal nature of *kerekere* is a potential safeguard against tension.

(ii) Solesolevaki

This is another form of reciprocity which involves exchange of collective labour. For instance everyone in the village would help build a house or create a new crop garden for everyone else. Everyone will have a turn to have his/her needs (whether house or garden) collectively attended to. This practice no longer exists in urban areas but is still very strong in the rural villages.

There are a number of significant aspects of *solesolevaki*:

- It makes up for lack of individual skills, labour power and resources;
- It ensures sustainability and self-reliance of community life through collective labour; and
- It promotes social cohesion and good relations within the community.

(iii) Solevu

This involves large-scale mobilization and redistribution of community resources. People prepare mats, baskets, *tapa*, whale's tooth and food as part of a celebration of or commemoration of an event. These goods are then redistributed following kinship lines. A *solevu* may take just a day or the whole week and involves heavy consumption of kava, feasting and merry-making.

The *solevu* occasions act as social safety nets in a number of ways:

- It helps large-scale mobilization of community resources for re-distribution;
- Since redistribution is made through kinship lines, it helps to strengthen kinship solidarity and continuity;
- Since it involves large-scale production of mats and other artefacts, it helps to sustain important traditional skills such as weaving and carving.

(iv) Collective landownership

The collective nature of Fijian land-ownership ensures that everyone has access to a piece of land to build a house or for planting. There are three major categories of land-ownership in Fiji. These are the native land which consists of about 85 per cent of all the land and the remaining 15

per cent consists of freehold and crown land. Native land is collectively owned by extended family units such as *mataqali* or *tokatoka*. A significant part of native land is leased out for agricultural, tourism and other business purposes and money acquired through royalties and leases is distributed within the landowning unit. Twenty five percent of the lease money goes to the Native Land Trust Board (an institution set up in the 1940's to administer native land) and the other 75 per cent is shared amongst the landowners. Distribution of lease money within the *yavusa*, *mataqali* and *tokatoka* is based on one's traditional status within the socio-political hierarchy. Collective land ownership acts as a form of social protection system in a number of ways:

- Since native land cannot be bought or sold, it ensures that land is not alienated and is passed down from generation to generation thus ensuring that everyone has access to land and its resources;

- For many communities land provides sustained incomes from leases and in many cases these income have been reinvested for village business, housing scheme, children's education and upgrading of various community amenities; and

- Collective ownership of land provides a sense of collective social protection and identity for the community. Within the Fijian world view, land (*vanua*) has three dimensions. Firstly, it is a physically sustaining entity (*kanakana*) where one hunts, gathers and plants; secondly, it is a defining factor in the socio-cultural and kinship links; and thirdly, it had a deeper cosmological and spiritual essence. These interrelated aspects provide a system of social and spiritual comfort and a sense of stability and continuity;

- Due to the nature of collective ownership, land cannot be used as collateral for agricultural or other business loans form banks. This has been considered as one of the factors undermining Fijian entrepreneurship. However, despite this, land does provide a social safety net (and "fall back" position) for the poor and those who are not professionally or educationally successful in the urban areas. The term *lesu kina qele* (to go back to the land) encapsulates the view that falling back on land is a good way to escape the heavy financial demands of modern life. One of the reasons for minimal absolute poverty within the Fijian community is that theoretically as the last resort, everyone still has access to land in their respective villages.

(v) Chiefly obligations

Within the traditional Fijian communities there is a reciprocal *contract* between traditional leaders and the people where the people play their traditional responsibilities in ceremonies and community welfare and the chief looks after the welfare of the people. In the earlier days when chiefs were also leading warriors, they provided direct protection and general welfare but today as a result of modernization this reciprocal relationship is slowly withering away.

This relationship demands particular types of appropriate behaviour in the form of *i tovo vakaturaga* (chiefly behavior), based on respect despite the subordinate-superior (*turaga-kaisi*) relationship.

(vi) Communal collection

The practice of communal collection (*soli vakavanua*) and collective accumulation of funds and resources is a common age-old practice which is still very much alive in villages as well as in urban areas. Because of the limited savings capacity of individuals, limited resources and the closeness of kinship and social ties, common pooling of resources becomes a necessity.

Nowadays this involves various social groups and kin-groups using traditional networks and links to collect money for various purposes such as community development projects, traditional obligations, community utilities (such as drinking water pipes and taps, sea walls, toilets, electric generators etc), land rates, provincial rates, church rates or education for the children. The size of the collection group differs considerably. Some revolve around the *mataqali* and *tokatoka* and some revolve around the village and in some cases there are even collections at the district and province levels. Usually village, district or even provincial committees are formed to administer fund raising projects.

Often those who live and work in the urban areas by virtue of their relative wealth are expected to contribute the most amount of money. The *soli vakavanua* involves a number of traditional normative principles which attributes cultural legitimacy. When people give money, they are supposed to do so not out of personal generosity but out of respect and inspiration induced by loyalty to the cause of the *vanua*. Traditional speeches invoking communal responsibility, sentiments and loyalty are made to inspire people to give money readily without any moral or sentimental inhibition.

There is an underlying belief that the more one gives, the more one is blessed by the *vanua* (ancestral spirits).

Soli vakavanua may take different forms. It may simply include a series of money collection sessions. Or it may include large communal festivals which cover the whole province. Each province in Fiji occasionally organizes money raising festivals and would be able to collect up to FJD 1million after a week of festivities. This money is used by the provincial investment company either to buy equities and shares, service loans or invest in new business operations.
In many cases, communal labour in the form of collective farming, especially for *yagona* (or *kava*) because it is a high return crop – is carried out and the money generated is put into the collective pool for communal projects. Over the years some of the activities where communal labour was organized for community funds were cane harvesting, copra cutting, stevedoring, etc. Young men would spend weeks away from home collecting money for their community.

Communal collection acts as a form of social protection in the following ways:

- It ensures that there is a collective pool from which everyone benefits in terms of communal projects etc;
- It reduces pressure on individuals to collect money for purposes (such as education) for which they are supposed to be responsible;
- It acts as a protective mechanism for those who are poor and may not be able to afford land rates, church rates, education, etc; and
- It enhances communal solidarity and social stability.

6.6 Some relevant cultural norms associated with social protection

(i) Yalo solisoli

This is not a social mechanism as such but a culturally induced behavioral norm associated with voluntary and liberal *giving* of goods and services. In the early days, it was socially dishonorable to accumulate goods to oneself. Individual saving was considered a culturally *deviant* act, a manifestation of greed and selfishness. Redistribution through *yalo solisoli* (generosity) was considered a moral and cultural virtue.
This cultural norm is still very strong amongst Fijians both in the rural and urban areas. However, it is increasingly being challenged by the modern market practice of individual saving and profit-making. *Yalo solisoli* has been blamed for consistent failure of Fijian in business. There is debate not only within the Fijian community, also involving other ethnic communities as to the impact of *yalo solisoli* on Fijian business performance.

Yalo solisoli usually refers to being generous with goods and as such serves a number of important communal purposes:

- Ensures that the haves subsidize the needs of the have-nots; and
- Provides mechanism for distribution, flow and consumption of perishable goods.

(ii) Dau veivukei

This concept is closely related to the *yalo solosoli* and refers to the practice of offering help for people in need, even if they do not ask for it. It refers to both individual and collective response to individual or collective needs. This may take the form of goods and services without expecting to be immediately reciprocated. This takes place either during times of emergency or during normal everyday situations.

The *reward* for being daiveivukei is increased prestige and support by members of the community. It is a good way of maintaining good relations and peace in the village.

(iii) Kinship networks (Veiwekani)

Kinship (*veiwekani*) is defined within the Fijian context at two levels. The first refers to biological links which can be identified through matrilineal or patrilineal links. The most primary unit is the nuclear family (*vuvale*) and beyond that are various levels of extended family groups; a group of nuclear families constitute *tokatoka* and a group of *tokatoka* constitutes a *mataqali* and a group of *mataqali* constitute a *yavusa*. The largest socio-cultural system is the *vanua*.

These kinship systems usually sustain a network of social protection where individuals and families are looked after by relatives in times of needs. Systems of social protection such as *kerekere* usually operate within the *veiwekani* network. *Veiwekani* constitutes both blood lines and social relations, starts with the nuclear family and radiates outwards.

*6.*7 Traditional means of dispute settlement

Dispute settlement is not as autonomous as in the western framework but a process which is firmly integrated into the socio-cultural dynamics. There are no specialist "mediators" as such because the community itself is involved in the resolution process.

Conflict resolution revolves around the concepts of *veivakameautaki* and *veisorosorovi*. The former refers to the process of sorting out differences and unifying the contending parties, and the latter refers to apology and acceptance of apology as a way of rebuilding severed links.

These two processes usually involve complex ceremonies taking place in a *social circle*. Everyone is part of and is *centre* of the circle and as the ceremonies take place the *social distance* between the two groups decreases. The more serious the dispute the bigger the social distance is and thus the more serious the process is.
Common causes of conflict include eloping, theft, disputes over land amongst others. In some cases, the help of the police is sought when no compromise is achieved. Nevertheless the conflict resolution mechanism ensures good relations and stability in the short and long term. Conflict resolution may take place within a nuclear family, a *tokatoka* or *mataqali*. It may also take place between these social groups.

The various aspects of the traditional Fijian society discussed must not be seen as separate processes and entities in themselves as they are part of a coherent whole. The socio-economic activities, socio-political structures, social protection/safety nets and conflict resolution mechanisms are intrinsically linked in ways which are in many cases inseparable.

Traditional cosmology, mythology, language, cultural norms and ceremonies constitute Fijian cultural capital in the sense that they make up the totality of Fijian communal experiences in a functional way. In everyday life these forms of cultural assets/wealth help to shape the way people think, behave and respond to internal and external factors of change.

6.8 Tradition and change

Tradition is not static and must not be seen as such. In the Fijian context there is constant change taking place and this process depends on the circumstances. Firstly, some of the older practices have been overtaken by new modes of practices. For instance there is now an increasing tendency to report cases of conflict to the government authorities including the police. Some see the legal and official mechanisms of dispute resolutions as being more independent and reliable than the traditional mechanisms.

Secondly, in some cases, people have not really done away with traditional practices but instead have expanded their options as to what sort of practice they want to adopt. They become selective in what they do; at times they may utilize the traditional methods and at times they may use the new approaches.

Thirdly, some have attempted to synthesize various aspects of the traditional and the new to suit their purposes. This is quite common in urban areas where formal employment and access to the monetised economy have compelled people to use newly acquired commodities for ceremonies instead of traditional goods.

Fourth, some have tried to hold on to traditional ideas and cultural capital as a way of maintaining their *primordial identity*. Fifth, tradition is increasingly being used as tool of political mobilization. In a multi-ethnic state like Fiji where ethnicity and politics closely interrelate, tradition or rather the *loss* of tradition has been used as a means of mobilizing political support

by some Fijian politicians. The politicization of tradition remains a significant factor in its transformation.

Other factors which continue to transform Fijian tradition are urban and overseas migration, education and the impact of the market economy. These factors will continue to be important agents of change in years to come.

6.9 Relationship between traditional and modern modes of social protection

Some elements of traditions and customs mentioned earlier may impact on potential social protection programs including micro loans, micro insurance, social groupings, group organization and potential to make voluntary contributions to local schemes in various ways. On the other hand these social protection programs may also impact on aspects of tradition and custom. This is a two-way dialectical process.

6.9.1 Accommodation

Many aspects of traditional Fijian life are quite flexible and are usually capable of accommodating new forms of innovation if the results are seen to be beneficial. The numerous development projects which have been in place from the colonial days to the present have been operating in a cultural milieu which was facilitating of projects which tended to be beneficial to the community. For instance the practice of communal collection and communal investment which Fijian communities have been engaged in for decades exemplify the way in which collective resources mobilization can be used to enhance community welfare. Numerous micro projects have been conceptualized and carried out in the context of communal participation. In these cases the traditional communal ethos shapes the nature of the social protection projects.

In this way people will still enjoy the benefits of kinship and communal relations yet at the same time enjoy the results of the social protection projects. The benefits emanating from these group based projects can be felt by individual members of the group and this can provide further boost to the project. The communally based psyche of the individuals helps to keep the micro project sustainable. Falling back on communal links becomes an important approach to deal with projects relating to social protection.

One of the advantages of group based micro insurance projects is that it enables communities with scarce resources to pull their resources together for the collective good. This will also help ensure good relations and stability within the community.

6.9.2 Readjustment and re-adaptation

An important aspect of the above process is the fact that in many instances certain aspects of tradition will need to be readjusted to ensure that it does not undermine the aims of social protection. For instance in the case of the *kerekere* system, a certain degree of restraint is needed to ensure that resources invested into micro insurance schemes are not diverted to other areas. A common complaint by many Fijians is that the *kerekere* system undermines income generation in the form of micro-finance and micro-credit. Nevertheless, over the years many Fijian entrepreneurs have readjusted and re-adapted their approaches to make sure that *kerekere* does not come in the way of income generation.

6.9.3 Reinforcing communal life

Some forms of social protection can even help to reinforce traditional communal life especially if the income and other benefits of social protection come directly into the community or if individual members of the community all benefit in some way or rather. The survey showed that some villages and communities with the most successful micro-finance or development investment schemes are also the most coherent.

6.9.4 Replacement

The possibility of certain social protection programs displacing certain traditional norms and practices is also real. This is especially so in urban and peripheral-urban areas where changes in tradition and reliance on the market economy is most pronounced. The survey came across cases where individuals and groups involved in micro-credit have shunned certain traditional practices such as *kerekere*, and *solevu* because of their "backward" nature. They are determined to protect the gains they have realized from social protection schemes. Replacing traditional forms of social protection such as *kerekere* by new modes of social protection is increasingly a common phenomenon.

6.9.5 Contradiction and tension

At times there are cases where there is a direct contradiction between traditional practices and social protection programs. This usually takes place in situations where people are not prepared to adjust and adapt one to suit the other either because they may be cultural *purists* who want to keep tradition unchanged or because they misunderstand the mechanisms of the social protection programs. Often this contradiction leads to failure. Money invested in micro-finance for instance can be siphoned away to satisfy traditional demands such as funeral, marriages, *solevu* etc.

6.9.6 Synthesis: Tradition and social protection

One of the innovative approaches has been the attempt to synthesize aspects of tradition and aspects of social protection. The use of communal collateral as basis for micro credit is a case in point where the communal mode of relationship is re-shaped and the micro-credit approach re-shaped into a mutually engaging synthesis. In this case, members of a group agree to guarantee each other's loan although they may not have any assets as collateral.

The process requires that certain traditional practices have to be re-adjusted and certain aspects of social protection programs have to be re-adjusted to enable the two to converge into new synthesis, a new form of innovation. The new synthesis would be distinctively different from the traditional practice and also different from conventional income generating projects, yet manifesting characteristics of both.

6.9.7 Government policy and tradition

Over the ears the Fiji Government has been actively encouraging and promoting traditional systems of production and governance through legislation and other institutional means summarized below.

(i) Institutional protection of Fijian culture

The 1876 Native Ordinance under the British rule provided the legal basis for the *protection* of Fijian culture against the overpowering influences of westernization. The forms of *protection* provided included illegalization of the sale of land, enhancement of Fijian communal life and communal culture and strengthening of the Fijian chiefly authority through such institutions as the Great Council of Chiefs and Fijian Affairs Board. Although major changes to liberalize some of these took place in the 1960s some *protective* institutions such as the Great Council of Chiefs and Fijian Affairs Board (FAB) still exist today.

(ii) Great Council of Chiefs

The Great Council of Chiefs, formalized in 1876, is the supreme deliberative body within the Fijian socio-cultural system. It symbolically represents traditional Fijian authority and acts as supreme guardian of Fijian culture and at the same time it has a practical political function such as appointment of the President under the Constitution.

(iii) Fijian Affairs Board

The Fijian Affairs Board, which operates under the Ministry of Fijian Affairs, has the overall responsibility of administering the affairs of the Fijian Administration from the national, provincial, district right down to the village level. Part of its function is to protect Fijian culture and to ensure coherence within the Fijian community. The FAB provides scholarships for Fijians and in the past has been involved in some micro finance scheme for Fijians.

(iv) Ministry of Fijian Affairs

This is the official arm of the government which carries out policies in relation to the Fijian community. It facilitates the institutional relationship between Government, the Fijian Affairs Board and the Great Council of Chiefs and other related institutions in policy formulation, legislative assistance, budgetary provisions and implementation of programs aimed at attaining greater well being and good government of the indigenous Fijians.

(v) Native Lands and Fisheries Commission

This body was set up in 1880 to preside over cases of dispute over land and chiefly titles. It ascertains and determines lands which are rightful and hereditary property of Fijians in accordance with the provisions of the Native Lands Act (Cap 133) and in accordance with Fijian customs and usage and provisions of the Fisheries Act (Cap 158). Its decision can still be appealed through the legal system. The Supreme Court makes the

final decision on matters relating to chiefly and land titles.

(vi) Institute of Fijian Language and Culture

This was set up to ensure the production of the Fijian Mono-lingual dictionary. This involves carrying out research, documentation, consultation with interest groups and make presentation to various forums for endorsement. Its role generally covers research and documentation of all aspects of the indigenous culture through audio and video media and written publications.

(vii) Centre for Appropriate Technology and Development

his operates under Ministry of Fijian Affairs provides short and long term technical and vocational training courses, seminars and workshops for rural participants. Some of the courses focus on enhancing traditional culture and strengthening Fijian institutions of governance.

(viii) Native Land Trust Board

This body was set up in 1940 under the Native Land Ordinance to administer Fijian land on behalf of the landowners. About 85 per cent of the land in Fiji is classified as native land. One of the policies of the colonial state was to preserve traditional ownership of Fijian land. Land was considered an important component of Fijian culture and policies were designed to make sure that native land was not to be alienated, although it could be leased for 99 years under the Native Land Trust Act (NALTA) or for 30 years under the Agricultural Land Tenancy Act (ALTA).

6.10 Schemes based on elements of tradition

Over the years a number of social protection schemes have been established based on various elements of traditions and customs. Some of these have been successful and some have not.

6.10.1 Communal investment

This is a common practice nowadays, where money collected through *soli vakavanua* is invested in community companies belonging to the village (*koro)*, district (*tikina*) or province (*yasana*). The directors of these companies are usually chiefs. In other words there is a deliberate attempt to fuse together traditional socio-cultural status with modern corporate culture. While this has been successful in some cases, it has also been problematic because some chiefs use their traditional status to escape scrutiny and accountability for cases of abuse and mismanagement.

This process has been described by a sociologist as *communal capitalism* because it involves using the traditional communal process to acquire capital to be invested in the market economy. Investment may include buying equities and shares in existing corporations such as Fijian Holdings, Unit Trust of Fiji, Merchant Capital etc. In some cases, the investment would be focused on various communal projects such as inter-island shipping.

These forms of communal investment have been encouraged by the government under its affirmative action policies, contained in the government's *Blue Print.* The Fijian Holdings is a company set up by the Great Council of Chiefs in the 1980s and subsidized by government funding as an investment institution for Fijian business. The affirmative action program for Fijians was set up after the military coup in 1987 as a means of addressing some of the socio-economic grievances of Fijians. After the 2000 coup it was further institutionalized in the form of the *20 year Plan* as a way of addressing cases of inter-ethnic and intra-ethnic inequalities.

The Fijian Holding was meant to be a trust company for Fijian investment. It buys shares from existing companies and later distributes dividend to shareholders. Some communal groups have benefited from the Fijian Holdings and some have shown dissatisfaction with what they see as the use of public money to subsidize private business.

Communal investment has a number of social protection aspects:

- It ensures that investment is *safe* under a government – sanctioned and subsidized institution such as the Fijian Holdings;
- Because of collective ownership of capital, there is collective accountability of business operations; and

- The whole community usually benefits in the form of dividends or development of community utilities.

However, one of the criticisms of communal investment is that because it is collectively owned and operated the benefits do not really trickle down to individuals, especially at the grassroots. A number of cases, chiefs have been implicated for using their traditional authority to siphon off money from village or provincial development accounts for personal use. Because of the traditional respect they are accorded by people they are often not reported to police for fraud. In this case tradition can be abused and manipulated to serve particular interests.

6.10.2 Affirmative action and traditional culture

Affirmative action refers to preferential policies aimed at improving the social, economic or political situation of a disadvantaged group. Almost every country in the world practices some for of affirmative action either for women, old people, young people, ethnic minorities, poor, destitute, etc. Usually affirmative action is aimed at addressing inequalities, historical injustices and the socially disadvantaged position of others.

However, affirmative action in Fiji has been seen as a way of nurturing collective effort through community based projects and investments. Since 1987 affirmative action policies towards Fijians have been largely geared towards encouraging communal investments by *tokatoka*, *mataqali*, *tikina* and *yasana*. There have been success stories such as the Mavana Holdings from Lau. There have also been cases of failure which were attributed to "Fijian culture".

There were also affirmative action policies in the form of special developmental projects in the early colonial period mostly geared towards enhancing the collective Fijian interests in the context of the communal system. There was no attempt to engage Fijians in a *liberated* environment where they could realize their full potential. By the 1960s there was a conscious attempt to address Fijian lack of economic progress by the colonial state as Fiji moved towards independence.

6.10.3 The Promotion of Reconciliation, Tolerance and Unity Bill (the "Bill")

The controversial Bill was designed by the government to provide the framework for national reconciliation and conflict resolution for Fiji as part of the post-2000 coup reconstruction process. There is an attempt to incorporate aspects of traditional forms of reconciliation such as *veisorosorovi* into the Bill. The idea is that the perpetrators of the coup could be given amnesty as a way of creating an atmosphere conducive to dialogue and forgiveness between the perpetrators and victims of the coup.

This has provoked intense debate as to whether retributive justice (based on punishment) by the legal system needs to be replaced by, or supplemented with, restorative justice (informal reconciliatory mechanisms such as *veisorosorovi*). While traditional forms of conflict resolution have been workable for centuries and are seen today as perfectly appropriate, the purpose for which they are used is a point of contention. For instance critics see its usage in the Bill as more for political purposes than a genuine attempt at reconciliation while the supporters see it as a genuine attempt to bring to rest the ethnic suspicion and tension created by the 2000 coup.

Using the *veisorosorovi* concept in the local communities does not pose any problem whatsoever but when it is used at the national level it becomes controversial because it is tied to complex political agenda and dynamics. In the case of the Bill, the introduction of the notion of *veisorosorovi* has led to controversy because of the pre-existing political and ideological tension at the national level which inevitably led to the different interpretations and perception of the concept.

6.10.4 Ministry of Fijian Affairs small business scheme

This scheme was set up in 1995 to help indigenous Fijians who wanted establish small business with a maximum loan of FJD 5,000. The idea was that injecting capital into a small social group like the *tokatoka* or *mataqali* would be a good way of enhancing their income generating potential. The required collaterals were bill of sales for cars or houses and mortgage. And some of the requirements include providing information on budget, financial history and business history.

One of the weaknesses of the scheme was that no adjustment was made to ensure sustainability in a rural village situation. The process involved imposing a new business principle in a communal environment. However, there was no training and appropriate institutional support. Only 40 per cent of the schemes are still operational and the rest have *disappeared*.

6.10.5 Foundation for Rural Integrated Enterprises (FRIED)

This organization was set up to organize poor women into operational groups in various communities in the Western side of Fiji for the purpose of generating income from homemade foodstuff such as chutney. The organization organizes groups from all ethnic groups into small groups from 25 communities who pull together their productive energy to produce bottled foodstuff to be sold in supermarkets. The project has been successful because of the way in which the women have built up a high level of trust with each other and the fact that it is empowering, meaning that women are given the opportunity to harness their own potential for the good of their families.

6.10.6 Council of Credit Unions

Apart from those formally employed, the credit union system also works for those who are not in formal employment. For instance some members of the Fiji Council of Credit Unions consist of groups of individuals pulling their resources together as basis for their membership. Some *mataqalis* and *tokatokas* have registered themselves as members. The Native Land Trust Board has registered a landowners' credit union called the Vanua Credit Union. Collective membership of the credit union provides a sense of support and comfort for those without steady income.

6.10.7 Ministry of Youth and Sports

Every year the Ministry of Youth provides a micro grant of FJD 7,000 for 10 projects in each of the 14 provinces. The purpose is to attract youths back to the village as a way of minimizing urban problems and also as a way of consolidating traditional cultural values in the new generation.

The income generating projects involve setting up piggeries, buying agricultural implements, providing fishing gear, amongst others. The money is channelled through youth organizations rather than through individuals. The idea is to ensure that young people should learn to work together as a group as a way of developing group identity and trust so that they should be able to look after each other's welfare.

Some youth projects have been successful because of the commitment of those involved and the support they received from the community. However, in some cases failure has been due to lack of proper training and planning and lack of support from the community. Also, some of the youths involved have been in the urban centres for a significant part of their lives and found it difficult to re-adapt to more traditional lifestyle.

6.10.8 Fiji Council of Social Services (FCOS) micro- finance scheme

FCOSS believes that within the traditional Fijian psyche, the concept of saving is already a functional one. For instance Fijians have for ages past "saved" customary items like tabua (whales tooth), mats, land and other resources. The idea is to revive, nurture and apply this saving culture in the modern entrepreneurial context.

The precondition is that a person needs to prove his/her saving proficiency for 3 months before being eligible for training. The training involves ways to invest the savings in projects like fishing, piggery, market vending, etc, as long term income generating projects. There are clients throughout Fiji, with 300 in the province of Naitasiri alone. For the first time a lot of people are able to save up to FJD 300. This is monitored by the FCOS staff.

Apart from the savings, there is a loan scheme which involves group participation of up to 4 people. This is a form of social collateral to encourage group network and support.

The success of the project is due to the fact that it involves building on certain personal and cultural potential such as the capacity to save. This is in itself self-fulfilling and empowering and does not need expensive input as in some other projects. Also, as a pre-requisite to acceptance by the community, the chief's views and consent is sought. The support of the province, the local chief and members of the community are important for the stability and success of the scheme.

6.10.9 Ministry of Agriculture (MA)

The Ministry of Agriculture (MA) provides assistance in live stock and crop development in line with the ministry's goal of For food and income Security. The MA provides assistance for farming input such as fertilizer, chemicals, seeds and planting materials. MA also provides assistance in the form of infrastructure development, road and drainage. Although the MA assistance is in the form of modern implements, there is an underlying expectation that these would be used to encourage traditional skills and means of planting root crops such as taro, cassava, kava and vegetables.

(i) Partners in Community Development Fiji (PCDF)

One of the PCDF's main successes has been in the area of traditional resources management and sustainability. Significant focus is on capacity building in the form of *gardening governance* to ensure that villagers who live in their traditional settings are able to maintain a sense of balance between consumption and resource management and sustainability. This project covers the whole of Fiji and has been hailed as a success story.

Part of the success has been due to the fact that rural people realize that their future livelihood depends to a great extent on proper management and sustenance of their traditional sea land resources.

6.10.10 National Centre for Small and Micro Business Development (NCSMED)

The NCSMED was set up in 2002 under the Small and Micro-Enterprise Development Act 2002 for the purpose of developing business training programs, advocacy for a supportive policy and regulatory environment and facilitation of credit and funding for small and micro enterprises. In 2004 the centre merged with the National Micro-Finance Unit of the Ministry of Commerce, Business and Development.

The targeted groups are mostly those who have no reliable means of income generation. Amongst its activities is the development of four micro-finance lending methods including individual lending, group solidarity model, village banking and co-operative scheme. The centre has developed and helped establish 3287 micro-enterprises and has disbursed 6,279 loans totalling FJD 1,646,171 from 1999 to September 2004. Under the solidarity model a number of village banks have been set up and more are expected to be set up later.

The success of the lending projects is due to the fact that they build on the rural people's existing potential such as their traditional saving culture which needed to be refocused and use of traditional crops and produce as equity. In addition is the support of the chiefs and the local communities. Furthermore, the acceptance by the community of the solidarity model and the co-operative scheme is because they operate in the context of the traditional communal relationship.

6.10.11 Department of Social Welfare

The Department of Social Welfare, as part of its poverty alleviation program, runs two major programs, the Family Assistance Scheme (FAS) and Poverty Alleviation Program (PAP). FAS is cash assistance (FJD 30-100 per month) and PAP is an income-generating project aimed at helping those without income to be self-reliant.

PAP operates on a partnership between a reputable voluntary organization which would sponsor the applicant and supervise the implementation of the approved projects. The PAP projects require that there is sensitivity to traditional norms and practices to ensure acceptance by the community.

6.10.12 Recommendations

Based on the study these recommendations identify some aspects of tradition which can enhance or undermine micro-scheme and how these can be addressed.

(i) Chiefly authority

Chiefly authority can be abused by some to extract maximum benefits from a project. There have been cases where those in positions of traditional authority have used their positions to escape popular accountability. This can be avoided by ensuring that people who are selected to run community based micro-projects are those with proven integrity, relevant education and training.

(ii) Kinship

While kinship is fundamental to Fijian social life it can also pose a challenge to those involved in village micro-projects. The demand for traditional obligations where one is expected by relatives to contribute can divert resources away from the projects. For instance a cow or a pig which has been paid for by the loan can be given out freely. In the traditional community those seen to be *vutuniyau* or materially wealthy are expected to give more than others. In cultural terms this ensures the social prestige of the giver but in entrepreneurial terms this simply means economic loss. The different conceptual approaches often contradict each other.

The same can be said about the notion of *kerekere*. It is often said that *kerekere* unfairly diverts resources away from those who work hard to those who are *lazy*. While *kerekere* reinforces social solidarity it can provide disincentives for income generation.

To avoid the above problems, there are innovative ways that can be used to ensure that traditional and kinship obligations do not interfere negatively with micro-finance. This is discussed later in paragraph 3.12.8.

(iii) Traditional rivalry and social conflict

Rivalry between or within *tokatokas*, *mataqalis*, villages, *vanuas* etc. are common in Fiji and some of these have long historical roots dating back to the pre-colonial era. These are usually caused by disputes over titles, land and more recently religious differences (eg. between Methodists and the new Pentecostal churches). One of the more recent causes of dispute has been the "social imbalance" caused by some people getting more materially well off than others. These often invoke envy and tension. These usually have the potential to undermine micro-schemes.

(iv) Pressure on traditional resources

The existence of many micro projects in a community has the potential to create competition over resources and status. This is where the collective approach is important to ensure that people co-operate rather than compete with each other. Competition is healthy when the goal is for collective benefit and may be destructive if it is based on achievement of higher status and accumulation of more wealth in an envious and negative way.

Because traditional resources are collectively owned it is important to share them equally according to need rather than accumulation for the sake of it.

(v) Yalosolisoli versus saving

The norms of *yalo solisoli* and *dauloloma* (both referring to generosity and good neighborliness) may also pose a challenge to the notion of saving. Within the traditional Fijian discourse saving is associated with negative denotations such as *daubulubulu* (to hide treasures), *mamaqi* (miser) or in ethnic terms, *Kaidia* (Indian). The challenge is to break down these stereotypic views and provide a positive connotation to the term. The answer may be found within another Fijian concept, *daumamaroroi* (preserve, keep, protect), which refers to saving but in a positive way. Often the term is used to refer to the safekeeping of traditional wealth such as whales tooth, mats, oil, etc.

The virtues of *daumamaroroi* are important for micro-schemes and savings. Without introducing a new cultural concept, it only requires re-articulating a traditional notion in a functional way.

(vi) Women and youth empowerment through micro-schemes

The traditional role of women as the socio-economic life line of the family provides an important backdrop for the micro-scheme loans. Experience shows that women are more reliable with micro-schemes than men because of the fact that they tend to be more family oriented and thus more risk averse than the more *adventurous* men. Micro-schemes is a way of developing their management skills and productive capacity and empower them to be equal decision makers with men.

While this may shift the *power balance* within the family and may cause tension at first, it has the potential to create more gender equity awareness and stability once it is realized that the women's effort benefits the whole family and that it takes financial pressure off the men.

Micro schemes can also help empower unemployed and marginalized youths.

Traditionally young people look after their elders as they age and at a young age are socialized into traditional ceremonies and values as *apprentices* to assume leadership roles from the elders at some point in the future. Involvement in micro-schemes would help boost their self-esteem and empower them to be independent and self-confident about their productive potential.

(vii) Traditional land as collateral

One of the down sides of Fijian investment is the fact that land cannot be used as collateral for loans. However, crops and livestock on the land can be used as collateral assets. This is where the use of communal collateral involving group guarantee of loans becomes important. Cultural capital such as trust, goodwill, chiefly authority, communal co-operation and group solidarity can be utilized to the fullest. This requires imaginative and innovative approaches to ensure that cultural capital is fully utilized for the common good.

(viii) The duality model

Living a *dual life* in the form of commitment to traditional obligation on one hand and entrepreneurial micro-scheme on the other is possible and has proven in many cases to be workable. Clear distinction has to be made between the requirements and logistics of traditional obligations in relation to micro-finance. The major distinction is that traditional obligation is for the sustenance of the communal culture and solidarity and micro-finance is for the welfare of the family. Making this distinction requires a certain degree of discipline both in perception and practice. On one hand a person may participate in communal obligations yet can also carry out micro-finance schemes. Individuals who are able to make this distinction to "make a break" should be encouraged to do this.

(ix) The collective engagement model

This is a recommended approach. This involves collectively engaging a number of people, even the whole *mataqali* or village in the micro-scheme. This requires collective thinking and action and no one feels left out. There is communal peer pressure for people to honour the collective commitment thus discouraging abuse and diversion of resources towards personal or traditional obligations which tend to undermine the aims of the micro-scheme. An example of this is the group solidarity model and communal collateral system which have been successfully implemented in a number of cases previously mentioned.

In this model traditional socio-cultural links is merely adjusted to facilitate the requirements of the micro-scheme and the logistics of the micro-scheme is adjusted to accommodate and be accommodated by the traditional system. The end result sees both systems reinforcing each other in a mutually beneficial embrace. This model has the potential to resolve tensions and disputes which often exist in villages.

The communal ties which underpin traditional relationship, contrary to popular opinion, can be a positive force in micro-schemes. We have seen how this has worked in the case of communal collateral. Suddenly breaking up these ties and driving people towards individualistic pursuit can disturb the communal coherence and cause instability. Some of the cases mentioned earlier show the success of group micro loans and group investment. The fact that some of these are carried out by *mataqalis*, *tokatokas* and other kin connections show that individualization is not necessarily a pre-requisite for micro scheme success, utilizing traditional systems of communal co-operation can also work given the right approach and organizational planning.

(x) Remittances from Fijians Employed Overseas

Remittances from overseas constitute a significant and growing contribution to the national incomes and reflect the strong family responsibilities found in most pacific countries. An indication of the growth in remittances can be shown from Overseas Exchange Transaction data collected by the Reserve Bank of Fiji and obtained from licensed exchange dealers. The growth in personal remittances is partly attributed to the increased deployment of Fiji military personnel overseas and in security duties in the Middle East, nurses, carers and international sports personalities.

Remittances have grown from FJD 232.4 million in 2002, to FJD 243.4 million in 2003 and FJD 317.3 million in 2004 and rivals Samoa for the impact on the economy of overseas remittances. Whilst it is difficult to ascertain the destination and usage of these remittances it is evident that

they constitute a vital support mechanism to immediate and extended families of the sender.

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.

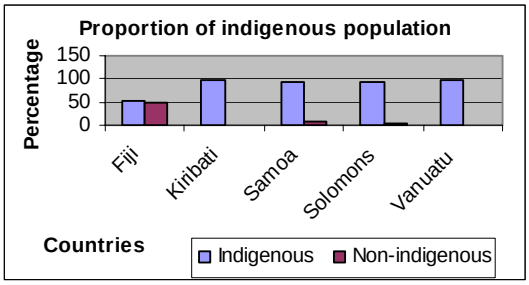
Article 1 of the ILO Convention is based on the assumption that indigenous and tribal peoples in independent countries who may also be minorities who have been marginalized economically and politically by dominant institutions and cultures introduced from outside. It is assumed that these groups still 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 7.2 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.

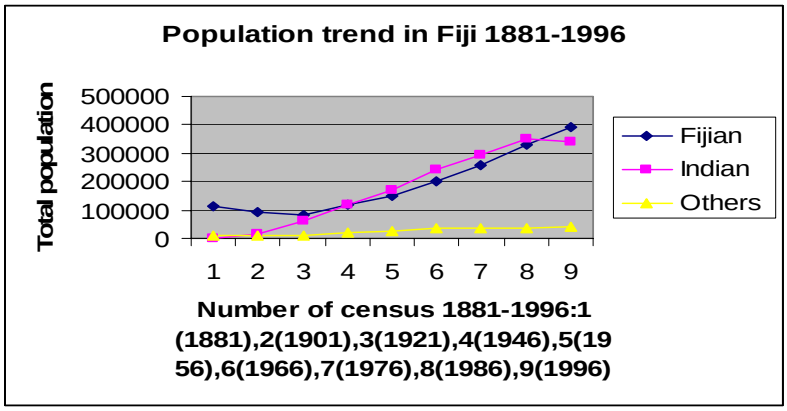
The application of the convention to the indigenous situation in the Pacific is not as clear cut as maybe assumed. This is partly because in all the Pacific countries concerned, the indigenous community is the dominant group. The case studies which follow attempts to throw some light into the issue.

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

.



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

:

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.*[32]

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

[32] 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[33].

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.

[33] 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 7.16, 98 per cent of Vanuatu's population consists of the indigenous Ni-Vanuatu. The small minorities consist of part Ni-Vanuatu - 0.22 per cent; other Melanesians (such as Fijians and Solomon Islanders) - 0.11 per cent; Polynesians-0.06 per cent; Micronesians - 0.03 per cent; Europeans - 0.77 per cent; Chinese-0.15 per cent; Vietnamese-0.04 per cent and others-0.07 per cent. There is a good mix of minorities although the numbers are very small.

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 Fiji

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 economy 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 economy.

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 and 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 who are 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. The effect of redistribution or social solidarity is limited as provident funds entail 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 members 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 economy 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, need the withdrawal 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[34] by widows who (together with their children) were denied survivors' benefits under the provident fund at the death of their husbands. The benefits were distributed amongst the father and brothers. A major reason cited is the qualifying conditions required to be fulfilled

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

by men and women. In a particular case the decision by the provident fund was upheld by the court based on the husband's 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 in Fiji 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[35] confirms that most of the goals set out in these platforms have not been achieved. Barriers to women's empowerment remain 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.

[35] 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)[36] 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)[37] 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*[38] 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*

[36] 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.

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

[38] 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.[39] 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;

[39] 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:

- Equal access to employment and training;
- Promotion of the full implementation of the principle of equal treatment for work of equal value;
- Improvement of working conditions;
- Harmonisation of family and job responsibilities;
- Equal treatment in social security coverage;
- Ensuring the full participation of women in decision making processes at all levels;
- Establishing and strengthening national machinery to promote equality of opportunity and treatment effectively; and
- 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.[40]

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

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

disadvantaged access to employment can have significant consequences; for example in the contributions and the consequent benefits that can accrue to them in social security benefits and aggravating the poverty levels that they are in.

Gender based cultural values place limits on women's occupational mobility particularly their promotion to positions of authority or seniority. They facilitate the more intensive, relative to men, exploitation of their labour, and they underline their generally lower incomes and poorer conditions of work. Indeed 'female' jobs are more often than not, low wages/salaries and low status, and a significant proportion engage women in servile capacity: offering some kind of community, public or personal service whether unskilled (domestic work, office cleaning), skilled (clerical work, personal assistants) or professional (nursing and teaching).[41] 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[42] 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 inequalities in enrolments, at all levels in all the project countries, with disparities comparatively much lower in Samoa and Fiji.[43] 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

[41] Labouring under the Law: A Feminist critique of employment legislation affecting women in Fiji by Atu Emberson-Bain and Claire Slatter, September 1993.
[42] 2000 Kiribati Census, Bureau of Statistics
[43] 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 review report of the PPA noted that there does not appear to be significant sex bias in the field of study. This however needs to be further researched because anecdotal evidence shows that there is a high concentration of women workers in sectors that are considered traditionally female areas and are closely related to their reproductive roles such as nursing and teaching. Within each sector figures reveal that women are highly concentrated at the lower rung of the hierarchy. Women also receive fewer scholarships than men, particularly in countries where there are fewer girls than boys completing secondary schools.

Table 8.2 Proportion of the total population with tertiary education

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 disparities 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, are predominantly patrilineal societies and gender sensitivity training[44] 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[45]

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.

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.*

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

[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

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 this 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[46] 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.*[47] 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)).
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.

[46] Ministry of Women. 2002. Directory of Women of Samoa.
[47] 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

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[48] or those who have migrated to the urban centres or overseas for better job opportunities. Women having to maintain such

[48] Ni-Vanuatu is the name for indigenous people.

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.[49] 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 developing 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 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[50]

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.

At the end of the project, the Governments and social security organisations will have formulated a comprehensive country program on social

[49] Pacific Human Development Report, UNDP 1999

[50] 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.

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 The Formal Employment Sector in Fiji

From the labour force projections undertaken by the ILO in 2001 the males represented 66 per cent of the workforce and females 34 per cent. However this does not reflect the true situation in the formal employment sector and the FNPF data for 2002 showed that 64 per cent of members were male and 36 per cent were females. These ratios are for the entire membership including the inactive members but in the absence of other

more recent data slightly more women are employed in the formal employment sector than in the overall workforce.

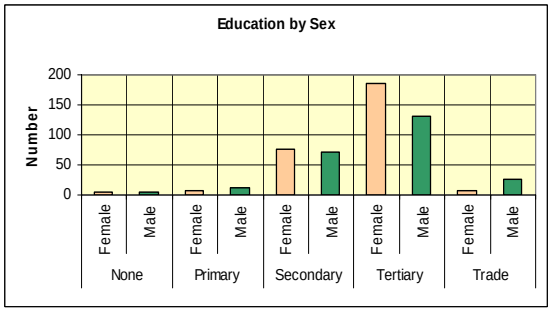
The design of the survey was based on the data provided by the FNPF which showed the location of each of the employers by industry and the number of employees registered with each employer. An analysis of the proportions of small medium and large enterprises was made and the ratio of private to public enterprise was also completed. A random sample of employers was undertaken within the broad categories identified. Surveys were conducted mainly around the main cities in Lautoka, Nadi and Suva on the main island of Viti Levu in the Fiji Islands.

In 2000 the total labour force was estimated to be 332,000 with 36 percent employed in the formal economy, 57 percent in the informal economy and about 7 percent unemployed.

The total sample was taken from the age groups between 15 and 60 years. The sample was biased towards females where they represented 53 per cent of the sample which is considerably higher than for the expectation of about 35 – 40 per cent.

(i) Education

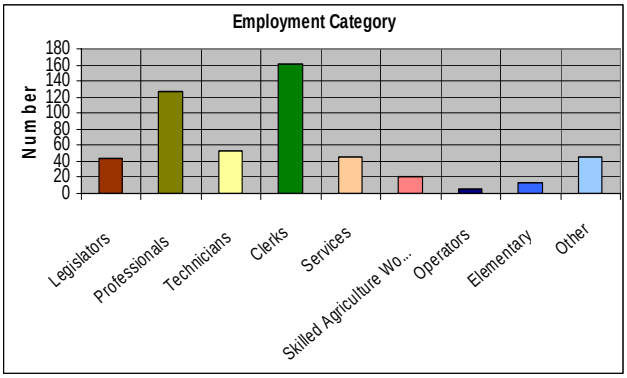
The highest education level represented by the sample was tertiary level followed by secondary level. This contrasts markedly with the informal survey where the bulk of the respondents had only primary level education and there were some cases which had no formal education. Females completing tertiary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



(ii) Employment

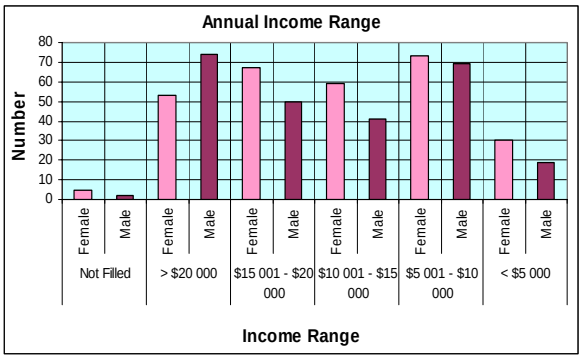
The sample identified 44 per cent of respondents as being employed by the public sector and in the absence of accurate data this appears to be slightly higher than expected although any deviation could be explained by the better access to public sector institutions and diligence in voluntary surveys.

The employment categories require some correlation with the range of ILO occupational classifications which were condensed for the purposes of this indicative survey. If the service related occupations are grouped from the 1999 bureau of Statistics surveys then about 40 per cent of the formal sector workers are engaged in clerical or professional activities. This survey produced a bias that shows almost 60 per cent of workers engaged in these occupations. However since the political coup in 2000 a considerable number of people have emigrated and manufacturing has suffered some decline and there has been an increase in the service sector particularly in tourism.



(iii) Annual Income range

The initial indicators for annual income shows that females dominate the four lowest ranges (below FJD 20,000 per year) and males dominate the income above FJD 20,000. Unofficial figures from the FNPF contribution rates when extrapolated suggest that the modal salary for formal sector workers in Fiji is about FJD 7,400, just below the income tax threshold. Local studies conducted by NGO's suggest that the poverty line in urban areas could be as high as FJD 7,000 per year.



(iv) Social Security Needs

Existing social security schemes include age retirement under the provident fund, family health by industry and employer based schemes and injury/death under FNPF and employers liability.

Responses received during the survey identified the three top social security needs as unemployment protection followed by health insurance and education. In terms of contributions employers and individual employees were identified, reflecting the status quo and with government as the provider of health care.

(v) Analysis

The findings of the survey states that in the absence of more recent data slightly more women are employed in the formal employment sector than in the overall workforce. This however does not concur with other specific studies[51] made whereby women are more concentrated in the unpaid labour, and this anomaly can be attributed to the gaps in the statistics provided. More research is therefore required to confirm this. If however, it is confirmed that there are more women employed in the formal sector then one can assume that the majority of these are concentrated at the lower rung of the ladder, earning low and discriminatory wages, have poorer working conditions then men, are inclined to hold much junior positions, have little excess to promotional opportunities as reflected in the responses received on the employment categories with high percentage of clerks recorded.

Research shows that although more women graduate with tertiary education as compared to men this does not necessarily correlate to the annual income range and the employment category occupied as revealed by the survey. Clerks and professionals when grouped with other related service industries total 60 per cent of the employment sector in 1999. Although the employment category is not disaggregated by sex it can be assumed, based on other studies carried out, women are concentrated in the service industries particularly as clerks, professionals (which includes nurses and teachers) as well as in the tourism industries. This is (indirectly) confirmed by the responses received in respect of the income range and although the sample surveyed was biased towards females (it closely reflects the trends and official statistics) representing 53 per cent (which was considerably higher than for the expectation of around 35 – 40 per cent) as compared to 47 per cent males. The initial indicators for annual income shows that females dominate the four lowest ranges (below FJD 20,000 per year) and males dominate the income above FJD 20,000.

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

[51] Emberson-Bain & Slatter, 1993, ""Labouring under the Law: A feminist critique of employment legislation affecting Women in Fiji

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 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.

8.12.2 The Informal Economy in Fiji[52]

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

Social Insurance

- Disability and survivors benefits – through the Fiji National Provident Fund and is only available to workers in the formal sector. Provisions are limited in that the lump sum payments does not cover beneficiaries for the rest of their lives;
- Work injury insurance - is available through employers and private insurance schemes. Currently this is on the basis of employers' liability and compliance by the employers and private insurance is questionable.
- Maternity benefits - are available to the public sector and in certain situations it is part of the employment conditions. Public wage employees are not entitled and in the case of salary earners maternity benefits are only available with full salary on the first

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

three confinements. On the fourth confinement and thereafter, an allowance of FJD 5.00 per day is payable.[53] Under collective bargaining maternity protection is available to private sector.

Social Assistance

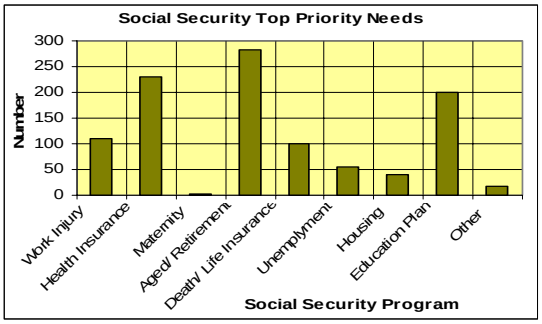
- Family Assistance – This is fully funded by the Fiji Government and is administered through the Department of Social Welfare. The government through the Department also allocates an annual grant to disabled associations for disability support programmes.

Other programmes available include the micro-credit schemes. An example of this was the WOSED programme specifically established by the Ministry of Women for women in the rural and semi-urban areas to help alleviate poverty.

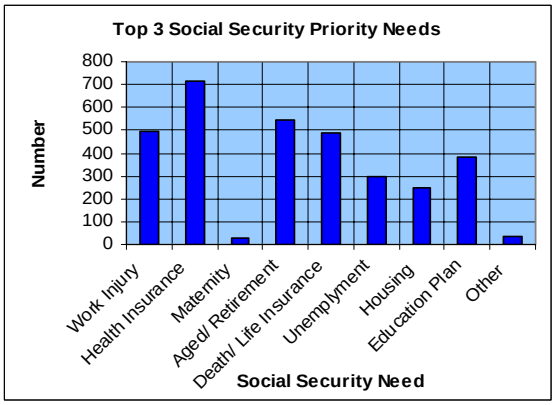
The sample survey carried out in Fiji was biased strongly towards males representing 80 per cent and females 12 per cent because of the type of industries chosen. Many of the traditional farmers, fishermen and transport workers were males. The predominant work areas for females in unpaid family care, family business and home workers were less accessible to the surveyors. The sample correlates reasonably closely to the 1996 census where 65.4 per cent of the workforces were males and 34.6 percent females.

Number of dependents per family for the sample survey was around five. The number of single parents was 69 in the sample of around 1100 which represents about 6.3 per cent of the sample. Given the large bias of the sample to males this is not likely to represent the true situation of single parent families. The 1996 population census identified 13.5 per cent of households headed by females. The highest education attainment of the workers in the sample was primary education. In terms of absolute numbers in the sample males represent the highest numbers in all categories of education. Land ownership is always problematic however the sample surveyed was done in the more densely populated sugar growing areas where the issue of land ownership is much clearer. The ownership may have been interpreted as leased which gives security of tenure within the current legal system. It is important to note that men outweigh females in land ownership, a result of the bias of the sample but is also indicative of the true situations with regard to women who may have access to the use of the resources such as land but certainly do not have any say in the decision–making part.

(i) Social Security Needs and Priorities



Respondents were then asked to nominate these needs in priority order and the following charts show the highest priority needs. This chart shows that Age/retirement program is the most popular followed by Health insurance and Education programs. Rating for maternity programs was very low which can partly attributed to the low ratio of females as compared to males in the sample size and the high proportion of female home workers in the informal economy.



By grouping the top 3 priority needs identified by the respondents the priorities are somewhat moderated but surprisingly workers compensation obtained the most responses. Health insurance, life insurance and unemployment programs were also significant needs. Maternity, Housing and education programs were the lowest priority programs and given that females represented only about one third of the sample this rating may be skewed.

[53] At the time of writing this Report the revised Employment Relations Bill is before parliament for discussion by the Fiji Parliament. Revised provisions have not been taken into account in this Report.

The sample survey carried out in Fiji respondents were asked to identify their social security needs. Although there was no clear cut preference Health insurance, Age Retirement, Death/Life insurance, Workplace Injury/Death and Education however, were the most popular needs by males and females. The low ratio of females in the sample size has important implications on the ratings of specific needs of women, such as changes in demographic factors, reconciliation of family and work responsibilities and maternity protection.

(ii) Analysis

The balance between sexes in the survey was biased strongly towards males because of the type of industries chosen. As the survey was aimed at informal economy workers who were employed in the major population areas, this naturally selected many land owners and small farmers, particularly on Viti Levu. This also reflects the status of women even in the urban informal sector where they are employed as unpaid workers in family businesses or as part-time workers. Many of the traditional farmers, fishermen and transport workers were males. The predominant work areas for females in unpaid family care, family business and home workers were less accessible to the surveyors. As noted in the formal sector survey analysis there is a need to look further at the job categories particularly the small farmers as most of the farming activities undertaken by women are overlooked and not considered by planners and enumerators so women become the 'invisible' farmers. Ratings for maternity programs, housing and education were very low and whilst is can be attributed to the low ratio of females as compared to males in the sample size it confirms the high proportion of female home workers in the informal economy who are usually employed as unpaid family workers and/or are employed as casuals. Health Insurance was clearly the highest priority followed closely by age retirement, workplace injury/death and death/life insurance. Addressing the issues of health insurance will to a large extent also meet the specific needs of women such as accessibility to quality health care.

8.13 Conclusions and recommendations

It is important to underline that the status of women in the Pacific and the conditions of their lives have been shaped by a broader range of forces, notably their gender, ethnicity and social class, and the broader social, political and economic environment. Similarly, the legal status of women, in particular their position in respect of employment legislation, is crucially influenced by such factors.

This report begins with the premise that women are greatly disadvantaged both in the formal and informal economy. As a result they are more likely to be excluded in greater 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[54].

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

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

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. 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 Fiji**
Chapter 13	**Social Assistance: Principles**
Chapter 14	**Social Assistance in Fiji**
Chapter 15	**Employment Injury Schemes: Principles**
Chapter 16	**Workers' compensation in Fiji**
Chapter 17	**Maternity Protection: Principles**
Chapter 18	**Operations and Information Technology for the Ministry of Women, Social Welfare and Poverty Alleviation**

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 Fiji.

The aim of this chapter is to assist the government of Fiji and key stakeholders to understand the issues relating to social assistance schemes and to develop specific proposals relative to Fiji. 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*[55] 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.[56] 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

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

[56] "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.

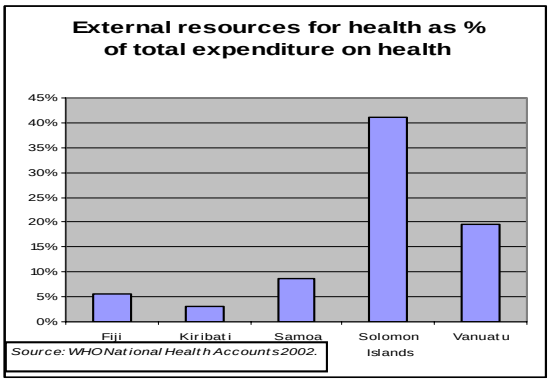
- All of the five project countries have traditional and community based forms of social protection. Mobilising a voluntary fund pooling arrangement for a community member at time of serious illness is common. This is mainly through faith based organizations, especially if the charitable contribution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

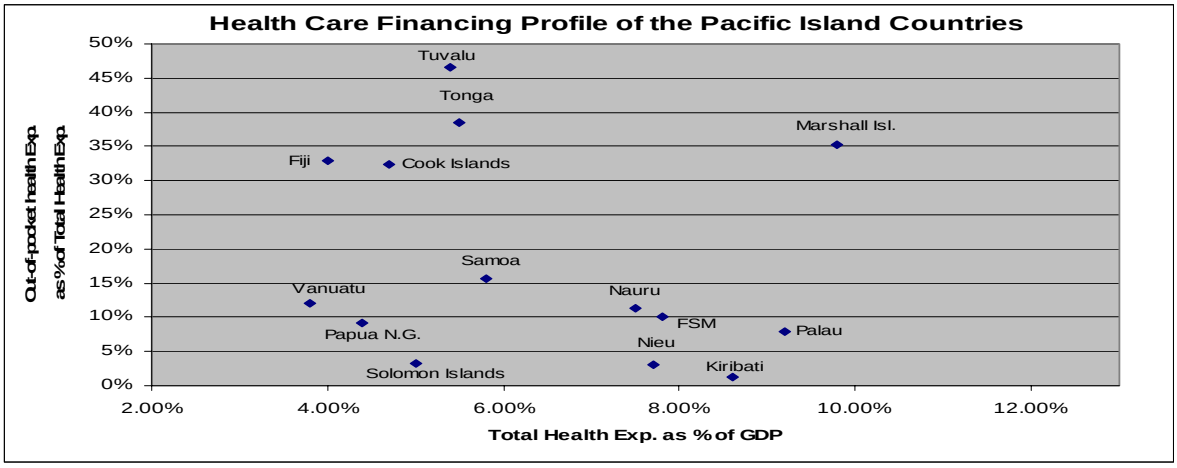
9.4 Demand for financial protection for health

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.[57]

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.

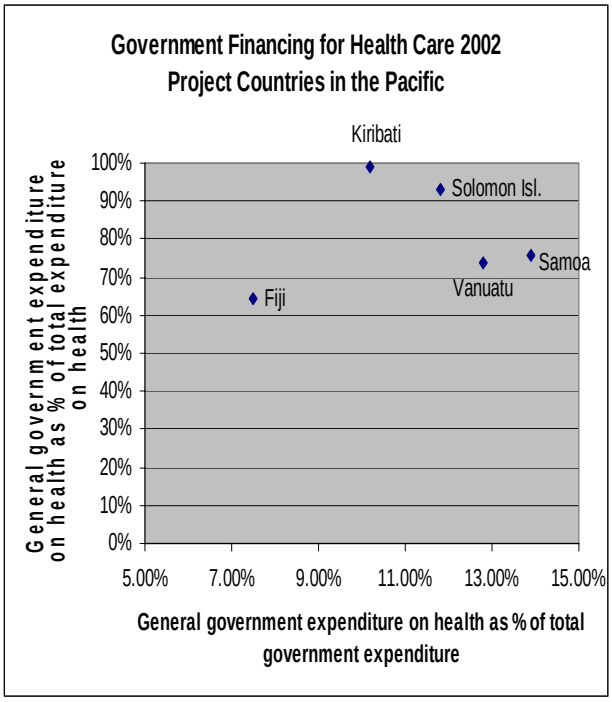
A policy challenge for the introduction of a pre-paid or contributory type health care financing system requires public support. If the health scheme is merely considered to be an additional source of income for the government, without accompanying benefits, such as improvement in service quality, then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

[57] 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 accounts 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 the *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.[58] 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.

[58] 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[59] 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

[59] An artificial support or brace for the limbs or spine.

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 source

- 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

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 advantages 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[60] for non-essential services.

[60] 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 neglect of the informal economy 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

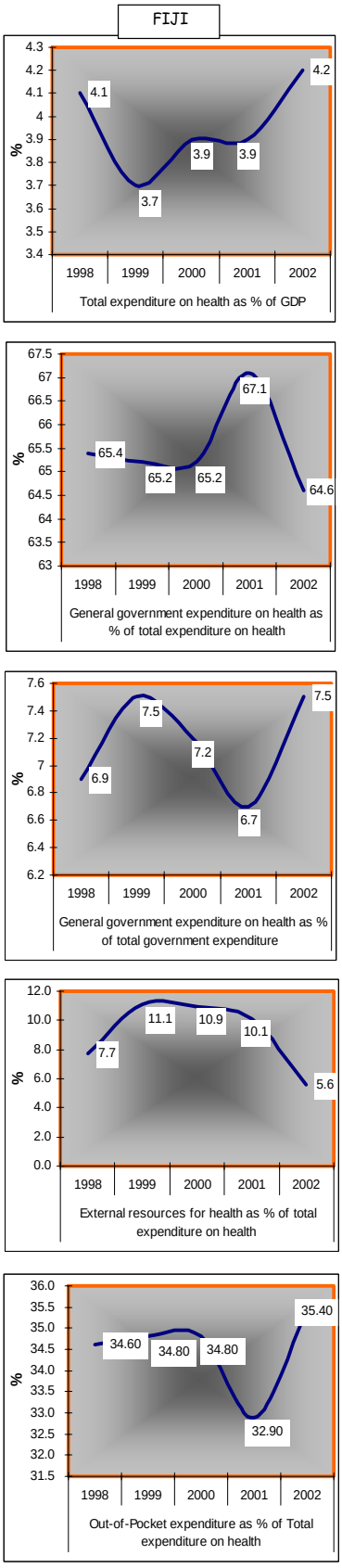
In this part of the chapter the basic health financing profile of Solomon Islands is presented followed by a description of the policy context. The profile was prepared by using the latest National Health Accounts (NHA) data available at the WHO web site.[61] The policy context is based on written information made as well as through communication with various stakeholders.

.

[61] 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.

9.9 Fiji Health Scheme Overview

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



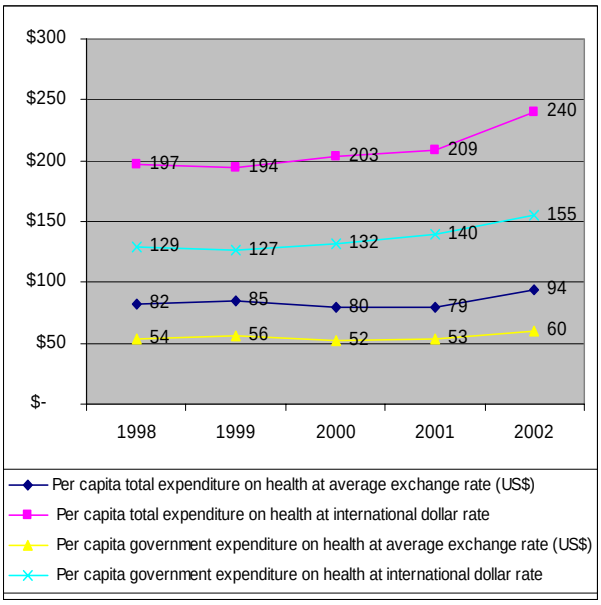
9.9.1 Basic Profile

Fiji is a moderately low spender on health with total health spending accounting less than 5 per cent of GDP. The share of health has fallen slightly during political crisis years and have gradually picked up to its normal and sustainable trend of about 4 per cent of GDP.

Government financing accounts more than 65 per cent of total health spending in the country. This figure has shot up by two percent basis points above its historical average in 2001 but has come down slightly below 65 per cent in 2002. Health accounts about 7.5 per cent of total government expenditure and compared to the rest of the countries has the lowest such share, most likely because of defence spending competing with social services since the military coup of May 2000.

External sources for health used to account more than 10 per cent of total health spending during 1999-2001 period. This share has halved to 5.6 per cent in 2002, a sharp fall from a year before. In the same year share of out-of-pocket financing for health care has increased to more than 35 per cent to accommodate the falls in the government and donor financing.

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



In per capita terms, Fiji is the highest spender in comparison with the other project countries. Both per capita total spending and per capita government spending for health has consistently increased since 1998 with an average growth rate of about 5 per cent per annum when measured in purchasing power parity terms (international dollar rate).

With a more diversified economy and favourable position in the Pacific, Fiji has the characteristics of a country which can easily implement health financing reform to introduce social health insurance. Insurance funding unlike external sources is a more stable source of income and may cater well for the needs of the country to ease the pressures on the government to finance health care and help reduce the share of out-of-pocket payments for health which is the highest among the countries under this review.

9.9.2 Policy Context

Fiji has had a long-standing debate on including a health contingency within the scope of FNPF activities since 1989 as well as a proposed reform

program to set up a national health insurance scheme. The ILO has undertaken a number of feasibility studies upon FNPF's request focusing on the formal sector and WHO has been advocating the concept of social health insurance through the MOH of Fiji to play an advocacy and policy advisory role on national health insurance scheme development which would have broad-based risk pooling including the poor and the informal sector.

The previous ILO studies have presented the right policy perspectives and this project has little input to add apart from expressing an objective view of why there has been little progress on health insurance front in Fiji so far.

Apart from political unrest which has stalled this progress, by mid 2005 there had been a change in the direction in Fiji with regards to health insurance policy on various stakeholder fronts. In particular, the Fiji National Provident Fund (FNPF) is inclined towards a unilateral approach to implement a private-group cover type scheme for its members and rejecting the option of being part of a national social insurance scheme. This way, FNPF members would not be risk-pooled with the rest of the population which the MOH had earlier suggested as the most viable option concerning the citizens.

The Fiji FNPF option of purchasing private group cover provides for a relatively well-off group in obtaining services primarily from the private sector as opposed to obtaining services only from the public sector, as the rest of the citizens do. The private group cover scheme is not supplementary to the government guaranteed package of care. It's attractiveness to the members arises from the notion that private care is of higher quality.

In the absence of broad based risk pooling, such a trend would promote deeper formations of a two-class society which may already exist today. It undermines equity and should hence be given more coherent consideration about its long term ramifications. At the end of the day, all FNPF members will one day retire and will most likely have no easier access to private health insurance. This consequence may occur due to fall of purchasing power after retirement as well as imposing of risk-rated premiums (higher policy prices to old age persons) which the private health insurance industry normally exercises.

9.9.3 Recommendations

1. The FNPF Group Cover option for members should be adopted as a transitional strategy only.
2. The MOH of Fiji should consider the feasibility of setting up an independent health insurance board or a para-statal health insurance agency to administer a national health insurance scheme under the auspices of MOH but accountable to the Parliament and Government.

9.10 Implementation plan for expanding cover

In this section, we presented 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), and
- Expanding the breadth (scope) of health benefits: This considers issues like what benefits would be provided and paid by the government, what would be paid by the social health insurance scheme as well what services at primary, secondary and tertiary level would be covered by these two main financing agents. (Referred 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[62] 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

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

traditional and religious obligations which the recipient uses the lump sum to fulfil. There is little evidence that recipients of lump sums (who were in wage and salaried employment before retiring) have been able to use them to set up successful small businesses.

Lump sums provide very limited retirement protection, and whatever protection they might provide is further reduced if members can withdraw part of their lump sums before 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.[63] 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; and
- Provident funds generally have low retirement ages which result in small annuities.

In any event, voluntary social security arrangements are notoriously unsuccessful.[64]

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

[63] 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.

[64] 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%.

and services. Some schemes also let pensioners participate in workers' productivity gains by adjusting pensions according to the rate of wage increase rather than the rate of consumer price inflation.

10.8 What retirement protection is possible for workers without regular incomes?

Traditional social security schemes are contributory – workers and employers both contribute to them. Workers without regular incomes include workers in the informal economy[65] 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).[66]

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

[65] 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.

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

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.[67]

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,[68]

Pillar 0 *Social pension payable to all citizens or residents (financed by 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.

[67] 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 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.

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

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.

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.[69] 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.

[69] 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.[70]

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.

[70] 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.

The principle objective of a public pension scheme is retirement protection. Other objectives are subsidiary. National economic growth is necessary to sustain the scheme, and the scheme must be financed and operated in order to promote economic growth.

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.[71] 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

[71] 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.

where the benefit depends on each individual's own contributions.) The lower wages received by females are a result of labour market discrimination which is not susceptible to equitable resolution by a public pension scheme. A minimum pension guarantee can provide a 'floor of protection' to both males and females.

In some schemes, a female's right to a widow's pension was derived from her husband, and she could lose her right in the event of divorce or separation. This discrimination is being replaced by arrangements for splitting acquired benefit rights in the case of divorce or separation. In countries where female labour force participation is substantial, there is a trend to individualizing of benefits whereby a female's right to a benefit is entirely independent of her spouse.

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 Further reading

Barr, N. 1998. *The economics of the welfare state*, 3rd ed. Oxford, Oxford University Press.

Beattie, R.; McGillivray, W. 1995. "A risky strategy: Reflections on the World Bank Report: *averting the old age crisis*", *International Social Security Review*, Vol. 48, No. 3-4, pp. 5-22.

Gillion, C.; Turner, J.; Bailey, C.; Latulippe, D. (eds.) 2000. *Social security pensions: Development and reform*. Geneva, ILO.

Holzmann, R.; Hinz, R. 2005. *Old Age Income Support in the 21st Century*. Washington, World Bank.

International Labour Office (ILO). 1997. *Social Security Financing (Vol.3); Pension Schemes (Vol. 4)*. Geneva, ILO.

International Social Insurance Association (ISSA). 2004. *Guidelines for the Investment of Social Security Funds.* http://www.issa.int/pdf/GA2004/2guidelines.pdf

McGillivray, W. (2003). 'Ten Years of Public Pensions Reform', in Takayama, N. (ed.), *Taste of Pie: Searching for Better Pension Provisions in Developed Countries*. Tokyo: Maruzen Co., 401-17.

Thompson, L. 1998. *Older and wiser: the economics of public pensions*. Washington, Urban Institute Press.

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*.[72]

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.*

[72] 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 [73];
- 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.[74] 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

[73] "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

[74] 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.

protection and more limited employment protection.

In Central and Eastern Europe, new schemes were introduced near the end of the 1980s which have since been subject to reforms, especially to limit benefit duration; one of the main concerns has been the limited coverage of these systems. In some middle-income developing countries unemployment benefit schemes are in their early stages of development facing the need to extend coverage and increase the effectiveness of re-employment strategies. In some Latin American countries government finances the schemes (Brazil and Chile) and rates of benefit are in the range 40 to 80 per cent of previous earnings. Barbados pays 60 per cent of average earnings for a maximum of 26 weeks. In China the levels of income protection provided in local jurisdictions are generally low and the scheme in South Korea, which has succeeded in extending coverage quite widely, pays only 50 per cent of average earnings for periods related to length of insurance and vary from 3 months to a maximum of 8 months for persons with disabilities, or are aged over 50 and have over 10 years insurance.

In many of the long-established schemes, in addition to the intensive support for job-search activities at the individual claimant levels the basic strategy is to stimulate job creation and re-employment through active labour market programmes. For example, in Japan the government subsidises selected enterprises that are experiencing difficulties where it appears that a financial injection will prevent job losses (rather than merely postpone the inevitable), and also to encourage the hiring of hard-to-employ older workers; furthermore, other measures are brought to bear to avert closures or extensive job losses. In addition, the scheme, which has the title of Employment Insurance to signify its principal objective, pays allowances during vocational training, transportation, moving and lodging expenses to trainees and to persons seeking employment outside the immediate commuting area and certain other costs associated with re-location for the purposes of re-employment.

The Swedish system has long accorded a high value to vocational training and promotes a widespread training culture to improve capabilities of the work force with the emphasis on regular updating and increasing the relevance of vocational training for changing labour market needs. Wage subsidy programmes have been in operation since the 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.[75] As the study indicates, the main factors that determine such costs in a national scheme are:

- The unemployment rate,

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

- 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 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.[76]

The main changes included:

- The introduction of a Job-seeker Diary issued to recipients of NSA and YA to

[76] " 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.

[76a] 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.

record details of job-search for checking and review purposes,

- 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[77] 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.[78]

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

[78] 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.

have sufficient financial incentives to re-enter the work force and rely on their earnings.

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

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.[79]

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

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

vary inversely to the benefit of lower-paid workers, the age of the unemployed if between age 60 and 64, whilst benefit duration is related to reasons for the unemployment and may be increased for other reasons. The rate is between 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.*[80]

(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

[80] Conclusions concerning social security in "Social Security A new consensus" ILO Geneva, 2001

(and possibly also on retirement) and may consist of entitlement to a certain number of weeks or 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.[81] The latter refers particularly to

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

trends that occurred in Eastern Europe when unemployment insurance schemes were introduced as a political imperative in some countries to cope with the new phenomenon of unemployment although all pre-requisites were not necessarily met. Such trends can develop also from the introduction of a number of national schemes in a particular region, such as East Asia. As regards higher per capita incomes, the study found that the generally low income levels of the newly independent countries after 1949 contributed to the generally slow pace of adoptions of unemployment benefit schemes after that date. However, social and political factors that vary in importance from country to country may have considerable significance in the decision-making process on this issue.

The low number of even short-term unemployment insurance schemes in developing countries is not surprising considering the requirements for the introduction of unemployment insurance. Essential conditions include:

- A sound or reasonably sound economic situation generating consistently higher demands for labour and improving affordability, as indicated by improved per capita incomes amongst the insured population,
- Support for the investment of public funds in organizing the network of employment centres and training schemes,
- A wide consensus on the establishment of the contributory unemployment insurance scheme, especially the essential sense of solidarity amongst the insured employees for a system of pooling risks in contrast to defined contribution schemes with which they are familiar since some may expect to draw heavily on the scheme and others may envisage never claiming,
- A well-functioning national network of employment service centres operating with access to suitable vocational training courses, and a system of active labour market programmes that can be brought into force when necessary; and
- An efficient social insurance administration with consistently low contribution arrears and the capacities to gradually extend coverage and to collaborate with employment centres in the implementation of unemployment insurance, the most difficult to administer efficiently of all social insurance schemes.

It is most advisable that social protection policies are developed in conjunction with labour and employment 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 employees. Exclusions: Persons newly employed after age 60, casual workers employed for less than 80	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		
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

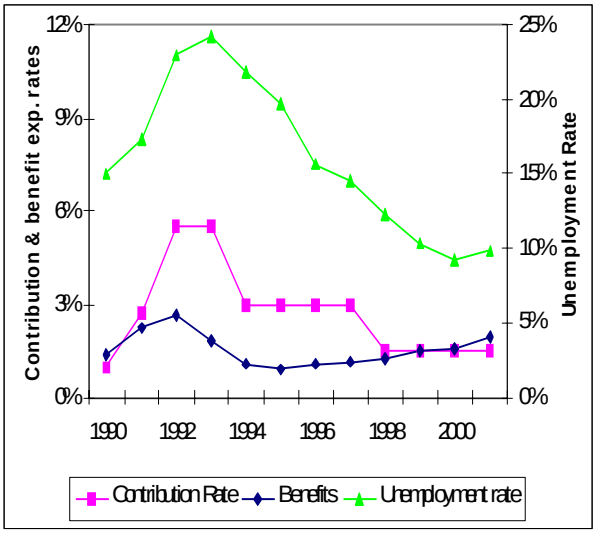
AWIE – Average Weekly Insurable Earnings

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 Fiji

12.1 Introduction

A tripartite stakeholder workshop was conducted in Suva from 21-24 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 Fiji.

12.2 Initial observations on social protection in Fiji

The *social security gaps* in Fiji are substantial with the formal economy workers protected against some loss of income due to age, death and disability through the provisions of the FNPF and the voluntary provident fund pension. Basic health cover is provided by the government with a relatively high charge levied on health care in the form of out-of pocket expenses and whilst workers' compensation is compulsory, the degree of compliance is questionable due to the fragmentation and lack of coordinated management information available about the system. Apart from various micro schemes 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. Limited social assistance and welfare payments are provided by the Ministry of Women, Social Welfare and Poverty Alleviation and by NGO's and donor agencies.

There is *no central or coordinating agency* to promote policy development and provision of social services although the Ministry of Women, Social Welfare and Poverty Alleviation assumes this role. 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 stakeholders in the workshop as the main source of information on this subject. On the occasion of the workshop in Fiji, the stakeholders had recently participated in a project national workshop on the development of social security in Fiji and were aware of the interest shown in some form of unemployment coverage as expressed through surveys. The Ministry of Labour and 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

12.3.1 Agenda and proceedings

The workshop agenda was as follows:

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

12.3.2 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 Fiji 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.

.

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.

12.3.3 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.

12.3.4 Concluding remarks on unemployment protection

(i) Policies and strategies on employment generation

Fiji 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 FNPF had been discontinued because of the unwillingness of some members to pool contributions for this contingency. Since in numerous countries unemployment insurance 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 Fiji, 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 an 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 day's 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.
.
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 Unemployment insurance benefit for Fiji[82]

12.7.1 Summary

This report looks at options for introducing an unemployment benefit into Fiji.

A number of options for providing such a benefit are examined. The conclusions are that the most feasible option is a short term unemployment insurance benefit for workers in the *formal employment sector* of the economy. This will deal with a large part of the problem of the initial impact of job loss in Fiji, and will be a significant improvement in social protection for the groups covered. However, other policies will also be needed to deal with unemployment and under-employment affecting those who are not part of the formal economy labour force.

A short term unemployment insurance benefit would have the following proposed characteristics:

- Coverage would be workers employed in the formal sector, essentially those now required to contribute to the Fiji National Provident Fund (FNPF),
- Funding would come from small extra levies on employers and/or employees contributing to the FNPF,
- Eligibility would begin once an employee had been a contributing member for a specified period, suggested as one year,
- The benefit duration would be time limited,
- Benefits would be paid as a specified percentage of the covered wage of the employee who experienced involuntary loss of employment, and

[82] This section of the chapter was produced by David Preston

- The system would most probably be administered by a new division of the Fiji National Provident Fund.

In terms of process to set up an unemployment insurance benefit, it is essential that extensive consultations be undertaken with government, employers and employees to explain the options, and to determine:

- The priority of unemployment insurance in relation to other social security priorities in the period ahead,
- The features contributors are prepared to pay for by extra contributions, and
- Whether the new coverage could also extend include other options such as a period of paid maternity leave.

12.7.2 Introduction

Fiji has a serious unemployment problem. At the time of the last Household Survey in 2002/03, Fiji had an Urban Unemployment rate of 14 per cent. Rural Unemployment is more difficult to define and measure. Many would-be job seekers in the rural areas are also engaged in semi-subsistence fishing and farming, and in informal economy activities designed to provide some cash income, but would prefer regular cash employment. However, with the current state of the employment market in Fiji less than half of the annual crop of school and tertiary study leavers can expect to secure wage and salary employment in the formal economy.

Further, while the tourist industry has been booming, the garment industry is going through a period of instability, and sugar cane processing may require rationalisation. All these factors suggest that instability in employment including periods of unemployment may affect many in the formal economy of Fiji over the next few years.

Overall, only about 38 per cent of the labour force is employed in the formal employment sector, while 62 per cent are in informal employment, either cash-based self employment or semi-subsistence rural production. This employment pattern creates problems in setting up a sustainable unemployment benefit system in Fiji. Options which would be feasible in an economy with most of the labour force in formal sector employment are not really feasible in Fiji at present. Of the feasible Unemployment benefit options, the one which would seem to best suit the employment pattern of the Fiji economy and its existing institutional structure would seem to be an unemployment insurance benefit for workers in the formal economy. For other unemployed or underemployed groups some other options would seem to be more suitable. These other options are also commented on briefly in this report.

Fiji has a well established and active National Provident Fund. This would seem to be well placed to add the administration of an unemployment insurance benefit to its existing functions.

12.7.3 Options for support of the unemployed

A number of different options have been considered for dealing with the financial problems faced by the unemployed. Those considered in this study included:

- A universal unemployment benefit,
- Expanding the social assistance categories of the Family Assistance Scheme (FAS) to cover the unemployed,
- Employer redundancy payments,
- Employer Redundancy Insurance,
- Individual unemployment savings accounts, and
- Unemployment insurance.

(i) A universal unemployment benefit

One option assessed is a universal unemployment benefit funded by taxes paid to all job seekers unable to find regular paid employment. This is the system which operates in New Zealand and Australia.

However, such a system is unsuitable for current Fijian conditions because of the high proportion of the workforce involved in the informal economy, many of whom would prefer to have regular paid employment in the formal employment sector. A universal unemployment benefit could trigger benefit claims by tens of thousands of these people. The fiscal cost would be extremely high, and the *not in employment* conditions of such unemployment benefits would also discourage activity in the informal economy, including traditional farming and fishing.

Accordingly, this option is not considered feasible at this stage for Fiji.

(ii) Expanding the Family Assistance Scheme

A second option is to expand the Fijian tax-funded social assistance scheme called the Family Assistance Scheme (FAS) to include unemployed job seekers

This is a possible option, but not one favoured for the following reasons:

- There are potentially very large numbers of claimants from the informal economy who would ideally like formal sector jobs. Extending the FAS to them would raise some of the same sets of issues as a Universal Unemployment Benefit. These groups would seem to be better served by other means of income and employment support, including encouraging self employment and rural development, vocational training schemes, and some special community employment schemes,
- For urban workers who lose their jobs, FAS payment rates are extremely low, and do not constitute an adequate replacement income when a job is lost. FAS payment rates range from FJD 30 to FJD 110 per month, while modal formal employment sector wages cluster in the range FJD 500 to FJD 700 per month, and
- For those willing and able to work, FAS should be a last resort, and not the normal way of coping with job losses in the formal economy

It may be noted that some unemployed workers may need to access FAS once short term unemployment benefits expire, though the preference should be to explore all other options first.

(iii) Employer redundancy payments

A third option is to make individual employers responsible for lump sum redundancy payments when workers are laid off from work. This approach has a number of merits and is a significant advance on the status quo. However, sole reliance on redundancy payouts also involves a number of weaknesses, including:

- The Pacific experience is that lump sums get spent very quickly. Periodic benefit payments last longer,
- The amount of redundancy paid is usually related to length of employment. This is not necessarily related to the time a worker is unemployed before finding another job,
- When businesses collapse or go bankrupt, there is no money to pay redundancy, and the discharged workers usually receive little or no redundancy payments. This was a major problem in Asian countries and particularly in Indonesia following the 1997-98 economic crisis.

(iv) Employer Redundancy Insurance

A further option is to have compulsory redundancy insurance by employers. Employers would pre-pay premiums so that the insurance company could pay out once redundancy occurred. It may be noted that in this option the insurance companies would probably place differential premiums on higher risk industries.

Redundancy insurance is an improvement over straight employer liability, since workers are more likely to get paid, but it retains the other two sets of problems noted above. Also, because of uncertainties about costs and payout rates, individual insurance companies would probably quite reasonably ask for higher average premiums than would be needed in a national unemployment insurance scheme, and least in the early years.

(v) Individual employee unemployment savings accounts

A further option is to require all employees and employers to pay into a compulsory savings scheme account in the name of the employee which could be accessed when unemployed. The balances not accessed at the time an employee retires could be added to retirement benefits.

This scheme would operate as an increase in FNPF premiums, but the extra premiums deposited into a separate individual account until retirement.

A problem with this approach is that in order to build up large enough balances in each individual account to cover individual unemployment risk, very high contribution rates would be needed.

The lack of *risk pooling* would mean that such a scheme would skim off a much larger percentage of wages or payroll than an unemployment insurance benefit.

Another problem with individual accounts of this sort is that there would then be pressure to access the money for many other sorts of contingencies. In turn this would tend to undermine the unemployment protection aspects of the scheme.

(vi) Unemployment insurance benefit

The system which seems best suited to Fijian conditions is a short term unemployment insurance benefit for formal employment sector workers. It also seems logical that the system should be administered by the FNPF. The reasons for these conclusions include the following:

- Formal employment sector workers are the most immediately affected by job loss, and the fact of it occurring can be readily established. For informal economy self employed, the real employment and income situation is harder to establish,
- Putting contributions into a pooled central Unemployment Benefit Fund shields the money from the individual pressures to access it for other purposes,
- The FNPF already exists, and has contributory arrangements in place for the group who would be covered by this benefit. It also knows what their declared employment income is. Hence, additional administrative costs could be kept relatively low. The main extra requirement would be to set up a periodic payments system for this group,
- A logical contributory base exists to fund the scheme in the form of identified wages and payrolls. However, there would still need to be a decision about how any premium cost was split between employers and employees,
- The FNPF collects regular data on contributors, and has a high coverage rate of the formal employment sector. It usually knows when someone gets a new job in the formal employment sector. Hence, it already has much of the apparatus in place to police an unemployment benefit system, at least for those remaining in the formal sector.
- Reasons for proposing that the period of benefit payment system be short term only include the following:
  - The need to keep premium costs down to an affordable level,
  - Problems of knowing what people are earning if they move into the informal economy and do not have earnings declared to FNPF, and
  - The need to retain incentives to seek work.

As noted earlier, for informal economy job seekers and those who have never worked in paid employment, other options seem more suited to their needs.

(vii) Interface between redundancy and unemployment benefits

It is understood that the new Employment Bill will provide for Redundancy payments. It is not proposed that consideration of unemployment insurance benefits should be a reason to delay the Bill. However, if redundancy payments are in operation when unemployment insurance benefits are introduced, thought will need to be given to the interface between the two systems. Options include:

- Ignoring redundancy entitlements for the purpose of unemployment insurance benefits,
- Offsetting all or part of the redundancy payment against benefit entitlement, thus delaying the start date of payment of unemployment benefit, and
- Reducing redundancy payments by part or all of unemployment benefit entitlements, and factoring this offset into the sharing of premium contributions to unemployment insurance between employers and employees.

12.7.4 What would short term unemployment insurance cost?

The cost of unemployment insurance benefits expressed as a percentage of covered wages (the basis for FNPF contributions) depends on a number of factors.

- The unemployment rate for insured workers,
- The average duration of unemployment benefit payments,
- The ratio of unemployment benefits to covered wages, and
- Administrative costs.

A number of calculations have been undertaken to show the possible range of premiums required to support an unemployment insurance scheme. At this stage the figures are *indicative only*, based on estimates and have not been subjected to actuarial assessment. Fund experience would eventually build up actual data.

(i) Unemployment Rates

Unemployment rates go up and down over time, so the rates assumed for an unemployment benefit scheme need to be set at the medium or longer term average. Recent urban unemployment rates in Fiji were up to 14 per cent. However, it is expected that the average unemployment rate of formal employment sector workers qualifying for the benefit would be substantially lower than this for the following reasons;

- The 14 per cent includes people who were previously in the informal economy, school leavers, and other new job seekers. These groups would not be benefit eligible because they were not previously employed in the formal economy and had not paid the required unemployment insurance contributions,
- It is proposed as part of the scheme design that a person would have to have been employed and contributing to the Unemployment Benefit Fund for around one year before benefit eligibility was triggered, and
- The long term unemployed would eventually drop out of the eligible group once their period of benefit eligibility expired.

Calculations have been done on three annual alternative *insured unemployment rates* of 10, 8, and 6 per cent. In terms of Fiji's current economy, these may be seen as high, medium and low rates for formal employment sector workers. However, rates could go higher in a major economic crisis, and could fall to low single figures in prosperous times if the Fiji economy experienced a period of sustained high growth.

(ii) Duration of Payment

The average duration of benefit payments depends both on how long people tend to be unemployed, and the time limit set for receiving the benefit. For example, if the average unemployment duration is 6 months, then an 8 per cent average annual unemployment rate for insured workers means that 16 per cent of the insured labour force is likely to be unemployed at some stage during the year. If the average unemployment duration is 4 months, then the proportion unemployed at any stage during the year with an 8 per cent average unemployment rate would be 24 per cent.

For the purpose of calculations, an average duration of 6 months is assumed. Actual experience will demonstrate what the true figure is.

For benefit duration limits, options of 3, 6, and 9 months are examined. These are expressed as 13, 26 and 39 weeks. These are assumed to be equivalent to the following actual average durations on benefit, since many would exit benefit before the time limit cut in. Again, actual figures would emerge from Fund experience. However, analysis of FNFP account turnover figures should shed more light on this issue.

Time Limit	Average Actual Duration Assumed
13 weeks	9 weeks
26 weeks	13 weeks
39 weeks	16 weeks

(iii) Ratio of unemployment benefits to wages

Three options are costed**.** In each case the *covered wages* are the average wages for the previous 12 months declared to FNPF for unemployment insurance purposes.

- Benefits 70 per cent of wages,
- Benefits 60 per cent of wages, and
- Benefits 50 per cent of wages.

For simplicity the ratios are simply taken as percentages of wages. In practice some schemes will have caps on the highest level of payments, and may also have minimum benefits for full time workers.

(iv) Cost Figures

Using these figures, and excluding for the present administrative costs, the levies on wages required to pay benefits on these bases would be as follows. The figures in each of the three columns are the percentage of wages required to be paid in premiums, excluding administrative costs.

(v) Case 1 - cost of benefits at 70 per cent of wages

Time Limit on benefit	Unemployment Rate of Insured Workers (% of Inured Workers)		
	10%	8%	6%
	Contributions required (% of Salary)		
13 weeks	2.42	1.94	1.46
26 weeks	3.50	2.80	2.10
39 weeks	4.31	3.45	2.59

(vi) Case 2 - cost of benefits at 60 per cent of wages

Time Limit on benefit	Unemployment Rate of Insured Workers (% of Inured Workers)		
	10%	8%	6%
	Contributions required (% of Salary)		
13 weeks	2.08	1.67	1.25
26 weeks	3.00	2.40	1.80
39 weeks	3.70	2.96	2.20

(viii) Case 3- cost of benefits at 50 per cent of wages

Time Limit on benefit	Unemployment Rate of Insured Workers (% of Inured Workers)		
	10%	8%	6%
	Contributions required (% of Salary)		
13 weeks	1.73	1.39	1.04
26 weeks	2.50	2.00	1.50
39 weeks	3.08	2.47	1.85

(ix) Administrative Costs

If the national provident fund administers the unemployment insurance benefit fund, then many of the potential costs will already be covered by the existing deduction procedures from employers and employees. This includes premium collection systems and fund investment activities. The main difference would be that the extra premium charged would be credited to the central unemployment benefit fund rather than the FNPF members own account.

It would be possible to use some other body than the FNPF to run an unemployment insurance benefit system. However, this would involve higher administrative costs because of the need to duplicate facilities. It would also mean employers having to deal with two separate organisations for payroll deductions; however it is done this way in some countries.

However, even with FNPF running unemployment insurance, there will still be some extra costs of running the system. This would include calculating benefit entitlements for those who were made redundant, setting up an application and periodic payment system, and policing the system for fraud. The periodic payment system would need to be larger than the present system used for FNPF pensions, as there would be more cases to handle, and a much higher turnover rate per case.

A first estimate of possible extra annual administrative costs has been calculated as follows.

Parameters	Estimates
Covered formal sector workers	140,000
Proportion claiming benefits per year	16%
Number claiming benefits per year	22,400
Number per week (50 week basis)	448
Average number per case worker per week	10
Casework staff needed	44.8
Total staff including general administration	60
Assumed average annual salary of staff	FJD 15,000
Salary Costs	FJD 900,000
Other Costs	FJD 600,000
Total Annual Costs	FJD 500,000
Cost per covered worker per year	FJD 10.71

On the basis of current average wages and salaries of those paying into the FNPF this would amount to a levy of about 0.15 cents in the dollar per contributor. This would need to be added to the premium amounts calculated in the tables above. Set up costs for the first year including a new computer system would be much higher than this, but could be covered from part of the inflow contributions in the first year of operations.

(x) Cost implications

While at this stage these figures are indicative only, several relatively obvious conclusions emerge.

- The higher the unemployment rate, the higher the premium needed,

- The shorter the benefit eligibility time limit, the lower the premium needed,
- The lower the benefit/ wage ratio, the lower the premium needed, and
- With the FNPF as administrator, additional administrative costs as a percentage of covered wages and salaries would be relatively minor when spread over all FNPF contributors.

However, the more important finding is that a modest short term unemployment insurance benefit scheme could be set up for formal employment sector workers with premiums of 1.5 to 3.5 per cent of wages on the basis of current unemployment levels. The specific premiums needed would depend on the ratio of benefit to salaries chosen, and the time limit on the benefit. Fluctuations in covered unemployment levels would also affect the level of premium needed, but this should average out over time.

12.7.5 Administering the fund and its reserves

The unemployment benefit fund would need to build up reserves to cover future payments. It may be noted that this would occur automatically in the first year, since premiums would be flowing in for 12 months before anyone became eligible for unemployment benefit payments. If the economy was reasonably stable, this would generate sufficient reserves to cover one year's payments, and no much larger accumulation would be needed. However, there would be some uncertainty about future unemployment levels, and it might be desirable to set initial premiums at a margin above the estimated average actuarial need level. Reserves equal to perhaps two years estimated average future payments could be a target in the first few years of the Fund's operations.

If reserves kept on accumulating, options would be to cut contribution rates, or to increase the generosity of the scheme, or to use the surplus to pay for other options such as paid maternity leave. Conversely, if a surge in unemployment depleted reserves, options would be to increase contribution rates, or trim back on the generosity of the scheme.

12.7.6 Other Considerations

As set out, the scheme structure assumes that contributors would not become eligible for unemployment benefit until they had paid contributions for 12 months. It would be possible to vary this by setting some other conditions, such as having paid contributions for 12 of the past 18 months, and having been in regular employment prior to job loss. This would widen eligibility for those with unstable employment.

Another possibility would be to give an unemployment grant equal to a refund of contributions made for those who became unemployed after less than 12 months of contributions.

12.7.7 Other options – paid maternity leave

Women workers would have the same rights to unemployment insurance benefits as men. However, many women are also likely to have to take periods of leave if they give birth. It would be possible for a small increase in contributions rates to add paid maternity leave to the insured employee rights at the same time that unemployment insurance was introduced.

It would also be possible with a further increase in contribution rates to add in a short term sickness benefit for those who had used up their quota of employer-provided Sick Pay.

12.7.8 Dealing with other aspects of unemployment and underemployment

While the proposals would deal with much of the short term impact of job losses in the formal employment sector of the workforce, there would be other unemployment issues not addressed by this approach. These include:

- School leavers,
- Other new job seekers,
- Workers in the informal economy, and
- Formal sector workers whose unemployment benefits expire.

It is not proposed at this stage of Fiji's economic development that Unemployment benefits be extended to these groups. Instead, the focus for these other groups should be on:

- **Job and skills training**. Fiji has had to import skilled workers to carry out many jobs while local people are unemployed because they do not have the needed skills.

A greater focus on skills training would assist in this area

- **Rural development.** Fiji has much underutilised rural land which needs to be farmed properly. Solving the land leases issue would greatly assist in this area.

- **Business development grants**. Fiji already uses this approach, although evaluation of scheme effectiveness is needed. Issues include appropriate selection of people, and providing matching practical and business skill training in tandem with any grants.

- **Community employment schemes**. These are schemes paid for out of public funds which employ job seekers on community projects such as infrastructure improvement or local social services. Characteristically, low wages are paid, and jobs may only be part time to avoid undermining agreed minimum wage levels for full time employment. This means that the community workers will tend to exit to better paid regular or seasonal employment when this becomes available. This limits the build-up of numbers dependent on state funding.

It is usually important to have women on the local project selection committees, so that projects providing jobs suitable for women as well as men can be selected.

12.7.9 Setting up an unemployment insurance benefit

The process for setting up an unemployment insurance benefit system for the formal employment sector can be a lengthy one, though the length of the process depends on the degree of initial consensus and government commitment to the objectives.

Steps in the process would include:

- Preliminary consultation with employee and employer organisations and government to identify the degree of support for the objectives, and the level of unemployment support the parties are prepared to pay for. This process could include:
  - Identifying acceptable contribution levels and what these would mean in terms of feasible benefit levels and time limits for benefit payments,
  - Looking at interfaces between redundancy payments and unemployment insurance, and
  - Identifying acceptable cost splits between employees and employers,

- Developing more specific costing and administrative proposals. This stage could include:
  - A statistical analysis of NPF data to clarify unemployment turnover rates and their benefit cost implications
  - Preparing more detailed costings of the administrative arrangements for the scheme, including staffing, equipment, computer systems, and accommodation.
  - Developing a full model of scheme options,
  - Indicating a possible legislative and administrative timetable

- Putting draft proposal and options to Employers, Employees, and Government to clarify which of the options should proceed as the final scheme.

- Seeking Cabinet approval and drafting appropriate legislation including the date the system would begin, and agreement on the source of funding for set-up costs.

- Obtaining legislative authority by the passage of a bill.

- Setting up an implementation team to put the administrative processes for the system in place.

- Implementing the collection of premiums.

- Setting up the unemployment benefit payment arrangements.

This process could take two years. However, timing would depend on the degree of agreement between the social partners on the broad outlines of the scheme, and the legislative priority accorded by government.

12.8 Conclusion

It appears to be feasible to set up an unemployment insurance benefit Scheme in Fiji. The scheme at this stage would need to be

confined to employees in the formal employment sector of the workforce, in essence the group now required to be national provident fund members. It does not appear to be feasible in current economic conditions to extend scheme coverage to informal economy workers and those in the traditional semi-subsistence sectors. For these groups other income and employment support approaches are suggested.

The type of unemployment benefit scheme which appears to be most feasible is a short term unemployment insurance benefit funded by contributions from employers and/or employees. The cost sharing between these two parties would need to be resolved as scheme design develops.

Also needing to be resolved would be the time duration of the benefit, and benefit/wage relativities. These decisions will affect costs and the premium levels needed to fund the scheme. However, in general terms cost levels could be in the range of 1.5 to 3.5 per cent of covered wages, depending on scheme generosity.

The Fiji National Provident Fund is the logical body to administer such a scheme, and should be able to do this at moderate administrative cost levels.

Chapter 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 describes some of the key traditional arrangements in each of the five countries studied.

These include:

- In **Fiji** these systems include *Kerekere* (asking for aid based on reciprocity), *solesolevaki* (joint communal labour), and *Solevu* (large scale mobilisation and redistribution of community resources, *Soli vakavanua (*communal collection and accumulation of funds) and the concepts of *vakaturaga* (chiefly behaviour) and *yalo solisoli* (social generosity).

- In **Samoa** the traditional mechanisms seen as part of *Fa'a Samoa* (the Samoan way). These include *Fa'alavelave* (a term which includes willing acceptance socio-cultural responsibilities), *Totoma* (asking, based on expectations of reciprocity), *Aula* (non-reciprocal giving), and *S'i,* (traditional gifts to victims of mishaps or the family of the deceased).

- In **Kiribati** traditional arrangements include resource and labour sharing amongst the *utu* (extended family), *karekare* (taking turns at joint work with non-utu members), *te aiai* (sharing fire, now related to arrangements to supplying toddy), *Bubuti* (requests for gifts based on family relationships), *Te Katabetabe* (burden sharing, especially at funerals), and *Tekaonono (*Food sharing with people outside the utu).

- In **Vanuatu** practices vary and are described in different languages by different terms. These include resource sharing amongst the 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 be 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 otherwise have any separate source of income.

A trade-off for the higher cost of universal pensions may be the setting of lower pension rates, and a higher pension entitlement age.

In the case of South Africa the universal pension for the elderly appears to have been beneficial. Living standards of the elderly improved, and studies showed that some of the assistance was also spent on other extended family members, such as grandchildren. Also, adult children were more willing to take older people into their homes when they could make 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.

.

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 Fiji are discussed in the next chapter.

Chapter 14 Social Assistance in Fiji

14.1 Introduction

This report provides an overview on Social Assistance patterns and options as part of the wider ILO technical co-operation project on Social Security in the five Pacific Island Countries of Fiji, Kiribati, Samoa, Solomon Islands, and Vanuatu. It provides a background for considering the possibility of using Social Assistance approaches for addressing some of the poverty and social problems which have emerged in these Pacific Island countries.

Each of the five countries are developing societies in which at present a minority of the labour force is employed in the formal economy. The majority of the labour force is involved in the informal economy, which consists of varying degrees of self employment in the money economy, and subsistence production in the form of farming fishing and gathering for household use. Some households may also obtain some cash from migrant remittances or land lease rents, though this incidence varies widely between the 5 countries.

Table 14.1 Country populations

Country	Population
Fiji	881,000
Kiribati	101,000
Samoa	178,000
Solomon Islands	523,000
Vanuatu	203,000

Source World Factbook Website

In varying degrees each of the countries concerned has faced new social problems as the impacts of modernisation and globalisation have affected traditional societies. Only some of these contingences are covered by any form of formal sector social security, and then only for parts of the population. In some cases traditional forms of resource sharing and reciprocity have further developed to meet these new needs. In other cases unmet needs have emerged, or traditional support mechanisms have eroded. It is this second set of situations for which social assistance approaches may be appropriate, since contributory social insurance is difficult to organise for the informal cash economy, and unaffordable for low income households and subsistence producers.

Table 14.2 Selected human development indicators comparisons

Country	Adult Literacy	Life Expectancy	Human Development Index
Fiji	93.7	69.2	0.758
Kiribati	n.a.	61.3.	n.a.
Samoa	99.7	70.4	0.769
Solomon Islands	76.6	72.4	0.624
Vanuatu	53.0	62.1	0.570

Sources World Factbook Website and UNDP Report 2004.

The specific situations in the five countries are extremely different. Hence any overview of social assistance options will include many which are unrealistic for particular countries in the light of their social and economic situation, values, and fiscal and administrative possibilities. Specific options which are relevant to the actual situation of each of the five countries will be the focus of the second part of the social assistance study.

It should also be noted that while the 5 countries project focuses on social security, the analysis used in this report is based on the wider concept of social protection. This wider concept is more relevant to the situation of Pacific Island countries, where a large part of the population is involved in the informal economy, including a substantial subsistence element not based on cash transactions, and traditional forms of social protection have been based on resource sharing linked to kinship, local community, and systems of reciprocity.

14.2 Social assistance, social security, and social protection

It is helpful to have a clear understanding of the difference in meaning of each of these terms.

14.2.1 Social assistance

The term ***Social Assistance*** is normally applied to systems of targeted assistance provided in cash or in kind to poor and disadvantaged people. Characteristically, social assistance is usually funded by the public authorities from general revenues. Its key characteristics are thus that:

- Assistance is based on assessed need,

- Only poor or low income people receive this aid. Those with other income or resources are excluded,
- Amounts of assistance granted are based on both assessed need and degree of other resources available to the person, family, or household concerned,
- Funding is from public revenues, and
- The system is part of the formal economy.

The UN Economic and Social Commission for Asia and the Pacific 1996 report (p 97) defines Social Assistance as *income support provision to meet basic needs.* When Social Assistance is given in the form of cash benefits or grants it is regarded as part of the wider Social Security system of a country. However, social assistance principles may also apply to non-cash forms of social protection, such as social housing for disadvantaged people, or targeted provision of health and education services.

It may be noted that some social assistance principles may be also used by NGOs or charities in their own community assistance work, though this is not normally defined as social assistance in the full sense of the term.

14.2.2 Social Security

The term *Social Security* has a wider meaning than social assistance. As defined in ILO usage, the terms cover several distinct types of income support systems paying cash benefits, and covering a range of nine types of contingencies. In ILO usage the term also covers social health insurance.

Three basic types of social security systems are normally included in the standard definitions of social security. These systems are also referred to as public social security, since they are funded either by legally mandatory contributions, or by tax revenues.

Contributory Social Insurance. This is normally linked to employment, and funded by a mix of legally mandatory contributions from employers and workers, and where relevant also from the self-employed. Entitlement to benefits is based mainly on levels of contribution, which in turn are based on the *covered earnings* subject to contributions, plus the length of the contribution period. These benefits are usually received *as of right* and are not subject to deduction if the person or household has other resources. However, social insurance by its nature involves *risk pooling* against specified contingencies, and some degree of cross-subsidisation between categories of contributors.

Contributory social insurance usually applies only to people employed in the formal sector of the economy. In developing countries it may cover only some categories of people employed in the cash economy, such as public sector employees and workers in enterprises above a specified size range.

Social Assistance, as described above is targeted assistance to the poor and needy. In a social security context the usage of the term is normally restricted to cash transfers and *near cash* transfers such as food stamps. However, some definitions also include targeted provision of other services.

Universal benefits such as universal retirement pensions, or universal family benefits paid to all qualified residents of a country. Universal benefits are normally paid from the general tax revenues of the government or public authority concerned. Pacific examples include the Samoan Senior Citizens Benefit paid to all qualified residents aged 65 years or above and the Old-Age Benefit paid to Residents aged over 70 years in Kiribati.

It may be noted that all these social security systems assume a cash economy, and contributory social insurance in particular assumes a cash earnings contribution base.

ILO definitions of the contingencies leading to loss of earnings which generated the need for income support through social security include;

- Retirement,
- Unemployment,
- Sickness,
- Invalidity,
- Work Accidents,
- Survivorship, and
- Maternity.

To these 7 are added *Family benefits* and coverage of *Health Costs*. These 9 areas constitute the normal international definition of social security, though a more restricted definition is used in some countries such as the U.S.A, and a wider definition in some others.

14.2.3 Social protection

The term **Social Protection** is a wider category again which includes public social security as defined above but also a range of other mechanisms to protect people against the adverse contingencies of life.

The ILO World Labour Report 2000 defines social protection as not only public social security schemes, but also private or non-statutory schemes with a similar objective, such as mutual benefit societies, and occupational pension schemes. We include under **social protection** all sorts of non-statutory schemes, formal or informal provided that the contributions to these schemes are not wholly determined by market forces.

The wider definition includes institutions such as national provident funds with some degree of compulsory contributions, and a range of other organisations.

However, some other definitions of social protection are wider still, and include things such as property, crop and life insurance organised along commercial lines. Also potentially included are non-mandatory employer liability schemes. Some very wide definitions would also include personal savings, since this is a resource people draw on when adverse events strike.

14.3 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'alavelav*e (a term which includes willing acceptance socio-cultural responsibilities), *totoma* (asking, based on expectations of reciprocity), *aula* (non-reciprocal giving), and *s'i*, (traditional gifts to victims of mishaps or the family of the deceased).

- In Kiribati traditional arrangements include resource and labour sharing amongst the *utu* (extended family), *karekare* (taking turns at joint work with non-*utu* members), *te aiai* (sharing fire, now related to arrangements to supplying toddy), *bubuti* (requests for gifts based on family relationships), Te *katabetabe* (burden sharing, especially at funerals), and *tekaonono* (Food sharing with people outside the *utu*).

- In Vanuatu practices vary and are described in different languages by different terms. These include resource sharing amongst the *wantok* (a traditional social-cultural network of people with shared language, history, and genealogical lines), and ceremonial gifts at festivals (*nekowiar* or *toku*).

- In the Solomon Islands a *wantok* system also exists, and here also this acts as a vehicle for mutual assistance between *wantok* members.

While each country has somewhat different systems, and within Vanuatu and the Solomon Islands large differences exist between groups, there are certain common characteristics which also tend to be found in many other traditional societies. These include:

- Resource sharing within nuclear families based on primary family relationships,
- Resource sharing and joint activities amongst members of extended families based both on primary relationships and expectations of reciprocity,
- Resource sharing, joint activities, and risk pooling amongst wider community groups linked by common descent, culture, and/or residence, based both on cultural values and expectations of reciprocity, and
- In some cases, concepts of non-reciprocal giving, often based on religious concepts.

In the Pacific in particular there is a substantial traditional overlap between family and kinship, land ownership, wider community, and shared cultural values. The social protection elements of the system cannot be easily separated from the cultural and economic matrix within which they operate.

14.4 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.

14.5 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.
- Linking of entitlements to rank and social status in some cultures may not concord very well with modern ideas of equality, including in particular gender equality for women.

With these qualifications however, traditional systems will need to provide at least part of social protection in Pacific Island countries for the foreseeable future. None of the five countries are yet at a stage of economic development which would allow the funding of the full range of formal social security and social protection programs found in the developed industrial economies.

To the extent that traditional systems cannot meet modern needs, or the systems themselves are eroding, other options need to be considered. A number of these options can be regarded as being in the nature of Social Assistance.

14.6 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 of 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.

14.7 General Issues for social assistance systems

While social assistance systems included in the social security systems of developed countries tend to focus mainly on cash benefits, other forms of social assistance are also common, more particularly in developing countries.

Using social assistance cash benefits as a major vehicle of assistance to the poor and disadvantaged is an approach which requires a number of factors to be in place for the system to work effectively. Most of these factors are also required for sector specific forms of social assistance. These include:

- An adequate source of funding,
- A definition of the unit of assistance (individual, family, household) which fits the social realities of the society concerned,
- An accurate system for identifying individuals claiming benefits,
- An effective administrative system which can accurately assess the real economic circumstances of the claimants,
- An effective payment system which can reach the claimants who may be located in remote areas,
- Design features which minimise as far as possible tendencies for benefit claimants to become benefit dependent, and
- Adequate anti-fraud systems.

By their nature, social assistance systems require a considerable amount of administration, and this needs to be factored into the costings.

14.7.1 Funding sources

The funding sources for social assistance are usually the general revenues of the government or public authority, though in some cases designated special taxes may be levied. An issue in countries with two or more tiers of administration is the extent to which costs should be borne by local governments as distinct from the central government. For example in the United States the cost of social assistance (called *Welfare* in the U.S.) is split between the federal and state governments. In Fiji the cost of the social assistance system scheme known as the Family Assistance Scheme is paid for from central government revenues.

14.7.2 Assessment unit

The appropriate assessment unit for looking at who needs social assistance raises significant problems in a Pacific country context, where people are members of extended families and other wider groups. Basing assessment only on the individual or nuclear family may mean the social reality of resource sharing and reciprocal obligations is being ignored. However, assuming that the people concerned are being effectively supported by their extended family may also not reflect the true situation. This is a problem for which each country must find its own solution.

14.7.3 Identification

Accurate identification of individuals is a problem of varying size. It is most difficult where populations are large, people move around frequently, and birth registrations and other civil records are poor. Social assistance systems

usually require claimants to produce identity documents (e.g birth certificates, or identity cards where these exist), and may issue their own identity cards to the beneficiaries. Lack of accurate personal identification may mean that money goes to the wrong people, or people who are entitled miss out.

14.7.4 Economic situation of claimants

Assessing the real economic situation of claimants is difficult in countries where there is a lack of centrally held data on incomes and assets. Extended family issues make this particularly complicated in Pacific countries. However, unless the administration is set up to do an adequate assessment, the twin problems of needy people missing out and fraudsters claiming benefits they are not entitled to will emerge.

14.7.5 Effective payment systems

Effective payment systems are also needed. This is a particular problem for remote areas. In many Pacific countries most people do not have bank accounts or even access to banks. Choices need to be made between cash payment systems, vouchers, and the use of payment agents. Each of these systems has both advantages and drawbacks. After experimenting with a bank-based alternative for paying its Senior Citizens benefit, Samoa opted for mobile payment teams which delivered the benefit to each village.

14.7.6 Welfare dependence

Designing social assistance systems to minimise the growth of welfare dependence and the handout mentality is a problem in all countries. Cost may be kept down by cutting assistance sharply as beneficiaries earn some other income, but in turn this may discourage work effort. No country has resolved this problem in a completely satisfactory way. Factors which help include restricting social assistance to people who cannot help themselves, and using other options such as special employment for those assessed as being able to work.

14.7.7 Anti-fraud

Finally, anti-fraud checks need to be built into the system. Whenever money is being given away, some people who are not entitled to it will seek to find ways to get their hands on it. This included benefit staff as well as benefit claimants, so the anti-fraud measure need to extend to regular checks on systems and staff, and on payment agents, as well as on claimants.

14.8 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 or other types of social services. This is commented on in more detail in the following section of social assistance by sectors.

14.8.1 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.

(i) 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.

(ii) Health

Where people seeking heath care are charged fees, special assistance to the poor may apply.

On 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.

(iii) 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 but 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.

(iv) Accommodation

Accommodation assistance to the poor is frequently found as part of broader social assistance systems. A number of mechanisms exist.

Direct provision of social housing to low income people. Examples include U.K. Council Housing, U.S Public Housing, French HLMs, and New Zealand State Housing. Fiji also has a public housing program. Direct provision involves supplying poor people with houses or apartment provided at low concessional rents.

Some countries may give direct grants to low income people for housing construction or alteration. An example is the Fijian housing grants which are part of the poverty alleviation programme. Qualifying poor people can get grants of up to FJD 5,000 for housing construction and FJD 3,500 for alterations.

Concessional interest loans for low income people to build or buy houses were formerly part of the New Zealand housing policy.

Accommodation cost subsidies for low income people include the New Zealand Accommodation Supplement. This covers, rent, mortgage, and board cost, and is subject to income and assets tests of eligibility.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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.

(xi) 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 project 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.

(xii) 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 a cash contribution out of their pension

The South African case was of course quite distinctive, since the great majority of older Africans were living in poverty before the pension was introduced. This situation is not necessarily found in other countries.

In the developing Pacific universal retirement pensions are paid in Samoa from age 65 and Kiribati from age 70. Amongst the developed countries in the Pacific New Zealand has a universal pensions from age 65, but Australia has an income and assets test on its Retirement Pension. Elsewhere in the world universal pensions are rare. Amongst developing countries Botswana, Mauritius, Namibia, Nepal, and Bolivia have some form of universal retirement pension or grant, but most other developing countries do not. Amongst the developed countries they are also rare, since the main reliance is on contributory social insurance and other contributory pensions. However, several Scandinavian countries have a low level universal pension which complements a predominant use of contributory social insurance pensions.

One other group which is sometimes the beneficiary of universal benefits consists of children. New Zealand had a Universal Family Benefit up till 1991, though it was paid at a low rate. This benefit was abolished in 1991, and family assistance retargeted to low and moderate income families only.

Universal Family Benefits usually only emerge when birth rates show signs of dropping below population replacement level. The current demographic situation in the Pacific Island States is very different from this.

(xiii) 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, public free provision systems work best where they are well resourced, and some supplementary consideration occurs for the poor.

(xiv) 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.

(xv) 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.

(xvi) 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.

(xvii) 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 report sets out a *menu* of options, some of which may be relevant to each particular Pacific Island country. More specific proposals relevant to particular local circumstances will be covered in the second stage report.

14.9 Social assistance in Fiji

14.9.1 Summary

Social Assistance is assistance in cash or kind targeted to the poor and disadvantaged. Characteristically it is financed from the revenues of the public authorities. As such it forms part of the social protection system of a country. Cash Social Assistance in particular is normally included in the broadly defined social security system, though definitions of this vary from country to country.

Fiji already has a cash Social Assistance scheme called the Family Assistance Scheme (FAS) which is of long established duration. It also applies social assistance principles in some other areas of social and economic assistance, and has low or zero access fees for most public health and basic education services. Fiji also has a well developed Provident Fund focussing on retirement provision for formal sector workers. In these respects Fiji is well advanced in social protection institutional development by Pacific Island standards, though it still does not have many of the social security programmes in the ILO framework.

Despite this existing pattern the Fiji system is under pressure, and the numbers accessing the FAS have been rising rapidly. At the same time the adequacy of the FAS has come into question. Also in question is whether the current mix of policies and institutions is the best for the sets of problems Fiji now faces.

The report also looks at a number of these other areas, and examines whether social assistance or alternative approaches seem to be the best options for addressing the social security and social protection issues facing Fiji.

14.9.2 Introduction

The Fiji island group has a land area of 18,376 square kilometres spread over 3 million square kilometres of ocean. It has a central geographic position in the South West Pacific, and is the natural transport hub for the region. Its population of over 800 thousand is the largest of the five countries in this study. Currently nearly half of this total lives in urban areas.

Fiji has a well developed infrastructure in the main areas of population concentration, a good climate for tropical and sub tropical crops and tourism, and a significant maritime economic zone. Overall, Fiji has a relatively favourable population/resource balance, a well developed education system, and prior to the present period of difficulties a reasonable availability of skilled workers by south west pacific standards.

Like elsewhere in the Pacific, Fiji is something of a dual economy, with more than half of its labour force in the informal economy. For much of the population traditional mechanisms such as those focussing on the extended family have been more important than formal social security mechanisms in providing for social protection against adverse contingencies. Amongst ethnic Fijians in particular this includes a number of communal resource sharing arrangements. These mechanisms are summarised in the separate ILO report Traditional Social Protection Systems in the Pacific – culture, customs and safety nets.

Social changes and migration, and political upheavals however, have also meant the emergence of increasing numbers of people no longer supported, or no longer supported adequately by traditional communal and extended family social structures, and at risk of falling into destitution. These include unsupported elderly people, widows, sole parents, deserted wives, ex prisoners, and the disabled. There are also now large numbers of people without regular employment displaced from sugar cane farming, and school leavers unable to find work in the formal economy. Many of these groups have swelled the numbers of claimants on the Fiji social assistance system known as the Family Assistance Scheme.

A distinctive feature of the Fijian situation is the land ownership policy, which reserves about 87 per cent of the land area for indigenous Fijians. Traditionally much of this land was leased to Fiji Indian cane farmers, with lease rentals going to the traditional ethnic Fijian owners. The non-renewal of many of these leases has led to loss of livelihood amongst many Indo-Fijians, as well as economic regression for both communities in some of the more severely affected localities.

This situation provides the background to reviewing the extent to which social assistance or alternative measures including other social security approaches might address the social protection needs of the population of Fiji.

14.9.3 Population

The population of Fiji is over 800 thousand. Current estimates suggest the total is about 880,000 but a more exact estimate awaits the next census. High levels of emigration in recent years have impacted on numbers.

Of the total just over half are indigenous Fijians, who are a Melanesian people. The next largest group are Fiji Indians, descended in the main from 19th century immigrants. Other resident minorities are relatively small, and include both indigenous and immigrant Polynesians, other Melanesians, Europeans, and some other Asian groups including Chinese.

Most of the population and employment are located on the main island of Viti Levu, which had 77 per cent of the population in the 2000 census, with the other large island of Vanua Levu having 20 per cent. However, the Fiji group contains 330 other islands, mostly small, of which around 100 are inhabited. In aggregate these hold only 3 per cent of the population. In some of these islands, notably Rotuma, the indigenous people are Polynesians.

Fiji now has over 80,000 squatters living on land to which they have no legal title or formal legal occupancy rights. Sometimes the squatters have informal arrangements with landowners. In other cases they are squatting on public lands. The squatters often have no connections for electricity or piped water supplies for their often very basic dwellings. Both indigenous Fijians leaving remote areas, and Indo-Fijians displaced from the formerly leased farm lands have swelled the numbers of squatters in the recent period.

14.9.4 Economy

Fiji is in many ways the most developed of the five Pacific Island countries which are the focus of this study. GDP per capita is about FJD 5,500

or about USD 3,200 at recent exchange rates, which would characterise it as a low middle income country. However, like each of other countries the share of the labour force employed in the formal economy is smaller than the proportion employed in the informal economy. Informal economy employment is around 62 per cent of the total. This comprises a mix of self employment in the cash economy, both urban and rural, and semi-subsistence rural production. The employment structure creates difficulties for expanding social security coverage to people in the informal economy through contributory systems.

The export economy of Fiji has traditionally focussed on production of sugar and, and on tourism. Manufacturing, especially garment production for export also provides significant employment, though this has suffered recent export market losses, and there is a well developed services sector. In the services sector the biggest shares of employment are in community and personal services, and in wholesale and retail trade.

Government current spending is around 26 per cent of GDP.

The economy of Fiji has suffered a number of setbacks in recent years. These have resulted in the population being less prosperous than might otherwise have been expected in the light of Fiji's favourable resource endowment and relatively long history of commercial development by south west pacific standards. Several political coups have caused political instability, the emigration of skilled workers and business people, and reduced investment levels in the private commercial sector. The non-renewal of land leases for Indo-Fijian cane farmers has exacerbated the problems of the sugar industry. Many of these cane farmers have had to leave their former farms and seek employment elsewhere. Also, the end of preferential quotas for exporting garments to the U.S. has adversely affected the previously buoyant garment industry, leading to job losses.

Poverty and unemployment have increased since the first coup, though overall the economy has still grown, with tourism being the strongest growth sector. However, between the 1996 and 2002 household surveys the urban unemployment rose from 10,415 to 23,218. This was equal to 14 per cent of the urban labour force. Fiji's ranking in the UNDP Human Development Index also fell from 44th in 1995 to 81st in 2003.

14.9.5 Poverty in Fiji

Most poverty in Fiji is secondary or comparative poverty, also known as financial hardship. People are generally adequately fed and clothed, though the housing standards of a significant minority of the population are quite poor. For some while overall calorie intake from food is adequate its other nutritional content may not be. Many people also lack sufficient income to pay their regular bills and cover the additional costs of education and utilities, or provide the expected material contributions to the community and religious activities which are a large part of the Fijian way of life. This comparative poverty and rising unemployment set against the conspicuous consumption levels of other parts of the population creates social strains.

Estimates of poverty in Fiji range from a quarter to nearly half of the population depending on the type of measure used. The higher estimates are based on the cash income needed to provide an adequate standard of living in urban areas. However, some government officials consulted considered that the estimates were unrealistic, and that a Fijian definition needed to be constructed which took account of access to subsistence production and extended family support in the rural areas. The most recent Household Income and Expenditure Survey for rural areas however has not yet been completed, and only the urban estimates are available.

14.9.6 Existing social security

Fiji has only some of the programmes in the ILO social security framework. Formal social security and social protection in Fiji includes the following:

- A contributory national provident fund provides lump sum retirement grants available from age 55, with the option of taking a pension alternative. So far only a small minority of claimants have taken the pension option. The Fiji National Provident Fund has mandatory membership only for people in the formal part of the economy.

- Work injury is covered by an Employer Liability scheme. This provides for temporary disability benefits at two thirds of covered earnings, lump sum permanent disability grants, and some medical costs.

However, casual and family labour is not covered by the scheme.

- The Family Assistance Scheme (FAS) provides a tightly targeted form of cash social assistance payments to the very poor. The scheme is administered by the Department of Social Welfare.

- In addition, primary and secondary education is in principle provided at minimal fees, with fee concession schemes for some children from low income families. This is described in more detail in a subsequent section.

- Health care in public hospitals and clinics is also in principle free.

- There are also some forms of housing assistance for low income people in the form of housing construction grants and moderate income public housing.

- Some low income people or those economically displaced are eligible for business start-up grants.

(i) The Family Assistance Scheme

The Fijian Family Assistance Scheme is a cash benefit social assistance scheme for certain categories of poor people judged to be unable to provide for their own means of support. Cash benefit payment levels range from FJD 30 to FJD 110 per month, depending on family composition. These are rather low cash income figures by Fijian standards, since modal wage earnings in the formal economy are in the range FJD 500 to FJD 700 per month. The FAS payment levels appear to be based on the assumption that most claimants will be in rural areas and have some other means of meeting part of their living costs, and some form of existing accommodation

The numbers on the FAS rose from 11,680 in 1998 to 20,333 in 2003. The March 2005 tally was still only 20,686. However, these figures are artificially depressed by the fact that FAS expenditure is controlled by the amount of the budget allocation, and once this is used up new applicants have to wait. About 3,000 cases of qualified but not yet granted FAS payments are expected to be added to the current total as actual extra FAS benefits in 2005 because of the increased budget allocation for FAS this year.

Reasons for grants of FAS benefits as at March 2005 were as follows

Table 14.3 Distribution of FAS benefits 2005

Benefit Type	Beneficiaries
Chronic Illness	4,941
Death of Breadwinner	5,047
Deserted Spouse	1,491
Elderly	4,849
Permanently Disabled	3,076
Prisoner Dependent	212
Single Parent	1,070
Total	**20,686**

Source: Ministry of women, Social Welfare and Poverty Alleviation

In effect the FAS covers a number of the categories of loss of income earning potential which separate ILO programme categories normally cover. The FAS is in some ways a de facto retirement pension for the poor, widows benefit, disability and invalidity benefit, and survivors benefit, as well as a sole parent benefit.

In demographic terms the recipients included 13,960 females and 6,726 males. By ethnicity the figures included 11,225 Fijians, 8,456 Indians, and 1,006 others.

The low level of FAS benefit rates led the Review Committee to recommend an increase in rates of payment. So far government has not responded to this recommendation. One option is to institute a supplementary second tier payment for very poor households with unavoidable costs for things such as housing.

(ii) Other poor groups and FAS

The current categorical nature of entitlement to the FAS means that some groups of poor people cannot receive it. A recent review of the FAS suggested that certain additional groups should be included. These were:

- Those who have not had their land leases renewed, and have no home to go to,
- Seasonal workers who are unemployed for long periods of the year,
- Other unemployed affected by sudden redundancy, and
- Male sole parents.

In the absence of unemployment benefits in Fiji it is probably a natural reaction to suggest

expanding the FAS scheme to these other categories, as the mechanisms for this already exist. However, this may not be the best long run option to deal with the problems of the first three categories suggested, and could lead to unintended growth in welfare dependence of people who are willing and able to work. Other options which might be more suitable are:

- Setting up a community employment scheme for unemployed or displaced workers or former cane farmers,
- Unemployment insurance for formal economy workers, and
- Redundancy payments.

The resolution of the expiring land leases issue, and the bringing of unused land back into production are also central to resolving a number of these problems.

(iii) Recovering some FAS costs

Part of the cost of the FAS scheme is to support deserted wives with children and sole parents. This is in part because the absent parents either do not pay maintenance or fall behind in these payments. Social welfare authorities indicated that most maintenance payments are in arrears.

The government of Fiji could consider using the tax system to collect maintenance payments from defaulting liable parents. Another avenue is to reach bilateral agreements with Australia and New Zealand to collect payments in these countries when Fijian residents have moved to these countries. Australia and New Zealand for example already have such a system operating between the two countries.

(iv) Other anti poverty programs

Government budget estimates for 2005 suggest that FJD 59.7 million is spent on anti-poverty programs, representing nearly 5 per cent of government expenditure. However, this is spread between many departments and programs, and the basis of the anti-poverty categorisation is not always clear. For example, just over a quarter (FJD 15.44 million) of the total was for the cost of tuition grants to schools. This covers tuition costs for students from middle and upper income families as well as the children of the poor. Direct allocations to Social Welfare last year were FJD 12 million, rising to an estimated FJD 15 million this year.

A new Poverty Alleviation directorate with a budget of FJD 3 million has been set up in the past year. Programs carried over into the new directorate include grants of up to FJD 3,000 for small business set up, and up to FJD 5,000 for housing construction grants, with FJD 3,000 grants for repairs and alterations. Grants are also made to NGOs for some of their programs.

A very substantial part of the anti-poverty strategy focuses on grants and loans from a number of departments and agencies to assist poor people and particularly displaced cane workers and rural Fijians to set up in self employment in the informal economy. Assessment of the effectiveness of some of these schemes is still to be done. However, some comments are in order:

The self-employment focus is a good one for many people in the population, particularly those with an entrepreneurial and self employment background. Issues related to the approach focus on how effective the specific programs are, and the extent to which the rural programs depend on resolution of land access issues.

For part of the low income population, self employment is not a realistic option, as those concerned do not have a business orientation or motivation. In these circumstances grants tend to be spent without generating permanent business livelihoods. For this group wage employment rather than self employment in the cash economy is the realistic option.

There seems to be very little in the Fijian system to assist this latter group. The additional tax deductions to business to take on school leavers and tertiary graduate's deals only with part of the issue. Unemployment now affects a wider age range of people, and measures focused on youth alone now miss a large part of the problem.

There also seem to be problems for low income and unemployed adults to access training schemes to upgrade their skills. A user pays focus for training, while appropriate for some groups and situations, does not help the significantly disadvantaged. Fiji has been in a position of having to recruit skilled immigrants for its garment and construction industries, despite high levels of local unemployment. This suggests some problems in the training area.

It may be noted that Fiji has no national Minimum Wage, but separate minimum wages

are negotiated for each of the 10 industry groupings.

(v) The Employment Relations Bill and unemployment

It is understood from the Ministry of Labour and Industrial Relations that the new draft Employment Relations Bill will include provisions for redundancy payments from employers to workers who loose their jobs through no fault of their own. This is likely to come at a crucial time as the garments industry may be shedding workers due to the phasing out of tariff preferences in some current export markets. There could also be further job losses in the sugar industry as industry rationalisation proceeds.

However, for the longer term redundancy payments are a less effective means of meeting the needs of workers who lose their jobs than is unemployment insurance. The reasons for this include the following:

Lump sum payments tend to be spent quickly, particularly in Pacific countries. The ILO research review of what happened to lump sum retirement benefits in Tonga demonstrated this very clearly. After this money is spent, there is nothing more to live on,

The amount of the lump sum received is based on years of service with that employer. This may not necessarily correlate well with the period of unemployment which follows a redundancy, and Employer liability programs not backed up by insurance are vulnerable to economic circumstances. For example in Indonesia following the 1997-98 Asian Economic Crisis many enterprises became insolvent or bankrupt. As a consequence many of the workers who lost their jobs did not receive their due redundancy payments.

For these reasons it would seem preferable for Fiji to consider developing an unemployment insurance scheme for wage and salary earners in the formal employment sector of the workforce. However, this report is not suggesting that this should be a reason to delay the Bill. It may be noted that unemployment benefits were only just a middle ranking priority in the survey of workers in the informal economy, however, unemployment protection was rated the highest priority social security need in the survey of workers in the formal employment sector.

The coverage of an unemployment insurance scheme for formal economy workers would be essentially the same as the present coverage of compulsory contributions to the Fiji National Provident Fund. For this reason, if such a scheme proceeded the government could discuss with the Fund the possibility of becoming the collection agent for unemployment insurance premiums. The fund could also be the payment agent for paying out benefits.

As noted earlier Fiji is not yet at a stage where the informal economy workers can be incorporated in an unemployment benefit payment scheme. For informal economy workers a combination of community employment work and self employment development grants seems to be the better strategy for the time being.

(vi) What would unemployment insurance cost?

The cost of unemployment insurance would depend on the rate of payment and the duration of benefits as well as the proportion of insured workers who became unemployed in any year.

Indicative costings have been done on two alternative scenarios.

1. Unemployment benefits set at 70 per cent of the covered wage, and paid for an average of 6 months per case, with 10 per cent of insured workers becoming unemployed each year.

2. Unemployment benefits set at 60 per cent of the covered wage, with benefits paid for an average of 3 months per case, and 8 per cent of insured workers becoming unemployed each year.

It should be noted in relation to costings that job loss rates amongst established formal economy workers covered by unemployment insurance are likely to be lower than the current urban unemployment percentage since the latter group includes many people who have not been regularly employed in the formal sector.

The first scenario would require unemployment insurance premium deductions to be set at 3.5 per cent of covered wages. The second scenario would require unemployment insurance premium deductions to be set at 1.2 per cent of the covered wage. What this suggests is that a short term unemployment insurance benefit is feasible and could be funded by a moderate premium levied on covered wages.

The split of this cost between employees and employers would need to be decided. What should not be lost sight of is the possible future trade-off between redundancy and unemployment insurance costs. A possible future option would be to reduce any future redundancy payment obligations of employers in return for payment of an unemployment insurance premium levy on their payrolls. This issue is one which could be discussed with employers and unions.

A decision would also need to be made as to whether any such premiums would be flat rate or experience rated, with the volatile industries paying higher premiums.

(vii) Community Employment Schemes

One option for dealing with part of the unemployment problem in Fiji is to set up community employment schemes. These are special employment schemes funded from government revenues. Projects may cover a range of useful activities from building roads and clearing scrub to providing some useful local social services such as preparing meals or doing housework for sick or elderly people without relatives to care for them.

Wages or allowances paid in community employment schemes are characteristically low by local standards, and the work may be only part time to avoid compromising agreed minimum wage standards for full time employment. However, it is a better option for people who are able to work than simply paying them family assistance money. The workers have greater self respect, and maintain work habits and skills. Further, useful projects are carried out in the community. Relatively low earnings from part time and part year community employment also means that people will exit the schemes into better paid regular or seasonal employment when this becomes available. The availability of community employment in rural areas will also reduce the inflow of the jobless into squatter settlements on the fringes of the urban areas.

Per person, community employment schemes are likely to cost significantly more than the equivalent payment to the person or household under the FAS scheme. Payment rates may be higher than FAS to encourage work participation and recognise that employment itself involves cost for people. Also, there are extra costs for paying regular supervisors, and paying for any tools, equipment or materials used in the projects.

What a special employment scheme would cost depends on the average cost per person employed, and the numbers employed. It should be note that only part of the unemployed population is likely to be eligible for or to wish to avail themselves of such schemes for the following reasons.

People who have lost jobs in the formal economy will be covered for a period by redundancy payment under the Employment Relations Bill. This group could be regarded as ineligible to take part in community employment until after a waiting period related to the size of their redundancy payment had expired.

If short term unemployment insurance is introduced for formal economy workers, this group would also be ineligible until their unemployment benefit had expired.

Another group of displaced workers or former cane farmers will be alternatively involved in grant-assisted schemes for self employment

Some other people unable to find regular wage employment may prefer to involve themselves in subsistence production assisted by some sales of produce.

Two sets of indicative costings have been done for a community employment scheme. The first scenario assumes that the cost per person will be 50 per cent higher than the weighted average payment cost of the FAS scheme. The second scenario assumes that the cost per person will be double the FAS average.

On 2004 figures the current FAS cost is estimated to be just under FJD 50 per month per case or FJD 600 per year. On the first scenario the cost per person in community employment would be FJD 900 per year. On the second scenario the cost would be FJD 1200 per year.

On this basis annual cost of running a community employment scheme for 5,000 and 10,000 persons would be as follows.

Table 14.4 Community Employment Scheme cost Estimates

Scheme Numbers	Scenario One	Scenario Two
	1.5 times FAS (FJD Million)	2 times FAS (FJD Million)
5,000 on scheme	4.5	6.0
10,000 on scheme	9.0	12.0

A cost of FJD 4.5 million is equal to just under 0.4 per cent of Government Expenditure or about 0.1 per cent of GDP. A cost of FJD 12 million is equal to just less than 1 per cent of government expenditure or about 0.3 per cent of GDP.

(viii) Education

Fiji has a well developed primary and secondary education system. There are 711 primary schools, and 167 secondary schools. In addition, there are 16 special education schools for children with disabilities. There are also 66 technical and vocational training centres attached to secondary schools.

Currently enrolment is around 220,000 children, with the annual inflow now being about 20,000 per year. Since 2003 school attendance up to year 10 has been compulsory. Actual retention up to year 6 of primary school has been about 90 per cent. At year 8 it drops to about 75 per cent, and by year 10 in secondary school it is around 70 per cent. Most of the early drop-outs are from low income and rural families. At present there is no administrative resource to enforce school attendance, but an affirmative action programme provides tuition assistance to some children from low income families.

Most schools (98 per cent) are provided by religious bodies and other private providers. However, the government pays the salaries of teachers and provides capital and operational grants to cover most other costs of running the schools. Government tuition grants at the primary school level are FJD 30 per pupil, and at secondary school level FJD 90 to FJD 160. In addition there are capital grants for school plant, and some assistance with text books. Since 2002 exam fees have been abolished and the cost funded by government. The overall education budget is FJD 260 million per year.

To cover residual costs not met by government grants the primary schools normally charge about FJD 40 per term in tuition fees, while the secondary schools charge about FJD 70 per term. In addition there may be other charges for sports, activities, text books, and enrolment. Other out of pocket cost may include school uniforms and transport, although the government provides free transport to school for children in the remote areas and outer islands. The government affirmative action programs also provide some extra grants to schools to allow tuition fees to be waived for some groups of children from low income indigenous and rural families.

Despite all the government programs, the high drop out rates of children from poor and rural families remain a key problem in the Fijian education system. Key issues seem to include the other out of pocket cost of schooling, and the diversion of older children into income earning or subsistence activities for low income families. Lack of an enforcement service may also be a problem.

Other problems include unequal school quality, with schools in remote locations having problems attracting experienced teachers, and the lack of textbooks and modern resources such as computers in some of the schools. Teacher emigration is also a problem

The exodus from rural areas has led to some urban schools becoming overcrowded with very large class sizes per teacher, even though the national averages of pupil-teacher ratios appear normal. The counterpart is very small schools with a need for multi-level teaching in many rural areas. Some rural schools have to be closed because of rolls falling below viability levels because of the rural exodus.

The early childhood sector is underdeveloped. Kindergartens are fee paying, and the 569 kindergarten teachers are not paid by the government.

(ix) Social Assistance Options in Eduction

Fiji has already adopted what amounts to a social assistance approach in relation to tuition fees remission to facilitate school attendance for some of the children from poor families. It is not clear if this currently applies equally to Indo-Fijians and other minorities as well as indigenous Fijians. In the informal economy survey however, education needs had a middle ranking priority amongst the designated top 3 social security priorities.

A key issue for low income people is the cost of school attendance other than tuition fees. One of the additional options to facilitate school attendance is to provide grants to poor families to cover both tuition fees and these other out of pocket costs. If this approach is adopted, an issue is whether this should be done through the school system or the Family Assistance system. Some allowance for schooling costs of children are already built into FAS, though only for those in the FAS eligible categories. Using FAS for out of pocket cost assistance for a wider group of poor families with children at school is certainly one of the options which could be considered.

If the family assistance system were to be used there would need to be co-ordination and cooperation between the school and social welfare authorities to ensure that the children were actually attending school. This could be a condition of continuation of the grants.

It also needs to be recognised that resolving the problem of low earning capacity amongst many Fijians is one of the keys to easing the pressures for early school drop-out by their children. In turn this feeds back into the issues of economic development policy and resolving the land lease problems as well as providing some additional income support for some categories of low income people.

(x) Health

Fiji has a well developed health system with most of the services provided by the public sector. Access to public sector health services is free, with cost funded from the government budget. Primary health care services are provided from public hospitals, health centres, and nursing stations, though people may also choose to consult private practitioners. In the latter case fees must be paid. Hospital services are provided free in public hospitals, except for a small number of paying beds for those who choose this option. There are also two private hospitals where fees are paid.

The Fijian health service model has the following features:

- Basic primary health care is provided from 101 nursing stations scattered throughout the Fijian islands, each staffed by a trained nurse. These stations may provide services to several villages or localities. At the village level this coverage is supplemented in some areas by support from village health workers, who are given a 6 weeks training course. Non-prescription drugs are available at the nursing stations,
- More extensive primary health care is provided at 60 health centres, which have a doctor and some nurses, the staffing depending on the population of the area served. Prescription drugs are available free at the Health Centres,
- Basic hospital services (general and obstetrical) are provided at 19 small subdivision hospitals,
- More complex cases are dealt with at the 3 base hospitals. There are also special hospitals for TB and Leprosy cases, and
- Speciality health services not available regularly in Fiji are provided by visiting specialists, or in some cases by medical evacuation to Australia or New Zealand. The New Zealand Government assists with a NZD 100,000 allocation for this purpose.

The Fijian health services model means that poor people have free access to health services, though they may have to wait for service or go on waiting lists for some procedures. Time and convenience probably explain much of why more affluent Fijians tend to use the services of private practitioners for primary health care. Residual issues include transport costs to access health facilities, though the Fijian government pays for transport costs from remote areas and outer islands for cases of medical referrals to hospital. There are also sometimes shortages of prescription drugs in the public pharmacies.

A distinctive recent feature of the Fijian system is the use of senior nurses with additional training as nurse practitioners who do some of the primary health care work usually provided by doctors. There are currently about 40 of these, as compared with 300 doctors.

Fiji is transiting from a traditional mixed set of health problems involving both infectious diseases and non-infectious conditions to one where the latter predominate. Health care issues needing to be addressed now involve mainly lifestyle and obesity linked problems such as heart disease, stroke, and diabetes. Infectious diseases are now a minor problem, except for sexually transmitted diseases and HIV/AIDS. Some deficiency diseases (anaemia and iodine deficiency) have been addressed by iodising salt

and fortifying flour. Other malnutrition problems are sometimes found, but are considered by the Health authorities to be linked more to lack of dietary knowledge and use of fast foods rather than poverty-linked inability to obtain a healthy diet. However, this assessment must be regarded as provisional until the results of the recent National Nutrition Survey have been analysed.

In general there seem to be few pressing social assistance issues involved in the existing Health sector, as the way the system is organised caters for most of the health treatment needs of low income people in terms of access to facilities available in Fiji. Pressure points are the funding and staffing of the system. As elsewhere, Fiji faces the problem of the escalating costs of providing for more elaborate forms of medical care, since the lifestyle related diseases are expensive to treat. The present system is funded for over 800,000 people with a budget of just under FJD 137 million. This is equal to just under 3 per cent of GDP and around 11 per cent of government expenditure.

It was interesting that health insurance ranked as one of the top priorities in the informal economy survey. This indicates that access for the poor to adequate basic health services is not really the main issue, as poor people are in a similar position to the rest of the population in this respect. Rather the issue is one of access to wider health services, and this is one which extends to a wider group in Fijian society.

(xi) Maternity benefits

Fiji has no maternity benefits scheme with paid leave for women who leave the paid workforce for a period in order to give birth. The reason for this is unclear, and seems to be part of the general pattern of limited social security coverage in Fiji. Having been an early south west pacific leader in the development of social security, Fiji has lagged in further developments in the past two decades.

A practical approach may be to team up the provision of a period of paid maternity leave with the introduction of short term unemployment insurance benefits for formal sector workers, and using a similar funding mechanism of employment based levies or wage and salary deductions. In most developed countries the cost of paid maternity leave is a very minor part of the total social security cost, and there seems to be no reason why the situation in Fiji should be very different.

Maternity benefits ranked very low in the informal economy survey of social security needs, though this may be in part because the issue is not well understood. It may also be because paid maternity leave is not seen as a realistic priority for those in the informal economy as distinct from the formal economy. In the historical evolution of such benefits, they usually begin as a period of paid leave for women employed in the formal economy. This issue needs to be more widely discussed with unions and employers to verify formal economy priorities.

(xii) Family benefits

A few social security systems provide child or family benefits to all families. This usually occurs when birth rates have fallen below replacement level, and/or most families need help in supporting their children because of the high costs of accessing services for children. This does not seem to be the current situation in Fiji. Most families are non-poor, education tuition costs are low, and public health care is free. Also, the social traditions in Fiji see support of children as being the responsibility of families. The issue was not given a priority in the informal economy survey of social security needs.

Priorities for spending extra money on children in Fiji at present would seem to be:

- Ensuring that children from low income families can attend school, and
- If the national nutrition survey indicates this need, ensuring that all children in poor families have sufficient to eat with an adequate nutritional content.

These priorities would seem to suggest a selective rather than a general approach to assistance for families with dependent children.

(xiii) The Elderly and retirement pensions

Fiji has a provident fund system for providing for retirement for formal economy workers. There is an option from age 55 to take accumulated balances as a pension, though most people still take this money as a lump sum. FNPF balances also tend to be accessed for a variety of purposes other than retirement. Both factors tend to erode

the effectiveness of the provident fund as a form of retirement provision.

At the same time, the number of older people accessing the means tested family assistance Scheme has risen rapidly. By March 2005 this group had increased to 4,849 people. There had also been talk of following the example of Samoa and Kiribati in introducing a universal pension at an older age. In Kiribati the age of pension entitlement is 70 years, and in Samoa 65 years.

Fiji needs to develop a clear policy for retirement provision, as the pressure on the FAS indicates that problems exist for people in both the formal and informal economies. In the informal economy survey the issue of provision for retirement and old age was one of the top three priorities for social security development.

(xiv) FNPF Pension

A clear option for formal economy workers is to turn the FNPF retirement benefit into a mandatory pension. This could involve either requiring all accumulated entitlements to be taken as a pension, or alternatively allowing say 25 per cent to be taken as a lump sum, but all the rest as pension only. This would mean that far more of the group entering retirement from formal employment would be receiving ongoing periodic payments to support their later years.

Another issue in the FNPF retirement provision is whether the age that the entitlement can be drawn should be higher than 55 years. Rising life expectancy points to the need for a higher entitlement age. There would also need to be measures to tighten up on leakages out of the Fund when people have other problems, e.g. unemployment. This particular problem would be lessened if an unemployment insurance benefit existed.

(xv) Wider Options

Turning the FNPF retirement benefit into a mandatory pension however still leaves people in the informal economy uncovered. Also, even some in the formal economy may have inadequate FNPF pensions. To deal with this problem several options are possible:

- Retain a means tested social assistance pension, such as the current FAS payment, and accept the growth in numbers of claimants which will occur,
- Pay a universal pension to all qualified resident who reach a designated age,
- A hybrid system with FNPF and other retirement pensions deducted from any universal pension entitlements, and
- A mixed system with a low rate universal pension and a means tested supplement, with the supplement operated in a manner similar to the current FAS.

(xvi) Relying on FAS social assistance for the elderly

Using an ongoing social assistance pension is the cheapest option, as only part of the older population will qualify. However, it will face pressures over time to increase the rate of payment and to increase the proportion of older people eligible. There will also be pressure for people to rearrange their circumstances to qualify and may also involve problems of disincentives to earn. The social assistance approach also requires more complex administration because of the means tests.

(xvii) Universal pension for all

A universal pension funded by taxation is the most expensive option, but also the one which is the simplest to operate. The cost trade-off may be a lower rate of payment than a social assistance type pension. The gross cost of a universal pension is not the net cost, as there would be some offsetting savings from no longer having to pay FAS payments to the elderly.

The pension entitlement age is also a critical issue. Fiji currently has a young population age structure, but this is beginning to change as people live longer and the birth rate gradually declines. Hence, it would be imprudent to set the pension entitlement age for a universal pension any lower than 65 years. Indeed, if fiscal conditions are difficult, such a scheme could be started with a pension entitlement age of 68 or even 70. It may be noted that several of the Scandinavian countries which have long life expectancy and ageing populations already have pension ages set higher than 65 years, and these may rise further.

(xviii) Hybrid System

A hybrid system with FNPF pensions deducted from any universal pension entitlement would be cheaper than a universal pension, but more costly than a Social Assistance type pension. There is likely to be a high level of FNPF member dissent over any deduction of their own pension entitlements from the tax-funded pension. There would also be issues of equity in relation to people who had investment income as distinct from pension income. However, this is still a possibility if cost considerations are particularly critical.

(xix) Universal pension with supplement

The fourth option is a mixed system with a low rate universal pension and a means tested pension supplement. The supplement would be rather like a smaller version of the current FAS payment to older people.

This mixed option would be based on the assumption that most older people were either rural dwellers with some subsistence sources of food, existing housing, and/or extended family support; or else they are former formal economy workers with FNPF retirement benefits and/or other sources of retirement income. Both of these groups would not normally need supplement payments on top of their universal pension. The Supplement payment would go to a third group of poor and isolated elderly people with higher costs and without extended family support, and to some former formal economy urban dwellers with inadequate FNPF retirement benefits, and also some low income formerly self employed people in the informal urban economy.

It should also be noted that the existence of a pension supplement would also raise pressure for people to alter their circumstances to qualify. Hence, before this option was instituted it would be necessary to ensure that FNPF and other retirement fund benefits were converted to a wholly or largely pension basis. Otherwise people would withdraw their money in a lump sum, spend it or transfer it to other family members, and then apply for a pension supplement.

14.9.7 Preliminary estimates of a universal old-age pension scheme in Fiji: 2005-2020[83]

(i) Introduction

The years of recovery and economic growth 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 in developing countries and the establishment of social security schemes there.

The contributory social insurance 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 thus gradually expand to cover most workers, just as had happened (or was happening) in the industrialized countries.

For a number of reasons[84] 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 social security protection to uncovered workers. Clearly, a contributory social insurance scheme is not generally applicable[85]. To meet this need, the ILO and the World Bank both advocate social pensions[86].

[83] This section was produced by Kenichi Hirose, Social Protection Specialist ILO SRO Manila and Warren McGillivray, Fellow, Society of Actuaries

[84] The reasons include national macro-economic mismanagement, high rates of population growth, the effects of structural adjustment measures, etc.

[85] Smallholders who sell produce can be covered by a scheme which is financed all or in part by funds withheld when they sell their produce.

[86] The World Bank refers to Social Pensions as the 'zero pillar' where the first pillar is a public social insurance pension scheme, the second pillar is a mandatory defined contribution savings scheme (like a provident fund) and the third pillar is personal savings.

Social pensions do not aim at replacing workers' regular income – 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 amount related to the national level of subsistence. Typically, they are paid to all persons over a relatively high age. They are financed from general taxation, and cost from one to two per cent of GDP.

Demographic ageing[87] means that social protection of aged persons is going to become increasing important. For example, in Fiji support ratios – the number of persons aged 15 to 64 available to support persons over age 65 rapidly decrease over the next 25 years[88].

Table 14.5 Support ratios for aged persons

Year	2005	2015	2030
Support ratio	14	10	5

In other words, while in 2005 there are 14 persons of working age who are available to support persons over age 65, in 2030 there will only be five.

The growth of the aged populations raises social, medical and economic questions. The social pension addresses the economic issue.

HelpAge International has published a report titled *Age and security* which provides an excellent overview and examples of social pensions. Attention is drawn particularly to Section 3.2 which deals with the affordability of social pensions. While means-testing would appear to reduce the cost of social pensions, the disadvantages of means testing and potential for abuse and corruption are mentioned in Section1. social pensions paid to persons who do not need them can be *clawed bac*k through the income tax system.

The purpose of this section is to present the magnitude of long-term financial implications of a universal old-age pensions scheme in Fiji and to illustrate the effects of the trends of ageing population in Fiji.

[87] Demographic ageing is the result of declining fertility rates and increasing life expectancies, especially at the higher ages

[88] Source: Table A.1 of ILO 'Report to the Government on the actuarial valuation of the Fiji National Provident Fund evaluated as of 30 June 2002'

(ii) Assumptions

Projected population in Fiji was taken from the ILO's sex and age projection results. These projection results were used as the basis of the 2002 actuarial valuation of the FNPF. Key demographic assumptions are as follows:

- The life expectancy (both sexes) is assumed to increase from 69.8 years in 2005 to 73.5 years by 2020, and
- The total fertility rate is assumed to decrease from the current level of about 3 children per woman to 2.1 children per woman by 2020.

Regarding the pension scheme, the following assumptions are made:

- The pension scheme provides a flat-rate pension of FJD 100 per month for all elderly, regardless of whether he/she is entitled to other benefits such as FNPF pensions or private annuity pensions,
- Three options have been examined in respect of pension age: 60, 65 and 70 years of age, respectively,
- The projected amounts represent benefit expenditure only and they do not take into account administrative costs to such a scheme (e.g. payments of pensions to beneficiaries),
- The premium is calculated on the assumption that the total benefit expenditure is shared by the population of working age (between 20 and 59 years of age). Hence, it is assumed that the scheme will remain no (substantial) reserves, and
- The projected amounts are shown in 2005 prices. If the pension amount is indexed in line with increase in cost-of-living, then the nominal amounts will be increased accordingly.

(iii) Key observations

The findings in this section and the tables, summarise the main projection results. Key observations are as follows:

Due to the extended life expectancy, the number of elderly is expected to increase rapidly. For example, the number of persons aged 60 years and over is estimated at 60,800 in 2005 but is projected to increase to 118,100 by 2020, or 94 per cent more than the 2005-level. (Tables 14.6

and 14.7). The Population pyramids that illustrate the ageing process over the period 1996 - 2030 are provided at Appendix 14C.

Table 14.6 Projected number of the elderly population

Age Grouping	2005	2010	2015	2020
Aged 60 & over	60,800	77,000	95,200	118,100
Aged 65 & over	37,200	47,400	60,800	75,700
Aged 70 & over	20,400	26,600	34,500	44,800
Cf. life expectancy	**69.8 years**	**71.2 years**	**72.4 years**	**73.5 years**

Table 14.7 Increase in the number of elderly (2005 = 100)

Age Grouping	2005	2010	2015	2020
Aged 60 & over	100	127	157	194
Aged 65 & over	100	127	164	203
Aged 70 & over	100	130	168	219

As a result of ageing population, the number of working age (20-59 years of age) population supporting one elderly (60 years and over) is expected to decrease from 7.0 young per elderly in 2005 to 3.9 young per elderly by 2020. (Table 14.8).

Table 14.8 Number of working age population (20-59 years of age) supporting the elderly

Age Grouping	2005	2010	2015	2020
Aged 60 & over	7.0	5.7	4.8	3.9
Aged 65 & over	11.4	9.3	7.5	6.1
Aged 70 & over	20.1	16.5	13.2	10.4

If, in 2005, monthly pension of FJD 100 is paid to all the elderly, the estimated benefit expenditure is FJD 73 million if pension is payable from 60 years of age; FJD 45 million if pension is payable from 65 years of age; and, FJD 25 million if pension is payable from 70 years of age. (Table 14.9).

Table 14.9 Projected costs of universal old-age pensions (FJD 100 per month in 2005 prices)

(FJD millions)

Age Grouping	2005	2010	2015	2020
Aged 60 & over	73	97	114	142
Aged 65 & over	45	57	73	91
Aged 70 & over	25	32	41	54

To finance the pension, the average monthly premium (or tax) borne by the working age population in 2005 is estimated at: FJD 14 (pension age 60); FJD 9 (pension age 65); and, FJD 5 (pension age 70), respectively.

Table 14.10 Projected monthly premium (tax) per working age population (20-59 years of age) (monthly pension FJD 100 in 2005 prices)

(FJD per month)

Age Grouping	2005	2010	2015	2020
Aged 60 & over	14	18	21	25
Aged 65 & over	9	11	13	16
Aged 70 & over	5	6	8	10

Due to the increase in the number of elderly, by 2020, the estimated expenditure will nearly double: FJD 142 million (pension age 60); FJD 91 million (pension age 65); and, FJD 54 million (pension age 70), respectively. (Table 14.9).

The resulting monthly premium (or tax) in 2020 is also expected to rise at: FJD 25 (pension age 60); FJD 16 (pension age 65); and, FJD 10 (pension age 70), respectively. (Table 14.10).

(iv) Concluding remarks

The results of preliminary estimates show that the universal pension scheme in Fiji is feasible at a reasonable cost to the taxpayer if the pension age is set at 65 years of age or higher. However, it should be noted that the successful implementation of such scheme depends critically on the efficient administration of the scheme (e.g. benefits payment, enforcement of compliance, and tax collection). The scheme also faces a great pressure of increasing costs due to the continuous trends of ageing population. Hence, good governance is essential to keep the scheme viable in the long-term. Due attentions should be made to these points when formulating the policy and developing the implementation plans of the proposed universal pensions scheme in Fiji.

14.9.8 What Would a Universal Pension Cost?

There are currently estimated to be 37,200 people aged 65 plus in Fiji, of whom 20,400 are aged 70 plus. By 2020 these numbers are expected to be 75,700 and 44,800 respectively.

The current cost of providing all of these people with a universal pension depends on the rate of the pension. Calculations are shown for rates of FJD 50, FJD 80 and FJD 100 per month. These equate to annual costs of FJD 600, FJD 960 and FJD 1200 per year .The former figures in particular are low amounts, but assume that the people receiving only a Universal Pension are likely to be either rural dwellers who have worked in the informal economy with access to subsistence production and existing dwellings, or else people in the formal economy will also have FNPF retirement benefits or other pensions to live on in addition to the universal pension. The lowest figures should be thought of as being the level of Universal Pension which might be paid if a Pension Supplement was also paid.

On this basis the 2005 cost of a universal pension at different rates rounded to the nearest million dollars would be:

Table 14.11 Estimates Pension Costs
(FJD Millions)

Pension	Age 65	Age 70
D 50 per month	22	12
D 80 per month	36	20
D 100 per month	45	25

By 2020 these costs would more than double because of growth in the numbers of older people.

There would be a cost offset of about FJD 3 million from the fact that FAS payments would no longer need to be paid to part of this older group. Some of this could be reallocated to a Pension Supplement payment if this option was chosen.

On 2005 costings FJD 25 million is equal to about 2 per cent of Government Expenditure, FJD 36 million about 2.9 per cent of government spending, while FJD 45 million is equal to about 3.6 per cent of Government expenditure. By 2020 all these percentages would be higher, but probably not double since the economy and government revenues could be expected to grow in the period.

14.9.9 Other Social Security Issues

There are several other social security and wider social protection issues which showed up in the informal economy survey and/or the statistics of the composition of the FAS client base.

(i) Work Injury and Permanent Invalidity

Work Injury cover was a high priority in the informal economy survey. Informal economy workers are not covered by the existing employer liability scheme, and hence must rely on the FAS if they become incapacitated. Also, the lump sum nature of employer liability payments for permanent injury means that some of this group will also end up on the FAS. In total 3,076 permanently disable people were on FAS, though not all of these would be because of work injury.

In addition 4,941 people on FAS have a defined chronic illness.

For the time being the FAS is probably the best way to meet the needs of both groups, given that questions exist about the adequacy of existing payment levels. In the longer run consideration could be given to putting long term Work Injury compensation onto an ongoing pension payment basis. For other accident victims an accident compensation cover scheme could be considered for Fiji. This also should have pension type payments for permanent disability.

(ii) Death/Life Insurance

This also ranked as a high priority in the informal economy survey. It should be noted that the families of formal economy workers in the provident fund would receive payouts from accumulated member balances in the event of the member dying. However, this does not apply to informal economy workers who are not members of the fund.

Despite the priority ranking, it is not suggested that this is an appropriate use of government social assistance funding for informal sector workers. Rather this could be a selling point for the FNPF to market membership to those in the informal sector. It is also the natural area of operation of private sector insurance companies.

(iii) Housing

Housing had a relatively low priority in the informal sector survey, despite the rather basic condition of much housing, and the squatter problem. This may be because in Fiji's warm climate basic housing is relatively acceptable for many. Also there are housing construction and repair grants, and some subsidised rental housing in urban areas.

At this stage the housing priorities would seem to be related to tenure, security and water and power connections for those who are currently squatters.

(iv) Widows and sole parents

Widowhood and spouse death did not feature in the informal economy survey, except by implication in relation to death benefits. However, the 5,047 death of breadwinner cases were the largest single group of FAS recipients.

At present the FAS is probably the best way to deal with this issue, leaving aside issues of FAS payment adequacy levels. Longer run issues include retirement pensions and coverage of the informal sector by social security of NPF arrangements.

Single parents and deserted spouses also did not feature in the informal economy survey priorities, though there were 1,070 single parents and 1,491 deserted spouses in the FAS classification listings.

Comment is made elsewhere in this report about collecting more contribution from the absent parent. Otherwise, the FAS is probably the way to deal with the issue at present.

14.9.10 Summary

Fiji is at a stage of its development where improvements in its social security system are needed. The high levels of poverty and unemployment, and the rising numbers on its Family Assistance System indicate that traditional informal means of dealing with social protection needs are no longer working so well. The categories of those receiving family assistance also suggest that the use of this benefit is occurring because some other social security mechanisms found in many other countries are missing in Fiji. It is noticeable that Fiji, once the leader for social security development in the South West Pacific, has introduced few new initiatives in the past two decades.

In some areas however, the existing Fijian system of formal social protection seems to be working very well:

Health care is free in the public sector, and facilities seem to be generally available within the constraints of fiscal affordability,

Primary and secondary education is low cost, and fee remission schemes can remove tuition costs for children from low income families. However, the high drop out rates from theoretically compulsory education indicate that other costs and general poverty or low incomes are still inhibiting attendance by children from the poorest families.

The FAS system has cushioned against the emergence of destitution amongst part of the population.

Housing grants and some moderate cost rental housing have improved housing conditions amongst part of the low income population.

Another part of the low income and unemployed population has been assisted by establishment grants to move into self employment in the informal economy.

These factors being noted, there are also large gaps in the Fijian system. Also, while in some areas social assistance needs to be expanded, in other areas it would be unwise to simply go on expanding FAS coverage into new groups when the needs of these may be better catered for by other mechanisms.

Issues which would seem to merit early consideration include:

- Establishing short term unemployment insurance benefits for workers in the formal economy,
- Establishing community employment schemes for other unemployed, and for formal sector workers whose period of unemployment insurance cover expires,
- Providing some form of additional targeted assistance for children from low income families at risk of dropping out from compulsory schooling,
- Converting Fiji National Provident Fund lump sum retirement benefits into mandatory pensions in respect of all or most of the accumulated entitlements,
- Developing a Retirement Pension system which ensures coverage for all qualifying residents, and
- Establishing some form of paid maternity leave for workers in the formal economy.

Appendix 14A Social security provision in Fiji

14A.1 Old Age Disability and Survivors Provision

Program Type Provident fund system (Fiji National Provident Fund)

Coverage Most employees. Some public employees, military and police in separate scheme

Funding Insured person 8 per cent of wages, Employer 8 per cent of payroll

Benefit Lump sum payable from age 55 based on accumulated contributions and interest. A pension alternative can be selected. Similar options for Disability or Survivorship in relation to insured person.
A fixed lump sum for funeral cost on death.

14A.2 Work Injury

Program Type Employer liability system. Administration supervised by Permanent Secretary for Labour and Industrial Relations.

Coverage Employed persons and apprentices. Exclusions for casual and family labour and some public sector employees.

Funding Employer pays all.

Benefit Temporary disability 66 per cent of wages.
Permanent Disability payment is a lump sum of 260 weeks earnings.
Workers medical and associated costs paid.
Survivors of the insured get 208 weeks earnings.

14A.3 Social Assistance

Program Type Social Assistance cash benefits from the Fiji Department of Social Welfare.

Coverage People otherwise poor and destitute.

Funding Government Taxation.

Benefit Cash social welfare assistance.

Appendix 14B Fiji Statistical Tables

Table 14.12 Gross domestic product FJD Million at 2005 prices

Sector	2004 Forecast	2005 Forecast
Agriculture, Forestry, Fishing And Subsistence	452.6	462.2
Mining and Quarrying	45.4	49.0
Manufacturing	465.0	443.9
Electricity and Water	113.4	118.3
Building and Construction	189.4	223.2
Wholesale and Retail Trade, Hotels and Restaurants	496.3	506.6
Transport and Communications	390.3	404.8
Finance, Insurance, Real Estate And Business Services	367.6	373.9
Less Imputed bank service charges	94.7	96.2
GDP at Factor Cost	2,987.2	3,032.5
GDP at Market Price	4,553.0	4,774.6

Source. Economic and Fiscal Update 5 November 2004 p 100.

Table 14.13 Growth rate of real GDP

2000	2001	2002	2003(E)	2004(F)	2005(F)
-2.8	2.7	4.3	3.0	3.8	1.5

Source. Economic and Fiscal Update page 11.

Table 14.14 Statement of fiscal operations

Item	2004 Revised FJD (million)	2005 Budget FJD (million)
Revenue	1,143.15	1,216.80
Taxes	992.36	1,062.25
Grants	6.60	8.52
Other Revenue	144.19	146.03
Expenses	1,206.43	1,257.50
Compensation of Employees	509.11	530.49
Uses of Goods and Services	182.17	184.69
Interest	132.49	133.66
Grants	237.69	259.53
Social benefits	37.59	37.59
Other Expenses	107.40	111,54
Fixed Assets	156.25	165.48
Net Borrowing	219.53	206.18
Per cent of GDP	-4.8	-4.3

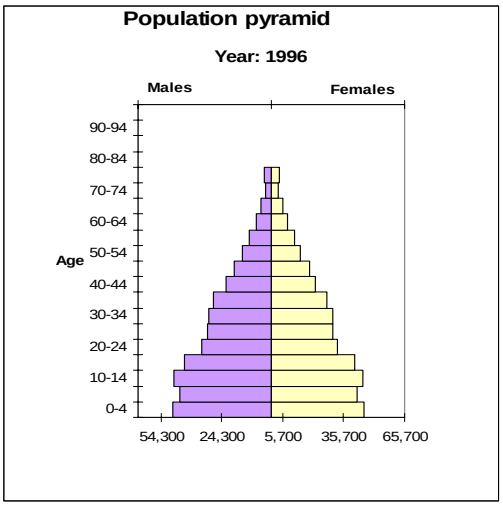
Source Economic and Fiscal Update 5 November 2004 page 68.

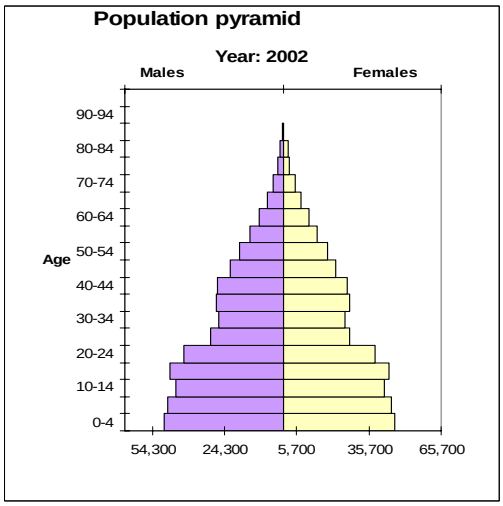
Table 14.15 Government assistance towards poverty alleviation

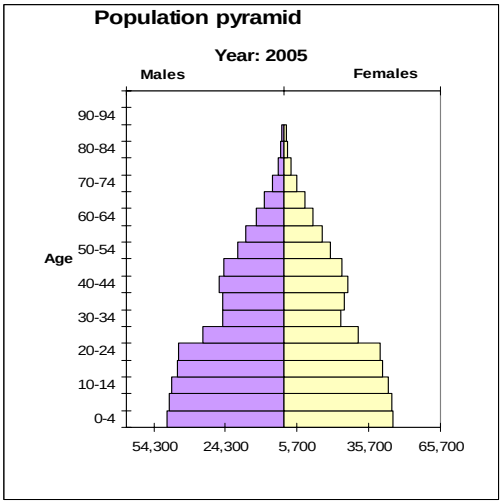
Sector	2004 R (FJD million)	2005(B) (FJD million)
Local Government and Environment, Upgrading of Squatter Settlements And Existing Subdivisions	1.00	1.00
Grant to Housing Authority	1.00	1.00
HART Support (Housing for Poor)	1.00	1.00
Rental Subsidy –Public Rental Board	1.00	1.00
Commerce -Micro Finance	0.50	0.50
Agriculture		
Farming Assistance	6.00	3.75
Infrastructure Development	1.00	1.00
Education		
Remission of Fees	0.80	0.80
Building Grant	1.80	1.90
Compulsory Education	1.08	0.88
Tuition Fee-Free education	13.17	15.44
Social Welfare		
Poverty Alleviation Projects	2.50	3.00
Grants to Voluntary Organisations	0.63	0.63
Family Assistance Scheme	12.00	15.00
Care and Protection Allowance (former military personnel)	0.35	0.30
Miscellaneous		
Grants to Public Rental Board	1.97	1.97
Student Loans Scheme	1.50	1.50
FDB Interest Subsidy (Loans for Other Groups)	0.84	0.84
FDB Interest Subsidy (Loans for Fijians and Rotumans)	4.00	4.00
SME Development	0.20	0.20
TOTAL	**55.49**	**59.71**

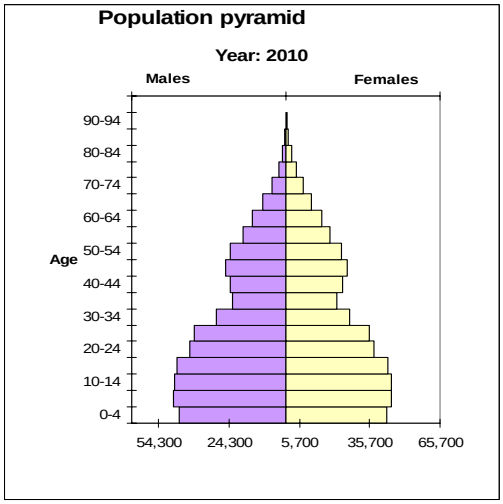
Source. Economic and Fiscal Update 5 November 2004, pages 63-4 and Ministry of Finance.

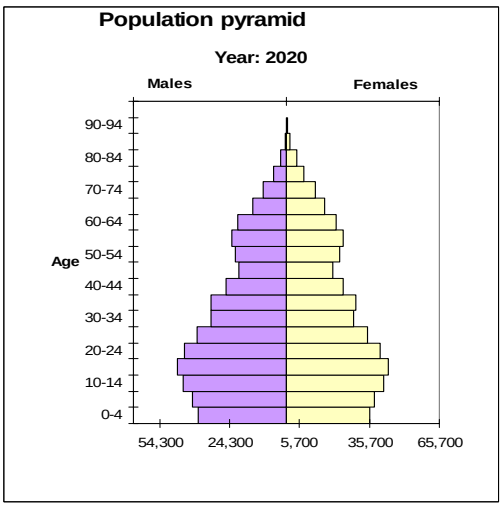
Appendix 14C Population pyramids of Fiji, 1996-2030

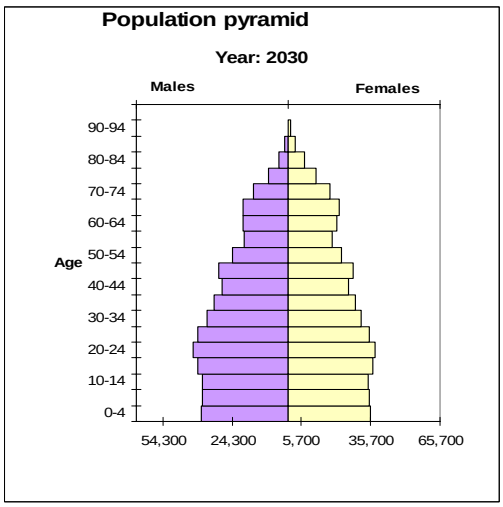












Chapter 15 Employment Injury Schemes: Principles

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.[89] 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

[89] 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.[90] 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

[90] Social Security Systems throughout the World 2003, Social Security Administration, USA and ILO sources.

contingencies found in the relevant ILO conventions,[91]

- 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.[92] 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

[91] 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).

[92] 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 15.10 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 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 requires prolonged treatment which may finally determine that the victim has suffered a degree of permanent disability. Consequently, the main features of TDB should be:

- No contribution conditions to apply,
- The rate should be related to recent earnings and set at a level which provides adequate income support but leaves incentives for return to work as soon as medically advisable, and
- Duration should be flexible enough for the various types of case which occur.

In addition, it is to be decided whether to invoke the provisions in relevant ILO Conventions[93] 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

[93] The Social Security (Minimum Standards) Convention, (No. 102 of 1952) and the Employment Injury Benefits Convention (No.121 of 1964).

legislation. The decision also states whether the condition is truly permanent or should be reviewed after a certain period, such as 2 years. In the latter case, the award would be for 2 years and the medical board would review the case in time to decide about the continuation of the award and whether this should be at the same or 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[94].

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[95] 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.[96] 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

[94] "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.

[95] ISSA International Social Security Association

[96] 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.

in sectors of agriculture and commerce which operate under the bipartite management of employers and workers. These funds are empowered to enact accident prevention regulations and to inspect enterprises. Their mandate is:

- Firstly to prevent accidents;
- When accidents do occur, to restore health and working capacity, and
- Finally, to provide benefits.

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.[97]

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

[97] *Conditions for implementation of reform of a work injury scheme*, Joachim Breuer, ISSA Conference Towards sustainable social security systems, Limassol, Cyprus, November 2003.

framework of the social security system in as an integrated a manner as possible; the use of common databases, the contribution collection systems and benefit payment systems are examples of where savings and efficiency gains could be achieved

In making such decisions the views of stakeholders and the costs of each option should be taken into account. One important consideration is that the major scheme is invariably the national provident fund which comes under the 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 15 – International experience

15A 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 at 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.
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.

Country	Medical	TDB	PDB	Survivors
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.)

15B The accident compensation scheme of Samoa

15B.1 The accident compensation insurance scheme of Samoa

15B.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.

15B.1.2 General information on Samoa

(i) Location, population and employment

Samoa is a small group of ten islands in the South Pacific Ocean, about half way between Hawaii and New Zealand. Most of the population is concentrated on the two main islands, Upolu and Savaii. The 2001 census found that the total population was 176,710 with a distribution of 52 percent male and 48 percent female. As the population growth rate is about 1.0 percent per annum the current population in 2005 is estimated as in excess of WST 180,000. GDP per capita increased by about 3.2 per cent over the period 1995-2002. This reflects both the strong economic performance and low population growth rates as a result of out-migration. At the end of 2002, GDP real per capita amounted to WST 3950 (USD 1,230), increasing from WST 3,180 (USD 1,006) in 1995. The average real rate of GDP growth over the period 1995 – 2002 was 4.0 per cent which was followed by 3.5 per cent in 2003 The growth acceleration was driven by the manufacturing sub-sector, transport and communications, finance and business services, and agriculture, which expanded strongly after years of decline. Public administration, hotels and restaurants, and personal services also grew relatively rapidly, while construction grew at a modest rate of 2.5 per cent. The fishing industry experienced a 10 per cent decline due to unfavourable climatic conditions common to the region.

The Labour Force Survey 2000 found that 17,164 persons, of whom 7,163 were women and 10,001 were men, were employed in the formal sector. The survey revealed that paid employees were 93 per cent of the total and self-employed about 4 per cent with the remainder unpaid family workers and paid non-citizens.

(ii) Social security programmes

Samoa has a range of other formal social security programmes of which the following are explained below:

- The national provident fund;
- Senior Citizens Benefit Fund (universal aged pension scheme); and
- Universal health care.

It should be noted that there is no sickness benefit through labour or social insurance legislation which in many countries could be a factor in increasing claims under work injury by employees who are incapacitated for work due to a cause other than an accident but find it possible to claim otherwise in order to receive an income whilst undergoing medical attention for a morbid condition.

.

(iii) Samoa National Provident Fund

The Samoa National Provident Fund (SNPF) was established in 1972 in parallel to the government superannuation fund which it superseded in 1994 when the two funds merged. The 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.

15B.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.

15B.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.

15B.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.

15B.1.6 Samoan national statistics

Table 15.12 Total formal sector employment

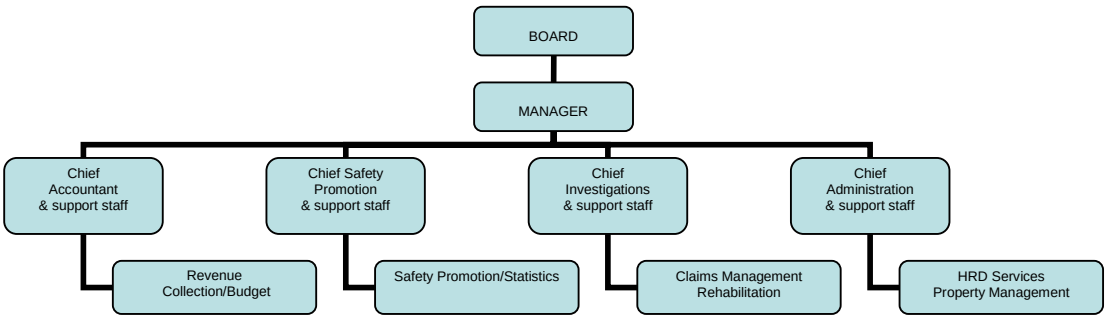
Sector	Male	Female	Total
Private sector employees	7,132	5,036	12,168
Public service employees (permanent)	2,119	1,618	3,737
Public service employees (casual/ temporary) (male/female are estimates only)	750	509	1,259
Total	**10,001**	**7,163**	**17,164**

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 Fiji

16.1 Introduction

Fiji has for some time been considering strategies for strengthening the system of workers' compensation, or employment injury protection, due to a number of deficiencies of the current scheme in the standards of protection given to workers and their families. The current system is based on the principle of employers' liability under the Workmen's Compensation Act, 1965. There is an urgent need to improve medical and cash benefits as well as the adjudication processes and service standards. The scheme also lacks adequate provision for rehabilitation of disabled workers or support for accident prevention.

Fiji's interest in developing a more effective workers' compensation scheme which conforms to relevant ILO standards is consistent with national priorities for filling decent work deficits. Furthermore, the search for a more effective and suitable system coincides with actions taken by many other developing countries to improve their workers' compensation schemes.

The purpose of this chapter is to increase the understanding of the principles in the workers' compensation protection, to address the problems and challenges facing the current workers' compensation system in Fiji, and to provide policy options and action plans for the improvement of workers' compensation system for Fiji and for strengthening its management and administration.

The report which formed the basis of this chapter has been produced over a period from 2000 to 2005 and was developed through a number of tripartite consultations by the consultants involved in the report.

The chapter has been organised as follows. Section 16.2 of the report describes the scheme and the current experience. Section 16.7 summarises the discussions of key stakeholders in the long and continuing effort to find common ground on how to address the issues confronting the workers' compensation scheme. Section 16.8 explains relevant ILO standards and provides the information on trends in workers' compensation systems in selected countries, in particular the conversion of employers' liability schemes into social insurance schemes. Section 16.10 concludes with outlining policy options that the Fiji government and stakeholders may wish to consider for the purpose of bringing the reform efforts to a sound conclusion.

It is hoped that this chapter will give further impetus to social dialogue on this issue and to assist stakeholders in their informed decision on the most suitable policies and strategies for Fiji.

16.2 The Workers' Compensation Scheme in Fiji[98]

16.2.1 The Workmen's Compensation Act, 1965

The development of compensation legislation in Fiji is associated with safety legislation that began in 1951, which progressed into the Factory Ordinance of 1958. The Workmen's Compensation Act was promulgated to provide compensation to workers who were injured, or to the dependents of those who die, in the course of employment. Its history is traced to Ordinance No. 17 of 1964. This was eventually incorporated as Chapter (Cap.) 94 on 1 April 1965. In the 1990s two major amendments have been made to the Act. In 1994 the minimum and maximum compensation amounts were revised to reflect changes since the inception of the Act. In 1996, the coverage was extended to the Disciplined Forces (the Police, Military, Navy and prison officers), effective on 1 February 1997. In addition, in 1999 the Act was amended to provide that compensation benefits, including any external payments, received for injury or death in respect of soldiers or officers serving overseas in UN military peacekeeping operations, should be guaranteed to be not less than the amounts payable under the Act.

16.2.2 Scope of liability

The Workmen's Compensation Act places upon employers the legal responsibility to compensate workers who sustain injuries and/or contract diseases out of or in the course of employment. The main definitions in the Act are found in

[98] Throughout the chapter, the term "workers' compensation" is generally preferred to "workmen's compensation" unless the latter is used in the title of Act.

Sections 2, 3 and 4 with additional provisions as explained below.

Section 2 defines *workman* as *any person who has entered into or works under a contract of service or apprenticeship with an employer, whether by manual labour, or otherwise, whether the contract is expressed or implied, is oral or in writing, whether the remuneration is calculated by time or work done, and whether by the day, week, month or any longer period*. The definition was modified by the 1997 extension of coverage noted above to include *personnel and officers in the Fiji Police Force, the Prisons Service, the Fiji Military Forces and Fiji Military personnel and officers engaged on military duties in foreign countries*. It is clarified under Section 4 that the Act applies to *workmen employed by the government in the same way and to the same extent as if the employer was a private person*.

Main exclusions of the Act are casual workers who are not employed for the purposes of the employer's trade or business, outworkers, tributers, members of the employer's family dwelling in the employer's house, and any class of persons whom the Minister may by Order declare not to be workmen for the purposes of the Act (Section 2).

This is a comprehensive definition for formal sector coverage. Many schemes have followed the strategy of providing employment injury protection to the formal sector before extending coverage to own-account workers and self-employed persons. This may be an appropriate for Fiji to adopt in the development of the workers' compensation scheme.

"Dependants" mean those members of the family who were wholly or in part dependent on the worker's earnings at the time of his/her death. "Member of the family" is defined as wife, husband, father, mother, grandfather, grandmother, step-father, stepmother, son, daughter, grandson, granddaughter, stepson, stepdaughter brother, sister, half-brother and half-sister.

This does not give automatic entitlement by virtue of relationship of the spouse and children as it imposes a requirement of financial dependence which allows insurers or employers to raise issues over the meaning of the term "wholly or in part dependent".

"Employer" is any body of persons corporate or in corporate and includes the Government of Fiji. "Earnings" include gross wages plus any cost of living allowance and overtime payments and bonuses if of constant character or for work habitually performed and value of non-monetary benefits but excluding intermittent overtime or casual payments or the value of a travelling allowance or contribution paid by the employer of a workman towards any pension or provident fund or a sum paid to a workmen to cover any special expenses entailed on him by the nature of his employment.

"Medical aid" means medical, surgical, and hospital treatment, skilled nursing services and supply of medicines in Fiji or outside Fiji (with the approval of the CEO of the Ministry of Health) and the supply, maintenance, repair and renewal of any artificial appliances or apparatus. However, under Section 32 the following financial limits apply. It should be noted that these maximum amounts have remained in force without any increase since the scheme commenced.

(a) In respect of medical, surgical and hospital treatment skilled nursing services and the supply of medicines-an amount not exceeding FJD1,200;
(b) In respect of the supply, maintenance, repair and renewal of any artificial appliances or apparatus for a period of 5 years from the date of the accident to an amount not exceeding FJD 600; and,
(c) For transport charges to and from the place of treatment up to a maximum of FJD 500.

Section 5 on employer's liability for compensation for death, or incapacity resulting from accident is as follows:

If in any employment personal injury by accident arising out of and in the course of the employment is caused to a workman, his employer shall be liable to pay compensation in accordance with the Act and for the purposes of this Act an accident resulting in the death or serious and permanent incapacity of a workman shall be deemed to arise out of and in the course of his employment notwithstanding that the workmen was…acting in contravention of any statutory or other regulation applicable to his employment, or of any orders given by or on behalf of his employer, or that he was acting without instruction from his employer, if such act was done by the workman for the purposes of and

in connection with his employer's trade or business:

Provided that –

(a) The employer shall not be liable under this Act in respect of any injury which does not incapacitate the workman for a period of at least three consecutive days from earning full wages at the work at which he was employed,

(b) If it is proved that the injury to a workman is attributable to the serious and wilful misconduct of that workman, any compensation claimed in respect of that injury shall be disallowed, and
Provided that where the injury results in death or serious and permanent incapacity, the court on consideration of all the circumstances may award the compensation provided for by this Act or such part thereof as it shall think fit.

This section provides a reasonably broad definition of the employer's liability for compensation of work accidents except for the proviso in (b) which is contrary to the concept of "no-fault" and gives scope for disputes and rejection of claims .The section also rules out compensation where the injury is deliberately self-inflicted or there is misrepresentation of material facts.

Part IV of the Act prescribes the employer's liability in respect of occupational diseases of which 35 are listed in the Workmen's Compensation (Occupational Diseases) Regulations of 1964. If the disease is contracted within 24 months of the date on which disablement or death is caused this creates entitlement to claim compensation as if the disablement or death was caused by an accident.

16.3. Voluntary insurance coverage

16.3.1. Problems with voluntary insurance

Employers can either take the legal liability by the Workmen's Compensation Act on charge themselves or take out private insurance. Currently in Fiji, five private insurance companies[99] are approved to underwrite workers' compensation. These insurance companies market workers' compensation insurance together with other types of their insurance products such as property insurance, fire insurance, and cover for employers' common law liability.

Although insurance is not compulsory for employers Section 26 of the Act stipulates that the Minister of Labour may make an order requiring any employer or class of employer to insure themselves in respect of the liability for workmen's compensation. However, such a Ministerial Order has not been invoked to date. Although there are no accurate statistics, it is thought that less than fifty percent of all employers have taken out insurance to cover their workers and that small- and medium-sized companies tend not to have insurance. A large proportion of accidents occur in these workplaces and the employers are liable for the costs of benefits. Government self-insures.

If the purchase of insurance is not compulsory, there is usually some concern that:

(a) The benefit standards may be too low due to the limited financial capacities of the smaller establishments operating with the minimum of financial resources
(b) Small or financially weak employers are unable to comply with the statutory requirements, particularly when they are liable for a large amount of compensation as a result of an accident involving a number of employees.

In these instances, injured workers or their families may have no option but to accept lower amounts than their legal entitlement.

It should be also noted that in Fiji employers with insurance cover can decide whether or not to refer any particular accident case to the insurance company or to provide compensation directly. In some cases, employers only allow injured workers to take sick leave. Trade unions report that insurance companies investigate large claims and may delay settlements to the point that claimants may be willing to negotiate a reduced payment.

16.3.2 Analysis of workers' compensation provided by private insurance

From the report of the regulatory authority, it is clear that workers' compensation insurance is a relatively minor branch of private insurance. As shown in Table 16.1, the workers' compensation

[99] Queensland Insurance, Dominion Insurance, New India Insurance, Tower Insurance and Sun Insurance.

constituted only 7.2 per cent of the total in terms of net premiums in 2003. (In terms of gross premiums, the workers' compensation accounts for only 5.6 per cent in 2003.)

Table 16.2 shows the net loss ratio for the period 2000-2003. The net loss ratio is defined as the net claims incurred as a percentage of net earned premiums, and the residual portion of the net loss ratio from 100 per cent represents the gross profit of the insurance. The net loss ratio of the workers' compensation was 84.0 per cent in 2000 and 83.1 per cent in 2001 but declined to 69.3 per cent in 2002 and 36.4 per cent (provisional data) in 2003, which means that there is an increasing gross profit in respect of the workers' compensation insurance.

Table 16.1 Net insurance premiums by type of insurance, 2000-2003

(in FJD thousands)

Year	Fire	Motor Vehicle	Marine	House Holders	Motor Compulsory 3rd Party	Workers Compensation	Medical	Term Life	Others	Total
2003	9,551.4	18,629.9	2,443.0	2,875.2	6,820.6	**4,974.4**	12,059.1	4,787.5	7,168.7	69,309.8
2002	7,742.6	16,389.6	2,117.5	2,850.5	5,602.8	**4,558.9**	6,555.3	5,430.6	5,825.5	57,073.3
2001	4,231.5	12,887.2	1,992.7	2,607.6	5,438.7	**3,502.1**	5,056.2	4,124.8	5,075.6	44,916.4
2000	4,929.7	13,827.6	2,131.3	2,443.6	4,622.2	**3,085.9**	5,198.1	3,798.3	4,999.8	45,036.5
% Change										
2003	23.4	13.7	15.4	0.9	21.7	**9.1**	84.0	-11.8	23.1	21.4
2002	83.0	27.2	6.3	9.3	3.0	**30.2**	29.6	31.7	14.8	27.1
2001	-14.2	-6.8	-6.8	6.7	17.7	**13.5**	-2.7	8.6	1.5	-0.3
2000	-15.2	-1.2	24.1	-17.5	-25.4	**18.7**	-24.3	123.6	1.1	-3.8
% Share										
2003	13.8	26.9	3.5	4.1	9.8	**7.2**	17.4	6.9	10.3	100.0
2002	13.6	28.7	3.7	5.0	9.3	**8.0**	11.5	9.5	10.2	100.0
2001	9.4	28.7	4.4	5.8	12.1	**7.8**	11.3	9.2	11.3	100.0
2000	10.9	30.7	4.7	5.4	10.3	**6.9**	11.5	8.4	11.1	100.0

Source: Insurance Annual Report 2003, Reserve Bank of Fiji

Table 16.2 Net loss ratio of general insurance, 2000-2003

(%)

Year	Fire	MV	Marine	HH	CTP	PL	P1	WC	Medical	Term Life	PA	Total
2003	98.8	67.5	79.6	41.1	33.3	19.1	53.1	**36.4**	74.4	42.5	24.1	60.0
2002	75.0	65.8	32.1	42.4	64.8	50.4	-9.3	**69.3**	58.4	63.3	25.3	60.9
2001	75.0	70.3	36.4	30.4	81.8	117.2	41.3	**83.1**	52.0	62.7	25.8	63.8
2000	115.1	71.4	53.7	41.0	59.0	34.2	86.2	**84.0**	62.8	55.8	-3.3	67.9

Source: Insurance Annual Report 2003, Reserve Bank of Fiji

16.4 Benefits

The types and amounts of compensation entitlements vary depending on whether the incapacity is deemed temporary, partial or total, or when the results are fatal to the worker. The types and amounts of compensation entitlements are as follows.

- Temporary incapacity. The worker is entitled to two-thirds of the weekly earning for the period of incapacity of work. The maximum duration of payment is 260 weeks.
- Permanent partial incapacity. The worker is entitled to a lump sum amount. The amount is a certain percentage of the base amount of 260 weeks earnings. The percentage of incapacity is assessed by the doctor in the light of the schedule of injuries stipulated by the Act. The minimum amount is set at FJD

6,000 and the maximum amount is set at FJD 24,000.

- Permanent total incapacity. The worker is entitled to a lump sum amount equal to 260 weeks earnings with the minimum FJD 6,000 and the maximum FJD 32,000. If an injured worker requires constant help of another person, additional 25 per cent of compensation is payable (in this case the maximum amount is FJD 40,000 in total.)

- Fatal cases. The survivors are entitled to a lump sum amount equal to 208 weeks earnings with the minimum FJD 9,000 and the maximum FJD 24,000. Court will determine the apportionment of the compensation amount to the survivors. In case the deceased worker has no dependent, then a funeral expense equal to FJD 420 is payable.

These maximum and minimum amounts were revised in 1994 by doubling the previous figures. It should be noted that the revision in 1994 was the only amendment of benefit level since the inception of the Act in 1965. The system lacks the dynamism to adjust regularly the benefit level according to the increase in the cost of livings.

Instead of specifying the maximum and minimum amounts in monetary terms, it is suggested that the amount be specified in reference to the prevailing wage rate e.g. a multiple of the national average wage. Any changes in the compensable amount should not require the change of the law itself, which could conceivably be difficult, but it should be done by the Ministerial Order to revise the standard wage index on a regular basis.

The present scheme provides only lump sum payments and does not provide periodical payments. Lump sum payments to settle the claim may be justified in certain circumstances and some workers have a propensity to prefer an immediate lump sum payment rather than periodical payments paid over years. However, periodical payments generally provide better protection than lump sums for those who are faced with lifelong disability or for the survivors.

16.5 Number of compensation claims and payments

The following provides crude estimates on the compensation cases from different sources of data.

- Every year, between 900 and 1,200 claims are settled. These consist of 800 to 1,100 non-fatal cases and 100 to 150 fatal cases. Recently, there has been a decreasing trend in the number of compensation cases.

- About one in four fatal cases occurs during work and three in four cases occur after work.

- By sex, around 95 per cent of the compensation cases are paid to male workers and only 5 per cent of the total cases are paid to female workers.

- Every year, around FJD 1.2 to 1.4 million[100] is paid as compensation, of which the fatal case accounts for 25-30 per cent, permanent incapacity 55-60 per cent, and temporary incapacity 10-15 per cent.

- About 55-60 per cent of the compensation is paid to workers in the private sector and around 40-45 per cent is paid to the civil servants and workers in the Government ministries and departments. The average compensation amount for fatal cases of civil servants is much higher than that of the private sector workers.

Furthermore, the following are some main features of the most recent 2004 experience:

- 828 cases were reported in 2002, 841 in 2003 and 858 in 2004;

- 1,475 cases were settled in 2004 making significant inroads into the a backlog of cases accumulated in previous years

- Over the period from 2002 to 2004, the main source of accidents was the manufacturing sector with 232, 215 and 209 respectively from 2002 to 2004, followed by the public service with 143, 167 and 201 respectively

[100] With the exception of 2001, where the amount increased to FJD 2.7 million. This is attributed to the delay in the claims due to the political unrest in 2000.

- In 2004 the amount paid in compensation was FJD 930,327 of which FJD 95,092 (10.2 per cent) was paid for temporary incapacity, FJD 691,430 (74.3 per cent) for permanent partial incapacity and FJD 143,804 (15.5 per cent) for fatal cases.

Appendix 16A contains statistical data and extracts from the 2004 report of the Workmen's Compensation Unit of the MOLIRP.

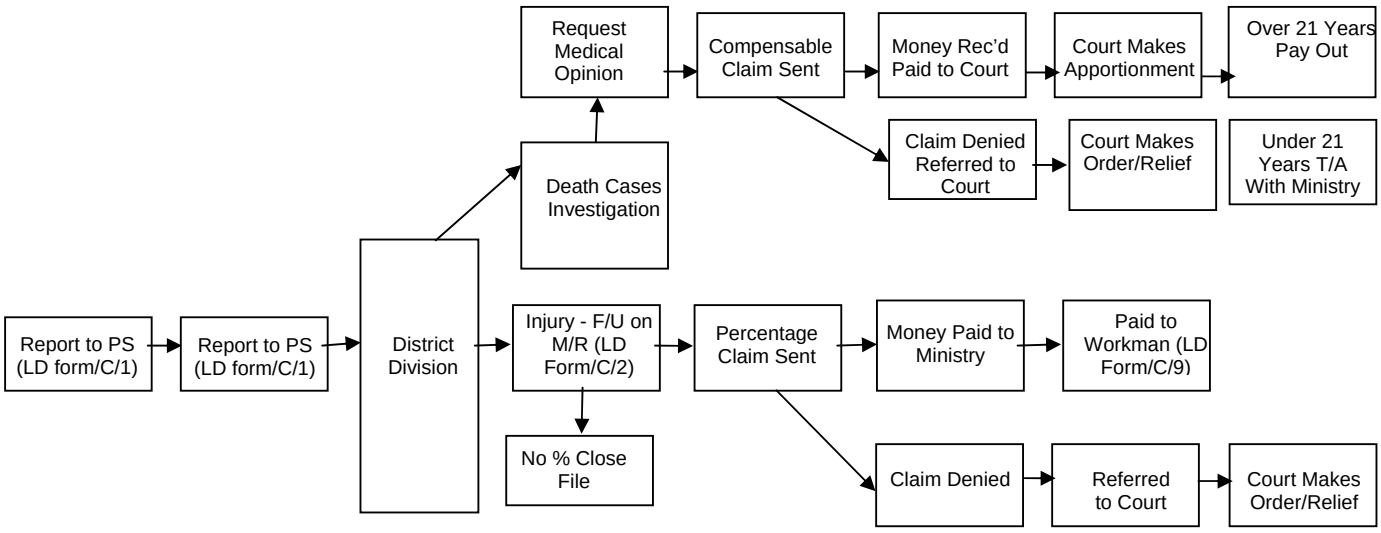
16.6 Administration of the workers compensation

The Ministry of Labour, Industrial Relations and Productivity (MOLIRP) is tasked with the administration and enforcement of the Act. It has the responsibility of registering cases, conducting investigation, processing and forwarding claims on behalf of the workman or the dependents, to the insurers and thereafter facilitating payment. Claims are processed through the Workmen's Compensation Unit and District Labour Offices in accordance with the provisions of the Act. Chart 1 illustrates the process of compensation.

All employers are required by Section 14 of the Act to report work-related accidents causing injuries within 14 days, and deaths of workers by any cause within 7 days to the Permanent Secretary (now called the Chief Executive Officer) of the MOLIRP. In the case of death, the Act makes provisions for the payment of compensation to dependents of deceased workers, to be paid in Court. Upon application, the Court directs the sum so paid to be apportioned among the legal dependents and invested for their benefit, under a joint trust with the CEO of MOLIRP.

At the MOLIRP, 10 staff are currently allocated to work on workers compensation, consisting of 4 staff in the Workmen's Compensation Unit, headed by a Principal Technical Officer in Suva, and 6 staff in the District Labour Offices. In the recent restructuring of the Ministry, the Workmen's Compensation Unit and District Labour Offices have been transferred from the Labour Standard Service to the Occupational Safety and Health Service as of 24 February 2002. In the event of delays, legal proceedings are taken against defaulting employers to ensure compliance. The Ministry also institutes legal proceedings free of charge, for the recovery of compensation in the event that employers fail to pay or oppose the claim.

Figure 16.1 Workmen's compensation process mechanism



16.7 Problems with the administration of the compensation claims

The existing workers compensation scheme in Fiji has faced a serious problem in the management and administration of the compensation claims. Over the years, a number of backlog cases have been built up. As of March 2001, there were 1,959 pending compensation cases in total. This is more than one year's claim and some of the pending cases date back to 1993.

In 2001, the MOLIRP implemented a short-term action program, including allocating extra staff on the work to reduce the backlog of claims to a manageable level. A taskforce composed of the Labour Standards staff in Suva was set up to clear the backlog of cases and to improve the efficiency of the claim procedure.

The task force developed a manual on the reporting system and processing of reported accidents in 2002. The task force substantially reduced the number of outstanding claims. By June 2003, the task force had settled 1,532 cases and consequently the number of backlog cases (from July 1993 to August 2001) has been reduced by 78 per cent from 1,959 to 427. With the recruitment of 5 additional Labour Inspectors at the end of June 2003, progress was accelerated in 2004 when 858 cases were reported and a total of 1,475 were cleared. By the end of January 2005, the backlog was reduced to approximately 190 cases.

It is instructive to analyse the causes of the delay. The following table shows the breakdown of the 427 pending cases at June 2003. The following observations can be made.

Table 16.3 Analysis of pending cases as of June 2003

Reasons for delay	Number of pending cases	Percentage
Pending medical reports	222	52%
Cases under investigation	192	43%
Cases pending in Court	13	3%
Total	**427**	**100%**

Firstly, 52 per cent of the pending cases are due to delays in receiving medical reports from the medical authorities. Apparently, assessments of work accidents are not given high priority by medical professionals. Fiji has been facing the so-called "brain-drain" problem of health professionals. A number of skilled health professionals have migrated to neighbouring countries such as Australia and New Zealand. In addition to the lack of medical professional, the fee for the assessment of work accidents is kept at a low level of FJD 10 per medical report and thereby providing disincentive for medical doctors.

Moreover, Section 15 of the Act authorizes the employer to nominate the medical practitioner who would conduct the medical examination on the worker. As the employer is interested in minimizing the cost to the firm of compensation claims mandated by the Act, there may be room for collusion between the employer and the medical practitioner to keep costs down. Section 15 (5) allows the worker to bring his own medical practitioner to observe, but the worker must shoulder the cost of medical examination. This provision would act as a deterrent for the worker to do so, particularly if the worker is in financial hardship. It should be noted that one medical doctor in Fiji School of Medicine volunteered to clear the backlog cases pending the medical report. Although the fee was set higher at FJD 15 to be paid by the injured workers or dependents, many took this option in favour of quick settlement.

To encourage greater transparency in the process, it is suggested that several service providers be accredited to conduct the medical examination and diagnosis, and the worker, not the employer, be authorized to choose from among the accredited service providers.

Secondly, 43 per cent of pending cases are attributed to procedural delays in the Head Office and the regional offices of the MOLIRP. Considerable time is spent on tracing workers, employers and dependents. Survivors may have moved with no record of current addresses or contacts. Some injured workers leave their employers and are untraceable when required for final medical examination.

Thirdly, considerable time is spent on disputed claims. Although these cases account for 3 per cent of the pending cases, cases that go to court can involve considerable delays in settlement and employer-worker confrontation. If court action is involved, the worker is at the mercy of the legal

system. In most of these instances, the worker cannot afford to pay a solicitor. Some solicitors are prepared to take a case on the understanding that they will receive a percentage of any compensation awarded, which is usually deducted before the worker or the dependents receive any payments. As a result, pressure may be exerted on the worker to accept what may appear to be an attractive settlement but which may not correspond to their long-term income loss. Furthermore, all claims relating to fatalities must be referred to the courts, including cases where no legal arguments are involved.

Fourthly, if the employer decides to refer the matter to the insurance company, then the insurance company will investigate whether and in what circumstances a work accident occurred, or whether a particular disease is an occupational disease caused by the worker's exposure to conditions at work. Many claims lodged with insurance companies are subject to lengthy delays while the matter is investigated. During this time, the worker and family receive no income.

Fifthly, the management and administration of the system is weak. Currently, 10 staff are allocated to work on workers' compensation. On average, one staff member is required to handle around 120 cases per year, which is reasonably manageable level. However, since these staff members are also required to undertake a range of other important duties such as labour complaints, investigations and labour inspections, not enough priority was given to workers' compensation cases. The work is sufficiently onerous as to warrant the allocation of full-time staff in workers' compensation claims, particularly in those offices that receive a high number of claims.

One of the structural issues of the current system is that it relies on a number of external factors which are beyond the control of the Workmen's Compensation Unit. The administration of the workers' compensation scheme requires complex coordination between the MOLIRP, employers, workers, the Ministry of Health, medical profession, insurance companies, courts and the legal profession. Establishing a centralised organization administering the main functions of workers' compensation programme will result in a considerable efficiency gain.

Trade unions report that workers are not adequately informed of their rights. Most are not aware of their right to workers' compensation and, even so, most do not know how to pursue a claim.

Clearly these problems with administration require a more systematic and longer-tem solution which calls for a review and remedial action in all aspects of the scheme administration that contribute to the delays.

16.8 Overview of the discussions on the workers' compensation

Over the years, several discussions have been undertaken on how the workmen's compensation programme would be improved. This chapter summarises the views of key stakeholders[101]. After a long consultative process, agreements in principle on heretofore very contentious issues were reached. The "Principles of Workers' Compensation" summarize the consensus so far. This chapter ends with a brief update on the intention of the Minister of Labour to require compulsory coverage on the part of employers for any liability they may incur under the Act.

16.8.1 Tripartite discussions at the Labour Advisory Board in the 1990s

In the mid-1990s, the Labour Advisory Board discussions of a proposed workmen's compensation programme centred on the following points.

First, the proposed scheme would operate without financial cost to workers and be funded by employers because:

- Employers are responsible for ensuring that places of work, including plant and systems of work, are safe and without risk to health.
- Insurance for personnel compensation should be part of the cost of running a business similar to insurance for buildings, equipment, and finance.
- The government cannot afford to bear the social costs of work-related injuries and diseases, such as social welfare and rehabilitation.

Second, the scheme would be operated on a no-fault basis because:

[101] Materials for this chapter have been drawn from various meeting minutes, updates and summary papers of the concerned units of the Ministry of Labour, Industrial Relations and Productivity.

- Compensation payments need to be available as soon as possible after an accident as these would replace a worker's normal earnings that he relies on for family living expenses.
- It is not only the worker who suffers through loss of earnings. The dependents also suffer.
- Workers in Fiji cannot afford to become involved in disputed claims.
- Money collected for compensation (either by levy or by insurance premiums) should be spent on compensation and not on expensive litigation.

Third, common law claims would be excluded under the proposed scheme, thus removing a worker's right to sue his employer. This is regarded as reasonable where the scheme operates on a "no fault" basis under which the worker and/or dependents automatically become entitled to compensation.

Fourth, the scheme will be operated on an equitable basis having regard to the hazardous nature and accident record of the employer's operations. An employer whose operations involve few occupational accidents should pay less levy or premium than one involving a high level of occupational accidents. The new scheme will therefore provide for the establishment of a system for rating employers in respect of the level of hazard involved and their record of work-related accidents and diseases.

Fifth, the scheme would need to develop a buffer fund to ensure sufficient money is available to:

- Cover the compensation liabilities of the fund for at least three years.
- Cover the possibility of a serious accident involving loss of life or serious injury of a number of workers, e.g. a fishing boat accident or a factory explosion. This may involve reinsurance.

Sixth, if the scheme were to be operated with the assistance of the Insurance Industry and on the basis that all employers would be compelled by law to insure their workers against accidents and diseases, a number of safeguards would be required, such as:

- Some rules would have to be prescribed by the force of law to protect employers from what could become a monopoly. Insurance companies could collude in the setting of minimum premiums, and employers would have no alternative but to pay.
- A contingency fund to protect against the possibility of an insurance company going bankrupt, pulling out of workers' compensation insurance, or simply leaving the country. These are real concerns for a country the size of Fiji, which is very vulnerable to the dictates of big business in an aggressive global insurance market.
- A centralized system for facilitating periodic payments. Under the present scheme, an insurance claim involves a one-off payment.
- Some safeguards would be required to ensure that at least 80 percent of all money collected is spent on compensation payments and services.
- Transparency of the scheme would be essential with regular audits and financial reports.

Seventh, all administration, inspection and enforcement costs will be funded through the scheme. These include the following:

- Operation of the advisory board, if any, including general administration costs and salaries.
- A central register of employers, to know whether or not employers are complying with the law.
- Inspections and claims assessment.
- Enforcement of the Act.
- The costs of any other court action.
- Medical boards.
- Compensation for workers of employers who have not taken out insurance, with such money to be subsequently recovered from the employers.
- All compensation payments.
- Operation of periodic payments system.
- Medical, funeral and travel expenses.
- Rehabilitation of injured workers.
- All other costs involved in operating the scheme.

Eighth, surplus funds shall be invested and the interest earned will form part of the scheme funds.

16.8.2 General agreement on the principles of workers compensation

On 2 July 1996, the Cabinet approved a proposal that a new workers' compensation scheme would be established. The particulars of the approval are as follows:

- A new Workers' Compensation Scheme would be introduced in respect of work-related accidents and diseases to replace the existing scheme.
- The establishment of an up-to-date compensation scheme for motor vehicle (third party) accidents would be deferred for separate/future consideration.
- The workers' compensation scheme would be operated on a "no fault" basis and provide for pension and/or lump sum payments depending on the circumstances of each case.
- The right to common law claims would be excluded for persons covered by the scheme.
- The Scheme for work-related accidents and diseases would be funded by levies paid by employers.
- The scheme would provide 24-hour coverage of non-work accidents to or accidental death of workers funded by levies paid by workers.
- As a corollary to the new Health and Safety at Work Act of 1996, provisions for expenditure on occupational health and safety education and accident prevention would be funded through the scheme.
- Provisions for expenditure on the rehabilitation of injured workers would be funded through the scheme.
- Provisions would be made for the effective and efficient management of the workers compensation scheme, including an annual audit of its accounts and an annual report to Parliament.
- The Ministry of Labour and Industrial Relations, together with the Solicitor-General's Chambers, would be authorized to prepare a draft bill to establish the scheme.
- The preparation of the bill would be undertaken in consultation with the Labour Advisory Board.
- Provisions would be included for a review of the scheme after it has been operating for 3 years, at 5-yearly intervals or thereabouts.

On 13 May 1997, the Cabinet agreed to the following:

- The proposal to provide 24-hour coverage of non-work accident to or accidental death of workers would be excluded from the draft Workmen's Compensation Bill.
- Actions would continue on the finalization of the Bill in respect of work-related accidents and diseases with a view to its implementation as soon as possible.
- Research would be undertaken to determine the affordability of the 24-hour coverage proposal as a separate exercise, before a final decision is made on its inclusion.

As a result of these consultations, general agreement has been reached on the main principles to be followed in the operation of, and the benefits to be provided by, the new scheme. These are summarized as follows:

- The concept of "no fault" shall be included.
- Common-law claims shall be excluded for work-related injuries and illnesses.
- Compensation shall be paid:
  - On a weekly basis, for earnings-related claims.
  - Lump sum payments for specified disabilities.
  - Periodic payments to the worker for permanent disability or to his dependents in the case of the death of the worker, with such payments to be made for up to 7 years.
  - Incidental entitlements such as medical/funeral expenses shall be improved.
- Earnings-related and periodic payments to be based on 80 per cent of worker's earnings.
- Mechanisms to be put in place to ensure delays in payments are minimized.

16.8.3 The issue of compulsory insurance vs. levy-funded risk-pooling

The most contentious issue, however, relates to the way the scheme would be funded and managed. Employer and government representatives of the Labour Advisory Board are of the view that the scheme should be funded by way of compulsory insurance paid by employers and operated by the insurance industry, rather than a levy system administered and managed by a Board. The workers' representatives, however, support a levy-funded and board-managed scheme. In this regard, employers do not agree with the levy system due to variations in the degrees of risks involved.

The Workers' Compensation Bill, as originally drafted with the assistance of an ILO specialist, proposed that the new scheme be funded by way of a 1 per cent levy imposed upon all employers,

including government, and that a Workers Compensation Board be established to operate and manage the scheme. This would include the collection of the levy payment of all compensation and the general administration and enforcement of the scheme.

Questions were raised about the cost and viability of the proposed levy scheme, and the need for a new management and administration when there is already an infrastructure for operating the scheme through the insurance industry.

A sub-committee of government officials was formed to discuss the issue with a wide range of private sector representatives and other interested parties. In the end, the view was that the scheme should be funded by compulsory insurance operated by the insurance industry. Further, the position was that there was no need to appoint a new board. Instead, a workers' compensation office would be established within the Ministry to administer the scheme on behalf of the Government. Among the matters taken into account was the need to support the development of the private sector including the insurance industry. The consultations identified other issues, including the following:

- Some employers, including government, could be exempted from compulsory insurance and would be "self-insurers". In other words, they would be covered by the scheme but be responsible themselves for the payment of compensation. They would also be required to share to the cost of administering the scheme with other insured employers.
- The cost of operating the workers' compensation office would be paid for by the users (employers and self-insurers) through the payment of a levy based upon a percentage of insurance premiums.
- The responsibilities of the Workers Compensation Office would, among other things, include the following:
  - General administration and enforcement of the scheme.
  - Operation of a register of employers.
  - Assessment of lump sum and periodic compensation payments, including the operation of medical boards.
  - Operation of a Trust Fund from which periodic compensation payments would be made plus other contingency payments such as in the case of an uninsured worker.
  - Information and education programmes for employers and workers.
- The worker representatives are concerned that many of the problems with the present system will continue to exist under a compulsory insurance scheme, including:
  - The insurance industry is motivated by profit whereas the welfare of workers and their families should be the underlying criteria supporting a workers compensation scheme. Insurance companies are not concerned about the social aspects.
  - The market should not control the scheme.
  - The history of the existing scheme indicates that many workers do not receive any compensation for work accidents or are paid as little as possible and, in many cases, have to wait for years for their claims to be settled. They question whether making insurance compulsory will resolve these problems.
  - Workers could lose out in the case of the bankruptcy of an insurance company.
  - If a Board were appointed as part of the management of the scheme, the three tripartite partners could be represented on the Board to ensure the scheme operates effectively on behalf of the persons or agencies they represent.

On 11 August 1998, the matter was referred to the Cabinet, which then issued the following decision:

- Approve the introduction of a workers compensation scheme to replace the existing scheme.
- The funding of the scheme should be by way of compulsory insurance.
- Various discussions should be held with interested parties to determine whether the scheme should be operated by the insurance industry, a workers compensation board comprising the three tripartite partners, or a body to be set up whose functions and objectives are similar to that of the FNPF.
- Approve the establishment of a workers' compensation office within the Ministry, to manage and administer the scheme.

- Approve the preparation of a Workers Compensation Bill by the Ministry and the Solicitor General's Chambers in consultation with the Labour Advisory Board and other interested parties.

16.8.4 Recent developments on compulsory insurance

The political unrest in 2000 disrupted the further development of the workers' compensation reform. The matter was raised in the 16 July 2002 meeting of the Labour Advisory Board. In this meeting, the Minister announced the MOLIRPs intention to make an order under Section 26 of the Workmen's Compensation Act that will require employers to insure themselves in respect of any liability that they may incur under the Act. The proposed insurance for employers shall be distinguished from the no fault system as liability is still to be established.

Section 26 of the Act provides for the following:

(1) The Minister may, by order published in the Gazette, require any employer or class of employers to insure and keep himself or themselves insured, with such insurers as may be approved by the Minister and published in the Gazette, in respect of any liability which he or they may incur under the provisions of this Act to any workman employed by him and them.

(2) Where the Minister has made any order under the provisions of subsection (1), he may exempt any employer to whom such order applies from the provisions thereof, who produce and maintain in force a security which complies with the requirements of subsection (3) and any exemption so granted shall continue in force only so long as such security continues in force.

(3) For the purpose of subsection (2), a security shall consist of an undertaking by a surety approved by the Minister to make good, subject to any conditions specified therein and up to an amount approved by the Minister, any failure by the employer to discharge any liability which he may incur under the provisions of this Act to any workmen employed by him.

(4) Any employer who acts in contravention of any order made under the provisions of subsection (1) shall be liable on conviction therefore to a fine not exceeding one hundred dollars or to imprisonment for a term not exceeding three months, or both to such fine and imprisonment and, if the contravention in respect of which he was so convicted is continued after the conviction, he shall be guilty of a further offence and liable in respect thereof to a fine not exceeding ten dollars for each day on which the contravention continues.

If any proposals for compulsory insurance come under consideration it may be advisable to study the issues of higher costs in depth as this is important to employers and efforts to achieve cost-effectiveness in this field. The related point is whether the introduction of compulsory insurance would result in increased costs for employers since they would be obligated to accept terms from one company or another. It is also relevant to consider whether expansion of this branch of insurance would present even larger obstacles to any future plans for finally effecting fundamental improvements through conversion of this scheme into a social insurance scheme at some future date, since this has happened in the past under voluntary insurance.

Two major questions warranting careful study are the relatively high costs incurred by use of private insurance companies and whether, as often alleged by trade unions and other organisations, some insurance companies tend to be less service-oriented and more motivated by profit motives and that this is reflected in tendencies to delay or dispute settlements to injured workers and their families.

The cost of insurance companies includes marketing expenses, commissions to agents and brokers and reinsurance of catastrophic risks such as loss of lives and disablement at workplaces through major disasters. In the case of social insurance scheme, the usual level of administrative expenses is less than 10 per cent of premium income[102] and all resources are retained in the Workmen's Compensation Fund for the purposes of the benefit payment. There is a lack of detailed information on the standards of service provided by insurance companies but it is important to determine whether and, if so, to what extent, do insurance companies fall below acceptable levels of service. This could be ascertained by analysis of claim files for a suitable period.

[102] The indication of the probable administrative cost levels was obtained from the FNPF experiences.

16.8.5 Case study: New South Wales Workcover scheme

Regarding the setting of premiums, the system used by the New South Wales Workcover Authority in Australia could serve as a guide. The following provides a brief outline of the system used by the New South Wales Workcover Authority from a paper submitted to the LAB meeting on 5 December 2002.

In New South Wales, the government sets the average workcover premium annually on the advice of the Workcover Authority Board, which takes it advice from consulting actuaries. The authority's recommendations are based on the annual estimate of liabilities. Employers are required to estimate the number of employees they expect to employ in the next year and the amount of wages they expect to pay. The employer is also asked to describe the business so that a correct business classification can be assigned.

A premium is calculated using the information and the employer is required to pay a deposit premium. If the base premium tariff is more than AUD 3,000, payment can be made in three instalments at the end of the first, fourth and eighth month of the policy period. If the premium is less than AUD 3,000, the whole premium must be paid within one month of the date of issue of the assessment notice. At the end of the year, the employer provides more accurate information to the insurer on the number of employees actually employed and the wages actually paid during the year. The insurer then recalculates the actual premium that should be levied and adjusts the deposit premium.

Employers are classified in accordance with the Workcover Industrial Classification System, which comprises 529 industry classes. The workcover scheme actuary assesses premium rates for each industry class annually, based on an analysis of the industries past claims performance. Insurers allocate employers to an industry class based on information provided by the employer and according to the employers business or industrial activity. The classification applicable to the business is the one that most accurately describes the entire business of the employer. The classification determines the employer's basic tariff premium.

To monitor compliance, the following measures are contemplated:

- Wage audit of employers - the insurers can carry out audits of their client's record of payments to verify the figures forwarded to them for computing of premiums
- Prosecution - the strategic use of prosecution as a response to non-compliance and publicizing cases of successful prosecution. The fine should be increased as a form of deterrent.
- Inspection - labour inspectors to inspect policy of individual employers.

An approach currently used by the Reserve Bank of Fiji under the Insurance Act is that companies are required to maintain a deposit equal to their required solvency ratio. The deposits could be in government securities, term deposits and other securities approved by the Reserve Bank. The Reserve Bank therefore holds these security certificates as a custodian. In an event of failure of the insurance companies, the security amount would be used for payment of insurers' liabilities to policyholders.

The MOLIRP in approving the form of security suggests a similar stance for adoption. Each employer would have a different level of security, with the minimum proposed at the level of the death compensation in the Act, currently at FJD 24,000. The amount may be determined by considering the circumstances an employer such as degree of risk exposure to workers, previous accident and claims experience, current level of compensation, and wage turnover of the employer.

16.9 Guides for the development of workers' compensation in Fiji

To serve as a guide for stakeholders to develop the most suitable policies and strategies for Fiji, this Chapter first looks into the historical development of the workers' compensation in general, explains relevant international standards as presented in ILO Conventions, and provides the information on trends in workers' compensation protection in selected countries in the Asia and Pacific, with particular reference to the conversion of employers' liability schemes into social insurance schemes[103]

.

[103] For more detailed descriptions of international comparison of workers' compensation schemes, see Thompson K. (2005) in the references.

16.9.1 Historical development of workers' compensation

Workers' compensation, or more broadly employment injury benefit, is one of the most widely adopted branches of social security. 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. This is because the contingency of employment injury has had precedence since work-related accidents occur in every country whatever the levels of industrialisation. In the early days of industrialization, workers themselves had to bear the consequences of employment injury in addition to other costs of living. Unless an employer was charitable enough to make provision for workers on a voluntary basis, the only recourse to compensation for employment injury was through their rights under the civil law. However, this was valid only if the injured worker could prove before the court that it was due to the fault of a second party which was usually his/her employer or fellow workers. Even if it was possible to take an employer to court for redress for an injury which occurred in the workplace, the problems associated with producing adequate evidence and the necessary proofs were almost insuperable for workers or their survivors.

This situation was changed when the legal liability of the employer for compensation of employment injury was established on the principle of occupational risk (initially in the nineteenth century in Europe). Any employer who carries out economic activities by using labour and machinery is likely to cause injuries to employees. Therefore, employers should have the responsibility to provide compensation in prescribed contingencies, without any question being raised as to whether the injury was attributable to fault on the part of the employer, the employee or any third party, even if there has been no fault at all. This principle has been incorporated into the labour legislation of almost all industrialized countries. In many countries, however, the creation of the system of compensation does not deprive the injured workers of the inherent right to claim damages under the civil law if the worker considered that the circumstances in which the injury occurred justify such an action.

Workers' compensation is a legal liability placed on employers to provide compensation in certain prescribed contingencies. The most common definition of the contingency is *personal injury by accident arising out of and in the course of employment* and specific provision usually is made for cases of occupational diseases by means of a schedule naming them and the types of employment which are recognised as involving exposure to each of these diseases.

Employers could in most cases either take this liability on charge themselves or take out some form of private insurance to cover this liability; and in a number of countries the law makes it compulsory for employers, either individually or collectively, to buy the insurance policy.

The levels and duration of compensation vary from country to country. Typical compensation includes:

- Medical care and hospital treatment,
- Benefits in respect of temporary incapacity,
- A benefit, usually a lump sum, for a permanent and total incapacity,
- A partial lump sum benefit for a permanent and partial incapacity,
- A lump sum for death.

Workers' compensation schemes based on employer's liability principle suffer several limitations, in particular:

- The payment of lump-sums for long-term contingencies instead of pensions,
- Limited provision of medical care,
- Delays and obstacles to speedy settlements,
- Loss of funds from the system in the form of insurance companies' commissions and profits,
- Little or no commitment to rehabilitation, and
- Little scope for support for OSH programmes.

These problems have led a high proportion of countries to adopt the social insurance approach. Over 70 per cent of the schemes worldwide utilise social insurance principles of pooling risks to finance work-connected contingencies. In other words, individual employer liability is replaced by the collective approach, which makes it possible to provide adequate health and income protection conforming to the internationally accepted standards.

In an employment injury scheme, benefit is paid from a common fund and provides for:

- Medical care,
- Interruption of earnings due to incapacity following an injury,
- Residual loss of physical or mental capacity, and
- Cases of fatal injury.

Moreover, some countries apply a widening of the concept of compensation for accidents to include not only those incurred in the workplace but those which have occurred outside at home or whether work related or not.

16.9.2 Relevant ILO standards

ILO standards have played an important role in the development of employment injury protection. The earliest ILO Conventions on this topic referred to "Workmen's Compensation" but this term was replaced by "Employment Injury" reflecting the extension of protection from the original target of manual workers in factories and mines to cover all types of works for men and women. The following list shows that the first Conventions were approved in 1921 and that a gradual evolution took place when the social security instruments were modernised in 1952 and 1964.

Table 16.4 ILO Conventions concerning employment injury

Convention No.12	Workmen's Compensation in Agriculture, 1921 (revised by Convention No.121)
Convention No.17	Workmen's Compensation for Accidents, 1925 (revised by Convention No.121)
Convention No.18	Workmen's Compensation for Occupational Diseases, 1925
Convention No.19	Equality of Treatment for National and Foreign Workers as regards Workmen's Compensation for Accidents, 1925
Convention No.42	Workmen's Compensation for Occupational Diseases, 1934 (revised by Convention No.121)
Convention No.102	Minimum Standards of Social Security, 1952
Convention No.121	Employment Injury Benefits Convention, 1964

The earlier Conventions were focussed on specific requirements in respect of accidents and diseases respectively. Fiji ratified Conventions Nos. 12 and 19 in 1974. The later instruments Conventions 102 and 121 are broader in scope. Some of the main principles in the latter are:

1. Employment injury protection must be financed by employers as a continuation of the responsibility for workplace safety;
2. Coverage should be at least half of the national workforce, or 20 per cent of all residents;
3. The benefits shall comprise medical care in respect of a morbid condition and cash benefits;
4. 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;
5. 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;
6. 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);
7. Rates of cash 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
8. 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 per cent and 60 per cent, respectively, by Convention No.121.

Workers' compensation schemes with the employer liability do not meet some of these requirements, in particular numbers 5, 6, 7 and 8 above on cash benefits. Also the very limited provision for medical treatment falls well short of the standards prescribed for medical care in the relevant ILO Conventions and most national legislation. 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 that the scheme is responsible for *maintaining, restoring or improving the health of the person protected and his ability to work and to attend to his personal needs* (Article 34 of the Social Security (Minimum Standards) Convention, No. 102 of 1952). This Convention provides that where a country has made a declaration under Article 3 that its economy and medical facilities are insufficiently developed it may be granted a temporary exception from the provisions in Article 34 paragraph 2 and the medical care under the employment injury branch should include at least:

- General practitioner care, including domiciliary visiting;
- Specialist care at hospitals for in-patients and out-patients, and such specialist care as may be available outside hospitals;
- Essential pharmaceutical supplies as prescribed; and
- Hospitalization where necessary.

This list together with the provision of artificial limbs, when prescribed by a medical board, constitutes the minimum range of medical benefits to be provided under a workers' compensation scheme. The Social Security (Minimum Standards) Convention and the Employment Injury Benefits Convention (No. 121 of 1964) stipulate that the medical benefits shall be provided *throughout the contingency* and free of charge to the insured workers who suffer 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.

With respect to the prevention, there are about 70 ILO Conventions and Recommendations dealing with occupational safety and health (OSH) matters. Fiji has not ratified any of these Conventions. The following list presents major Conventions on OSH.

Table 16.5 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.

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 health 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.

It should be noted that a list of occupational diseases has been found in the appendix to the Employment Injury Benefits Convention (No. 121 of 1964). To respond to urgent needs to expand the list (e.g. SARS, avian flu), initiatives were taken to simplify the procedure for updating the list of occupational disease. As a result, the List of Occupational Diseases Recommendation (No. 194) was approved in 2002.

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.

As regards prevention of occupational risks and rehabilitation, the Employment Injury Benefits Convention (No. 121 of 1964, Article 26) requires actions on the provision of 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.

16.10 Workers' compensation systems in selected countries

Although the first branch of social security and well established in many areas of the world, workers' compensation system is still evolving in many countries. 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 a 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 a possibility of supporting in various ways policies and programmes for the prevention of occupational risks.

To serve as a guide for the consideration of the suitable policy for Fiji, this section presents an overview of the trends in the development of workers' compensation schemes in selected countries. Appendix 16B contains 4 tables summarising the structure of workers' compensation schemes in 20 countries. Examples in the Asia and the Pacific region are China, India, Malaysia, Pakistan, Philippines, Samoa and Thailand. They also include smaller island countries in the Caribbean, such as Barbados, Guyana, Jamaica, St. Kitts, Saint Lucia and St. Vincent; the last 3 countries have populations of 38,000, 147,000 and 116,000 respectively in 2003, which are similar to some Pacific Island countries.

By establishing autonomous funds for this branch, all funds collected are available for the purposes specified in the legislation unlike the situation in employers' liability schemes where profits and overheads of insurance companies issuing workmen's compensation policies are lost to the system; this is relevant to Fiji where significant levels of overheads and profits are a feature of the private insurance coverage.

16.10.1 Coverage and contributions

Table 16.9 shows the wide scope of coverage of 11 social insurance schemes. Of these, 6 schemes have risk-rated contributions and 5 apply uniform contribution rates (such as 1 per cent of insurable earnings) for all employers. Extending coverage to all employees has benefited female employees in particular who generally work in less risky occupations.

Table 16.10 contains information on 11 selected employers' liability schemes of which only 5 have adopted compulsory insurance for this branch.

16.10.2 Medical benefits

Table 16.11 indicates that in general 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 charge to the injured workers or time limits. New Zealand requires a minimum payment but provides very extensive rehabilitation services, and Samoa allows overseas medical treatment up to a maximum of NZD 15,000; Thailand is an exception in that it imposes a cost limit of THB 35,000 (about USD 920 at the current exchange rate) and this can be increased to THB 50,000 in certain circumstances. Where social health insurance schemes are in force this facilitates the provision of medical care, but the general method is to appoint accredited practitioners and hospitals to render this service on an agreed fee-charging basis. They are paid directly by the social insurance authorities, except in cases of emergency or other situations where reimbursement may be allowed by regulations.

Table 15.9 in the previous chapter shows that employers' liability schemes tend to provide more restricted medical 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 possibly due to the fact that it was drawn up when public health services were expected to provide full medical care to all citizens.

16.10.3 Cash benefits

(i) Temporary disability benefits

Although there is no standard pattern, it is evident from Table 16.11 that a number of countries provide quite high rates of temporary disability benefits (for example, 80 per cent of recent earnings in 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. Employers' liability schemes, as shown in Table 15.9 in the previous chapter, have broadly similar provisions.

(ii) Permanent disability benefits

Assessments of permanent disability are made by medical boards established by the schemes which are guided by the schedule of disability specifying the degrees of loss of earnings capacity attached to the legislation. The benefit rates are usually based on the level stipulated for permanent total disability with lower percentages entitled to that the rate of permanent total disability. Where the medical board certifies that recipients of permanent total disability benefit require constant help or attendance of another person, the benefit will be increased by a constant attendance allowance such 25 per cent.

A key point to observe is whether the benefit for a long-term contingency is in the form of a pension or in the form of a lump-sum. Whilst social insurance schemes usually provide pensions protection, employers' liability schemes pay lump-sums. As shown in Table 15.9 in the previous chapter, pensions are payable in China, India, Japan, Malaysia, Pakistan, Philippines, and Thailand (but in the latter case the pensions are payable for a limited duration); New Zealand and Samoa are the exception as they provide lump-sums. Pensions are calculated as a certain percentage of the recent insurable earnings and their value is maintained through periodical increases often at annual intervals. Lump-sum payments are consumed relatively quickly after which the persons concerned are left without any support and may become dependent on family support or social assistance. An exception to the principle of pensions for permanent disability is made in the case of slight permanent disability (below a level such as 20 to 30 per cent) where the benefits may be paid in lump sums, calculated on actuarial principles.

(iii) Death benefits

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 employers' liability legislation. The basis for the benefit is usually the amount or entitlement of permanent disability benefit payable to the deceased. 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 the permanent disability benefit. 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. The provision of pensions in place of lump-sums has benefited women in particular and also enabled families to keep children at school.

Examples of survivors' pensions in Table 16.11 show variations in the actual rates allocated to spouses and children within the framework of the distribution of the permanent disability benefit 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 up to 8 years. All of employers' liability schemes shown in Table 15.9 in the previous chapter, pay lump-sums only, and this is the pattern found in such schemes elsewhere due to lack of funding and administrative capacity for pensions payment.

16.10.4 Rehabilitation

Rehabilitation may be defined as a combined and coordinated use of medical, vocational social and educational measures to restore a disabled person to the fullest physical, mental, social, vocational and economic usefulness to which he is capable. It is a total process which begins with the earliest treatment of the injury or disease and does not end until every effort has been made to achieve maximum independence of the handicapped person.

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 employers' liability schemes. Social insurance schemes tend to pursue the higher objectives more consistent with the concept 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".

However, due to lack of resources or facilities, some schemes 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 some Asian countries such as Malaysia, Philippines and Thailand are actively developing comprehensive rehabilitation systems.

16.10.5 Commuting accidents

The acceptance of commuting accidents as employment injuries has been an important innovation marking a distinct shift from the narrower concept to a broader view recognizing that the journey to and from work is a hazardous part of the working day for large group of workers. However, the coverage of commuting accidents 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. ILO Convention concerning Employment Injury Benefits (No. 121 of 1964) requires that the definition of an industrial accident should include the conditions, under which a commuting accident is considered to be an industrial accident. Whilst some countries which adopt social insurance (India, Republic of Korea, Malaysia, Pakistan and Philippines) have broadened the scope of liability to include commuting accidents, this has not been widely accepted in employers' liability schemes in the region. Samoa is notable as it covers all workers for work-injury and the whole population for specified conveyance accidents; the latter is financed from a separate fund which receives a fuel levy for this purpose.

16.10.6 Financing of the scheme

For any types of scheme, the sustainability of the program should be ensured in the long run. Rising program costs constitutes a major threat to

employment disability programmes in many countries.

(i) Employers' liability schemes

As noted earlier, if employers are self-insuring, there are usually concerns of low benefit standards due to the limited financial capacities of the smaller establishments, and of risk of insolvency catastrophic cases such as loss of lives and major disasters, which may result in bankruptcy of the enterprises and failure to meet the legal obligations.

The usual remedy is to stipulate that employers shall take out private insurance. By paying premiums to the insurers the employers transfer liability to the insurance company for the provision of benefits. In countries where the insurance sector is fully regulated the regulatory authority is able to undertake enquiries to confirm the solvency of insurers and that they have taken out sufficient re-insurance to guarantee all liabilities can be met. Consequently, the fact that employers have taken out insurance policies provides guarantees in principle to employees that eligible persons can be provided with their legal rights under the Act.

The insurance company sets the premium to be paid by the employer. Premium rates would vary across the employers, depending on such factors as risks involved, the claims experience of the employer, current levels of compensation, and other factors. Subject to the claims paid out in any given year, rider provisions of the insurance policy and regulatory standards, insurance companies have full discretion on the balance of premiums to be collected. In addition to claim expenditure, the costs of private insurance companies include marketing expenses, commissions to agents and brokers and reinsurance of catastrophic risks. The Reserve Bank of Fiji figures quoted in the report for the 2000-2003 period show significant levels of profits after the overhead and operating costs have been deducted.

(ii) Social insurance schemes

Social insurance type employment injury schemes require two financial systems. Medical and short-term cash benefits are usually financed by the "pay-as-you-go" system, under which the resources raised year by year from contributions and other sources balance the expected costs year by year. In practice, a contingency reserve (usually less than one year's benefit expenditure) is needed against unforeseen changes in expenditures or falls in income.

For long-term benefits, the principle is advance funding. A common method is to accumulate capital equivalent to the present value of the liabilities in the year in which these are incurred. 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. Consequently, this system takes into account the future costs of pensions and grants 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.

A social insurance scheme would require an establishment of a trust fund with contingency and technical reserves to receive all income from contributions from employers and investments, and to finance expenditures on benefits and administration. An actuarial valuation of the fund 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.

As a rule, it is employers' responsibility to pay the premiums on behalf of the workers (however, Samoa also introduced employees' contribution in 2003). A question arises as to whether these employer premiums should be uniform, collective (e.g. by industry), or individual as in private insurance. The main argument for uniform rates is that in comprehensive schemes covering a wide range of employees for all social security contingencies the risks should be reasonably well balanced over time, and that risk-rating may not be a reliable indication of future experience and cannot easily be applied to smaller firms. The proponents of individual risk-rating contend that this system provides strong incentives for employers to strengthen safety measures and accident prevention, and also avoids the price distortion which results from low-risk industries subsidising high-risk industries. A collective rating approach is similar to individual rating except that the employers in the same economic activity are regarded as a basis for the assessment of the contribution rate.

(iii) Remarks on multiple premium system

Some social insurance schemes adopt a combined system of industrial risk-rating and experience

rating. The purpose of this system is equitable sharing of costs by individual employers. It is also considered that such a system provides employers with financial incentives for accident prevention and the promotion of health and safety at the workplace.

The system uses industry codes to determine the basic contribution for each enterprise according to the industrial sector it belongs to. Whilst the industry base contribution reflects the average experience of all enterprises in a specific industrial category, the second factor is considered that takes into account past experience of individual enterprises by the loss ratio over a past 3 year period. For example,

$$\text{Loss ratio} = \frac{\text{Amount of benefits over the period 2001 - 2003}}{\text{Amount of contributions from 2001-2003}} \times 100$$

This may result in a reduction, increase or no change in the contributions assessment for year 5 (in this example in 2005) according to a schedule. Examples are as follows.

- In Thailand, the current rate structure consists of 131 industry codes and 9 basic rates. (At present the contribution rates range from 0.2 per cent up to 2 per cent, this was recently reduced temporarily to 1 per cent for economic reasons.) Enterprises are allocated their base contribution rates according to their industry class. Depending on the experience, the base rate can be adjusted from a maximum reduction of 80 per cent to a maximum increase of 150 per cent.

- Japan applies collective rates covering 51 industrial categories with the lowest rates 0.5 per cent (commerce) and the highest 12.9 per cent (construction of hydro-electric dams and tunnels). These rates are inclusive of commuting accidents, which is a uniform 0.1 per cent for all enterprises. Merit contribution system is applied for establishments with more than 100 workers or construction projects whose contribution is more than JPY 1 million or whose value is more than JPY 120 million. According to the loss ratio of individual establishment, the industry base premium can be modified within 40 per cent (35 per cent for construction). One problem is that this system gives incentives for employers not to report work accident cases by referring injured workers to the national health insurance.

- New Zealand uses the terminology of "risk groups" and has identified 130 which are divided into 550 classification units. The rates range from 0.09 per cent to 8.01 per cent for the basic workplace cover which includes 24 hour injury cover for employees who suffer a work-related personal injury.

The system can be maintained by regular reviews to assess the trends in regard to claims costs in each industrial sector and establishment so that the rates can be adjusted to reflect the recent experience. These costs can be expected to vary from year to year as safety practices change in industries and costs of medical and cash benefits are affected by factors such as higher earnings and medical inflation. Therefore periodical updating of the risk rated contribution charges for each industrial sector and establishment should be part of the system.

This system is generally more acceptable than uniform rate for all enterprises for this contingency which by spreading the costs of claims so that less risky enterprises subsidise those with higher accident frequencies can be assumed to have the opposite effects of lessening the financial incentives for accident reduction. However, many developing countries use uniform rates as more feasible as not all social security schemes have the administrative capacity to maintain detailed records and to systematically assess the claims experience of each employer. For example, China adopts simplified risk categories in which the contribution rates range from 0.5 per cent to 1.5 per cent according to the classification of industry and the incident records in the preceding year. 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.

This is one of the key issues faced on conversion of employers' liability workers' compensation schemes into social insurance schemes in Fiji and should be carefully examined in order to formulate a contribution system which is affordable and feasible and best meets the requirements of employers and workers in this field.

16.10.7 Prevention of accidents at work:

(i) Links with occupational safety and health institutions

Accident prevention normally falls under the jurisdiction of different government institution, such as the labour inspectorate that has the legal responsibility for occupational safety and health (OSH). In respect of OSH, workers' compensation schemes have the role of reporting accidents and supplying statistics to the OSH authority.

However, it is easily understandable that prevention is better than treatment and compensation. Minimizing employment injuries and occupational diseases is therefore a common objective by the government, employers and workers. In this sense, workers' compensation schemes may wish to support and encourage accident prevention[104] as the decrease in work accidents will reduce the scheme expense and entail higher productivity improvement due to fewer work interruptions.

In several countries, 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 transfer from the Industrial Accident Compensation Fund to the Industrial Accident Prevention Fund for the purpose of prevention. The governing board of the Social Security Organization in Malaysia authorises an annual budget for awareness-raising campaigns and targeted measures to improve safety and health amongst the groups most at risk. In Thailand, the Workmen's Compensation Fund Act stipulates that a maximum of 22 per cent of the interest earned on investment of its reserves may be diverted to OSH purposes and for support for rehabilitation programmes.

A recent survey by the ISSA Technical Commission on Insurance against Employment Accidents and Occupational Diseases brought out examples of an increasing interest of workers' compensation schemes in expanding the area of action beyond medical care and cash benefits to encompass prevention. A general trend is to integrate prevention with compensation in one institution.

16.10.8 Administration

Administration of a social insurance scheme for workmen's compensation comprises the main functions of collecting contributions and providing benefits. Countries such as India and Pakistan have grouped branches providing sickness, maternity and employment injury benefits. 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 employers' liability scheme was converted into a social insurance system, was to collect the uniform contribution rate through the main Social Security System, but to establish a separate Employment Compensation Commission responsible for the policy and technical development of the workers' compensation scheme. Samoa has established the Accident Compensation Corporation to administer the scheme separately from the National Provident Fund in that country. Whatever administrative organisation is selected to conform to national considerations, supervision and management through tripartite boards results in a significant strengthening of governance compared with the administration of employers' liability schemes.

Another aspect is efficiency and enhancement of service to victims of work-connected accidents and their families. Establishing a new organisation provides an opportunity to adopt this as the guiding principle in the planning of the administrative system and in determining the appropriate budget allocations. The legislation should specify the entitlement to a percentage of the contribution income for administrative purposes, subject to the approval of budgets by the Board. The objective should be to achieve through economies of scale and careful use of IT technology the development of an efficient and economical administrative system.

16.11 Recommendations for Fiji

16.11.1 Issues related to the proposed compulsory insurance

Intensive consultations amongst stakeholders have lead to Cabinet decisions on key principles for reform of workers' compensation in 1996,

[104] Similarly, the inclusion of commuting accidents also raises a new set of issues in the field of traffic safety.

1997 and 1998. The Labour Advisory Board in July 2002 was informed of the intention of the Minister of Labour to invoke Section 26 of the Workmen's Compensation Act to introduce compulsory insurance. These steps have not been taken to date and the MOLIRP has concentrated recent efforts on restructuring of the administration of claims and strengthening the capacity to clear a large backlog of compensation claims.

Although the major issues in the workers' compensation have been reviewed in some depth and a consensus established on a number of key points, major disagreements exist amongst stakeholders on whether the new scheme should operated by the insurance industry under a system of compulsory insurance by employers (supported by employers) or by a workers' compensation board collecting contributions from employers and managing a fund (favoured by trade unions). However, employers object to a system of uniform contribution rates that was previously proposed and the subject of draft legislation.

In the proposed scheme, it is the employer's responsibility to secure insurance from an approved insurer and pay for the premiums on behalf of the workers. By taking out insurance policies the employers transfer liability to the insurance company for the provision of benefits. In countries where the insurance sector is fully developed, the regulatory authority monitors the solvency of insurers and ensures that insurers have taken out re-insurance to guarantee all liabilities can be met adequately. Consequently, this provides guarantees in principle to workers that eligible persons are provided with their legal rights under the Act.

Requiring compulsory insurance coverage could mitigate adverse selection. In this case, adverse selection refers to the tendency of employers who perceive themselves to be at greater risk of incurring liabilities to actually get insurance coverage. This may create an undesirable effect of pushing up premium rates, thereby leading to the failure of private insurance market.
However, certain weaknesses or limitations of the system of compulsory insurance should be noted.

- There is no effective mechanism for the monitoring and enforcement of compliance to this provision of the Act. Therefore, employers could evade this obligation for financial reasons and are aware that there are minor if any penalties for failing to comply.
- There is no enforcement mechanism for obliging private insurance companies to underwrite particular enterprises, for example in industrial sectors with high risk or establishments with an unsatisfactory OSH record, if they prefer not to do so for any reason. (Conversely, insurance companies will compete to cream off enterprises with low risk industries). Even if an insurance company has to accept enterprises in hazardous industry, it may mark-up premium with a safety load, which will, in turn, be a financial obstacle to the employers. This means that compulsory insurance cannot guarantee that all workers have the assurance that their entitlements will be met in full.
- There will be less scope for scaling-up benefits to a greater extent. In fact, the usual pattern is that amendment of the legislation to update minimum and maximum compensation levels are made at very infrequent intervals separated by several years.

The proposal to establish a Workers' Compensation Office in the MOLIRP to monitor and enforce the compliance with the Act and oversee operations of insurance companies is not as satisfactory as a board run system. There are clear advantages to creating a board or a commission, which has an autonomous status under the authority of the MOLIRP, to be responsible for the implementation of the Act. In Fiji, the establishment of a Medical Board, which determines the degrees of loss of earnings guided by the schedule of disability, will greatly facilitate prompt settlements of compensation claims.

In ILOs view, simply invoking Section 26 in the proposed way could have serious implications for the effectiveness of the scheme and is not advisable without the introduction of safeguards and significant benefit improvements that would conform to the internationally accepted standards. The following describe the recommended improvements in the system.

16.11.2 Issues related to no-fault

Although one of the key principles of workers' compensation is "no-fault", under the current system in Fiji, there are many areas for the employer and the insurance company to intervene

in establishing questions of fault and extent of injury. Section 5 of the current Act disqualifying work accidents on the grounds of serious and wilful misconduct of the workers has been used as the basis for delays and disputes which have had negative effects on the protection afforded to workers under the Act.
It is recommended that the Section 5 be repealed from the Act to fully introduce the concept of "no fault" in the filing of claims.

16.11.3 Medical assessment of disability and occupational diseases

While no fault is imputed to either side, it is still important to establish whether and in what circumstances a work accident occurred, or whether a particular disease is an occupational disease caused by the worker's exposure to conditions at work.

One of the major problems facing Fiji is a weak support system to screen eligibilities, evaluate the extent of disability or injury, and monitor recovery. As in many countries in the region, the availability of experienced physicians in occupational health and safety is an issue of major concern in Fiji. Medical expertise is needed to establish the link between exposure at work and the manifested symptoms, to determine if invalidity exists, its extent and whether or not it is permanent, and the need for further treatment or rehabilitation. The lack of training and expertise may lead not only to underreporting but also to inadequate assessments of the worker's condition[105].

It is recommended that a Medical Board be established to adjudicate the disputed cases of work accidents and occupational diseases and determine the degrees of loss of earnings. A certain portion of the contributions may be earmarked to cover the administrative and operating expenses of the Medical Board. It would facilitate the Board decision if it develops a manual to determine schedule of disability and diagnose occupational diseases. Two remarks are made in this regard.

- The guideline of disability assessment developed in the ILO project for the social security system in the Philippines[106] could serve as a reference for developing such guidelines for Fiji.

- The current list of occupational disease in the Act is outdated. It should be revised in line with the recent ILO List of Occupational Diseases Recommendation (No. 194 of 2002). It should be noted that a review and update of the List of Occupational Diseases is planned for end 2005.

16.11.4 Medical benefits

To ensure improvements in the provision of medical care, it is recommended that

- The financial limits on the medical care benefits in Section 32 should be increased to the current charging levels; and,

- Service providers should be accredited to conduct the medical examination and treat patients and the worker, not the employer, may be authorized to choose from among the accredited service providers.

In addition, regular adjustment should be applied to maintain the real value of the maximum rates against inflation and increase in cost of living. This can be achieved by specifying the amounts with reference to the prevailing wage rate e.g. a multiple of the national average wage, instead of specifying them in monetary terms. Any changes in the compensable amount should not require the change of the law itself, which could conceivably be difficult, but it should be done by the Ministerial Order to revise the standard wage index on a regular basis.

16.11.5 Periodical payments for permanent disability and fatal cases

It is recommended that a review of the Act should be made to introduce periodic payments for the permanent disability and the fatal cases to provide the beneficiaries with more sustainable financial protection. If the option of compulsory insurance is adopted, private insurance companies are required to evaluate the actuarial costs of these benefits.

In the case of permanent total disability, the recommended pension formula is 70 per cent of the victim's previous earnings, subject to a minimum pension guarantee. The benefit will be increased if the injured worker requires constant attendance of another person. In the case of

[105] For reference, see Zimmer (2004).
[106] Republic of the Philippines, Social Security System, "Disability assessment manual: medical and functional" (revised July 1999).

permanent partial incapacity, the full pension is proportionately reduced according to the degree of loss of capacity. The real value of pensions should be maintained over time through periodical adjustment. The possibility of converting periodical payments into lump-sums should be limited only to the case where the degree is not substantial and the resulting pension would be small. Standard actuarial method should be applied for the commutation of pensions into a lump-sum.

The benefits for fatal cases comprise the survivors' pensions and the funeral grant. Entitlement of survivors' pensions should take into account the family relationships and financial dependence. For example, a surviving spouse and children under age 18, or age 21 if attending school or college (no age limit would apply to disabled children unable to work), may be entitled as primary beneficiaries if wholly or mainly dependant on the deceased whilst parents and siblings could qualify only if there are no such primary dependants and they were wholly or mainly dependant on the deceased.

The survivors' pensions should be calculated from the maximum amount which is the amount payable to the deceased for permanent total disablement or which would have been payable had the deceased claimed this benefit immediately prior to his/her death; the survivors pensions in total are subject to a limit of 100 per cent of the maximum amount. Typical rates of survivors' pension are 60 percent of the maximum amount for the widow(er)s, 20 percent for each child under age 18, and 40 per cent for each full orphan,. Where eligible, parents may be entitled to 60 per cent and siblings to 20 per cent subject to an age limit of 18 or 21 if attending school or college.

16.11.6 Strengthening administrative capacity

Fiji is facing a huge challenge in improving the administrative capacity of workers' compensation system. In the current system of Fiji, the implementation of the workers' compensation scheme requires an enormous amount of coordination between the MOLIRP, the Ministry of Health, the courts and the insurance companies. The proposed administering unit, Workers' Compensation Office, will continue to play an important role in monitoring employers and insurance companies to comply with the Act.

There is a need to improve the administrative and supervisory capacity of the staff. This would require the development of training plan and may well require external support in the delivery of the training. An enhanced approach to administration of workers' compensation would need to be linked with a support by management and skill development trough training programmes and a review of the structure of administration and procedures.

The procedural delays could be eliminated to a great extent if the process and the procedures were computerized throughout the country. There is an excessive amount of manual activity and processing step in the system. The information system needs to be computerized and adequate staffing structure and resources need to be put in place. There is a need to review procedures to ensure that these procedures are streamlined, simplified and integrated into an upgraded and unified data base. The adjudication process requires the availability of evidence-based information and statistics to form the basis for decisions.

16.11.7 Further issues

The proposed reform is viewed as a first step to a more comprehensive workers' compensation system in Fiji. For the purpose of future discussion, three issues are presented which were not considered in the proposed reform but may enter within the scope in due course.

(i) Extension of benefits

The workers' compensation scheme could aim to extend benefits to cover wider contingencies related to occupational risk such as provision of the medical and vocational rehabilitation for disabled workers and the compensation of commuting accidents. It should be noted that only limited number of hospitals in Fiji can provide rehabilitative services for injured persons. In this regard, it is encouraging that in December 2004 Fiji ratified the Convention on the Vocational Rehabilitation and Employment for Disabled Persons (No.159 of 1983). Rehabilitation is important not only from a humanitarian point of view but also economic point of view. At first sight, this might be regarded as an additional cost to the programme. However, to the extent that it succeeds in putting disabled workers back to work sooner, rehabilitation may result in a reduction in disability payments in the long run and contain programme costs over time.

(ii) Prevention of accidents at work

Fiji should continue the tripartite effort to minimize employment injuries and occupational diseases. In this relation, the recent transfer of the Workers' Compensation Unit to OSH Service is supported as it facilitates integrated interventions of workers compensation and occupational safety and health.

For a more comprehensive management of the work-related injuries, resources could also be allocated to improve enforcement of labour standards and to support accident prevention.
It should be noted that the International Labour Conference in 2003 discussed OSH standards and reached agreement on a global OSH strategy which calls for "coherent and focussed" action to reduce the number of work-related deaths, injuries and diseases. The global OSH strategy consists of the creation of a strong safety and health culture through appropriate national policies and programmes, and the introduction of a systematic approach to OSH management. The ILO conventions relating to OSH as explained in table 16.5 earlier are important instruments for the development of national OSH policies and programmes.

(iii) Transition from employer's liability to risk pooling by social insurance

As stressed throughout the chapter, there are several definite advantages in pooling risks with a larger number of workers in one common trust fund system. Through a social insurance system, a greater social solidarity would be fostered as employers, including government, would contribute to a common fund on behalf of workers. A common fund would facilitate the extension of a government guarantee and minimize programme risk of default by insurance companies in the settlement of claims.

It is suggested that after initial years of implementation of the compulsory insurance, an evaluation should be made to determine whether this system would continue to provide satisfactory protection or fundamental improvements cannot be made unless there is conversion of this scheme into a social insurance scheme at some future date.

As already noted in Chapter 15 of this source book, a number of countries have converted employers' liability schemes into social insurance schemes to upgrade standards and have opted for risk-rated contributions to provide incentives for employers to reduce accidents. Given the obvious advantage of social insurance, it is possible to consider establishing a centrally organised body to collect contributions from all employers and to administer a new scheme which operates risk and experience rating and thus meet some of the preferences of both employers and trade unions.

Moreover, in some countries, there has been a widening of the concept of compensation for accidents to include not only those incurred in the workplace but those which have occurred outside at home or whether work related or not. Policy could move towards a unified system of disability benefits, as resources permit and as public opinion comes to accept the justice of the case.

16.11.8 Conclusion: The way forward for Fiji

Fiji is facing a real challenge to reform the workers compensation system to better respond the needs of income protection against work accidents and to change the system to an affordable, sustainable and well-managed programme.

After years of discussion, the Labour Advisory Board has reached a broad agreement on how to accomplish comprehensive improvement of the workers' compensation scheme, although disagreement remains in some areas. In particular, this chapter has identified critical issues related to the compulsory insurance by invoking Section 26 of the Act, and made recommendations in conformity with relevant ILO standards. The reform should also aim at establishing the Medical Board, upgrading medical benefits and rehabilitation, and providing of pensions for permanent disability and death throughout the contingency, whilst support for the prevention of occupational risks is another desirable aim.

To move forward on the reform of the workers' compensation system, it is suggested that a national tripartite seminar on the reform of workers compensation system be organized. The purposes of a national tripartite seminar are:

1. To convene tripartite social partners, responsible Government ministries and agencies, and concerned groups in order to have a common understanding of the issues and problems with the current workers' compensation system;

2. To provide platform for discussion and the exchange of views on the concepts, principles and technical structure envisaged in the proposed changes and the issues arising from the proposals, including the ILO recommendations presented in this report; and,

3. To reach a broad consensus on the proposed policy and the strategic action plans in reforming workers compensation in Fiji.

The suggested key issues for discussion are as follows:

Issue 1: Is the proposed policy to invoke Section 26 of the Workmen's Compensation Act to introduce compulsory insurance, adequate and acceptable? In the ILOs view, there are a number of advantages in adopting social insurance scheme which operates with risk pooling and experience rating and thus meets the major requirements of both employers and workers. If the option of compulsory insurance is chosen, it is not advisable to simply invoke Section 26 in the proposed way without the introduction of safeguards and significant benefit improvements.

Issue 2: If Fiji adopts the compulsory insurance system, are key stakeholders, including the Government, employers, workers, private insurance carriers ready to implement the system?

Issue 3: Should Section 5 of the Act regarding the disqualification of compensation on the grounds of serious and wilful misconduct of the workers be maintained or repealed?

Issue 4: Should the Medical Board be established to improve the process of medical assessment? If this is the case, how should the administrative and operating expenses of the Medical Board be financed?

Issue 5: Should the financial limits on the medical care benefits in Section 32 be increased? Should these amounts be regularly adjusted? Should the choice of service providers be made by employers or by workers?

Issue 6: Should the cash benefit for permanent disability paid in lump-sum or in a form of periodical payment? In the latter case, what entitlement conditions and pension formula should be used? Should the pension amount be adjusted regularly?

Issue 7: What steps should be taken to the administrative and supervisory capacity of the workers' compensation office.

Once a set of main objectives are agreed, the next step is to develop National Action Plans that can best achieve such objectives in Fiji within the framework of Fiji's policies for the fulfilment of Decent Work. At this stage, further technical assistance would be necessary in implementing the Action Plans and drafting legislation to replace the outdated Workmen's Compensation Act.

Planning and implementation of a reform cannot be accomplished without strong long-term commitment and continuous efforts of the key stakeholders. The ILO stands ready to provide the Government and social partners with further technical assistance in the implementation of the long-sought reform of workers' compensation system in Fiji.

Appendix 16A Report of the Workmen's Compensation Service for 2004

16A.1 Role and function

The Workmen's Compensation Act, Cap. 94, places upon an employer the legal responsibility for payment of compensation relating to employment injuries, deaths and occupational disease contracted during and in the course of employment. The system provides for financial compensation and medical care, in case of death, compensation is paid to the dependents.

Table 16.6 Compensation claims reported by industry, 2002-2004

Industry	2002	2003		2004	
		Injury	Death	Injury	Death
Agriculture, Forestry, Fishing	54	62	1	20	1
Mining, Quarrying	36	17	-	20	3
Manufacturing	232	215	15	209	13
Electricity, Water, Gas	11	34	-	25	4
Building, Construction	63	57	4	89	2
Wholesale, Retail, Trade, Restaurants, Hotels	103	96	9	105	9
Transport, Storage & Communication	79	57	11	77	16
Finance, Insurance, Real Estate, Business Services	38	16	8	9	2
Community, Social, Personal Services	57	53	4	44	3
Activities Not Adequately Defined	12	15	-	6	-
Public Service	143	136	31	151	50
Total	828	758	83	755	103
		841		858	

16A.2 Workmen's compensation cases settled

During the year 858 cases were reported and 1475 cases (including some pending from previous years) were settled resulting in the total payout of FJD 835,234.66 to injured workers and beneficiaries of deceased workers. Of this amount, FJD 464,825.00 (55 per cent) was paid to civil servants and workers in the various Government Ministries and Departments. This is a decrease in 20 per cent as compared to last year's payout. From all death cases processed in 2004, the total payout was FJD 143,804.22 of which FJD 71,304.22 was paid out to the dependents of government workers. Improvements were noted during the year in the increase in number of cases settled. This is due to the recruitment of five (5) new Labour Inspectors towards the end of 2003.

The amount paid out to injured workers during the temporary incapacity period or days on certified sick leave is highlighted on Table 16.8 above. The employer pays this directly to the worker. The 1,168 cases are included in the total (1475) cases settled in 2004.

Trust Accounts

The Workmen's Compensation Act makes provision for the payment of compensation to dependants of deceased workers, to be paid in Court. The Court then apportions the sums paid to the legal dependants. This amount is invested for their benefit, under a joint trust with the Chief Executive Officer for Labour, Industrial Relations & Productivity. At the end of December 2004, the Ministry had 134 Trust Accounts with a total of FJD 924,182.86.

Table 16.7 Compensation cases settled and paid, 2002-2004

Category		Cases Settled			Compensation Paid ($)		
		2002	2003	2004	2002	2003	2004
Permanent Partial Incapacity		422	165	224	1,152,228.00	795,584.49	691,430.44
Fatal	Compensable	9	10	9	125,543.68	186,807.00	143,804.22
	Non-compensable	147	74	74	Nil	Nil	Nil
Total		578	249	307	1,277,771.96	982,391.49	835,234.66

Table 16.8 Temporary incapacity settled, 2002-2004

Category	Cases Settled			Compensation Paid ($)		
	2002	2003	2004	2002	2003	2004
*Temporary Incapacity	571	219	1,168	138,497.49	125,281.97	95,092.11

Appendix 16B Workers' compensation schemes in Asia and the Pacific

Table 16.9 Coverage and contribution rates of social insurance schemes

Country &date of first law*	Scope of Coverage	Contribution Rates
China 1951	Employees in non-agricultural enterprises and self-employed.	Employers pay differential rates (between 0.5% and 1.5% by industry and past incidents records) averaging 1% of payroll.
India 1923 (EL) 1948 (SI)	Employees earning less than 7,500 rupees per month in power-using enterprises with 10 or more workers.	Employers pay 4.75% of earnings for the sickness, maternity and EI scheme and workers 1.75%
Indonesia 1939 (EL) 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.
Malaysia 1929 (EL), 1969 (SI)	Employees earning less than MYR 2000 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	All insured persons including children employees and non-working adults, visitors and nationals travelling abroad	Work injury benefits financed by employers premiums and earmarked taxes (gas and vehicle licence fees). For non-work injuries, general revenues finance benefits
Pakistan 1923 (EL) 1963 (SI)	Employees in selected industries and establishments with a minimum of 5 workers earning 3000 rupees per month or less.	Employers pay 7 % of payroll for sickness, maternity and EI 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 (EL) 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.
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 (EL), 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 EI is 5 %.

Note: EL-employer liability, SI - social insurance
Source: Social Security Programs throughout the World 2002 (Social Security Administration of USA.)

Table 16.10 Coverage and insurance options of employer liability schemes

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 (EL) 1971(Social assistance)	All employees	Compulsory
India 1923	Manual workers in employments scheduled in the WC 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 rupees per month or less who are not covered by the social security scheme are covered by the 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

Source: Social Security Programs throughout the World Asia and Pacific 2002. (Social Security Administration of USA).

For benefits of social insurance schemes see Table 15.9

Table 16.11 Benefits of 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. PTD minimum is FJD 6,000 and maximum FJD 32,000	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' 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 $A 25,000, whichever is less,
Pakistan	Medical examinations and treatment	50% of monthly earnings for up to 1 year For a lung disease 33% is payable for up to 5 years	For PTD a lump-sum of 200,000 rupees and partial disability attracts payments in proportion to degree of incapacity	A lump-sum of 100,000 rupees
Singapore	All necessary medical care, medicines, hospitalisation, and appliances	100% of earnings for up to 60 days if hospitalised and 14 days if not; thereafter 66$^{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 SGB 147,000. Amount for partial disability is in proportion.8	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	50 -100% of earnings according to the wage and the assessed degree of disability Maximum is SBD 160 per month Payable until recovery, death or certified as permanently disabled.	Lump-sum of 48 month's earnings for PTD and proportionate amounts for partial disability. Maximum is SBD 9.000	Lump-sum of 36 month's earnings less and PTD already paid up to maximum of SBD 9,000. Maximum for a fatal injury is SBD 80,000. Courts allocate amounts to survivors.
Sri Lanka	Free of charge in government hospitals.	50 %of earnings for up to 5 years. Maximum is 5,000 rupees per month	A grant of between 21,168 and LKR 250,000 and for partial disability from 30% and 100% of compensation	Lump-sum of between 2 and 5 years wages varying inversely to wage class. Minimum and maximum sums.

* Constant attendance allowance is payable

Source: Social Security Programs throughout the World Asia and Pacific 2002 (Social Security Administration of USA.)

Chapter 17 Maternity Protection: Principles

17.1 Introduction

This chapter looks at issues related to the possible extension of maternity protection in Fiji.

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 Fiji, 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 Fiji, 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 had 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 countries, 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 countries, and this is currently the case in the Pacific. Individual employer liability can also impose an excessive cost on small and struggling enterprises. Instead, the ILO promotes pooling of responsibility through the use of public funds or insurance premiums. Individual employer provision with all its limitations is better than no provision. However, pooled funding is a much better basis.

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 Fiji.

- 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, the 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 economy

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 - Fiji

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.

The statistics used in the Fiji model were as follows.

Share of workforce In the case of Fiji, Provident Fund statistics indicated that women represented 36.8 per cent of contributors.

Average qualifying wage Average female salaries as such were not specifically identified in the FNPF data, but the ratio of average female to average total contributions was 91.7 per cent (1421/1549). This has been assumed to be the ratio of women's to total covered wage and salary rates. Actual experience may indicate a different rate if the earnings of women who take maternity leave differ from the average for women as a whole, but for a first round calculation the derived average for all women has been used.

Period of paid maternity leave This has been calculated as 14 weeks (0.269 of a year) in line with the latest ILO convention. If 12 weeks is used then average costs for the maternity pay component of the levy would drop by 2/14 or 14.3 per cent

Rate of maternity leave pay This is assumed to be two thirds of the normal pay the woman is contributing on to the FNPF, in line with the ILO Convention minimum.

Eligible births have been assumed to be 1.375 per woman worker. The latest total fertility rate for Fiji is 2.75 children per woman. However, this is higher for women in the traditional economy and lower in the modern economy. In addition the fact that FNPF membership statistics indicate that labour force participation by women in the modern economy is only 58.3 per cent of that of men indicates that many women withdraw from paid employment once they become mothers of young children. Hence, the subsequent children they have while out of the paid workforce would not be qualifying births for paid maternity leave. Accordingly, eligible births have been assumed to be only half the average total average number of children per woman.

Average working life in paid employment In the absence of firm data, the average for men and women combined has been assumed to be 30 years. While this figure may seem low in terms of male working patterns, this assumption incorporates the effect of lower participation by women, and relatively early retiring ages (at least from FNPF membership) in Fiji.

Administrative costs On the assumption that the programme is run by the FNPF, administrative costs have been initially assumed to be 10 per cent of the levy cost need to fund the paid maternity leave.

On this basis the estimate for the levy cost of 14 weeks leave is calculated as:

$$\text{Cost Estimate} = \text{Administrative Cost} + \left[\text{Proportion of women in Labour Force} \times \text{Period of Payment} \times \text{Percent of Wage} \times \text{Eligible Births} \times \text{Ratio of Women's to total wages} \times \frac{1}{\text{Average Paid working life}}\right] \times 100$$

Cost Estimate = 0.368 x 0.269 x 0.667 x 1.375 x 0.917 x 100/30
= 0.2775

To this is added 10 per cent to cover administrative costs. This adds a further 0.0275, resulting in a figure of **0.305** cents in the dollar.

If the period of Paid Maternity Leave were set at 12 rather than 14 weeks the cost would be **0.265** cents in the dollar.

Hence to fund Paid Maternity Leave for 14 weeks at two thirds of normal salary the indicated cost is a levy of **0.305** cents in the dollar, say **0.3** cents in the dollar.

To fund Paid Maternity Leave for 12 weeks at two thirds normal salary, the indicated cost is a levy of **0.265** cents, say **0.27** cents in the dollar.

These figures do not include any allowance for medical expenses or any lump sum maternity grants.

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 MWSWPA

18.1 Introduction

The Ministry of Women, Social Welfare and Poverty Alleviation (MWSWPA) was formed post 2001. The Women's Department was formerly part of the Ministry for Women, Heritage and Culture, and Poverty Alleviation was only conceived by Cabinet in 2001, and has only this year received its first budget allocation. The key goals of the Ministry have been listed as:

- Provision of Social Policy Advice,
- Poverty alleviation,
- Care and protection of children at risk,
- Supplementary income for the poor,
- Court services,
- Gender mainstreaming,
- Empowerment of women, and
- Support for people with disabilities.

The main activities of the Department are:

- To protect families, especially children and women at risk, by the provision of income support and services for those in most need, especially the chronically ill, widows, those with disabilities, prisoner dependents and deserted spouses.

  The income support is provided in the monthly payment of family assistance benefit, while services include counselling services (marriage, domestic conflict counselling, child custody matters, protective and supportive care for orphans, children at risk or abused, abandoned and neglected children through foster care, adoption and residential care

- The direct administration of a boys' home and the provision of care and protection allowances to organizations that provide residential care for children in need

- To administer the poverty alleviation fund which provides assistance in the way of grants to support income generating projects and housing assistance to family assistance beneficiaries, and to social service providers to support the delivery of other community welfare services

- The implementation of the Women's Plan of Action which contains the programs and projects that result in the improvement of conditions for women including their families and communities. Training and awareness programs are conducted by Departmental staff on the strategic and practical needs of women at the local community level, who also attend and participate in various local development forums

- The provision of gender training within Ministries and departments

- Research on women and gender issues, monitoring of media reports on women and gender issues, and training on women and gender issues

- The provision of grants to women's groups complementing Government actions in the implementation of the Women's Plan of Action.[1]

18.2 Administration

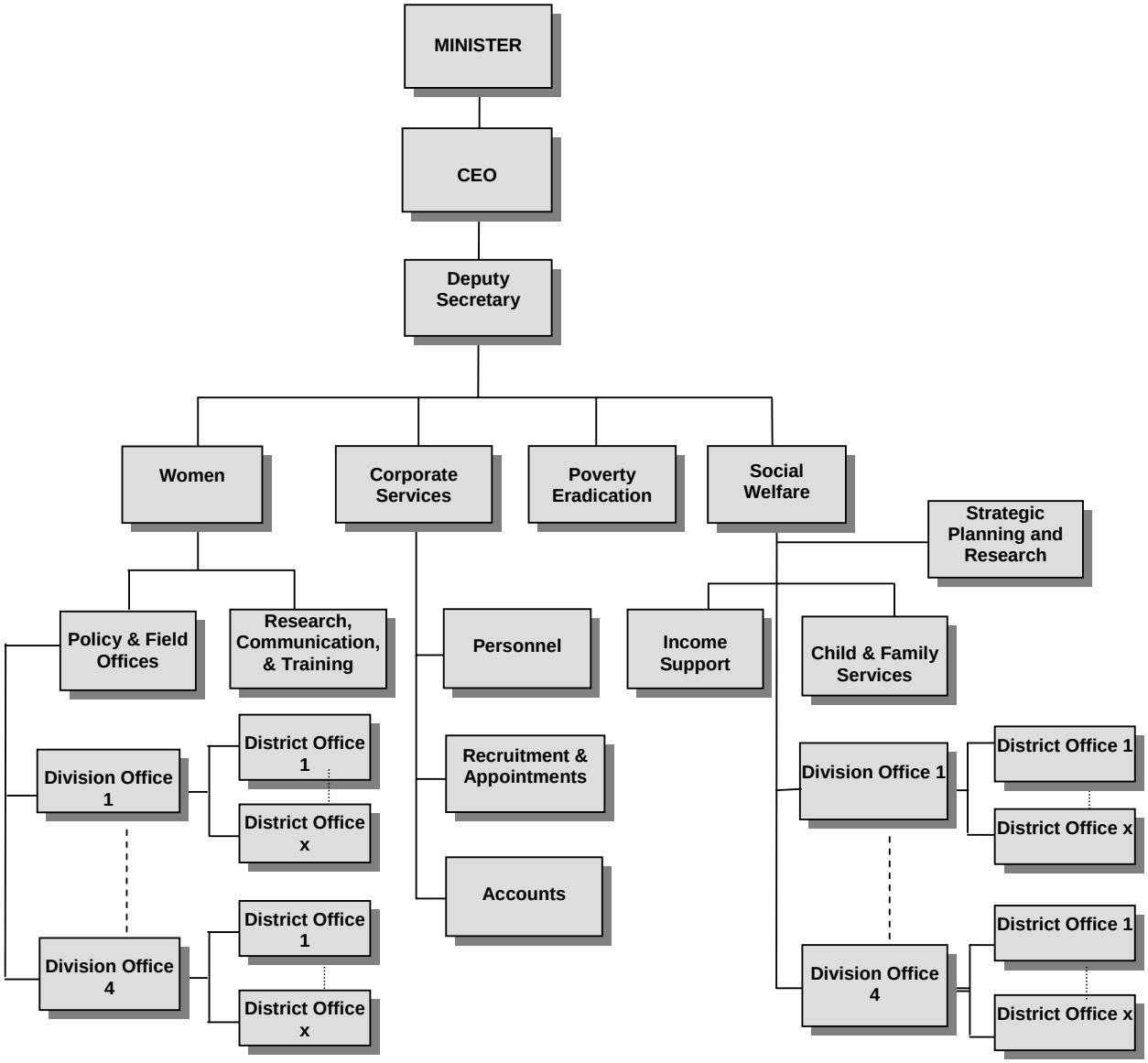
The Ministry is managed by a Chief Executive Officer and directly responsible to the Minister for Women, Social Welfare and Poverty Alleviation. The Ministry has four sub-departments:

- Department of Women,
- Department of Social Welfare,
- Poverty Alleviation Unit, and
- Corporate Services Department.

The Department of Women and the Department of Social Welfare have a three-tiered structure for carrying out their operational functions – the national level, the divisional level, and the district level. Each divisional level reports to the respective Department at the national level, and each district office reports to its' respective division. At the moment the Department of Women has four divisions (inherited from its previous Ministry), while the Department of Social Welfare has five divisions. The number of district offices differs within divisions, dependant on the customer needs and resources available.

The organisational structure of the Department is as follows:

Figure 18.1 Departmental organization



18.3 Department of Women

The Department of Women was moved from the Ministry of Women, Heritage and Culture to the Ministry for Women, Social Affairs and Poverty Alleviation in 2004. The Department of Women still retains its status as a Department on its own, even though it has been merged into the new Ministry under the direction of the CEO of MWSWPA. It administers its own budget, and retains its own separate Accounts Section, has its own separate payroll system within the Ministry of Finance.

A key objective of the Department of Women is the implementation of the Women's Plan of Action, which was initiated in 1999. The main strategic objectives of the Plan are to:

- Strengthen the enabling environment for women and gender mainstreaming
- Develop and strengthen government processes to be gender responsive
- Enhance sectoral and system wide commitment to mainstreaming women and gender
- Engender macroeconomic policies, national budgetary policies and procedures
- Strengthen the Ministry of Women, Heritage and Culture
- Promote effective consultation of government bodies
- Integrate gender training in educational and national training institutions.

At the central level the Department has 2 Sections, the Research, Communications and Training Section and the Policy and Field Offices Division with an establishment of 6 staff positions (currently only 3 positions filled) having responsibility for the following activities related to gender issues:

- Research
- Communication
- Training
- Information services
- Grants to women's groups
- Gender training within Ministries
- Development of policies and strategies
- Monitoring and evaluation of policy implementation.

The Research, Communications and Training Section works at the national level undertaking research activities on gender issues, undertaking national training needs analyses and training course availability, arranges and monitors the progress of gender training across the Ministries and ensures that target groups at the national level are kept well informed on current gender issues.

The Policy and Field Services Section works more with the operational activities at the grass roots level through the Division and District Offices.

The Department of Women has responsibility for 4 geographical Divisions (the boundaries differ from those of the Department of Social Welfare, which is split into 5 Divisions), with a total of 25 staff located as follows:

North	7 staff
West	8 staff
Central	6 staff
East	4 staff

The number of staff in a Division depends on the number of Districts in the Division – each District Office has one staff member.

At the local level the field officers are responsible for implementing programs and projects in conformity with the national "Women's Plan for Action". The main activity in the field is the provision of training for women at the community level, covering the following areas:

- Leadership
- Business and management skills
- Legal literacy
- Home and environmental management
- Micro-enterprise development
- Agriculture production
- Nutrition and reproductive health
- Violence against women and children
- Government policies for the development of women
- Handicraft
- IT training.

The field officers also participate in development forums and visit clubs, villages, settlement projects etc.

The training packages have been developed within the Department over the years, and field staff have been trained in the presentation of these packages. The delivery of a number of these training packages is outsourced to specialist trainers, and others conducted by the Department of Women staff.

Requests for training usually originate from within the local communities themselves; it is usual for representatives of women's groups from the community to approach the Division/District Office either by letter or in person with a request for certain types of training. Training needs may also be identified and training proposed by Field Officers during their regular visits to local communities at the village level.

The training may be in the way of presentations by key personnel (eg leadership, domestic violence etc) or actual hands-on training courses (e.g. handicraft training – weaving, basket-making etc). The Field Officer will evaluate the request and possible outcomes from the training, identify available training providers (e.g. NGOs, nurses, teachers etc) and venues, estimate costs (training materials, venues, training providers, travel for attendees etc), and make a recommendation as to whether the training should be made available. If the request originates at the District level, the recommendation is passed up to the Divisional Office for evaluation.

If approval is given at the Divisional level, the request is forwarded to the national level for consideration by the Policy and Field Services Section. If approved, a finance requisition is generated and sent to the Accounts Section of the Corporate Services Department seeking funding for the training. The Accounts Section then decides whether there are sufficient funds available to finance the training, and if so, makes the payment to the Divisional/District office.

At the Division/District level, the Field Officer then arranges a timetable, organises the venues, contacts the intended trainers and trainees, and proceeds with the training.

Field Officers also conduct post-training evaluations to determine how successful the training has been and what results have been achieved.

Field Officers also accept and assist with claims for project grants to women's groups involved in projects that complement the Women's Plan of Action. Field Officers assist with the preparation of the project proposal, accept the application and supporting documents, and forward them to the national level for appraisal and decision.

If the grant is approved at the national level, a requisition is raised and passed to the Accounts Section of the Corporate Services Department. The Accounts Section then decides whether there are sufficient funds available, and if so, payment is made to the Division/Field Office for delivery to the respective applicant.

Loans may also be made under the Women's Social Economic Development program (WOSED), which is intended to encourage women to be self-reliant. The idea is to identify small groups of women (minimum 5) to encourage them in income producing activities. Field Officers will undertake surveys of different communities, identify potential participants, provide training, and assist with business plans and the development of a proposal.

The proposal is forwarded to the national level where it is reviewed, and if approved, the loan is paid into a WOSED bank account available to the borrowers. The Field Officers then assist the women to set up their small businesses, and when they begin generating income small regular repayments are made to the bank and receipts provided to the Divisional Office. Second, third, and fourth loans may be available to assist in business expansion if loan repayments are being made and the businesses are successful.

As the loans are repaid, the WOSED account is replenished and the balance is available for other loans.

Activities performed by Field Officers are recorded on the computer system, and monthly statistics are forwarded to the national level for compilation of national reports.

At the national level these statistics are used in the process of evaluation regarding the effectiveness of projects and the evaluations of applications for assistance and grants.

One of the major problems confronting the field officers is the lack of infrastructure causing difficulties with access to many of the remote districts and villages.

18.4 Department of Social Welfare

The Department is responsible for the provision of welfare services to the poor and needy through income support, child and family welfare support services, residential care and community development initiatives in the area of poverty alleviation. It is also concerned with social policy issues on welfare reforms for an evolving modern society. The Department's three core business functions are:

- Children and family services
- Community economic development
- Social policy advice.[107]

The Department of Social Welfare is managed by the Director of Social Welfare and two Assistant Directors, one responsible for the Child and Family Services Section and the other for Income Support.

The main activities undertaken at the national level relate to the provision of policy advice, while the operational activities are undertaken by the Welfare Officers at the Division and District Offices. District Officers report directly to the Divisional Offices, while the Divisional Offices are directly responsible to the Director Social Welfare.

18.4.1 Child and Family Services Section

The Child and Family Services Section is based at the national office and is responsible for provision of policy advice at the national level in the areas of adoption, juvenile welfare, prisoner probation, marriage guidance, counselling, maintenance issues etc.

It also has responsibility for the administration of Care and Protection Allowance and grants to providers of social service.

The Care and Protection (CP) Allowance is payable to those families who are providing for children other than their own and under 17 years of age who have been deemed under the Juveniles Act to be at risk and placed under the care of the Director of the Social Welfare Department. CP allowance is paid at between FJD 30-35 per month per child under care, subject to an income test.

Applications for the allowance are made through the Welfare Officers in the Divisional/District Offices, who visit the homes of the claimants, examine the supporting documents, make a recommendation for approval/rejection, and forward the claim to the national office for consideration.

If approved at HQ, a finance requisition is raised and the claim passed to the Accounts Section who determines whether there are sufficient funds available before approving payment. The funds are then made available to the Divisional Office for payment to the family.

Where children deemed to be at risk cannot be placed in family care in the community, they may be placed in residential care at homes run by various religious organisations. In these cases the Department pays a monthly CP allowance to the residential home at the rate of FJD 60 per child.

In these cases the claims are examined and processed by the Child and Family Services Section at HQ; if approved they are passed to Accounts for checking that funds are available before adjusting the total regular payment to the home.

The Child and Family Services Section also has responsibility for grants to organisations that provide social services to vulnerable and disadvantaged groups. Applications for grants are initiated at the village/community level and evaluated by the field officers at the District/Divisional Offices, and forwarded to the national level for evaluation by the Grants Committee.

The Grants Committee was previously composed of representatives of religious organisations NGOs and the Ministry. However this has been recently changed and the Committee is now headed by the Deputy Secretary of MWSWPA, the Director Poverty Alleviation, the Assistant Director Income Support, and the Senior Accounts Officer.

If approved by the Committee, the application is referred to the Accounts Section, who send it to the Ministry of Finance who check that there is sufficient funding available. If there are funds available, the application is endorsed by the Ministry of Finance and returned to the Accounts Section, who obtains the final endorsement of the CEO and makes the payment to the NGO.

[107] Department of Social Welfare Business Plan 2004

18.4.2 Income Support Section

The Income Support Section operates at the national level and is responsible for the provision of policy advice relating to the Families Assistance Scheme, the Poverty Alleviation Program, community economic development, and grants to Non-Government Organisations.

The Income Support Section currently consists of 3 staff – the Assistant Director, one clerical officer and one secretarial staff. The main activities of the Division are related to:

- Family Assistance Allowance – the handling of grievances, appeals and related issues.
- Poverty Alleviation – the provision of housing assistance and grants for small income generating projects
- Grants to Non-Government Organizations
- Membership of the Grants Committee, which examines the application of grants referred to the Committee
- Community Economic Development – this Unit has not commenced operations as yet – it is still in the initial stages of implementation.

In addition, the Income Support Unit answers questions and requests for information from Parliament, Ministries and other agencies. It prepares statistical reports derived from data provided from the Divisions; the Income Support Division sees a need for direct access to data records of the Field Service Divisions so that it can immediately prepare answers/provide information in a timely fashion, rather than having to request the information from Field Service Divisions and await their response.

18.4.3 Strategic planning and research unit

This is a newly introduced unit established to undertake special tasks for MWSWPA and to initiate the provision of computer produced statistics for research and analysis.

The unit also provides help desk support and services for all computer users, at the national, divisional and district levels. It also is responsible for the receipt of the monthly CDs containing copies of the divisional databases, and compiling them for the production of monthly statistics and reports. It also develops one-off programs on request by users, using the MS Access.

The unit is currently conducting a 100 per cent paper file review of all payments of Families Assistance Allowance, with a purpose of being able to evaluate the success of the scheme, whether the need for such assistance remains, and whether the beneficiaries remain in poverty despite the payment of the allowance.

18.5 Field Offices

The main operations of the Department are carried out by Welfare Officers in five geographical Divisional Offices – namely South East Division (Suva), Northern Division (Labasa), Central Eastern Division (Nausori), North West Division (Lautoka and Ba).

The Divisional Offices are managed by Senior Welfare Officers, and staffed by Welfare Officers and support staff – administrative, typist, driver etc. Each Divisional Office has responsibility for a number of District Offices – the number differs between Divisions, according to need and availability of resources. District Offices usually have an establishment of 3 – a welfare officer, a clerical officer and an administrative support officer – however it is not unusual for the office to have only the welfare officer.

The main duties of welfare officers include:

- The receipt and processing of claims for Family Assistance Allowance,
- The receipt and processing of claims for Care & Protection Allowance,
- The receipt and processing of claims for Poverty Alleviation Program (PAP) grants,
- The attendance at provincial and district meetings, and
- The preparation of reports for:
  - court hearings,
  - child custody cases,
  - adoptions,
  - probations,
  - ex-prisoners.

18.5.1 Families Assistance Scheme

The main workload for the offices is Family Assistance payments. The Family Assistance Scheme provides financial assistance to poor and

disadvantaged families by way of a monthly cash payment of between FJD 30-100 to family households that do not have sufficient means of support to cope with the daily cost of living. It also provides for families deprived of income through:

- Death of the main income provider,
- Permanent physical disability,
- Old age,
- Chronic illness, and
- Desertion of a spouse.

Single parents, ex-prisoners, and ex-servicemen may also be eligible for payment of the allowance.

Considerable evidence is required to be provided by the applicant (depending on the type of assistance sought) before a claim can be submitted (e.g. birth/death certificate, letter from the Advisory Council, letter from the school, letter from FNPF, details of current income etc), which contributes significantly to the delays in the overall processing of claims.

The applicants may come to the office to apply for the assistance, make an approach through their local community representative, or discuss the matter with the Welfare Officer during a visit to the village; they are informed of the documentation required for their type of assistance claimed, and then proceed to go about collecting the documentation (in some cases local officials will advise them of the requirements, especially where access to the office is difficult.

When the documentation is complete, the claim is accepted and documentation checked. The claim details are entered into the Families Assistance computer system. The evidence is examined by the Welfare Officer, who then makes a decision as to whether the claim will be approved.

Each claim requires a visit to the home of the applicant by the Welfare Officer visit; this necessitates a considerable amount of travel for the Welfare Officers, and with many villages there are serious problems of access. Motor vehicles are few, and shared between Divisional Offices and District offices

If the claim has been lodged at a District Office, the approved claims are then stockpiled until the Welfare Officer's next trip to the Divisional Office.

When the District Welfare Officer next visits the Divisional Office, the data entry process is repeated – all claims must be re-entered into the computer system to update the Divisional Office database; there is no communication link between the District Office and the Divisional Office, or no provision to download the claim data to a diskette.

This is not only a double workload for a person who is already overloaded; there is the possibility of error in the re-keying of the data.

Claims approved at the district level are then re-examined by the welfare officer at the divisional level.

Where approval has been recommended at the Divisional Level, the claims are forwarded to the national level for approval, following which they are passed to the Accounts Section for funds availability. It is not unusual for claims to be processed and approved, but not paid due to lack of funds – this can sometimes take years. When funds are available, the Accounts Section authorises payment and advises the Divisional Office.

18.5.2 Payment of the allowance

A consultant was engaged to develop a database system for the processing and payment of claims for Family Assistance Allowance. The program allows the Welfare Officer to call to the screen a families assistance claim, and key in the claim details. The program records the claim details on the system, and when all required data has been entered, the program will automatically calculate the entitlement, and the payment record will be made available electronically to the authorising officer for checking and authorisation.

After authorisation for payment has been advised by the national level, the database record for the claimant is updated, a Families Assistance number allocated to the claim record, and the record included in the payment system.

Payments for Families Assistance are made using the voucher system. Basically twice per year six monthly payment vouchers are printed out for each beneficiary. The payment voucher contains the following details:

- A payment voucher number,

- The claimant's ID number (which includes the Divisional/District office number),
- The payment month and year,
- The payment amount, and
- The designated Post Office at which the voucher can be cashed.

After the six-monthly batch print of the vouchers, they are despatched to the beneficiaries. Then for each respective month the beneficiary takes the voucher to the designated Post Office where it is exchanged for cash.

The cashed vouchers are then returned by the Post Office to the Divisional Offices for reconciliation.

Vouchers for new beneficiaries are printed separately for the number of months remaining until the next six-monthly batch print; for ongoing payments they are then included in the main six-monthly batch print. Where the allowance is cancelled, the remaining unpaid vouchers are cancelled.

The process for claiming FAS is as follows:

- The claimant comes to the District/Divisional Office to apply, or can apply through the local community or during a visit by the Welfare Officer,
- The Welfare Officer interviews the claimant, checks all the documentation,
- Makes an assessment as to whether to proceed with the claim,
- The claim form is called up on the computer screen; relevant details of the claim are keyed in by the Welfare Officer,
- The claim form is printed out for the claimant to sign,
- The Welfare Officer visits the home to assess the domestic situation,
- The Welfare Officer subsequently enters any further relevant information,
- The claimant is issued with a Families Assistance ID number (the number contains a district and division code),
- The computer calculates the entitlement,
- The electronic version of the claim is passed to the authorizing office for approval,
- After the payment has been authorized at the national level, payment vouchers are then produced for the remainder of the current payment period, and
- The record is then included in ongoing 6-monthly batch voucher printing process.

Each Division has its own separate database, and each district/division has its own numbering system. Currently there is no communication connection between District Offices and Divisions, across Divisions, or between Divisions and the national office.

There is a government network (*Govnet*) currently available, which is installed and working throughout Fiji – it is available for connection in all major urban areas. It is a 24 hour connection, intended to be shared with government agencies, and if the particular agency has its premises in government offices, then connection should be a simple matter.

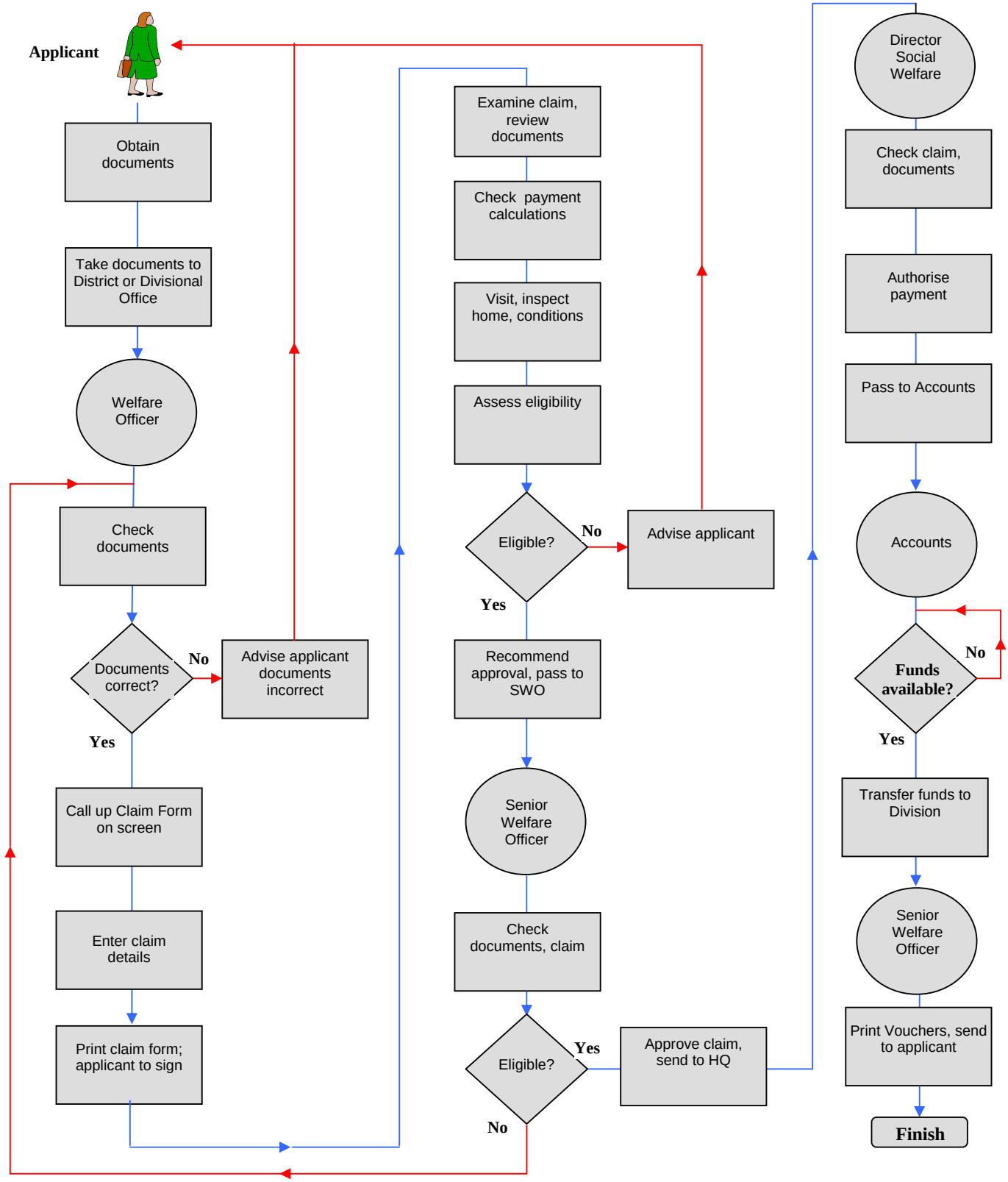
For District Offices, if they are not in an area where the connection is available, the Office would need to lease a line or use a dial-up connection to link to the connection point.

However this network is controlled by the ITC Department of the Ministry of Finance, who simply do not have the resources to fully service all the Government Agencies. Consequently the MWSWPA offices at this stage have not yet been connected, even though the Divisional Offices have the cabling and physical connections already installed. It was implied that connection is available, and only the approval of the ITC is required. It is understood that approval is currently being sought, and hoped that connection to the network is imminent.

In theory the ITC provides help desk services, IT user and technical and system development for all government agencies. In practice, they do not have the resources to provide these services for all agencies. When canvassing the requirements of the different agencies, they received 300 requests for systems development, of which they can service only eight.

The Divisional databases are copied to CD each month and sent to the Strategic Planning and Research Unit at the national level for amalgamation for the extraction of national statistics and data matching exercises. However the manual compilation of monthly statistical reports is still required of the District and Divisional Offices.

Figure 18.2 Claims processing



18.6 Poverty Alleviation Unit

Prior to 2001 poverty alleviation programs were the responsibility of individual Ministries, who were funded for poverty alleviation according to their individual alleviation programs. As a result there was a lack of coordination in the use of funds overall for poverty alleviation, and the government decided to pull the management of the poverty alleviation program together and created the Poverty Alleviation Unit as part of the Ministry of Women, Social Welfare and Poverty Alleviation, which was came into being in 2004, and has now been operational for approximately 4 months.

The main goal of the Poverty Alleviation Unit is to reduce poverty by 5 per cent each year, by:

- The provision of minimum and affordable basic needs to all categories of the poor,
- Formalizing and strengthening the government and civil society partnership in alleviating poverty,
- Creating earning opportunities for the poor, and
- Encouraging traditional support mechanisms for the disadvantaged and providing adequate welfare support to the destitute.[108]

Currently the main role of the Poverty Alleviation Unit is the review of the policies related to poverty alleviation at the national level, and to co-ordinate the poverty alleviation activities being undertaken across the Ministries.

At the operational level the activities mainly relate to the processing of applications for grants e.g. to assist small income generating projects. These grants are lodged and examined at the District/Divisional levels, a recommendation made, and forwarded to the Poverty Alleviation Unit at the national level for consideration.

The applications are considered and submitted for review to the Grants Committee (the Director, Poverty Alleviation Unit is a member of the Committee). If approved, the applications are passed to the Accounts Section to check the availability of funds. The Accounts Section requests clearance from the Ministry of Finance for the release of funds, and if clearance is received, arranges for the payment of the grant to the applicant through the relevant Divisional/District Office.

18.7 Corporate Services Department

The Corporate Services Department comprises 3 Sections – Accounts, Personnel Section, and Recruitment and Appointments Section.

18.7.1 Accounts Section

The Accounts Section has responsibility for the raising of requisitions for the purchase and payment of all goods and services within the Ministry, at the national, divisional and district levels.

Other responsibilities of the Accounts Section include:

- Maintenance of cash book/ledger system,
- Production of the monthly expenditure report,
- Budget preparation,
- Preparation of requests for additional funding from Ministry of Finance (additional to Budget), and
- The updates required for the monthly payroll system maintained by the Ministry of Finance.

There are 2 separate accounting entities, the Department of Women's Accounting Unit and the Social Welfare and Poverty Alleviation Unit).

Since the Department of Women has been merged with the Department of Social Welfare, they brought their own Accounts Section with them and have retained it as a separate unit, though located side-by-side with the Social Welfare Accounts Unit and under the management of the Senior Accounts Officer.

Both the Social Welfare Unit and the Women's Unit have a Purchasing Unit and a Payments Unit.

Each Purchasing Unit:

- Receives requests for purchase from the rest of the organization,

[108] MWSWPA 2005 Annual Corporate Plan

- Undertakes price research (obtain quotes, best deal), or checks the quotes obtained by the field offices,
- Complete a purchase requisition,
- Passes the requisition to the Senior Accounts, Officer (SAO) for approval,
- If approved, the SAO passes the requisition to the Deputy Secretary for authorization,
- After authorization has been endorsed, the SAO checks for availability of funds within the relevant allocation,
- Where funds are available, the SAO authorizes the purchase and returns the requisition to Purchasing Unit,
- The Purchasing Unit finalizes and issues the purchase requisition to the originator,
- The originator delivers the purchase requisition to the supplier, who in turn delivers the goods/services,
- An invoice is supplied by the supplier to the Purchasing Unit,
- The original request and the invoice is passed to the SAO for examination and payment authorization,
- The invoice and supporting documents are checked and authorized by the SAO, and the documents passed to the Payments Unit,
- The Payments Unit checks the documents, prepares the cheque and obtains the signature of the relevant authority, depending on the payment amount, and
- The cash book and ledger are updated, and the cheque forwarded to the supplier.

18.7.2 Personnel Section

The Personnel Section has responsibility for maintaining the personnel records of all staff within the Ministry. This unit undertakes the following activities:

- The advertising of vacancies and recruitment of new staff,
- The appointment of successful applicants to the Ministry,
- The employment of temporary staff,
- The processing of requests for staff to act temporarily in higher positions,
- The preparation of staff reports,
- The processing of leave applications (sick leave, maternity leave, recreational leave etc),
- The maintenance of staff files,
- The management of general staff rules, and
- Advising the Accounts Section in Finance of monthly changes to staff salaries for processing by the public service payroll system.

All processes within the Personnel Section are manual – computers are available but there is no automated personnel system within DWSWPA. The changes are made manually by Personnel, passed to the Senior Accounts Officer for checking before being given to the Salaries unit where the forms are completed and batched. The batches are returned to the Senior Accounts Officer for final checking and authorisation, then sent to the Ministry of Finance for data entry to the Public Service payroll system

Salaries are directly credited to the bank accounts of public service employees, and salary lists are produced from the payroll systems which are provided to each Ministry for checking.

The numbering system of the Fiji National Provident Fund (FNPF) is used as ID numbers for Public Service personnel. (public sector staff are all members of the FNPF).

18.7.3 Recruitment and Appointments Section

The Recruitment and Appointments Section has responsibility for:

- The receipt and processing of applications for job vacancies and promotions within the Ministry,
- The arranging of interviews for applicants,
- The provision of Secretariat services,
- The management of CEO appointments, and
- Providing assistance to the Staff Board.

18.8 Conclusions and recommendations

The review of the operations and information technology was undertaken by conducting personal interviews where possible with each of the departments and individual sections at the national level, and visiting a variety of Divisional

and District Offices throughout Fiji. Offices visited included:

- Southern Divisional Office (Suva),
- Navua District Office,
- Southwest Divisional Office (Nadi),
- Lautoka District Office,
- Sigatoka District Office,
- Northwest Divisional Office (Ba), and
- Labasa District Office.

Two weeks (including travelling time) is a short time to undertake a full-scale review of a Department of the size and scope of the MWSWPA, so the interview time was limited. The following conclusions and recommendation are based on the information gathered through the interview process.

General observations are that the operational staff of the MWSWPA are very dedicated and care much about their work and the outcomes for their customers, even though they are working under much pressure and in very difficult and frustrating conditions.

All staff interviewed were very open and forthcoming with information, and while the attached observations consist of problems that it is considered need to be addressed, it may seem that the report is very negative. It need to be said that the staff did not present a negative attitude, indeed were more concerned with providing their best service to their customers, and during the course of the interviews they were asked their opinions on what they considered to be the impediments to providing an improved level of service.

18.8.1 Department of Women

There would seem to be an issue with the merging of the Department of Women into the new Department of Women, Social Welfare and Poverty Alleviation – there is a feeling that the Department of Women still regards itself as being *separate* to the Department of Social Welfare and Poverty Alleviation. At all levels of the organisation – the national, divisional and district levels – the Department of Women are located in separate accommodation to the Department of Social Welfare. There are no new signs to reflect the new merged Ministry, and the Department of Women continues to have its own separate Accounts Section and Personnel Section. The Department of Women also has its own motor vehicle car pool, separate to that of the Department of Social Welfare.

Recommendation

A property review should be undertaken to determine the best solution at all locations to the merging of the offices and operations of the Departments of Women and Social Welfare. The Ministry of Finance should be requested to merge the payroll systems (the Ministry of Finance should be reminded to ensure that this happens before the introduction of the new Human Resource Management system is introduced), and there should only be a single Accounts Section to service Department of Women, Social Welfare and Poverty Alleviation.

Efforts should be made to ensure that there are new signs in all office locations so that the new merged Ministry are reflected in the public view; also all stationery headings should reflect the new Ministry title.

18.8.2 Accounts Section

There would be appear to be a complete bottleneck in the processing of payments in the Accounts Section. All areas of MWSWPA indicated that there were constant delays in the payment of accounts and reimbursement of monies due to MWSWPA staff.

This could result from an overload of work, a shortage of staff, or inefficient procedures. There is also a lack of reporting to management or to those awaiting payments on the current state of processing in the Accounts Section. The processing of accounts is completely manual, and the introduction of the Public Service Financial Management System will hopefully provide some improvement in the processing of accounts.

There appear to be no formal written procedures outlining how the operations should work in the Accounts Section; also management should receive regular reports on the work situation so that the finance situation can be monitored, eg how many and what type of accounts have been received during the month, how many paid, how many processed but awaiting payment, how many awaiting processing by length of time, etc.

During the visits to the Field Offices staff advised of many problems with the payment of accounts – Family Assistance payments, telephone accounts, motor vehicle related accounts can in many

instances take years for payment, and information on the status of such payments is not available to field staff to answer customer enquiries.

Recommendation

There needs to be a complete review of the Accounts Section, including the current status of all accounts on hand, and the method of processing accounts. The operations within the section need to be examined with a view to improving process wherever possible, reducing unnecessary duplication in processing without compromising on the prevention and detection of fraud.

The procedures should be documented so that everyone is aware of the correct procedures to be followed. The system should be automated as soon as possible.

Regular reporting requirements should be specified and management and field office reports designed.

The separate Accounts Sections of the Department of Women and the Department of Social Welfare should be merged, to eliminate duplication.

A management committee should be set up with responsibility of effecting the changes to accounts processing as soon as possible.

18.8.3 Documentation of Procedures

As with the Accounts Section, it appears that there are no formal written clerical procedures for any of the operations within Headquarters or the Divisional/District offices. All people are trained "on-the-job" either just with verbal instruction (which can vary from person to person) which can result in different ways processing is undertaken according to different personalities, and resulting in different standards, different results in decision making and hence different levels of service to customers.

Operational procedures need to be standardised by providing written procedures to staff for each function performed within DWSWPA.

Recommendation

As with the Accounts Section, a review of all operations undertaken within MWSWPA needs to be carried out, with a view to optimising operational processes especially to take the best advantage of using IT systems to improve the efficiency and effectiveness of the Ministry as a whole.
All procedures should be documented, and all staff should have a copy of the procedures related to their position so that they can check that the way they operated is in accordance with MWSWPA standards of service.

These formal procedures should be incorporated into training programs developed for MWSWPA staff.

This will be a large task requiring resources and planning, and a management committee reporting should be set up to drive this process, reporting regularly on progress to the CEO.

Obviously the Corporate Services Department will undergo total change with the introduction of the new government computerised Human Resource Management system and the Financial Management system to be provided to all Ministries.

DWSWPA should start planning for this now, and should request information from Ministry of Finance/ITC on the timetable for implementation, what, when and how training will be provided, how the systems will be implemented, and what will be required of MWSWPA staff. Obviously new operational procedures will need to be developed on the use of the system – will these be documented and provided by Ministry of Finance/ITC, or will each Ministry be required to develop its own?

MWSWPA should request priority for implementation of these systems due to the effects of lack of automation on customer service delivery.

18.8.4 Training

There is no formal training at all currently available for staff; there is no training plan, no training needs analysis has been undertaken, and no procedure where requests for training can be made. There is no induction training, and there are no self-training tools available. There are no training manuals for any of the work performed by staff, or even written instructions on how to process claims or grants. Training is informally carried out *on the job* verbally, a “learn by your mistakes” approach. This also results in “bad

practice" being continually passed on, and again the clients are the ones that suffer the results.

An example was presented by the case of one Welfare Officer on appointment to the Department. He was appointed to the position, had received no training at all in the work, and when he arrived at the office the previous Welfare Officer had already left, and there was no-one there to explain what it was he had to do, no training manual available, no documented clerical procedures – he just had to work it out for himself, there was no help available. After a month he was visited to see how he was progressing.

This lack of training results in a lack of confidence and frustration in the staff; it contributes to a high turnover of staff within the Department, and a decline in service delivery.

Recommendation

It is understood that this problem has been identified by management and that a position for a training manager has been created.

A training needs analysis should be undertaken within the Ministry to assess training requirements for staff development, including clerical processing, management, basic computer skills, the use of application systems (eg Family Support System), IT service support, and the more technical IT training for the national IT staff. The training program should be ongoing.

The IT training program should be developed in conjunction with the IT manager.

Training manuals (that can be used as reference manuals) should be prepared covering all activities of field and Headquarters staff to assist them with their work so that a standard level of service can be delivered across the country.

18.8.5 Communication

A common comment from field staff is that communication between the field and the national level is all one way. They District/Divisional Offices see that they put a lot of effort into producing quarterly reports on the performance of the field offices, but receive no feedback at all from the national level. They do not receive any information as to whether their reports are useful, whether they are performing well or otherwise, or where it is considered by the national level that there is room for improvement.

There is no information forthcoming about the causes for delays in the provision of funds, the delays in processing of payments by Accounts, etc. They are unaware of problems experienced at the national level outside of their control that cause these delays, while they have to continually provide answers to customers requesting their entitlements.

A significant number of approved claims have been awaiting payment for over 3 years, and while staff understand that there was a "freeze" on approvals and payment of claims, it is very difficult to explain this to clients given the lack of information from the national level. A number of clients have died between the time their claims were approved and the time payment was authorised.

Part of this delay problem was addressed when the "freeze" was lifted and the go-ahead was given for mass approvals/payments, but there are still many long outstanding claims awaiting payment and requiring explanation.

Staff view the national level as a "black hole" into which information is poured without any ever coming back.

Recommendation

Field staff need representation at the national level. In other organisations it is normal to have a Field Services Section at the national level which serves multiple functions, including:

- Monitoring the performance of the field offices,
- Give performance feedback to Divisions/District offices,
- Keep management informed of progress, problems/potential problems or issues in the field,
- To address concerns of field staff (e.g. follow up delays in payment, funding, etc),
- To convey management information/ideas/concerns/issues to field staff,
- To work closely with the Training Officer and IT Manager in meeting staff training requirements,

- To ensure that management decisions etc are followed in the field,
- To ensure the national strategic plan is publicized amongst field staff,
- To undertake field visits to all Division/District offices, accompany field staff on visits to villages, meetings etc, and
- To seek ideas/suggestions from staff on such issues as how to improve service delivery etc.

It is recommended that management give serious consideration to the establishment of such a section.

18.8.6 Information technology

Computer hardware does not appear to be a problem for the Ministry – the Ministry has 71 desktop computers, 7 notebook computers and 26 printers, distributed as follows:

Table 18.1 Hardware distribution

Office	*Desktop PCs*	*Notebook PCs*	*Printers*
Headquarters	22	7	7
Southern	9		3
Boys Home	3		2
Sigatoka	1		1
Lautoka	7		2
Nadi	2		1
Ba	6		1
Tavua	1		1
Naboualu	1		1
Rakiraki	1		1
Labasa	7		2
Savusavu	2		1
Nausori	9		3
Total	**71**	**7**	**26**

However there are a number of key issues that need to be addressed:

- Effective use of the hardware,
- The distribution of the hardware,
- The monitoring and recording of hardware problems, and
- Hardware maintenance and service.

Use of the hardware is currently restricted to the Families Assistance application which is used mainly by the Divisional/District Offices, and proprietary software packages (Word, Excel etc.).

There has been no comprehensive systems analysis yet undertaken within the Ministry to analyse current systems and investigate how the computer hardware can be put to its optimum use to improve the efficiency and effectiveness of the Ministry's operations. Hardware has been acquired without any real effort to determine how it can be best used.

The current distribution of the hardware is questionable – there is quite a variety of desktop PCs, and quite a difference in age and reliability. It would appear that the newest equipment is retained at Headquarters, then the Divisional Offices are second priority, and the District Offices lowest priority. In fact the order of priority should be the reverse.

The District Offices have the least amount of backup and repair service, and so should have the most reliable equipment; the Divisional Offices have most use and need of the computers for the Families Assistance system and printing of payment vouchers, and should be the next priority. At Headquarters the use is limited to proprietary software packages and the priority is not as great as the Field Offices.

It was seen that some District Offices had no working computers, (awaiting repair for months) while at Headquarters (and possibly at Divisional Offices) there are desktops with no or little usage.

There is no central or Divisional monitoring or recording of the hardware performance – computer/printer maintenance and servicing, malfunction, repairs, provision of toner etc. There is no replacement system to temporarily replace a computer while it is awaiting repair – this is particularly apparent at the District level.

There have been cases where hardware problems occur and staff have not had any training or sufficient experience to identify or explain the problems, and computers sit for extended periods inactive. There is a small informal exchange of knowledge between some Divisions, but there needs to be a formal approach to problem monitoring/solution.

Recommendation

In conjunction with the suggested review of the operations of the entire MWSWPA, a full system analysis should be undertaken to identify those operations that should be automated, and a detailed specification of user requirements be prepared. The changes to operations resulting from the implementation of the HRM and

Financial Management systems should also be taken into consideration at the same time.

A review of the current distribution of the desktop computers and printers should be carried out, with the emphasis placed on need and usage requirements, and considering the age and reliability of the hardware and access to repair and service.

A fault reporting system needs to be introduced whereby all hardware problems are recorded (initially kept at the Divisional level with regular reporting to the HQ level) so that performance can be monitored and backup be prepared for those offices experiencing recurring problems.

There should be central monitoring and support for hardware maintenance and support when required. At any given time HQ should know which offices are experiencing hardware problems, when the problem was first reported, whether the problem has been resolved, how long the problem remained unresolved, whether backup is required etc.

A similar formal system of reporting software problems or request for change should also be designed and implemented.

18.8.7 Connection to the Government Network

The MWSWPA is not yet connected to the government communications network, *GovNet.* There would appear to be no reason other than bureaucratic delay. Other departments in the same buildings as MWSWPA are connected to *GovNet* so the network is available; in most if not all the Divisional Offices the cabling has been done and the physical connections installed, so it is merely the approval from ITC that is preventing access to the network. Requests for connection have been made more than a year ago, but there has been no reply to the Field Offices; office staff do not know what is happening with regard to connection.

There is much duplication of data entry; district offices key in their own data records at the district office, then take the paper files to the Divisional Office and key them all in again. This is because there is no connection between the district office and the Divisional Office.

There has been no feedback to Divisions/District Offices from the national level at all on the status of the connection to the Government network.

The new Family Assistance claims system recently provided is quite good – however the lack of access to a network has restricted its use considerably. Statistics and reports for the national office are still produced manually in the same manner as they were prior to the introduction of the system; all these should be available to the National Office online so that they can produce their own reports/statistics in any format and at any time they want.

The Executive should also have immediate access to accurate and up-to-date information in order to provide swift answers to Parliament, the media etc, and for Performance Management purposes. Types of information could be:

- No. of claims for FA lodged (by month, year, office, Division, Village etc),
- No. of claims paid (by month, year, office Division, Village etc),
- No. of claims approved but awaiting payment (by month, year, office Division, Village etc),
- No. of claims awaiting examination (by month, year, office Division, Village etc),
- No. of claims rejected (by month, year, office, Division, Village etc),
- time taken to process and pay claims (by month, year, office Division, Village etc),
- No. of reports written (e.g. for court - custody, adoption, probation, domestic violence, prisoners, police etc) (by month, year, office Division, Village etc), and
- No. of counselling services.

Such reports could be extracted for CNP claims and services, the Women's Department Services, the Poverty Alleviation Program at the central level, without the need for any work by Divisional/District level, thus freeing up resources for their main goals of providing good services for the clients of the Ministry.

Similarly the status of requests of the Central level for funding for grants, payments, etc could be accessed by the Divisional/District offices, reducing considerably the telephone call costs. The use of e-mail between Districts, Divisions, and the central level could reduce telephone, fax and postage costs and speed up processes.

Recommendation

There is a need for the Ministry to formally request from ITC:

- The current status of the Ministry's request of the ITC for connection of all its offices to GovNet, (presuming, of course, that such a request has been made),
- Details of what is required for the connection process (i.e. if the cabling has already been done, is it a simple matter of allocating an identifier to each connected office, or are there more complicated processes required?),
- Why has there been such a delay in connecting the Ministry's offices (there is a need to explain to staff),
- An approximate date for connection (needed for the IT strategic plan), and
- Details of any further action required of the Ministry to enable connection.

If the connection date is not imminent, the Ministry should make a request to the appropriate authority at the appropriate level for priority, based on the negative effect on service delivery and hence the clients that the lack of a network facility is causing (the existing system cannot be used as it should be, causing heavier workloads on already overloaded staff).

The National level should provide feedback to the Divisional/District staff on the status of the connection to the network.

18.8.8 IT training & support

There is no ongoing IT training program, and staff generally are not confident in their computing skills. Many staff are unsure about how to use the Families Assistance computer system, key in incorrect codes, do not know how to correct errors, etc. This leads to slow processing, using up time that could be better spent on customer service.

There are no user manuals or written instructions on how to use the Families Assistance system.

When there are computer hardware/software or printer problems the offices do not know who to contact or what to do. Some offices contact local computer agents if there are any; others just stop using the computer/printer. One office has been without a printer for over 8 months, another had a hard disk problem that took over 2 months to fix. At the time of the offices visits for this project, there were 3 computer malfunctions, with no-one to fix them. While the computers are down, the claims are processed manually, but they are not entered into the system, so the statistics can be incomplete.

Some problems may be simply fixed – eg loose electrical connections, but there are no basic procedures available, even in the form of a simple checklist, to advise staff of what they should do in case of a malfunction.

The Divisional Office in Labasa is already connected to GovNet – however the network is not being used; the office still sends its monthly data to Suva on CD, even though the data is available via the network. Presumably this is because of a lack of IT skills/knowledge at the national level on how to use the network.

There is no IT strategic plan; staff have no idea of whether there will be any extension of the use of computers, what is to happen with the IT network, or whether there will be any improvement in their work processes to enable them to improve their service delivery.

Recommendation

Basic hardware/software/application training should be provided at least to an existing staff member within each office to allow them to be a service support officer to help local staff with initial minor problems. Any problems that are unable to be solved should be escalated to the Divisional level.

At the Divisional level there should be a higher level of technical support providing Help Desk services. An officer should be trained to provide the required level of support to Divisional/District offices to be able to assist where more serious problems occur (e.g. identifying types of problems – whether network, operating systems, application problems, loss of data, proprietary software etc.

Where problems are more serious and cannot be solved at the Divisional level, they should then be escalated to the national level.

Further responsibilities of this officer would include:

- Ensuring the IT assets register is accurate and up-to-date,
- Ensuring computer faults are logged,
- Ensuring security by:
  - enforcing password rules (e.g. regular change of password, never sharing password etc.),
  - ensure virus detect programs are fully updated,
  - the computers are used only for work related activities (no games videos, private files etc),
- Ensuring regular backup of data is undertaken,
- Ensuring the computer environment is correct (e.g. no food/drink while at the computer,
- The computer is clear of dust (keyboards, screens etc covered),
- Computers not placed in direct sunlight,
- The temperature range for the operation of computers is observed, and
- Monitor the computer skills of staff and undertake IT training needs assessment.

The above list is by no means exhaustive.

- At the national level there should be an IT section of at least 2 persons initially with overall responsibility for IT at the national, divisional and district levels. These officers should receive sufficient technical training to provide full support services for the Ministry, including:
  - Help desk services
  - National backup procedures
  - IT training needs analysis
  - Production of IT user manuals, problem identification checklists etc
  - Identification of further use of IT throughout the Ministry, e.g.
  - what are the changes needed to the current system to cater for the introduction of the ANZ banking pilot
  - the use of electronic media (e.g. diskettes) for transport of data records between District and Divisional offices to eliminate the need for double data entry
  - the use of a dial-up facility (where available) perhaps initially on a once-per week basis for the transfer of data between the District and Divisional Offices
  - what reports can be produced from the existing system at the national/divisional/district levels
  - what future applications need to be developed (e.g. CNP processing, the requirements of the Women's Department, the Poverty Eradication Unit, the Poverty Alleviation Unit, the Executive etc)
- Computer security (determining read/write access levels that need to be introduced for all staff, tracing computer usage etc)
- The management of ongoing IT training (e.g. identification of training needs, arrange for technical training, draw up an annual training program
- Prepare for the implementation of future applications e.g. FMIS, HRM systems
- Evaluate proprietary software packages
- Development of an IT strategic plan.

Again, this list is by no means exhaustive.

It is understood that it is intended that ITC is to provide all the above services for all government offices. However it has already been said that ITC currently lacks the resources to even handle the workload of simply connecting departments to *GovNet*, and is also currently unable to handle the number of support service enquiries (the help desk telephone system is overloaded with calls for assistance, and has asked that users use e-mail for service support requests – difficult where there is no connection).

At the moment only those connected to *GovNet* have access to e-mail, and with the current problems in the offices with access to telephones, it hard to imagine how it will ever be possible for ITC to handle even a minimal support service.

International experience has shown that 80 per cent of IT user problems are relatively simple and with basic IT training can be solved at the local/Departmental level. It seems logical to have a process where straightforward support services can be provided at the local and Ministry level and not waste the time of the experienced technical staff of ITC, thus allowing them to concentrate their expertise on the more important problems.

Updates on progress with information technology should be provided to field staff.

18.8.9 Transport

A major portion of the Welfare Officers' work is done out of the office – home visits are required for each family assistance claim, for adoption, custody cases, counselling, probation and prison reports. Regular visits to villages are also required for attendance at Provincial and District Council meetings, for information sessions, for the processing of grant applications, etc.

However the provision of transport is extremely limited; district offices have no access to their own transport, they rely on a share of use of the Divisional office motor vehicle, which is provided to each district office on one day per week. In one case there was one vehicle available for use by 6 offices. This puts an extreme constraint on the service provided to those in need of the welfare services. In another case the motor vehicle was involved in an accident early in the year. Permission was granted by Accounts to have the vehicle repaired. The vehicle was repaired, but a subsequent phone call from Accounts advised them that there had been a mistake in the process, that an investigation should have been carried out prior to the repairs. Accounts told them to garage the car. The car has now been garaged for 6 months, and the office has no idea when they will be able to resume using the vehicle.

When a Division uses up the funds allocated for fuel, the cars cannot be used; so all welfare service requiring transport ceases until the new funding allocation ceases. Family Assistance claims or applications for grants cannot be progressed until visits to homes and villages are resumed. Again, when vehicles break down and require repairs, the same situation exists.
The Division/District Offices have not been given any tools to monitor their expenditure on fuel or repairs.

Because of the Government contract arrangements, repair services by the contractors are unreliable – it is not unusual for a vehicle to have one part repaired, then have another part requiring repair within a few days, so the vehicle is constantly in for repair. In one case the vehicle remains permanently parked as it has been considered uneconomic for it to be constantly repaired.

Recommendation

A review of transport requirements of the Division/District Offices to enable them to provide reasonable service delivery to the clients should be undertaken. The review should also include the fuel funding requirements as opposed to the current funding allocations. Divisions should be represented in the review.

Management should consider whether Accounts should have the authority to decide whether or not the field staff should have access to telephone calls and motor vehicles, given the detrimental effect on service delivery and thus clients.

Divisions should be given the tools to monitor their expenditure on fuel or repairs (e.g. with *GovNet*, access to account records).

Reports (computerised) should be available to the Executive on mechanical services provided by contractors, the non-availability of vehicles through breakdown or the lack of funds for fuel, etc.

A business case should be prepared to be presented to the appropriate authority for sufficient funding to meet the transport requirements of field staff to enable them to meet the goals of the Ministry in the provision of services to customers.

Feedback on action taken should be given to field staff.

18.8.10 Telephones

Lack or limitation of telephone services is another major obstacle to good service delivery; in most offices visited, the phones had been disconnected for long periods of time because of non-payment of telephone bills (the bills are paid by the Accounts section in Suva). In some instances a bar has been placed on the line, allowing the office to receive calls but not to make calls.

Each office is given an allocation for telephone calls each quarter - it appears that if the allocation is exceeded then the bill is not paid by Accounts, so the phone is disconnected by Telecom (seen as a *punishment* to the office, which in turn *punishes* the clients).

There are no tools available for the office to monitor its call usage/cost – they only learn that they have exceeded their allocation after the telephone bill comes in. One office had the phone disconnected for over a year – it could not make or receive calls. The bill has since been paid and the line has since been reconnected, but calls still cannot be made (calls received only) or faxes sent, apparently because Accounts has only paid for line rentals, not for calls. The office has received no information from Suva about this, and has no idea when this situation will be rectified. If the office has a problem (e.g. computer malfunction, printer problem etc), it has to wait until it receives a call or visit from the Divisional Office before it can report the problem.

In one instance the office received a *please explain* letter from Accounts when it had exceeded its telephone quota; on obtaining and examining its record of calls, it found that most of its expenditure was on calls to Suva following up delays in funding that were being held up in Headquarters. Most offices indicated that a large part of their telephone expenditure was for calls to Suva chasing up delays in processing at the national level, e.g. Accounts.

The use of the telephone is essential to maintaining the most basic of services to clients; if the national office requires the divisional/district offices to monitor the telephone expenditure, it should provide them with the necessary tools to do so (e.g. an arrangement with Telecom to advise them when the expenditure reaches a certain amount).

Also it was explained that there was a threat of a *surcharge* being applied where the telephone allocation is exceeded – the *surcharge* means that the individual must pay the excess themselves out of their own pocket. While it is reasonable to make a staff member pay for private calls, it is hard to imagine that the individual can be made pay for expenditure on work-related telephone calls where the allocation is exceeded, even if there were proper tools provided to monitor the call costs.

In the end, it is the client who suffers through all these restrictions.

Recommendation

A review of the basis for fund allocations for telephone usage requirements should be undertaken, taking into account the need to provide satisfactory service to customers. Divisions should be represented in this review.

A business case supporting a request for the appropriate level of funding for telephone usage to meet service delivery requirements should be presented to the appropriate authority.

Proper tools should be made available to Division/District Offices to allow them to monitor telephone call expenditure. Advice should be sought from Telecom as to how this monitoring might be possible, e.g. could Telecom provide a warning to Division/District offices when call expenditure exceeded a certain level. Or could users have access to their telephone account information via the internet (i.e. after they become connected to *GovNet)*.

The practice of applying the "surcharge" to individual staff members for work related phone calls should be reviewed.

Consideration should be given to charging all calls from the field to Headquarters against the national telephone allocation, thus allowing the field telephone calls to be used for service delivery.

Feedback on action taken to address this issue should be given to staff.

18.8.11 Office expenditure

Requests for funding for office expenditure must be forwarded to the Accounts Section in Headquarters (together with 3 quotes) for approval prior to expenditure being incurred. Due to the delays in processing by Accounts it is not uncommon for staff to use their own personal funding to pay for goods/services and then claim reimbursement – e.g. where a training course has been arranged, the start date has arrived, and the funding has not been approved by Accounts. This reimbursement can take 4 – 6 months, which is unfair to staff.
Other concerns were raised where staff incur expenditure which is refused or asked to resubmit – e.g. use of a taxi when there is no bus available

at the time – e.g. early morning, but Accounts say there is a bus service available on that day so will only pay the bus fare.

Concerns have also been raised over the obligations to obtain 3 quotes, especially in those districts where there are not 3 suppliers; or where suppliers refuse to give quotes as they have previously given quotes that have been unsuccessful

Recommendation

Consideration should be given to providing advance accounts to Divisions so that office expenditure can be incurred when required, with initial payments being made at the approval of the Senior Welfare Officer, and reimbursement subsequently sought from the national level with the provision of the appropriate documentation.

Investigations should also be made to see whether there can be some flexibility in the necessity to obtain 3 quotes for the purchase of minor items/services or where there are not 3 providers (e.g. ferry fares).

Also management should have access to information regarding the performance of each of the sections at the national level, similar to that provided by the field offices, e.g. Accounts Section should be able to provide such information as the number of paid and unpaid accounts, (by Division/Office, by number of months etc), the status of unpaid accounts (e.g. awaiting further information/follow-up etc), type of accounts etc. There should be a tracking of where each account is at any given time. Hopefully this type of information will be available in the new Financial Management computer system to be provided by ITC; if not, there may be a need for in-house development.

18.8.12 Staffing

There is a high turnover of staff, often caused by the conditions caused by the previously mentioned problems, and because of the "freeze" of Public Sector recruitment, the Department is very much understaffed – many positions have not been filled, and the workload and pressure on individual staff members has increased greatly.

Some District Offices only have a single staff member, where there should be a minimum of three – Welfare Officer Grade 1, Welfare Officer Grade 2, and a Clerical Officer. This is an untenable situation, and service delivery requirements cannot be met in situations like this.

It is reported that staff replacement process can be extremely slow; in some instances it can take years for positions to be filled. Staff are not replaced when absent on long-term sick or maternity leave; the increased workloads for the remaining staff result in stress, and further sick leave.

Also the Welfare Officer positions require specialist staff with specialist skills – it would appear that Welfare Officer positions are filled through the normal PSC selection process, without looking for specialist skills. The placement of non-specialist staff into Welfare Officer positions could also contribute to the high staff turnover.

There are also language problems in some offices resulting from an imbalance of staff to customers on the basis of language; in one office the cleaner is called on to provide interpreting services.

Recommendation

These concerns need to be discussed at the appropriate level with the Public Service Commission, with the focus on the need to meet the goals of the Ministry with regard to its service delivery, and the reliance on keeping a minimum adequate staffing level at all times. Perhaps the PSC can be formally notified when urgent replacement of staff is required.

Also the PSC should be approached to see if a Senior Welfare Officer could sit on the interview panel when interviewing for Welfare Officer positions, given that selecting non-suitable officers for those positions results in staff turnover which in turn provides more work for the PSC.

18.8.13 Management training

The project *Subregional Initiative* on *Social Security in Pacific Island Countries* conducted a course for line managers of provident funds from 8 countries; Fiji, Kiribati, Marshall Islands, PNG, Samoa, Solomon Islands, Tonga and Vanuatu. The course was conducted in two phases, a formal 4 day presentation in Nadi on 24 October 2005 followed by about 6 weeks of web based tutorial exercises in the home countries. Two managers from each Provident fund attended the course and additional students from Fiji Ministry of Women,

Social Welfare and Poverty Alleviation, government representatives form Fiji and Solomon Islands and project staff. The project funded the costs of development and delivery of the course and the travel and daily living allowances for the participants.

The course was designed by ITC ILO Turin, USP and project Chief Technical Adviser. ILO ITC staff delivered two modules on social security and financial management and USP delivered two modules on risk management and management information systems.

Participants completed assignments in their home offices using either the Internet or the USP Intranet and worked in groups.

Decentralisation

With the introduction of GovNet, the opportunity arises to review all work undertaken at the national level with a view to decentralising as many customer-related services as possible – e.g. approval for grants, C&P claims, all those services which currently require submission to the national level for prior approval.

Chapter 19 Health Care/Microinsurance Survey in Fiji

19.1 Background

Basic medical care in Pacific Island countries 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 variable and in some cases, 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*.

The project surveys of workers in the formal employment sector and informal economies found that health care was considered a very high priority by respondents in both surveys. This reflects the anecdotal evidence collected by most agencies and reflected in the commitments made by governments to reform the health care and health care financing systems. Health insurance is also an area where the greatest gap exists and for most informal economy workers. the basic government health care service is the only option.

It was unclear why health care was rated so highly in the surveys considering that the governments provide essentially free health care. Health care is not totally free however, and the out-of-pocket expenses for health care vary considerably between countries. In Fiji the WHO has found that about 33 per cent of health care costs are provided by the individual as out-of-pocket expenses, effectively subsidising the health care budget.

Out-of-pocket expenses can significantly affect households in the informal economy and for subsistence economies can reach catastrophic proportions of disposable cash income. This survey, unlike the indicative surveys that concentrated on **workers** in the informal economy, was focussed on informal economy **households** and not specifically workers. The survey aimed to identify the demographic and financial characteristics of around 1500 households, their frequency and type of health care ailments, types of treatment, out-of-pocket expenses and interest in microinsurance schemes. It also aimed to investigate any alternatives to microinsurance schemes which have had mixed results in other countries where sustainability rarely extended beyond five years.

Development of the principles for a micro health insurance program for Fiji would support the government strategy in extending micro financial services to people across Fiji and would also fill part of the gap left by the proposal to provide health insurance coverage to formal employment sector workers through the FNPF health Insurance scheme. It is recognised that full medical insurance cover is not viable for households in the informal economy and the near poor, based on the likely premiums that these workers are able to contribute. However, based on international experience it should be possible to cover some of the key health concerns of informal economy workers and their families, particularly some of the *out-of-pocket* expenses.

19.2 Micro-insurance in Fiji

Micro-finance policy in Fiji is developed by The National Centre for Small and Medium Enterprise Development (NCSMED) and implemented through the Microfinance Control Unit (MFCU). Whilst the progress to date on implementing microfinance schemes has been impressive the main focus has been on micro loans, rural banking and savings schemes. The policy for *micro insurance* has yet to be developed and is one of the strategic development plans under consideration by NCSMED and MFCU.

The government of Fiji is committed to health care reform and has expressed its interest in the development of proposals for the implementation of a Social Health Insurance Scheme for formal sector workers to be administered by FNPF. The Ministry of Health would then be required to develop a health care scheme for the general population not employed in the formal employment sector. At this stage there are no immediate proposals to extend this scheme to workers in the informal economy who will presumably continue to be treated in government funded centres and contribute to health care financing through out-of-

pocket expenses. However given the wide variations in income and expenditure, the out-of-pocket expenditure can be severe for some families but insignificant for others on higher incomes. This creates an unfair burden on poorer households particularly those in remote areas and in traditional areas.

In order to consider the needs of the informal economy households, empirical information is required about why people rate health care so highly, whether additional government intervention may satisfy needs and reduce the gaps or whether microinsurance schemes need to be considered. However before any decisions can be made, a number of issues need to be addressed including the development of guidelines, methodology, training and development of staff in the NCSMED and MFCU on the principles of micro health insurance schemes and to propose pilot schemes in urban and rural areas to test their viability and develop processes that can be extended to other regions.

For health microinsurance to be considered, four key areas in the development of a micro health insurance pilot scheme need to be investigated:

- Develop an implementation methodology for a micro health insurance scheme in Fiji,
- Undertake the enabling training on micro health insurance schemes using the ILO STEP existing training programs that have been based on extensive experience in Asia, Africa and Latin America,
- Develop the framework for a pilot scheme in the urban and semi urban environment based around the IHRDPEP job creation zone in Sigatoka and in the rural areas around the successful micro savings/loans scheme in Ra.
- Finalise a proposal that can be put to donors for funding assistance to implement the pilot schemes.

Given the time constraints and resources available to the project it was proposed that the considerations be made at two levels; top-down to prepare the NCSMED with the principles and practices relating to the administration of microinsurance schemes. It was proposed that ILO STEP would undertake this task. However assistance could not be obtained from ILO STEP so this component of the plan, together with proposals for prototypes and donor assistance were abandoned. The bottom-up process of obtaining detailed information from potential participants in a microinsurance scheme was completed in this survey.

19.3 Micro insurance survey

19.3.1 Survey methodology

The survey was designed in conjunction with the department of statistics in Fiji which provided a breakdown of the households in the statistical areas used for the population census and for the Household Income and Expenditure surveys. Unfortunately a true distribution of informal economy households is not available so the distribution of the sample was made on the proportion of households in each of the statistical divisions. These divisions were sub divided into urban and rural households in each division. The sample was apportioned in accordance with the rural and urban households in each division.

A sample size of 1,500 households was chosen, a relatively large sample about half the size of the sample used by the Bureau of Statistics statistics department for the Rural Household Expenditure Survey in 2003.

The survey form was designed in conjunction with medical specialists from the Ministry of Health so that the sample coordinated with the Medical districts within the statistical divisions. The survey form and the notes to data collectors are provided in Annex 9. The groupings of ailments and medical conditions were based on the groupings used by the Ministry of Health and used by the Ministry for statistical comparisons (also based on the BOS survey locations area map?).

A standard set of outputs was identified to obtain an indicative view of the health care needs and the potential for government intervention to satisfy the needs and gaps intimated in the initial informal economy survey. Alternatively the data was designed to indicate whether a microinsurance scheme might be possible and what the types of coverage the benefits of such a scheme might need to provide. The survey form was also designed so that the data could be further interrogated by the Ministry of Health or MWSWPA by regions, gender, medical conditions, family types etc. A disability supplement was also attached to the survey form to be completed for those households where a disabled member was identified in the household (question 2 on the survey form).

Data collectors were recruited form the relevant regional medical facilities and were briefed

personally by the National Project Coordinator for Fiji (NPC). This briefing comprised a detailed explanation of the requirements of the survey, potential outcomes, data requirements and problematic questions. Data collectors were required to complete a sample form and were given the opportunity to discuss any anomalies, potential local issues and general issues with the NPC.

The data was collected in the surrounding areas based on the rural/urban ratios in accordance with the sample distribution based on the statistical divisions. The selection of households was made at random within that nominated area. Completed form were vetted by a local supervisor and batched and forwarded to the project office for data entry and storage.

The database was developed in MS Access and tested prior to the data collection and a final functional test was undertaken using a sample of the initial completed survey forms. All of the data was entered by the same data entry operator over the period of the data collection and this was done for consistency and to identify any problems and trends that may have developed over the course of the exercise.

The completed MS Access database has been made available to MOH, MWSWPA, FNPF and ILO Suva office.

19.3.2 Survey sample

The total number of households in Fiji as per the statistical divisions is 96,070 made up of 78,056 urban households and 18,014 in rural areas. The areas chosen for survey represented 89,648 households distributed on a pro rata basis between urban and rural. This represents 93.32 per cent of the total households that will be included in the survey area. Remote islands were excluded from the survey because of the disproportionate cost and the very small numbers (less then 3% of population) which would have made little effect on the outcomes as the pro-rata sample size would have been about 40 surveys distributed over a huge area, with individual islands having a sample size of one or two. The remote islands should be considered as special cases and it is understood that the Ministry of Health makes special provisions for remote island health care.

The distribution of the collection areas and the relevant proportion of the sample of 1,500 are shown in table 19.1 below.

Table 19.1 Distribution of household numbers and proportion of the sample.

No.	Region	# households	Per cent	Sample size
1	Northern Division			
2	Labasa (urban)	5,811	6.48%	97
3	Labasa (rural)	1,233	1.38%	21
4	Savusavu	1,349	1.50%	23
5	Sub-total	8,393	9.36%	140
6	Central Division			
7	Lami (Urban)	3,168	3.53%	53
8	Lami (Rural)	302	0.34%	5
9	Nausori (Urban)	4,315	4.81%	72
10	Nausori (Rural)	2,788	3.11%	47
11	Nasinu (Urban)	17,344	19.35%	290
12	Nasinu (Rural)	77	0.09%	1
13	Suva (Urban)	17,994	20.07%	301
14	Sub-total	45,988	51.30%	770
15	Western Division			
16	Ba (Urban)	3,266	3.64%	55
17	Ba (Rural)	2,480	2.77%	42
18	Lautoka (Urban)	9,702	10.82%	162
19	Lautoka (Rural)	4,360	4.86%	73
20	Nadi (Urban)	8,657	9.66%	145
21	Nadi (Rural)	3,372	3.76%	56
22	Sigatoka (Urban)	1,648	1.84%	28
23	Sigatoka (Rural)	935	1.04%	16
24	Sub-total	34,420	38.39%	576
25	Eastern Division			
26	Levuka (Urban)	712	0.79%	12
27	Levuka (Urban)	135	0.15%	2
28	Sub-total	847	0.94%	14
29	TOTAL	89,648	100.00%	1500

Table 19.2 Distribution of household numbers in towns/cities by division

CITY/TOWN	DIVISION (No. households)				
	Central	Eastern	Northern	Western	Total
Ba				3266	3266
Korovou	63				63
Labasa			5811		5811
Lami	3168				3168
Lautoka				9702	9702
Levuka		712			712
Nabouwalu			121		121
Nadi				8657	8657
Nasinu	17344				17344
Nausori	4315				4315
Navua/Deuba	1272				1272
Rakiraki				952	952
Savusavu			1349		1349
Sigatoka				1648	1648
Suva	17994				17994
Tavua/Vatukoula				1682	1682
Total Households	44156	712	7281	25907	78056
% of total households	56.57%	0.91%	9.33%	33.19%	1.00%

Source: Fiji Bureau of Statistics, September 2005

Table 19.3 Distribution of household numbers in rural areas around towns/cities

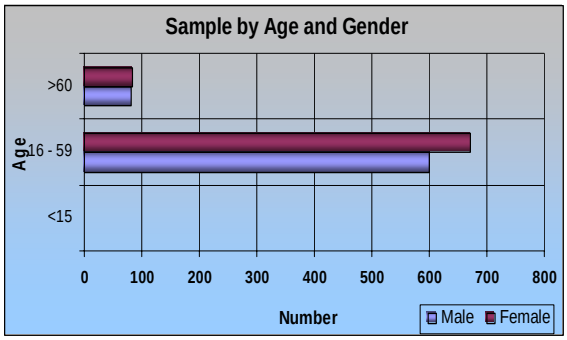
Town/City	DIVISION				
	Central	Eastern	Northern	Western	Total
Ba				2480	2480
Deuba	765				765
Korovou	149				149
Labasa			1233		1233
Lami	302				302
Lautoka				4360	4360
Levuka		135			135
Nadi				3372	3372
Naitasiri	131				131
Nasinu	77				77
Nausori	2788				2788
Navua	218				218
Rakiraki				604	604
Savusavu			236		236
Sigatoka				935	935
Tavua				229	229
Total Households	4430	135	1469	11980	18014
% of total households	24.59%	0.75%	8.15%	66.50%	1.00%

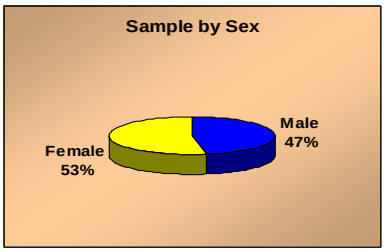
Source: Fiji Bureau of Statistics, September 2005

19.3.3 Survey results – personal information

(i) Sample by age and gender

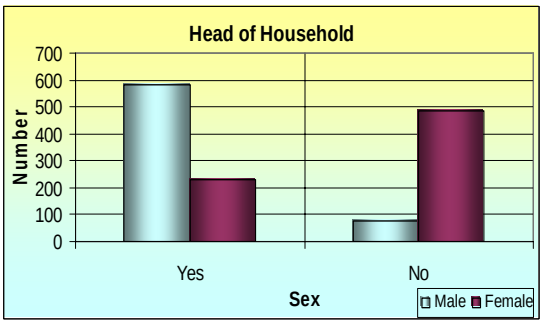
The sample of 1500 householders shows that the bulk of the householders were in the working age range of 15-59 years. Only about 10 per cent of the sample was outside this range.

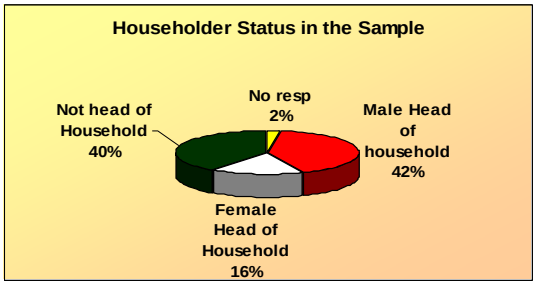




The marital status of householders reflects the majority married status and the distribution of single heads of households is discussed below.

(ii) Head of household



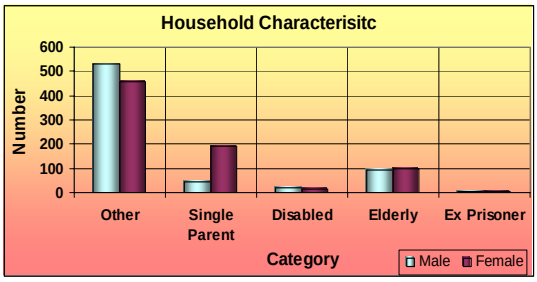


The survey findings showed a relatively high proportion of female headed households of 16 percent. This is a significant increase on the 1996 census where 12 per cent of households were female headed. This increase of 33 percent since 1996 was thought to be excessive. However, the Fiji Statistics Department confirmed that the unofficial findings from the 2003 Household Income and Expenditure Survey (not yet released) identified almost 19 per cent of households that were headed by females.

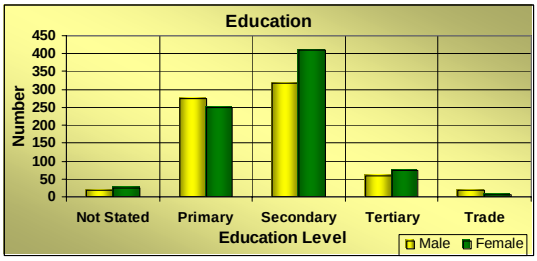
(iii) Household characteristic

The purpose of this question was to identify households that satisfied the criteria for payment of Family Allowance Supplement through the Ministry of Women, Social Welfare and Poverty

Alleviation. The other category presumably represents typical nuclear families. The data from this question shows the female single parents at around 13.2 per cent of the sample.



(iv) Education

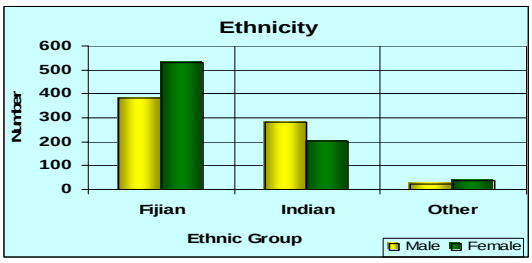


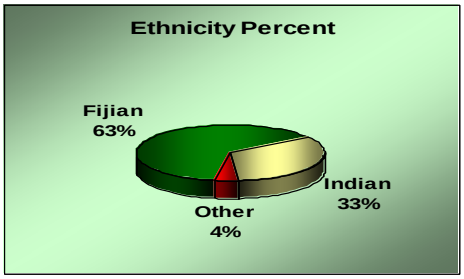
The highest education attainment of the workers in the sample is shown in the following chart. In terms of absolute numbers in the sample males represent the highest numbers in all categories of education. These data reflect the high literacy rate in Fiji which was identified to be 87 per cent of the population in the 1996 census, 90 per cent for males and 84 per cent for females. High literacy rates imply that operating within a social security program and maintaining claim requirements should not pose any problems for the average adult Fijian. The education levels of the sample show a slightly different pattern to the earlier indicative survey but the higher proportion of females to males in the secondary and tertiary categories suggest that male dominated bias in education appears to be addressed with free education to primary level. It is too soon to suggest that the subsidised secondary education for ethnic Fijians has had an impact but this will surely strengthen these trends in the future.

(v) Ethnicity

Ethnicity is an area of concern in Fiji and it is common for statistics to be disaggregated by ethnicity as well as gender. The largest areas of informal economy workers are on the Island of Viti Levu where the largest towns and cities are located. The informal economy is dominated by the sugar industry which employs about 15.4 per cent of the total labour force[109] and about 22.2 per cent of the informal economy[110]. A considerable number of the sugar farmers, labourers and seasonal workers are Indians. The most recent population statistics on 31 December 2000 has identified the ethnic mix to be 52.6 per cent Fijian, 41 per cent Indian and 6.4 per cent others. While the survey supports the population characteristics it is biased more towards the indigenous Fijians.

The 1996 census identified the ethnic distribution of the population to be 51 percent indigenous Fijian, 44 per cent Indian and 5 per cent other groups. This distribution is likely to have changed significantly due to emigration of ethnic Fijian-Indians since 1996 and post 2000 coup. A more accurate proportion is likely to be obtained following the 2006 census planned for Fiji. In the case study for Fiji in chapter 7, ILO Convention 169 Tribal and Indigenous People, the consultant has estimated that based on the current demographic shift Fijian are likely to constitute around 60 percent of the population by 2010. This probably biases the findings of this survey slightly towards indigenous Fijians although the degree of bias will only be determined by the census.

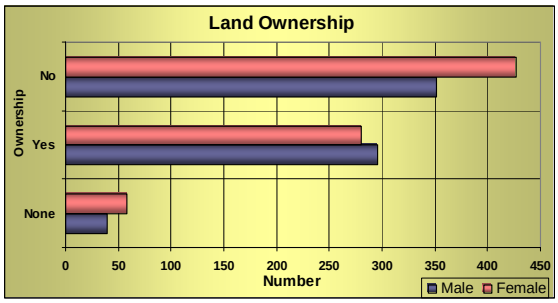




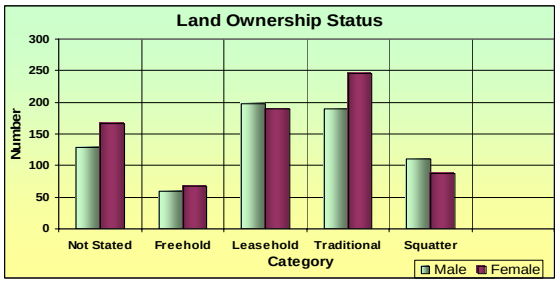
[109] Based on projections from the statistics, planning and labour departments from the 1996 census

[110] Data on employment in the sugar industry from Fijian studies Vol 1, No. 1 2003

(vi) Land ownership



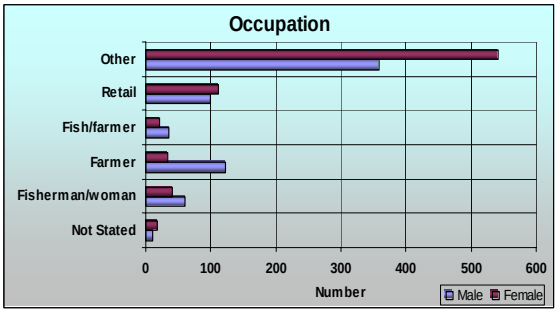
Land ownership is difficult to analyse because most of the land in Fiji is communal or traditional land and ownership is not always clear. The fact that around 40 per cent of the sample identified as the owners of their land suggests some stability of tenure for that group. The following response on tenure is more descriptive. Land ownership posed some problems for surveyors and respondents alike and given that some of the sampling occurred in traditional villages and towns the ownership of land is not always clear.. The ownership may have been interpreted as leased which gives security of tenure within the current legal system. One of the benefits of the traditional customs is access and rights to land as part of an extended family group. Security of land tenure suggests that incomes stability could be expected all other things being equal.



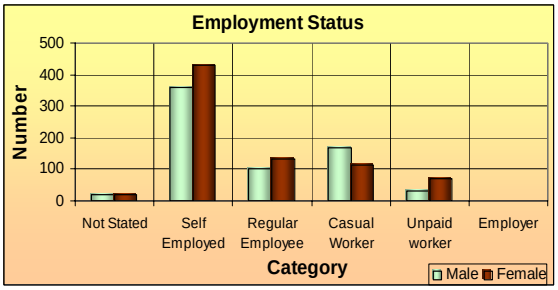
The land ownership status shows that 30 percent of the respondents are on traditional land and 27 percent on leasehold land. The average lease payment identified in the survey was FJD 33.09 per month.

(vii) Occupation

The question on occupation was framed around the major occupations in the informal and traditional economies. However, the responses were a little inconclusive with the majority of responses returning the *other* category. It is difficult to estimate what these other occupations are, but it may be that people see traditional occupations differently to the fishing/farming categories presented.

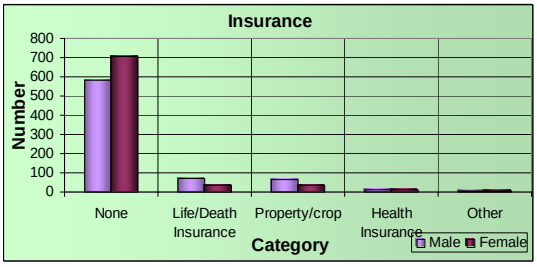


The employment status is consistent with informal economy employment where most people identify as self employed. There were no responses to employer which suggests that those who employed others, probably did so as family members and on an unpaid basis. Only around 15 percent of the sample identified as regular employees. This suggests that most households will have variable income which creates difficulties for them to make regular payments to a voluntary scheme and further details about income are provided in the following section.



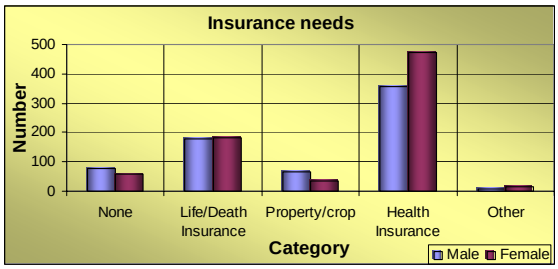
(viii) Insurance

Respondents were asked if they had insurance cover and the chart below confirm that the overwhelming majority households have no insurance cover. In terms of health insurance only 23 household out of 1,500 responses had coverage.



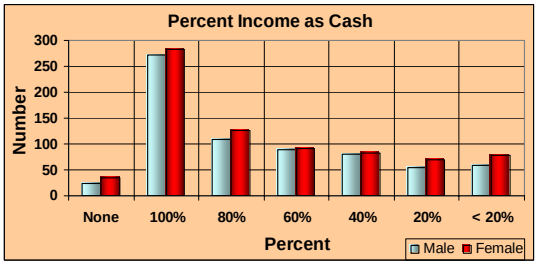
When people were asked to identify their insurance needs the overwhelming majority identified with

health insurance. Whilst this may appear to be an adverse selection in that medical personnel were the enumerators and the questions focused on health care the findings are consistent with the earlier indicative surveys

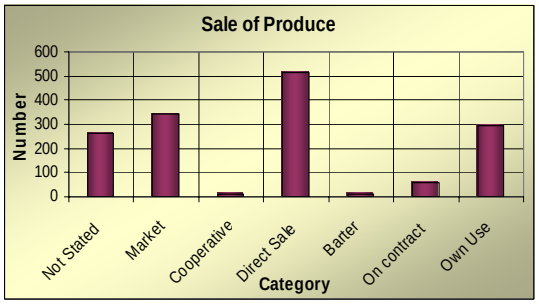


(ix) Income

This question that asked respondents to estimate the percentage of their income that is cash was expected to be very difficult for informal rural workers, however in Fiji almost 90 per cent of the sample were able to respond. The results show that about 25 per cent of the sample received less than one 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. However, around half of the sample received more than 80 per cent of their income as cash.

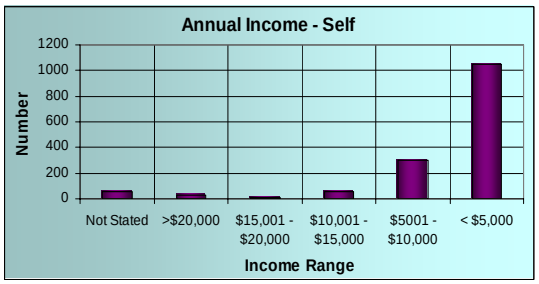


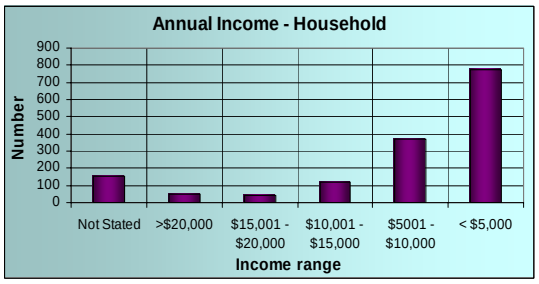
The main source of income for informal workers in the informal economy in Fiji is based on the sale of produce, typically sugar, copra, fruit, vegetables, fish and handicrafts. The results of this survey suggest that almost all produce is sold either in markets or by direct sale with almost no sale through cooperatives. The cooperatives can provide an avenue for centralised contribution collection at point of sale for micro schemes that can simplify administration. However contract sales offer a similar alternative to cooperatives where potential social insurance contributions could be deducted at point of sale. The alternatives are group building and maintenance which has proven to be an intensive and costly exercise.



(x) Individual and Household Income

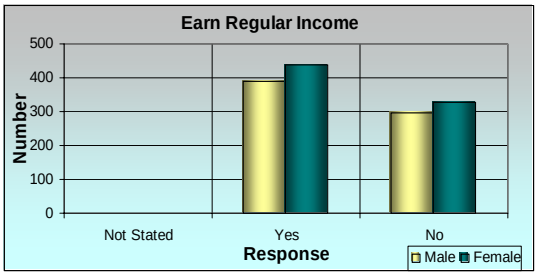
The majority of individual respondents earn less than FJD 5,000 per year, however the mean income moves up the scale very marginally for households and the majority of respondents received between FJD 5,000 and FJD 10,000 per year. The Urban Household Income and Expenditure Survey 2002 – 2003 indicated that the average household income was FJD 12,784.

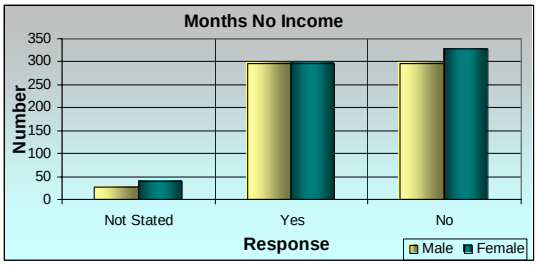




(xi) Earnings patterns

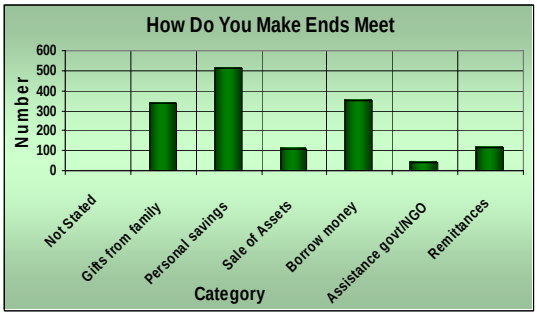
The earnings pattern of respondents were considered to identify the degree of fluctuation which may have a bearing on any potential voluntary schemes. Erratic income or large fluctuations would place considerable pressures on regular contribution collection. However this may be moderated by the methods 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 charts below show that the sample was split about half with regular earnings and half with months where no income is received.



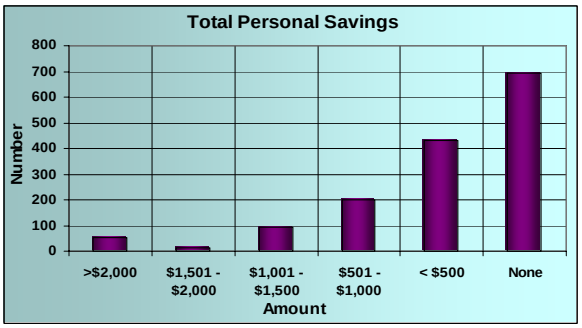


(xii) Making Ends Meet With No Income

Respondents were also asked how they made ends meet when they had little or no income and the majority identified personal savings, gifts from family and borrowing money. This supports the importance of remittances to Fijian family income and also one of the strengths of local traditional customs. The low response to assistance from government and NGO's reflects the low level of social assistance provided in Fiji to the working aged population. The low response to sale of assets suggests that the sample was not suffering from poverty as sale of assets is one of the initial reactions to the transitional poor.



(xiii) Personal Savings



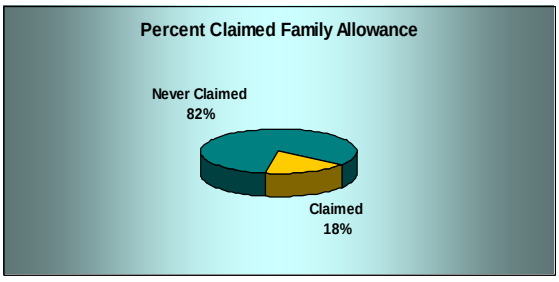
As stated in the previous response about making ends meet, personal savings rated highly which implies that people have savings. The responses show that about 45 percent of households had no personal savings and about 22 percent had more than FJD 500 in personal savings. When the average monthly income of about FJD 400 is taken into account and for those in this category without savings, out-of-pocket health care expenses could cause these people to go further into poverty. The extent of health costs is discussed later.

19.3.4 Welfare information for MWSWPA

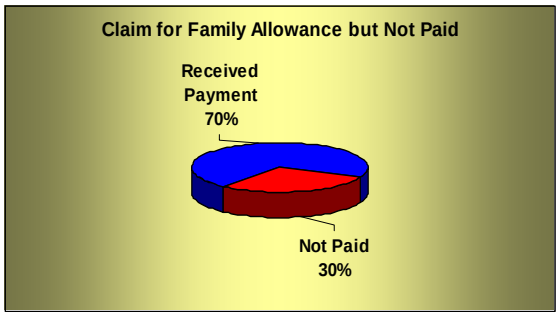
The following section of the survey was designed to obtain a sub-set of informal economy household data that is relevant for the Ministry of Women, Social Welfare and Poverty Alleviation and the Family Assistance Programs.

(i) Claimed for family assistance benefits

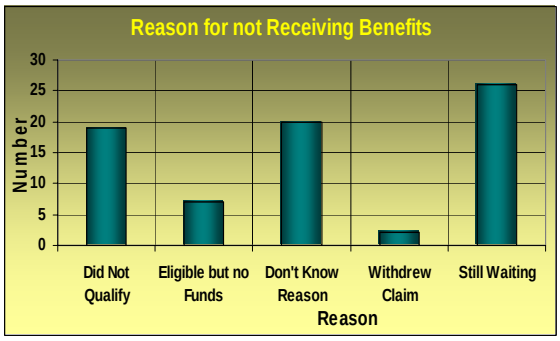
In this sample which is relatively indicative of the informal economy 18 percent of the sample had claimed for family assistance from MWSWPA.



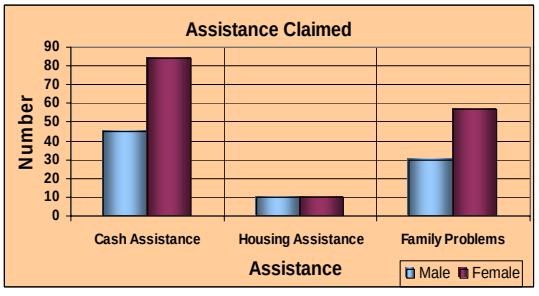
Of those who had ever claimed for family assistance 30 per cent had not been paid.

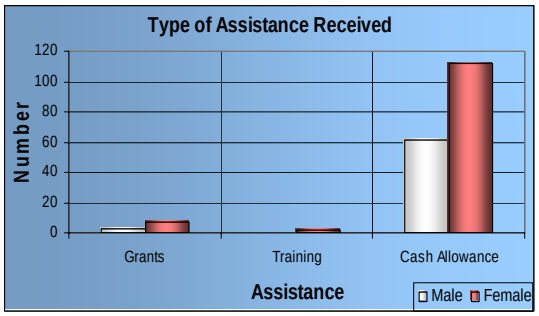


Only 74 of those surveyed responded to the question about reasons for not being paid, the remainder considered the question not applicable. If 18 per cent of the sample had claimed FAS, then this would represent about 270 respondents and 30 percent of those who had not been paid represents about 90 cases. Given that 74 of the potential 90 cases responded to this questions gives the outcome a reasonably high correlation. Whilst there are some concerns about lack of funds for FAS only a small number of respondents indicate lack of funds as the reason for non payment. However, the two highest responses were still waiting or didn't know the reason for non payment and both are a cause for concern.



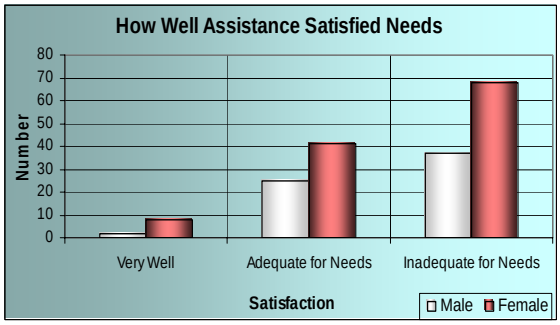
The type of assistance claimed is shown in the chart below. Cash assistance represents the highest need followed by family problems. The second chart below confirms that the major category of assistance actually provided was cash assistance

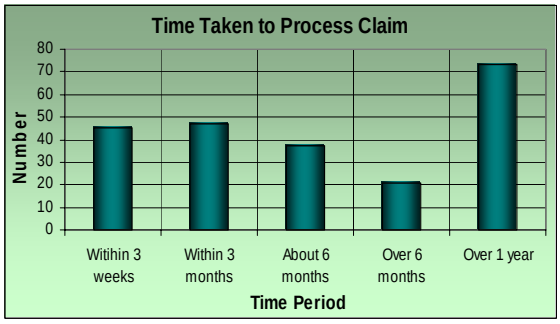




(ii) Service satisfaction levels

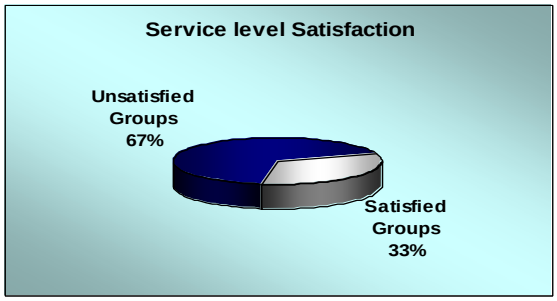
This section attempted to determine the satisfaction levels of both the products provided and the service delivery satisfaction. The following three charts describe the satisfaction with the service providers, and the timeliness of service and the reasons for dissatisfaction.





The responses to the survey show that of those who had claimed FAS found that the service was inadequate for their needs and that around half of the claimant's were dissatisfied with the service provided. When this is broadly categorized into satisfied and unsatisfied, about 67 per cent of people were unsatisfied.





The reasons for dissatisfaction were split about 60:40 in favour of the office service delivery issues to the amount of benefit being insufficient. This suggests that attention to the timeliness, simplification of processing and communication with claimants would go a long way towards improving the satisfaction levels. A satisfaction level of 70:30 in favour of service delivery should be a realistic initial target.

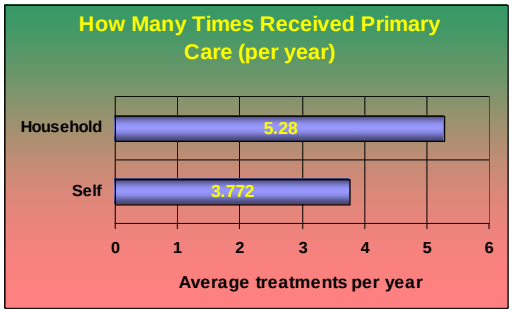


19.3.5 Primary health care findings

In this section the data collected related to the primary health care needs, frequency and treatment received firstly by the individual interviewed and secondly for all the members of the household. The data collectors were all professional medical staff and were able to determine from discussion with the respondents the true nature of their ailments and the treatment provided. The medical analysis of this survey is limited but the basic data exists on the database and further analysis of the data by ailment, location, gender ethnicity etc could be made by the Ministry of Health.

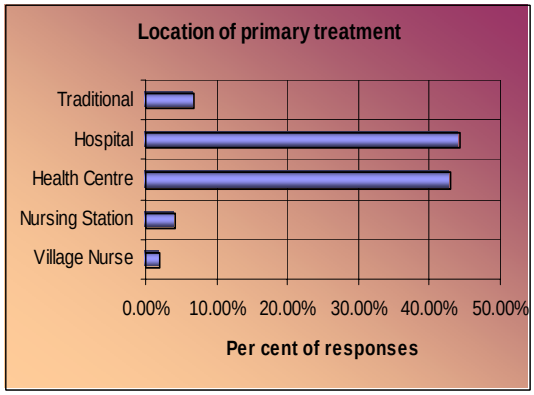
(i) Average number of primary treatments per year

The following chart shows that the average number of primary treatments required per year per individual was 3.773 times and for households it was 5.28.



(ii) Location of treatment

Most people in the survey had been treated at the hospital or at the health centre and surprisingly more were treated by traditional means than at nursing station.



(iii) Frequency and type of primary ailments

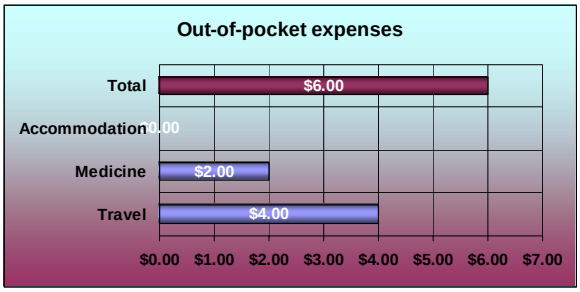
Table 19.4 Primary care - frequency of ailments and treatment

PRIMARY HEALTH CARE	Village Nurse		Nursing Station		Health Centre		Hospital		Traditional		Total	Rank
	Count	%	Count	%	Count	%	Count	%	Count	%		
Accidents & Emergencies	4	0.26	1	0.06	56	3.73	212	14.13	7	0.46	280	7th
Burns	2	0.13	3	0.20	12	0.80	43	2.86	22	1.46	82	13th
Reproductive Health	6	0.40	10	0.66	152	10.13	218	14.53	4	0.26	390	3rd
Gynecological Problems	0	0.00	4	0.26	33	2.20	100	6.66	4	0.26	141	10th
Maternal Child Health	6	0.40	31	2.06	238	15.86	42	2.80	1	0.06	318	5th
Viral Illnesses	16	1.06	43	2.86	344	22.93	326	21.73	46	3.06	775	1st
Eye Infection	4	0.26	6	0.40	52	3.46	96	6.40	23	1.53	181	9th
Skin Conditions	9	0.60	26	1.73	137	9.13	110	7.33	21	1.40	303	6th
Communicable diseases	1	0.06	3	0.02	31	2.06	53	3.53	5	0.33	93	12th
Non Communicable diseases	2	0.13	8	0.53	139	9.26	169	11.26	2	0.13	320	4th
STI's and HIV / AIDS	0	0.00	0	0.00	4	0.26	4	0.26	0	0.00	8	14th
Common cold / Flu	15	1.00	20	1.33	305	20.33	182	12.13	99	6.60	621	2nd
Upper respiratory Infection	7	0.46	2	0.13	94	6.26	60	4.00	19	1.26	182	8th
Asthma	0	0.00	3	0.20	43	2.86	76	5.06	10	0.66	132	11th
TOTAL	**72**	1.88%	**160**	4.18%	**1640**	42.86%	**1691**	44.20%	**263**	6.87%	**3826**	

It is interesting to note that the top three ailments; viral illness, reproductive health and common cold/flu account for 54 per cent of the primary treatments. It is also interesting to note that non-communicable diseases are the fourth most common ailment which reflects the increasing trend reported by WHO of lifestyle disease in Pacific countries. The fifth most common ailment reported in the survey was maternal and childhood health.

(iv) Out-of-pocket expenses

In many informal economies out-of-pocket expenses often represents a significant burden to families as they attempt to obtain health care services. Whilst the government provides the bulk of the health care budget in Fiji a significant proportion (about 33 per cent) is provided as out-of-pocket expenses. How this affects informal economy households has previously been unclear. The WHO describes health care out-of-pocket expenses as catastrophic when 40 percent of disposable income is required.

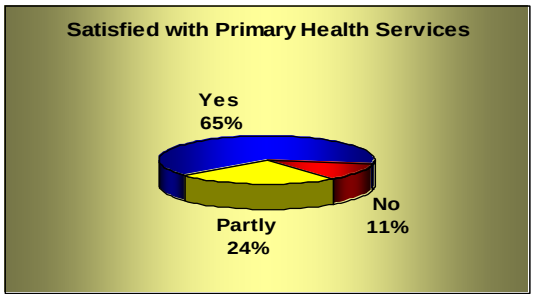


In the absence of the complete rural household expenditure survey it is difficult to assess the impact of the average out-of-pocket expenses identified in this survey. The average for primary care of FJD per treatment for 5.28 occasions per year produces an average total expenditure of about FJD 31.68 per year. Based on average incomes of less then FJD 5,000 per year this does not seem significant, however when a poverty line income estimates at around FJD 140 per week (unofficial poverty studies) then any out-of-pocket expenses would be significant.

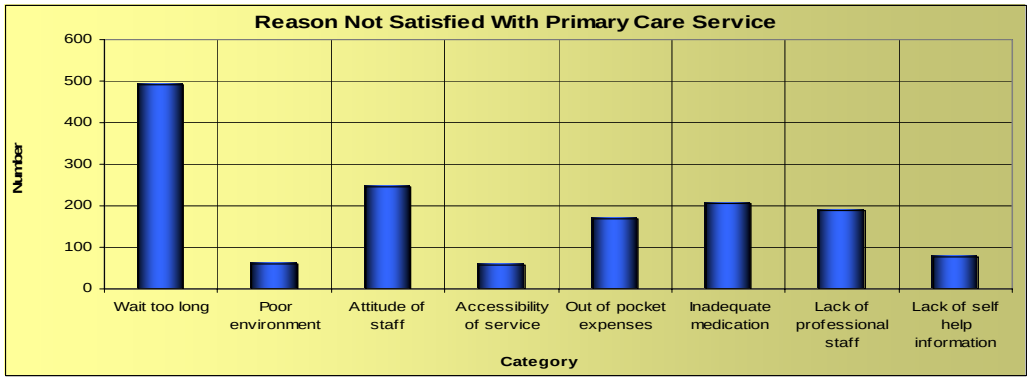
Anecdotal information obtained in this survey found that in some cases remote villagers can pay up to FJD 150 for transport in a people carrier to the nearest town or hospital. These figures would distort the averages obtained in this survey and if this level of out-of-pocket expenses could be

substantiated then they would represent catastrophic expenditure on health care.

(v) Primary care satisfaction levels



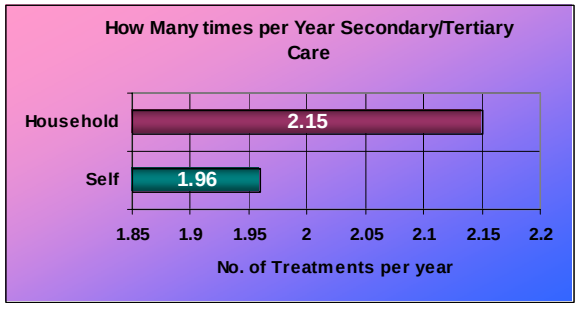
A reasonable number of respondents were satisfied with primary health care they received over the past 12 months with only 11 per cent responding with No. Despite the overall satisfaction level the following chart provides the reasons respondents were unsatisfied with the primary care they received. Waiting times tend to be a universal problem in delivering health care but the staffing issues, medication and out-of-pocket expenses were also significant and reflect the quality of treatment rather than the service delivery.



19.3.6 Secondary/tertiary health care findings

(i) Average number of treatments per year

As expected the average number of secondary and tertiary treatment needs per year were less than those for primary care. The household incidence of 2.15 compares favourably with the global averages discussed in chapter 9, health care principles.



(ii) Location of treatments provided

Most of the treatment undertaken by respondents to the survey were undertaken in the divisional hospitals. This is probably because most people have access to divisional hospitals especially on Viti Levu where the population groupings of the urban and peri-urban formal economy were around Nadi/Lautoka and Suva where the main divisional hospitals are located.

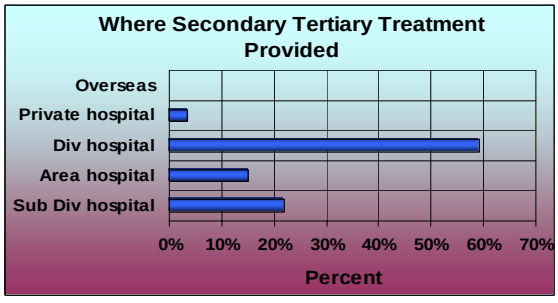
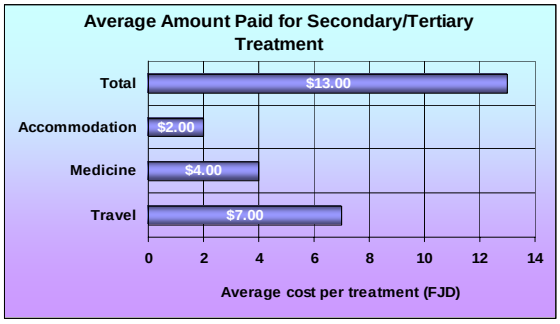


Table 19.5 Secondary/tertiary care - frequency of ailments and treatment

Health Care	Sub-Divisional Hospital		Area Hospital		Divisional Hospital		Private Hospital		Overseas		Total	Rank
	Count	%	Count	%	Count	%	Count	%	Count	%		
Medical Condition	149	9.93	103	6.86	318	21.2	19	1.26	3	0.2	592	1st
Communicable Diseases	31	2.06	32	2.13	63	4.2	2	0.13	-	-	128	5th
Surgical Conditions	32	2.13	14	0.93	128	8.53	10	0.66	1	0.06	185	2nd
Gynae Conditions	21	1.4	11	0.73	104	6.93	8	0.53	-	-	144	3rd
Orthopaedic Conditions	26	1.73	21	1.4	90	6	4	0.26	-	-	141	4th
	259	21.76%	**181**	15.21%	**703**	59.08%	**43**	3.61%	**4**	0.34%	**1190**	

The groupings of secondary and tertiary ailments are defined in the survey form in Annex 9 and are the groupings identified by the medical specialist staff from the Ministry of Health using the broad categories recognized by MOH.

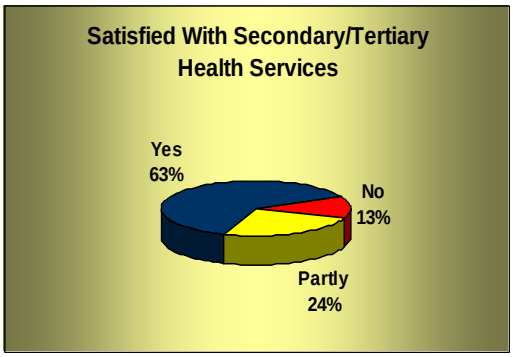
(iii) Out-of-pocket expenses



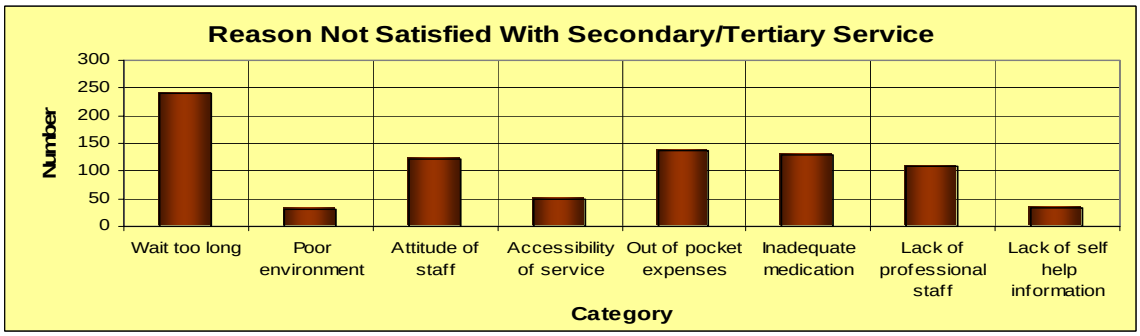
The out-of-pocket expenses for secondary/tertiary care is more than twice that of primary care and much of the increase is related to travel expenses for the greater distances to area and divisional hospitals. It should be noted that these costs are the averages for all respondents over the 1,190 reported occurrences. Given that about 75 per cent of the sample was taken from urban and peri-urban areas (reflecting the population distribution) the individual costs fro the more remote rural areas must be significant. The anecdotal costs for transport to hospitals of around FJD 150 may well be correct for some people.

(iv) Secondary/tertiary treatment satisfaction levels

The satisfaction levels for secondary/tertiary treatment were similar to those for primary treatment albeit slightly lower levels of satisfaction. However 63 per cent satisfaction and 13 percent unsatisfied ratings are reasonable**.**



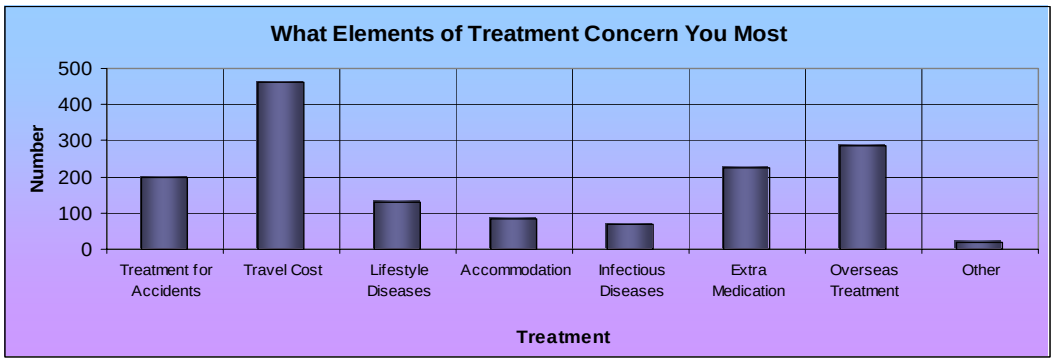
(v) Reasons for dissatisfaction with secondary/tertiary treatment



The reasons for dissatisfaction with secondary/tertiary service were similar to those for primary care where there were two distinct groups. The first relating to timeliness and the quality issues relating to staff skills, medication and out-of-pocket expenses.

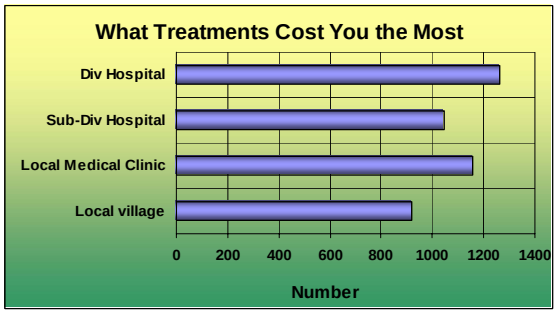
19.3.7 Comparison of treatments

(i) Treatment concerns



The survey respondents were asked to identify which of the ailments or treatment elements concerned them the most and travel costs were clearly of most concern. Overseas treatment and extra medication were also serious concerns to the survey respondents. Two of these major concerns are related to out-of-pocket expenses and contribute to the relatively high component of health care financing in Fiji where out-of-pocket expenses constitute about 33 per cent of the health budget. When the large differential in income between workers in the formal employment sector and those in the informal economy is taken into account, the out-of-pocket expenses represent a significantly higher proportion of disposable income for those in the informal economy. The only results from the Household Income and Expenditure survey 2003 are for urban areas and these don't correlate well with the informal economy given the high income levels. According to the HIES the average proportion of income spent on medical and health care is 2.5 per cent for all incomes and 2.2 and 1.9 percent for the lowest two income deciles. The annual income for the lowest decile was FJD 8,584 (squatter areas). This varies considerably to the income details collected in this survey where 72 per cent of individuals and 57 per cent of households earned less than FJD 5,000 per year. The proportion of income spent on medical costs is much higher for people in the informal economy, particularly in rural areas.

(ii) Cost of treatment



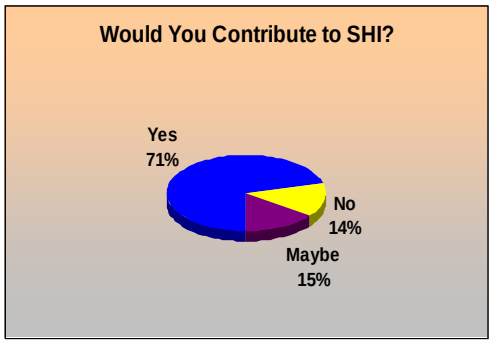
The costs of treatment were reasonably consistent although the relatively high number of respondents who identified village treatment as costing them the most is difficult to explain. This may have something to do with expectations that village treatment should be cheaper then it actually is. This issue may need to be clarified by the Ministry of Health to explain why this is so.

19.3.8 Health insurance considerations

(i) Health insurance contributions

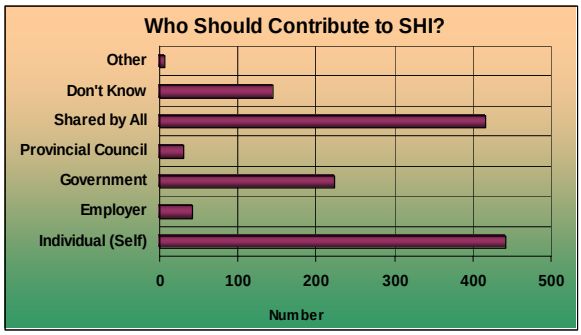
Respondents were asked if they would contribute to a health insurance scheme. This question could be considered a loaded question as respondents had little to compare schemes or identify what services could be offered. In any event the fact that 71 per cent responded in the affirmative and a further 15 per cent responded maybe, then it is probable that a properly designed scheme which offered the key

services identified by people (i.e. travel costs, medication and accommodation) may be successful particularly if the government maintained its current levels of health spending.



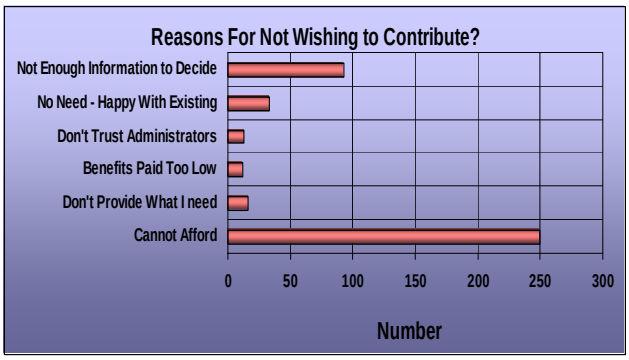
(ii) Contribution to social health insurance schemes

When asked who should contribute to health insurance the majority response was for the individual followed by shared by government/employers and this reflects the situation in the previous survey. It also reflects the high positive response to voluntary contributions (72 per cent) and the status quo where informal economy workers are generally independent and provide for most of their own means. It also reflects the predominantly self employed nature of the respondents to this survey.



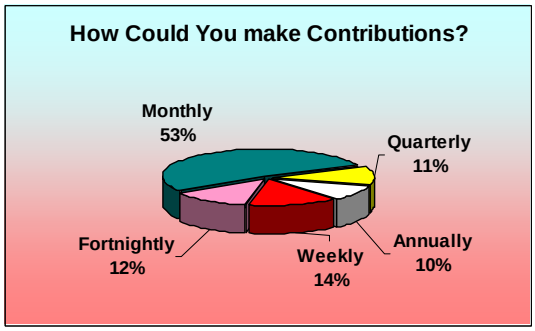
(ii) Not wishing to contribute to SHI

The respondents who did not wish to contribute (209 cases) and Maybe responses (219 cases) were asked to nominate their reasons for declining. The majority response was could not afford to contribute followed by insufficient information. This latter group may need to be provided with a potential scheme design before they would commit to any scheme.



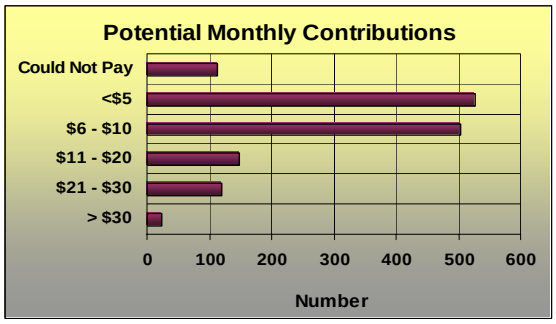
(iii) Frequency of contributions

In considering any form of voluntary or compulsory scheme, collection of contributions together with administering the benefits will be paramount if realistic benefits are to be affordable. Given the variable nature of earnings in the informal economy as presented in this survey and the previous survey (see chapter 5), frequent collection would be desirable. Most respondents preferred to pay contributions monthly although 26 per cent would prefer to pay more frequently.



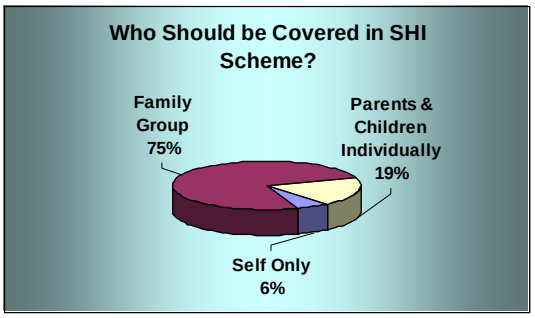
(iv) Potential contributions

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 FJD 10 per month and about 45 per cent could only contribute less than FJD 10 per month.



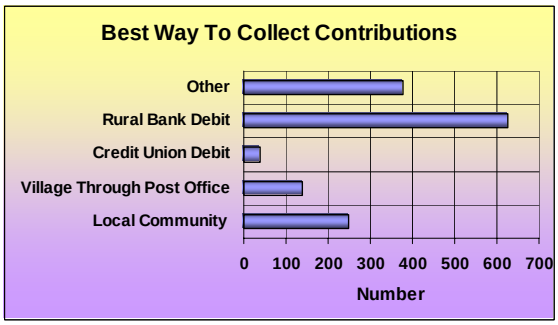
(v) Coverage

Most respondents would prefer to have the family group covered although in line with most Pacific countries this could comprise the extended family including parents and other close relatives. This could affect the viability of a scheme although premiums could be structured to reflect the size of the family groups, the benefits offered and the qualifying conditions.



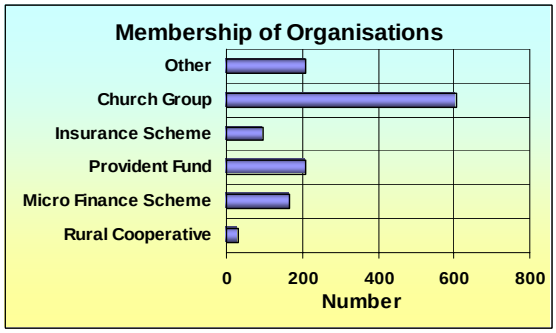
(vi) Collection of contributions

It is fairly positive to see that the majority of respondents would prefer to pay through the village banking scheme and given the weekly/fortnightly frequency of the village banking service, this could minimize the arrears in contribution and make it much easier for people to make contributions where in essence the collection vehicle come to them.



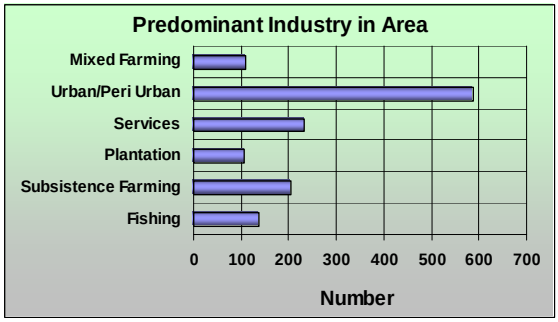
(vii) membership of organizations

Another cost effective way to collect contributions is through group collections and this is a feature of the efficiency of provident funds where employers contribute for a group of employees rather than through single contributions. Rural cooperatives in some countries have been useful vehicles through which to collect contributions but these are very small in most Pacific countries including Fiji. However church groups are very strong and widespread and this could be an avenue through which friendly societies for health care be developed.



(viii) Predominant industry in survey areas.

The data collectors were asked to complete a section on the demographics of the area in which each respondent was interviewed. One of the elements identified was the predominant industry in the area and about 40 per cent of the respondents were from urban/peri-urban areas. This reflects the distribution of households provided by the Statistics Department and from which the distribution of the survey sample was made.



19.4 Conclusion

In trying to develop appropriate mechanisms to cover the health risks borne by households 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 households may adapt to manage these risks must be evaluated. This would allow benefit packages and delivery systems to be designed that are responsive to the key basic health care gaps and needs of households 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 households to the typical monthly premiums for comprehensive private health insurance which is problematic even for most formal employment sector workers. Whereas formal sector workers and employers share contributions to the provident fund it would be difficult for workers in the informal economy without an employee-employer relationship to contribute the average amount without any form of cost sharing or subsidy. This is demonstrated in the survey where about 8 per cent of respondents indicated they could not make any contributions at all, 72 per cent could pay up to FJD 10 per month and about 20 per cent could pay more than FJD 10.00 per month. These findings compare favourably with the earlier survey conducted for informal economy workers as opposed to households. In that survey (chapter 5) 72.3 per cent of respondents could afford to contribute up to FJD 10 per month.

However given the lower cost of living in the rural areas and the reduced capacity of informal economy households to make voluntary contributions, it may be possible to develop micro insurance schemes that can cover the proportionately lower costs with a micro based scheme. The most positive findings from the survey suggest that people make savings, are prepared to contribute to their social security scheme and are aware of their needs. This combination offers promise for the development of micro schemes.

The likely costs that need to be covered include out-of-pocket expenses that cover travel for medical attention, extra medication not provided by the public health system and accommodation during hospitalization or other treatment in a major centre. The other key need identified in the survey; to cover overseas treatment, would need either large contributions or a compulsory pool that covered the entire population to spread the risk across as wide a population as possible.

The database could be useful to further analyse the data collected in the survey and to produce some broad based modelling on the costs of subsidizing travel and extra medication; or to produce an outline of the premiums, client base and benefits that could be provided in a micro health insurance scheme based on varying contribution levels. Any such model needs to also consider the administration arrangements and costs of the scheme.

19.4.1 Out-of-pocket expenses

An example of the cost of subsidizing the transport costs for informal economy households will be difficult to estimate accurately without accurate data and mapping of the informal economy. Based on the assumption that if 64 per cent of the population (households), are in the informal economy (i.e. not in the formal sector workforce), then this represents 64 percent of the total households (96,070) which is about 61,484 households. If the out-of-pocket expenses identified in this survey are applied, then the cost of subsidizing the informal economy for primary care is estimated as follows:

	Households		Treatments p.a.		Travel cost
Travel =	61,484	x	5.28	x	4.00

Travel = FJD 1,298,542 per year

If the cost of additional medication is included then the estimated cost for informal economy households could be:

	Households		Treatments p.a.		Medication
Medicine =	61,484	x	5.28	x	2.00

Medicine = FJD 649,271 per year

Therefore the annual cost of subsidizing the informal economy households for out of pocket expenses for primary care may not be substantial in terms of the overall health budget but the cost of administering the scheme, preventing leakage to the formal sector workers could be substantial.

Alternatively the subsidy could be restricted to the poor and based on a voucher system or identity card but the administration cost of means testing the program may be more than the subsidy.

Another alternative is to develop a microinsurance scheme to cover households for a fixed rate of benefit for travel and additional medicine, however the mechanics of a scheme will take considerable effort and without detailed information to support the plan this task would need to be subject to a later stage of health care reform.

Cost estimates for subsidizing secondary/tertiary care could be broadly calculated along the above lines and the total cost for subsidizing travel and medicines could be about FJD 1,454,096 per year. This estimate does not include administration costs of delivery and management of any subsidy. Given the amounts involved, a medical saving scheme may be able to achieve these levels of benefit if only travel and additional medicines were to be covered.

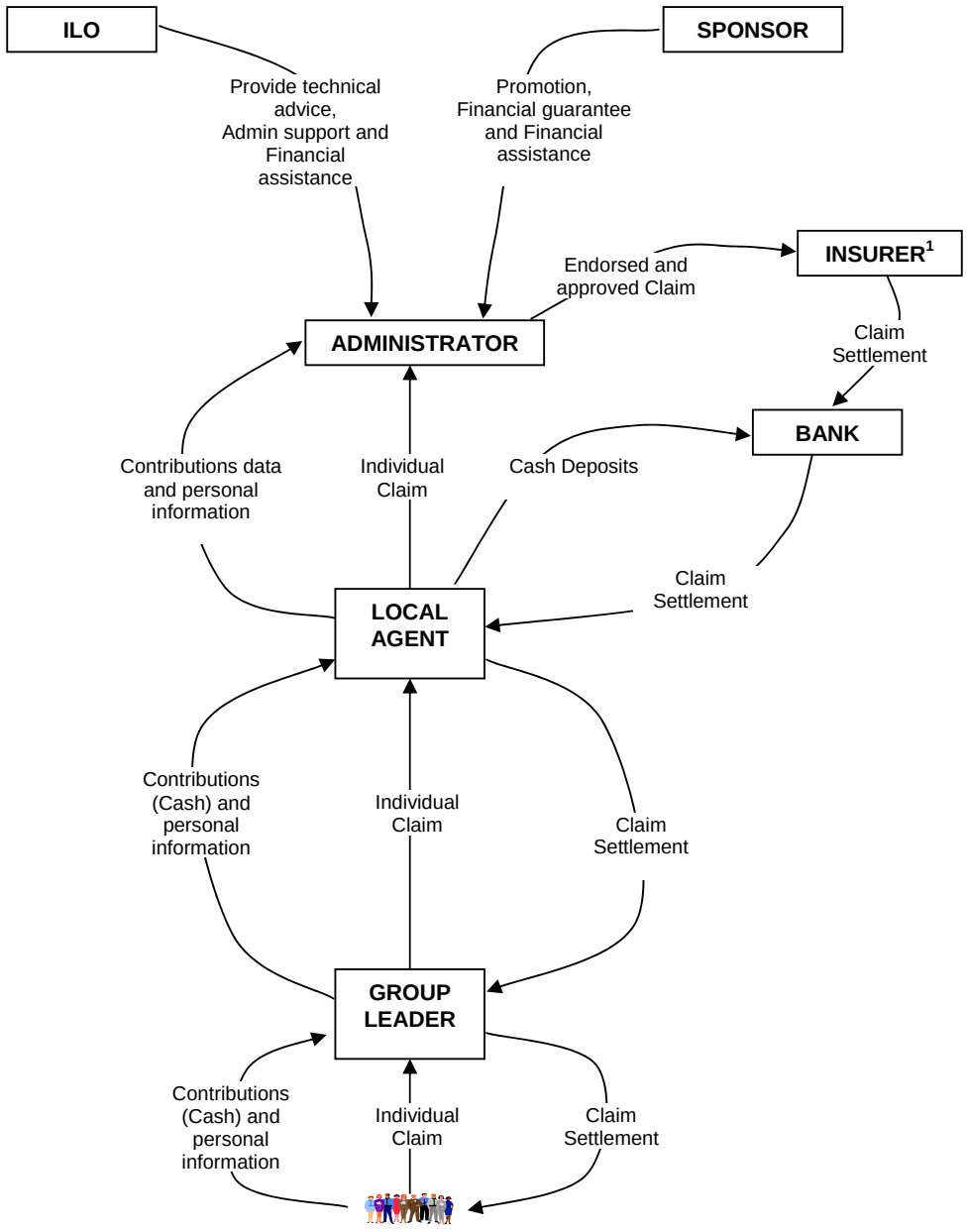
These options, of course, don't address the shortage of funds for health care and will do very little to address the underlying causes for dissatisfaction in the health schemes; service delivery and quality of services.

Appendix 19A

19A.1 Micro savings / insurance scheme overview

The figure shown below is an overview of a model for a potential trial micro health insurance scheme that could be built upon to extend a social insurance scheme to households in the informal economy to cover the very basic out-of-pocket health costs. It should be noted that micro insurance schemes by their nature and contributions are not fully comprehensive schemes but a carefully targeted at the critical unplanned cost elements of health care.

Figure 19.1 A schematic overview of a pilot micro health insurance scheme



PART III

NATIONAL SOCIAL SECURITY ACTION PLAN

Chapter 20 National Social Security Action Plans

Chapter 20 National Social Security Action Plans

20.1 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 Fiji.

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 Fiji 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.

20.2 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.

20.3 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 Fiji. 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 Fiji. 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 Fiji. 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.

20.4 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 Fiji. 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.

20.5 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 Fiji. 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 Fiji.

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.

20.6 Fiji National Social Security Action Plans: Overviews and Road Maps

1. Social Health Insurance	Overview	420
	Implementation Road Map	421
2. Social Security Pensions	Overview	422
	Implementation Road Map	423
3. Unemployment Insurance	Overview	424
	Implementation Road Map	425
4. Social Assistance	Overview	426
	Implementation Road Map	427
5. Maternity Protection	Overview	428
	Implementation Road Map	429
6. Workers' Compensation	Overview	430
	Implementation Road Map	431

FIJI	SOCIAL SECURITY ACTION PLAN - OVERVIEW

Social Health Insurance

The Situation
Fiji currently provides free primary, secondary and tertiary health services to all residents. Selected treatment in overseas locations is available. This is supported by moderate government expenditure of around 4% of GDP on health care and about 33% 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 as the highest priority social security need for themselves and their families.

The Gaps and Coverage
The coverage of a compulsory social health insurance scheme for formal employment sector workers would be about 164,564 active contributing members, based on March 2005 FNPF membership. With around 4.5 dependents per household and given the number of single members and joint family members the realistic coverage is that at least 50 % of the population could be covered by the scheme.

The Gender Issues
Women have special health needs and most of these can only be satisfied by out-of-pocket expenses. This causes a substantial reduction in income of informal economy and single parent families. The longevity of women and their predominantly care taker role makes health care a major issue for women.

The Policy
The government has proposed to introduce health insurance for the population in Fiji and the initial design is that the FNPF will provide for its members and the government will provide for the remainder of the population. The initial stage of a social health insurance scheme would target formal sector (FNPF 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 informal economy and the poor will need either a separate scheme or subsidized care.

The Institution
The FNPF is a logical institution to collect contributions and also to manage an insurance scheme with the least cost and development time. The delivery of benefits is still under consideration and may be through FNPF or by purchasing membership in private schemes.

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 or through micro insurance which is a much more difficult and unpredictable option.

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 Fiji.

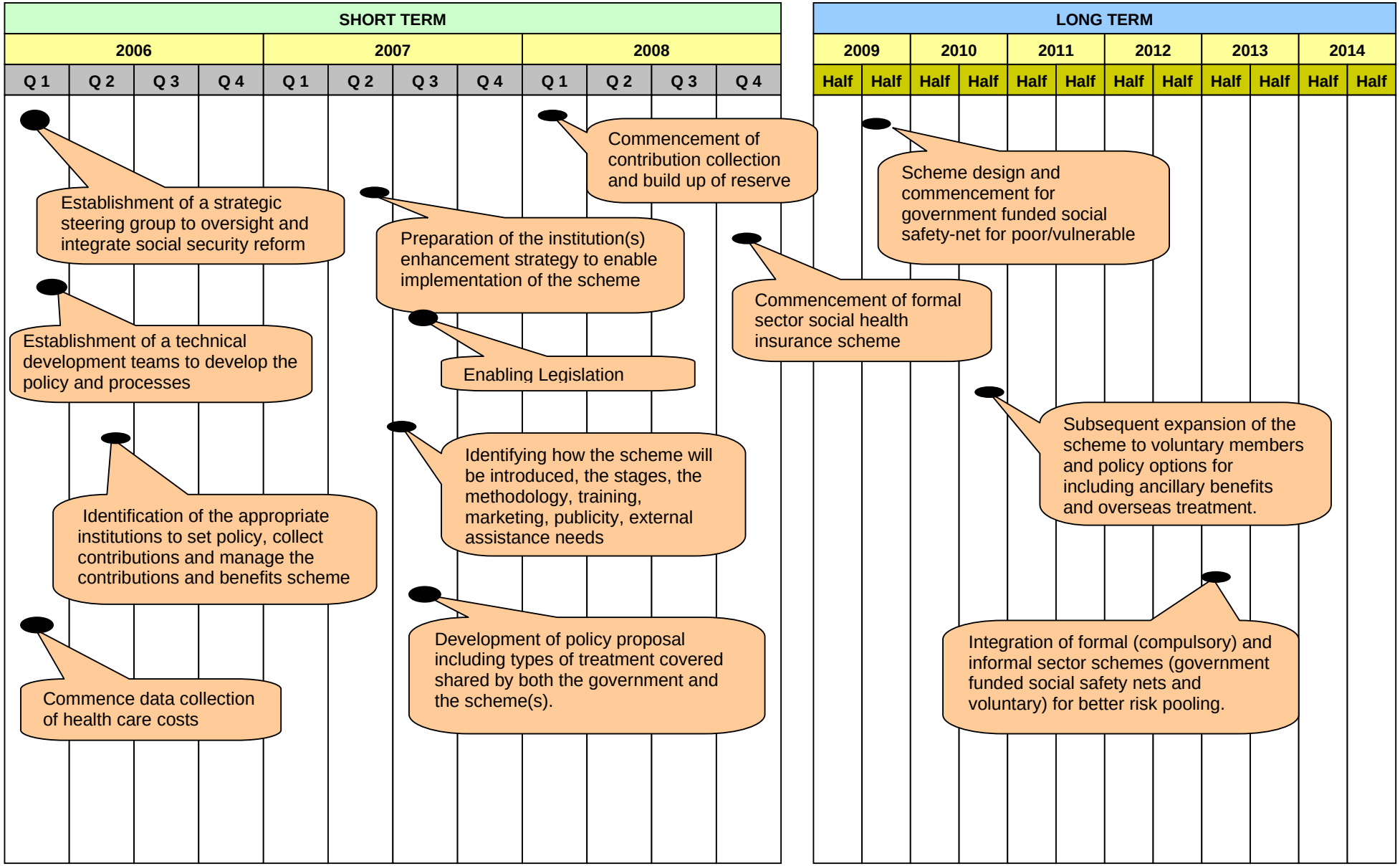
Benefits of the Program
The program would provide additional funding injected into the health care system (providing government expenditure continued at current proportions of GDP). This could result with improvement of range of services, retention of trained Fijian medical professionals and reduction in overseas treatments.

Resources
The program will require a range of resources in the stages of development and initial set up of the scheme. Technical Assistance is required to improve medical data collection and analysis, to assist in policy development of the insurance scheme and in the transition of hospital management from government to quasi autonomous agencies managed by boards.
Other resources will include the establishment needs and administrative resources for the insurer and the suppliers. Development of IT systems, for collection of contribution, payments and management information together with institutional costs will vary on the capacity of the FNPF and the hospital administrations. Some of these costs could be made available by the government, donors or by loans and defraying the setup costs over a long period.

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 oversee the reform process and provide direction to the development teams.	Technical teams need to develop policy and regulations for the scheme(s) in accordance with the legislation to be enacted by parliament before the scheme proceeds.	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 FNPF and semi-autonomous hospital boards could be authorized to manage the scheme as in Fiji. Development time is needed to allow for the reform of the institution(s) to prepare 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.

FIJI - SOCIAL HEALTH INSURANCE ROAD MAP



FIJI	SOCIAL SECURITY ACTION PLAN - OVERVIEW

Social Insurance Pensions

The Situation
The Fiji National provident fund provides the major retirement income for workers but only in the formal employment sector. Currently compulsory contributions of 16% (8% + 8%) of payroll are made on behalf of employees. Lump sum retirement benefits are paid at the retirement age of 55 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 totalling around 164,564 active members in March 2005. Around 53% of workers have no retirement income coverage and rely on traditional support in old age. (Based on Statistics dept 2003 estimates LPPR of 347,049).

The Gender Issues
In Fiji around 37% of the formal sector workforce is female and therefore women benefit much less from direct retirement benefits although some benefits will occur through their role as spouses. However as most retirement benefits are in the form of lump sums which are mostly spent in a few years women will endure a longer period of old age due to their additions longevity over men with little or no retirement income.

The Policy
The FNPF currently provides a pension option based on the existing balance of the individual retirement account. Whilst this provides for lifelong pensions there is no social solidarity or pooling to support the low income retirees. The initial stage of social security 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 Fijian people, an appropriate retirement age must be set. Practical administrative arrangements for making periodic pension payments and serving workers and pensioners throughout Fiji must be designed. Once the pension scheme for Provident Fund members is in place, the universal pension scheme could be enhanced to be more targeted towards those in need.

The Institution
The FNPF is a logical institution to collect contributions and also to manage pensions insurance scheme with the least cost and development time. This is based on the current state of development of other government and para-statal agencies in Fiji and it current role in retirement policy.

The Target Groups
The initial target groups would be the formal employment sector workers and their dependents and with improvements and would be same groups as the current provident fund members. The ***informal economy*** will need special provisions and consideration of government funded universal pension scheme should continue.

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 South Africa additional benefits saw reductions in household poverty, higher school attendance and improved health and nutrition.

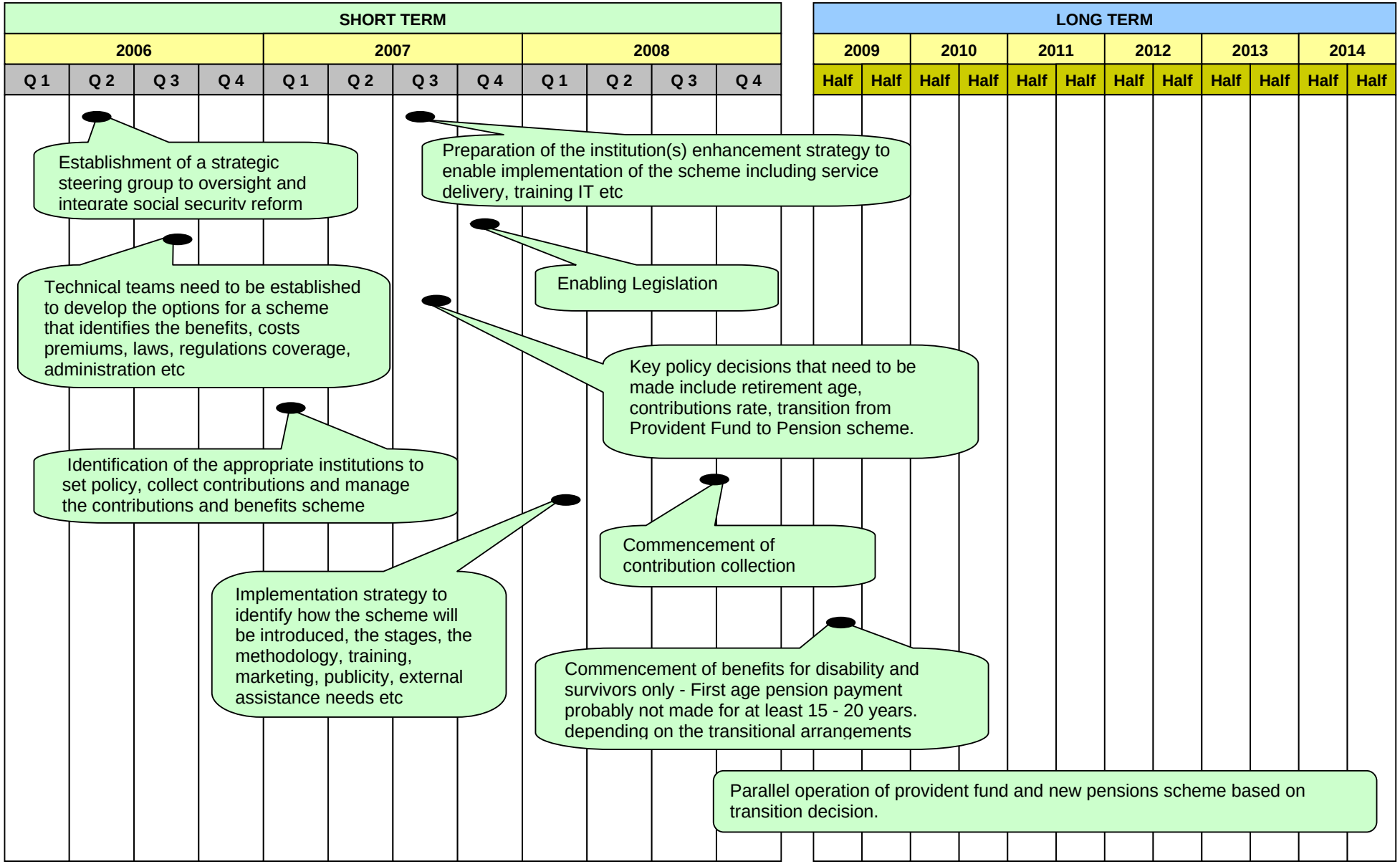
Benefits of the Program
The program will reduce dependence of aged people on their families and the government and their spending from the pensions can sustain local economies particularly in town and villages. Replacing the lump sum with a lifelong pension will provide income security in old age where the erosion of lump sum benefits and savings leaves most retirees reliant on traditional systems

Resources
The program will require a range of resources in the stages of development and initial set up of the scheme. Technical Assistance is required to conduct initial actuarial studies and analysis, to assist in policy development of the insurance scheme and in the transition from a provident fund scheme to a social insurance pension. Other resources will include the establishment needs of the provident fund. Development of IT systems, for collection of contribution, payments and management information together with institutional costs will vary on the capacity of the FNPF. 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.

FIJI - SOCIAL SECURITY PENSIONS SCHEME ROAD MAP



National

FIJI	SOCIAL SECURITY ACTION PLAN - OVERVIEW

Unemployment Insurance

The Situation
There is currently no form of unemployment insurance available in Fiji. 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 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 would be about 164,564 active contributing members, based on March 2005 FNPF membership. (With around 4.5 dependents per household a total of 300,000 people, excluding working couples and single workers) could receive income support from the scheme. However this is an optimistic figure and detailed research by FNPF could produce a more accurate potential 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 FNPF 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 Fiji. The Ministry of Labour is the logical institution for the active labour market programs and an option for the benefits delivery component.

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 form economic downturns, workplace closures and short term changes in the composition of the labour force.

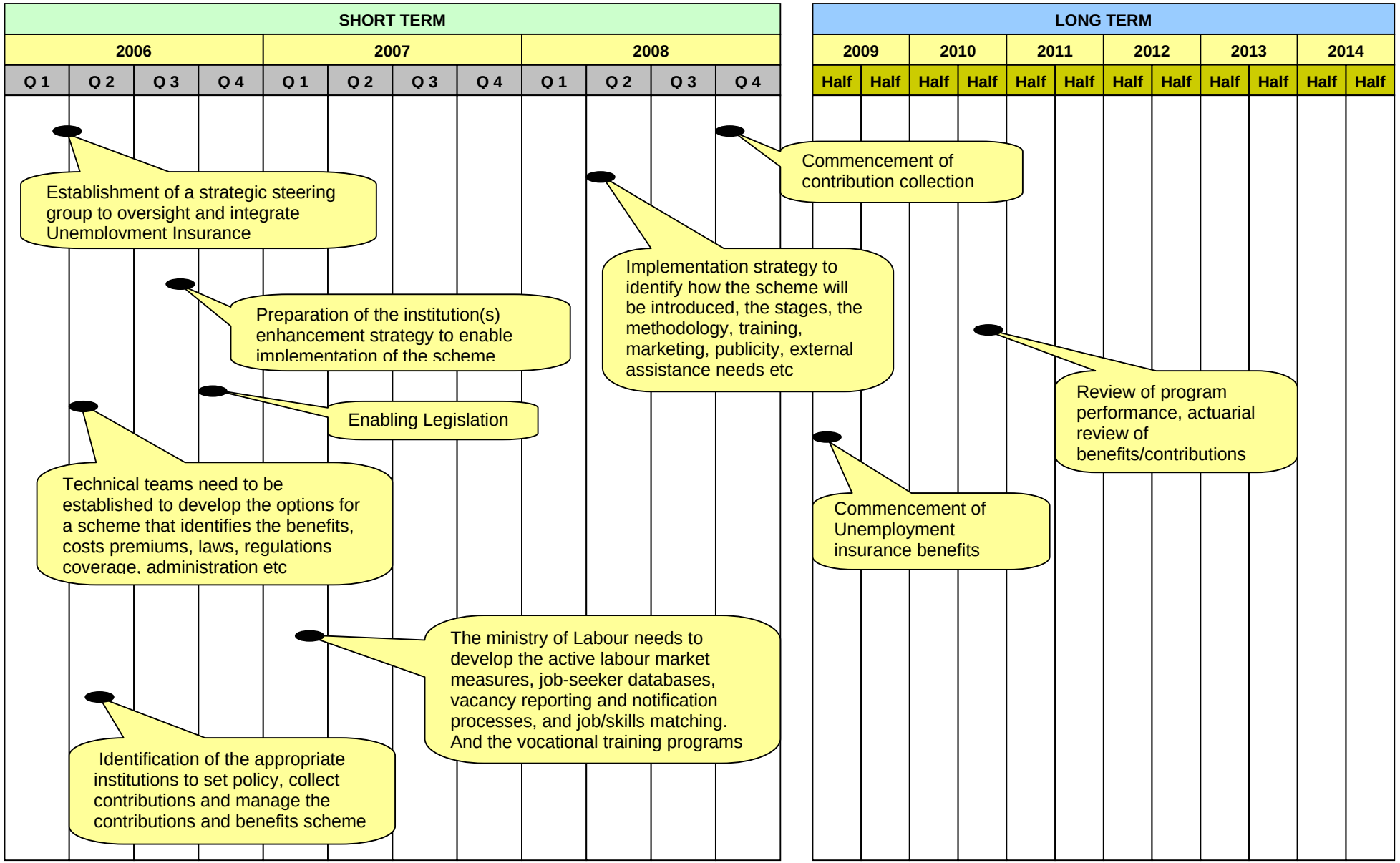
Benefits of the Program
The program would initially provide direct income replacement for laid off and dismissed workers and would maintain some local spending power through payments of benefits. The active programs would see improvements in the vocational training offered in Fiji and better matching 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	Benefits Policy	Active Labour Market Measures	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	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.	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.	This will need to identify how the scheme will be introduced, the stages, the methodology, training, marketing, publicity, external assistance needs etc.

FIJI - UNEMPLOYMENT INSURANCE ROAD MAP



FIJI	SOCIAL SECURITY ACTION PLAN - OVERVIEW

Social Assistance

The Situation

Fiji Currently provides social assistance in the form of the cash payment Family Assistance scheme and the primary groups supported include the poor, the elderly, sole parents and homeless families. Disabled and youth must rely heavily on traditional forms of support or from donors. The government does provide basic health care and for primary education but out-of-pocket expenses are high.

The Needs and Coverage

Some of the key priority needs identified in the social assistance feasibility study included: secondary education costs for children from low income families, Hospitalisation costs, Support services for the disabled, Housing assistance for low income people, and Training schemes for school leavers and drop-outs. Some informal programs exist through some labour unions and NGO's but this is localized and does not constitute access and equity for those in need

The Gender Issues

Despite equality under the law, in practice Fijian women are less likely to be in paid employment In the traditional economy tend to have fewer rights of use of customary land and are often not included in decision making. They are also less likely to be able to access training in various types of skills. Women also tend to bear the brunt of adverse social changes, including marriage breakdown, sole parenthood, and domestic violence.

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 focus could extend to wider sections of the community and could be supported by a universal pension scheme and compulsory social security pensions.

The Institution

Given the almost total government funding of social assistance a government Ministry is appropriate 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.

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 Fiji society where the traditional 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

Expansion of the program will require a range of resources in the stages of development and initial set up of the scheme. Technical assistance is required to improve data collection and analysis of poor and vulnerable people and in the categories determined by the policy. Other resources will be needed to fund the eventual programs and assistance in determining the fiscal capacity and new sources of funding will be required. Other resources will include the establishment needs and this will depend on the institution chosen. Development of IT systems, for collection of contribution, payments and management information together with institutional costs will vary on the capacity of an existing institution if this is available. Some of these costs could be made available by the government, donors or by loans and defraying the setup costs over a long period.

Implementation

Reform Task Force

A strategic group comprising the key tripartite stakeholders needs to be established to oversight the reform process and provide direction to the development teams.

Policy Development

Technical teams need to be established to develop the *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

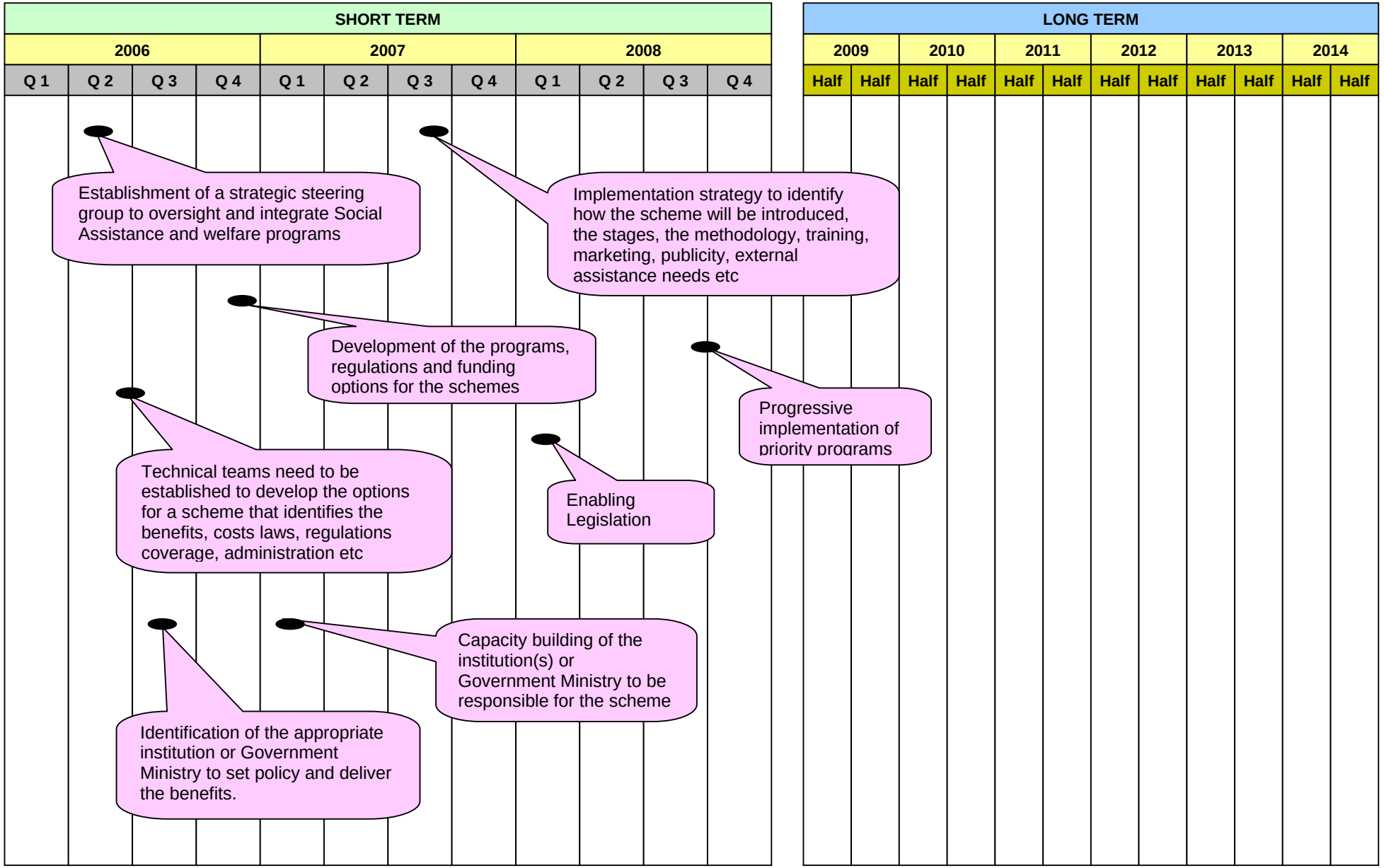
Institutional Reform

The selection of the appropriate institution to manage expansion 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.

FIJI - SOCIAL ASSISTANCE ROAD MAP



FIJI	SOCIAL SECURITY ACTION PLAN - OVERVIEW

Maternity Protection

The Situation
Fiji 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 except those on workplace agreements and in larger corporations. There are no provisions for the traditional and informal economy workers. This means that more 53% 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 as most of the workforce have no entitlement to paid maternity leave. However medical costs are covered by the universal health scheme where there is substantial (33%) out of pocket expenses. The only workers with maternity protection are the public sector workers and some private organizations.

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 FNPF 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 FNPF. Other options also 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 further reduction in the rates of maternal and infant mortality in Fiji.

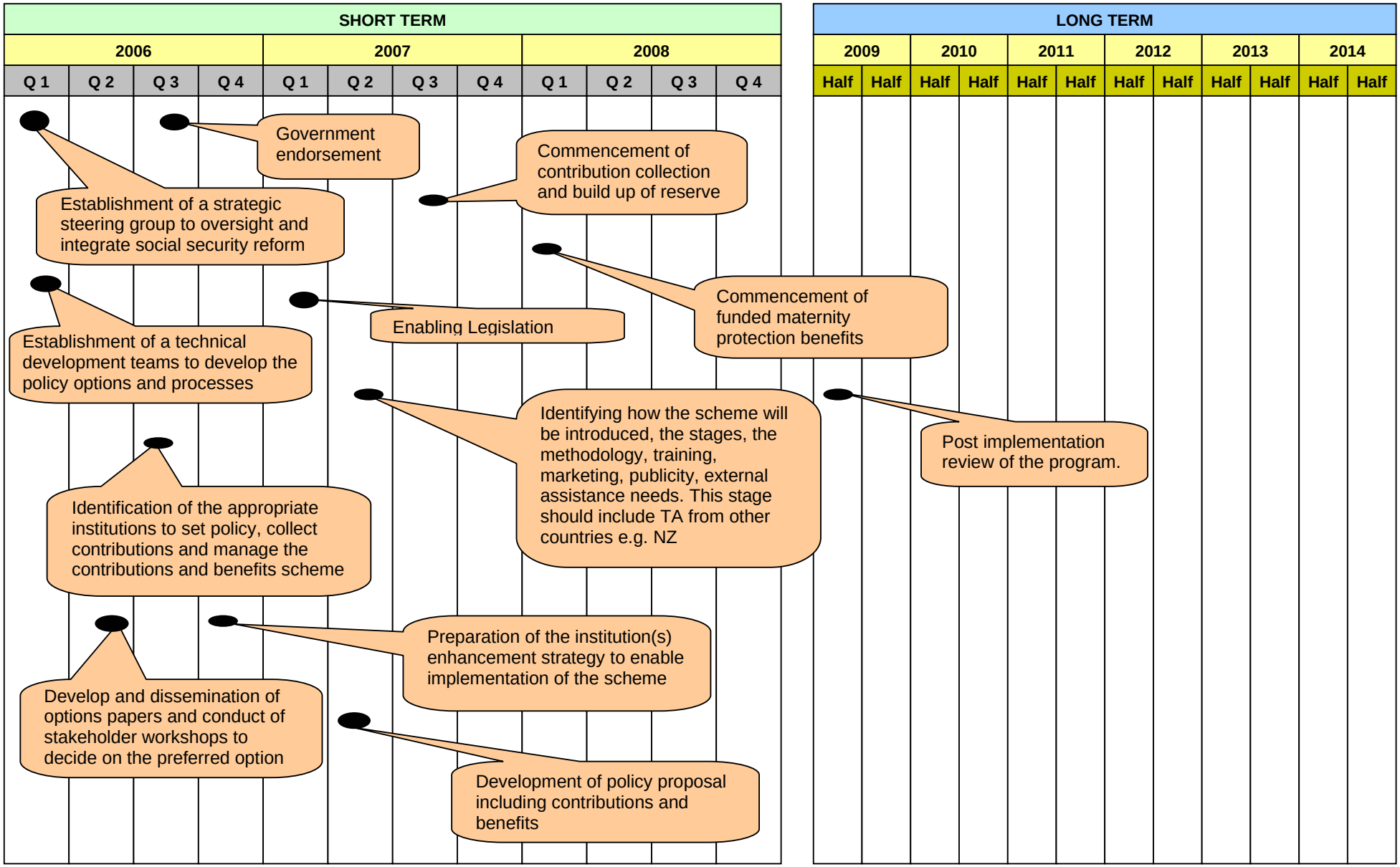
Benefits of the Program
Apart from the health and welfare aspects and benefits to the economy in general, maternity protection can improve the relationships between employers and employees by removing the potential conflicts and costs associated with employing women. The moderate contributions to maternity protection schemes in essence pre pays for maternity protection enabling the employer to cover the costs in employing temporary staff during the period of maternity leave.

Resources
The program will require a range of resources in the stages of development and initial set up of the scheme. Technical Assistance is required to assist in policy development of the insurance scheme. Other resources will include the establishment needs and this will depend on the institution chosen. Development of IT systems, for collection of contribution, payments and management information together with institutional costs will vary on the capacity of an existing institution if this is available. Some of these costs could be made available by the government, donors or by loans and defraying the setup costs over a long period. The costs of such a scheme are moderate and in Fiji a contribution rate of around 0.27 per cent of salary could provide 12 weeks paid maternity leave for workers in the formal employment sector. Increasing this to 0.30 per cent could cover 14 weeks paid leave in accordance with the minimum provisions of ILO convention No. 183, Maternity Protection.

Implementation

Reform Task Force	Policy Development	Maternity 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 *options* for a scheme that identifies 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 other components of the scheme are 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, methodology, training, marketing, publicity, external assistance needs

FIJI – MATERNITY PROTECTION ROAD MAP



FIJI	SOCIAL SECURITY ACTION PLAN - OVERVIEW

Workers' Compensation

The Situation
Fiji 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 are two major insurers for workers compensation and one major insurance broker who are able to provide cover.

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 workman's 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 bout a third 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 rate 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 disable workers to return to some form of constructive work. The scheme should be accompanied by an accident reducing strategy of OSH and active targeted campaigns to minimize injury.

The Institution
In Fiji given the size and scope of the forml employment sector, the establishment of a tripartite workers' compensation board, delivering social insurance style programmes would ensure better control, coverage and benefits for workers.

The Target Groups
The initial target groups would be the formal employment sector workers and their dependents and 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 that the existing insurer based scheme

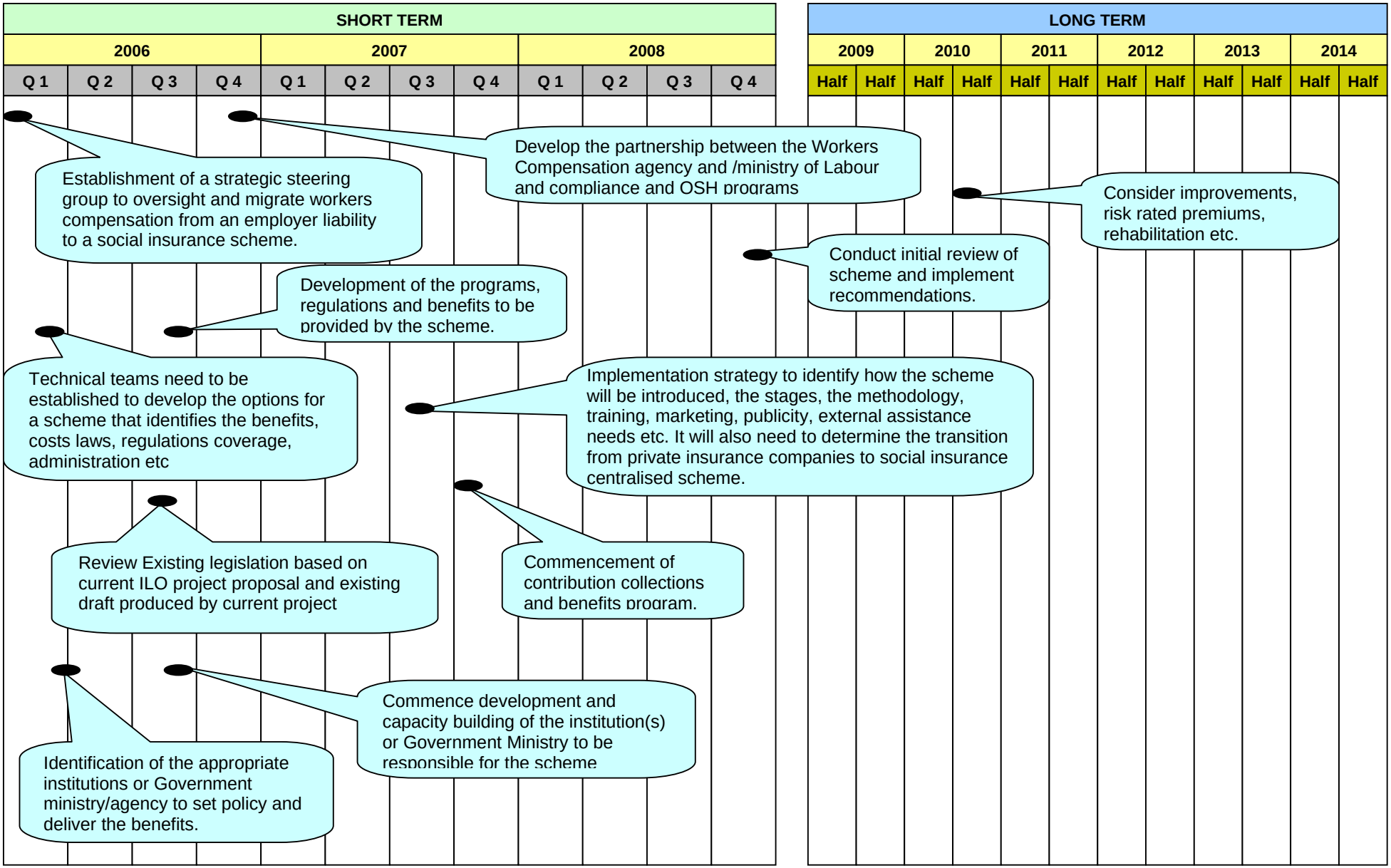
Benefits of the Program
Apart from the health and rehabilitation aspects the social insurance based workers compensation program will better provide for disabled workers and offers the benefit of social solidarity. Insurance based schemes also eliminate the conflict that can arise between employers/employees 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 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.

FIJI – WORKERS' COMPENSATION ROAD MAP



PART IV

ANNEXES

Annex 1	**Selected international experience in the extension of social security**
Annex 2	**Public service employees in established positions**
Annex 3	**FNPF historical data**
Annex 4	**Social welfare – family allowance recipients 1998 - 2003**
Annex 5	**Social welfare – child welfare services recipients 1998 - 2003**
Annex 6	**Department of social welfare – NGO funding 2003**
Annex 7	**Fiji formal employment sector survey form**
Annex 8	**Fiji informal employment sector survey form**
Annex 9	**Health care and microinsurance survey form**
Annex 10	**Bibliography**
Index	

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.

Annexes

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 Public service employees in established position

Civil Servants Occupational Group Race & Gender Analysis as at 2 Feb 2001							
Occupational Group	**Fijians**	**Indians**	**Others**	**Expatriates**	**Male**	**Female**	**Total**
AC: Accounting	129	122	12	0	144	119	263
DE: Dental Officers	100	64	3	2	80	89	169
ED: Teaching	3,922	3,026	80	1	3,251	3,778	7,029
EP: Engineering & Associate Professional	36	12	4	5	57	0	57
ES: Engineering & Support	259	98	16	0	358	15	373
GG: President	2	0	0	0	2	0	2
HR: Ministers	25	1	2	0	23	5	28
HW: Health	231	158	12	0	208	193	401
IR: Archives & Library	35	16	2	0	16	37	53
IT: Information Technology & Computing Services	22	18	4	0	30	14	44
JU: Judges & Magistrate	15	9	0	5	24	5	29
LB: Environmental, Surveyors, Planner, Valuers	30	26	2	0	44	14	58
LG: Legal	31	11	3	2	32	15	47
MD: Medical Officers	135	76	15	65	193	98	291
NU: Nursing	1,310	289	37	5	89	1,552	1,641
OC: Other Classification	17	1	0	0	17	1	18
PH: Pharmacy Officers	40	31	5	0	39	37	76
PL: Police Officers	1,155	670	38	0	1,685	178	1,863
PN: Prison Officers	381	48	2	0	405	26	431
PR: Agriculture, Fisheries, Forestry, Veterinary	314	118	12	0	401	43	444
PS: Chairman	3	1	0	0	4	0	4
SC: Scientific, Research	31	31	2	0	47	17	64
SK: Supplies & Stores	78	77	4	0	152	7	159
SS: Services & Support	1,641	681	67	0	1,009	1,380	2,389
ST: Scientific Support	174	129	9	0	259	53	312
TG: General Technical, Hydrographic Occupational Group	157	37	9	0	150	53	203
US: Senior Executive	113	30	9	0	128	24	152
VR: Veterinary Officers	1	2	0	0	2	1	3
Total for Service	**10,387**	**5782**	**349**	**85**	**8,849**	**7754**	**16,603**

(Source: Public Service Commission, 2001)

Annex 3 FNPF historical data

Year	Contribution Rate %	Contribution to PBF %	Special Death Benefit		Interest Rate Attributed to Member's Balance%	Membership
			Amount F$	Charges F$		
1966	10	2				
1967	10	2	100			46,000
1968	10	2	100		3.0	56,900
1969	10	2	300		3.5	66,349
1970	10	2	1,000		4.0	77,146
1971	10	2	1,000	5	5.0	83,541
1972	10	2	1,000	5	5.0	87,732
1973	10	2	1,500	5	5.0	94,045
1974	10	2	1,500	5	5.0	99,960
1975	10	2	1,500	5	5.0	98,980
1976	12	2	1,500	5	5.0	102,199
1977	12	2	1,800	5	6.0	106,561
1978	12	2	2,000	5	6.5	109,841
1979	12	2	2,000	5	6.5	114,772
1980	14	2	2,000	5	6.5	120,232
1981	14	2	2,000	5	7.3	125,441
1982	14	2	2,000	5	8.5	129,254
1983	14	2	2,000	5	10.0	132,833
1984	14	2	2,000	5	10.0	137,572
1985	14	2	2,000	5	10.0	140,650
1986	14	2	2,000	5	10.0	143,622
1987	14	2	2,000	5	10.0	146,812
1988	14	2	2,000	5	10.0	147,624
1989	14	2	2,200	7	9.0	149,485
1990	14	2	3,000	7	9.0	157,791
1991	14	2	3,000	7	9.5	169,766
1992	14	2	4,000	7	9.8	171,572
1993	14	2	4,000	10	9.0	177,835
1994	14	2	4,500	10	8.5	183,610
1995	14	2	4,500	12	8.5	188,323
1996	14	2	4,500	12	8.5	193,525
1997	14	2	4,500	12	8.0	198,885
1998	14	2	4,500	13	7.5	203,610
1999	16	0	4,700	14	7.5	205,510
2000	16	0	4,800	14	6.5	212,628
2001	16	0	5,000	15	6.4	213,668
2002	16	0	5,000	15	6.4	224,638

Note: PBF - Pension Buffer Fund

Annex 4 Social welfare – family allowance recipients 1998 – 2003

DEPARTMENT OF SOCIAL WELFARE
FAMILY ASSISTANCE RECIPIENTS
1998 - 2003

Total No. of Family Assistance Recipient by Race and Sex 1998 - 2003

Year	Fijian		Indian		Others		TOTAL
	No. of Males	No. of Females	No. of Males	No. of Females	No. of Males	No. of Females	
1998	2,007	4,086	1,288	4,124	78	97	**11,680**
1999	2,089	4,181	1,344	4,072	59	68	**11,813**
2000	2,731	4,021	2,313	4,314	31	33	**13,443**
2001	4,271	5,511	2,558	3,989	128	146	**16,603**
2002	3,811	7,099	2,236	5,804	117	183	**19,250**
2003	4,017	7,454	2,436	5,975	225	226	**20,333**

Total No. of Family Assistance Recipients by Division 1998 - 2003

Division	1998	1999	2000	2001	2002	2003
Central Eastern	2,424	2,529	2,791	4,046	4,287	4565
Southern	2,469	2,533	3,298	4,033	5,167	5391
South Western	2,127	2,012	2,194	2,443	2,920	3086
North Western	2,203	2,228	2,380	2,690	3,043	3337
Northern	2,457	2,511	2,780	3,391	3,833	3954
Total	**11,680**	**11,813**	**13,443**	**16,603**	**19,250**	**20333**

Total No. of Family Assistance Recipients by Categories 1998-2003

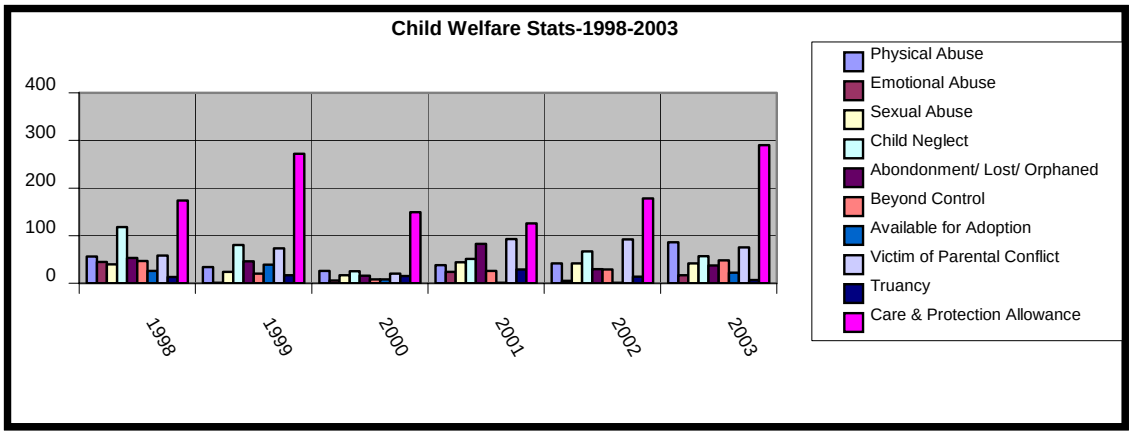
Categories	1998	1999	2000	2001	2002	2003
Chronic Illness	2,551	2,368	2,649	3,568	4,444	4789
Deserted Spouse	1,335	1,388	1,498	1,863	1,396	1453
Death of Breadwinner	2,980	2,489	2,774	3,331	4,637	4833
Prisoner Dependent	778	440	527	659	234	247
Permanently Disabled	1,307	2,040	2,260	2,601	3,024	3330
Elderly	2,729	3,088	3,735	4,581	4,657	4730
Single Parent					858	951
Total	**11,680**	**11,813**	**13,443**	**16,603**	**19,250**	**20333**

Total No. of Family Assistance Recipients by Categories & Ethanic Group - 2003

CATEGORIES	Fijian			Indo-Fijian			Others			Total
	FM	M	TOT	FM	M	TOT	FM	M	TOT	
Chronic Iliness	999	1444	2443	1144	1134	2278	24	44	68	4789
Death of Breadwinner	2442	99	2541	2185	59	2244	40	8	48	4833
Deserted Spouse	665	20	685	708	20	728	28	12	40	1453
Elderly	1641	1570	3211	852	576	1428	46	45	91	4730
Permanently Disabled	817	842	1659	878	613	1491	65	115	180	3330
Prisoner Dependent	127	18	145	82	16	98	3	1	4	247
Single Parent	763	24	787	126	18	144	20	0	20	951
TOTAL	**7454**	**4017**	**11471**	**5975**	**2436**	**8411**	**226**	**225**	**451**	**20333**

Annex 5 Social welfare – child welfare services 1998 – 2003

Child Welfare Services						
JUVENILE ACT:	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Physical Abuse	56	34	26	38	42	86
Emotional Abuse	45	1	6	24	5	17
Sexual Abuse	40	24	17	44	42	42
Child Neglect	118	80	25	51	67	57
Abondonment/ Lost/ Orphaned	53	46	16	83	30	37
Beyond Control	47	20	8	26	29	48
GENERAL CHILD WELFARE:						
Available for Adoption	26	39	8	1	1	22
Victim of Parental Conflict	58	73	20	93	92	75
Truancy	13	17	15	29	14	7
Care & Protection Allowance	174	272	149	126	178	290
TOTAL	**630**	**606**	**264**	**477**	**458**	**595**



	1998	1999	2000	2001	2002	2003
Physical Abuse	56	34	26	38	42	86
Emotional Abuse	45	1	6	24	5	17
Sexual Abuse	40	24	17	44	42	42
Child Neglect	118	80	25	51	67	57
Abondonment/ Lost/ Orphaned	53	46	16	83	30	37
Beyond Control	47	20	8	26	29	48
Available for Adoption	26	39	8	1	1	22
Victim of Parental Conflict	58	73	20	93	92	75
Truancy	13	17	15	29	14	7
Care & Protection Allowance	174	272	149	126	178	290
TOTAL	**630**	**606**	**264**	**477**	**458**	**595**

Annex 6 Department of Social Welfare – NGO funding 2003

No	Organisation	Capital	Recurrent	Total
1	Chevalier Hostel	9,000	4,000	13,000
2	Fiji Society for the Blind	12,650	7,000	19,650
3	Velomani Boys Home	8,000	8,000	16,000
4	Senior Citizens Ba	2,000	1,400	3400
5	Project H.E.A.V.E.N	12,380	1,000	13,380
6	Treasure home Children's Home	4,000	4,000	8,000
7	Cloppcott Family Home	6,747		6,747
8	YMCA - Fiji	5,000	1,000	6,000
9	Western Disabled People's Association	9,000		9,000
10	St Mark Anglican Church	5,000	1,000	6,000
11	Fiji Red Cross	34,000	1,000	35,000
12	Fiji Crippled Children Society	32,600	13,400	46,000
13	Salvation Army Family Care Centre - Suva	4,600	1,000	5,600
14	Salvation Army Family Care Centre - Lautoka	$4,400	1,000	5,400
15	Salvation Army Family Care Centre - Labasa	2,100	1,000	3,100
16	Salvation Army Community F/S Centre Lautoka		1,000	1,000
17	Salvation Army Community F/S Centre-Suva		1,000	1,000
18	Fiji Disabled People's Association		4,000	4,000
19	United Blind Person of Fiji		1,000	1,000
20	Spinal Injuries Association		2,080	2,080
21	Suva School for the Intellectually Handicapped	500	8,400	13,400
22	Dilkusha Home	30,587	9,000	39,587
23	Prison Fellowship of Fiji		1,000	1,000
24	St Christopher's Home	2,540		2,540
25	Nausori Special School	2,323	1,000	3,323
26	Christian Citizenship & Social Services	7,500	1,000	8,500
27	Fiji Crippled Children Society Ba	4,600	3,600	8,200
28	Home of Hope	14,500	2,000	16,500
29	Counterstroke	5,000	3,500	8,500
30	Nadroga Navosa Counseling Centre	500	3,200	3,700
31	Gospel School for the Deaf	9,000	1,000	10,000
32	Women's Action for Change	5,000	1,000	6,000
33	Foundation for Rural Integrated Enterprise	5,000	1,000	6,000
34	Family Support and Education Group	5,750	1,000	6,750
35	Fiji Muslim Women's League		1,000	1,000
36	Labasa School for the Handicapped	3,370	1,000	4,370
37	Fiji Vocational and Technical Training Centre	25,400	8,400	33,800
38	Our Lady of Fatima Parish Youth Nadera	3,000	1,600	4,600
39	Save the Children Fiji	6,000	11,000	17,000
40	Life Line Methodist Church In Fiji	5,000	3,500	8,500
41	Fiji Crippled Children Society - Sigatoka		6,000	6,000
42	Mahaffy Drive Girls Home	58,000		58,000
	(RENOVATION)			
43	Fr. Law Home	15,000	5,000	20,000
44		5,000		5,000
	Ba Rota Home			
45	Society of St Vincent De Paul	11,000		11,000
46	Poor Relief Society	2,000		2,000
47	Fiji girls Guides Association	3,000		3,000
48	Duibana Veivueti Mothers Club	14,500		14,500
49	Viti Concern	14,500		14,500
50	Fiji Council of Social Services	$20,000		$20,000
51	Aids Taskforce	$10,000		$10,000
	TOTAL	$440,047	$128,080	$567,627

Annex 7 Fiji - informal economy survey form

Version:- 6 October 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:	Ms. Anne Nacola	Telephone:	(689) 327 0153
	Address:	ILO Office	Fax:	(689) 327 0151
		PO Box 14500, Suva, Fiji		

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 (men & women) can be insured against life events that result in loss or restriction in their income. This means that people make regular contributions to a fund and if they lose their income for a variety of reasons then they can receive payments 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 (men & women) 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 (men & women) 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 (men & women)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 (men & women) 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 (men & women) 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 Fiji National Provident Fund but a social security scheme can provide a wider range of benefits than the FNPF does at the moment. Social Insurance is a component of Social Security that is based on a user pays principle where contributions are paid to cover the life events that can cause loss of income.

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 ☐

Sex -- Male / Female

# of Dependents ☐

Ethnicity Fijian Indian ☐ Polynesian Other ☐

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? FJD ☐

4. Crops Grown

Ignore for fishermen ☐
☐
Sugarcane ☐
Mixed Crops ☐
☐

5. Employment Status

Self Employed ☐
Regular Employee ☐
Casual worker ☐
Unpaid worker ☐
Employer ☐ Employees ☐

6. Occupation

Fisherman/woman ☐
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 ☐ On Contract To Coop or trader ☐
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?

Yes / No

15. How do you make ends meet then?

Gift from Family ☐
Personal savings ☐
Sell some assets ☐
Borrow money ☐
Assistance govt/NGO ☐
Remittances from family ☐

16. Annual Income – Self

> $20,000 ☐
$15,001 – $20,000 ☐
$10,001 – $15,000 ☐
$5,001 – $10,000 ☐
< $5,000 ☐

17. Annual Income – Household

> $20,000 ☐
$15,001 – $20,000 ☐
$10,001 – $15,000 ☐
$5,001 – $10,000 ☐
< $5,000 ☐

18. How many members in household (apart from self) ? ☐

19. Are you a member of a Social Security program?

Work Injury ☐
Health Insurance ☐
Maternity ☐
Aged/Retirement ☐
Death/Life Insurance ☐
Unemployment ☐
Housing ☐
Education Plan ☐
Other ☐

20. What Social Security programs would do you need?

Work Injury ☐
Health Insurance ☐
Maternity ☐
Aged/Retirement ☐
Death/Life Insurance ☐
Unemployment ☐
Housing ☐
Education Plan ☐
Other ☐

21. What is your priority order Social Security program?

Work Injury ☐
Health Insurance ☐
Maternity ☐
Aged/Retirement ☐
Death/Life Insurance ☐
Unemployment ☐
Housing ☐
Education Plan ☐
Other ☐

Please prioritise from 1 to 8. # 1 top priority

22. Would you contribute to Social Insurance?

Yes ☐ Maybe ☐ No ☐

23. 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. Who should contribute for your Social Security?

- Individual (self) ☐
- Employer ☐
- National Government ☐
- Provincial Council ☐
- Local Government ☐
- Shared by all (i.e. self+employer+govt) ☐
- Don't know ☐
- Other ☐

25. Without social security, who will look after you when you are unemployed, injured, sick, aged, etc?

- Self ☐
- Savings ☐
- Family ☐
- Government ☐
- Church ☐
- No one ☐

26. How much (*per month*) could you pay for Social Security?

- > $30 ☐
- $21 – $30 ☐
- $11 – $20 ☐
- $6 – $10 ☐
- < $5 ☐
- Could not pay ☐

27. Do you have other micro loans?

- Yes ☐
- No ☐

28. Why no Micro loans?

- Not available here ☐
- Unable to get loan (collateral) ☐
- Repayments too high ☐
- Capital not high enough ☐
- Unable to afford deposit ☐

29. Membership of Organizations

- Rural cooperative ☐
- Micro Insurance ☐
- Provident Fund ☐
- Health Insurance ☐
- Church ☐
- ☐

This question to be completed by Data collector

30. Demographic Information

Name of town/village/location ☐

Predominant enterprise in the area

- Fishing ☐
- Services ☐
- Mixed farming ☐
- Subsistence farming ☐
- Plantation ☐
- 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 type of land tenure the respondent has. Lease is in FJD per month, it is clearly applicable to most villagers who will in someway or other be linked to the land or sea for livelihood although traditional owners will probably not pay for lease of land.

4. This question may assist in determining the capacity to earn money from cash crops or whether the crops are for subsistence. Whilst it is accepted that most families will have a vegetable garden others may grow cash crops as well.

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 I 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 27.

9. The four most likely reasons for not having insurance are provided here and the respondents may identify with more than one but obviously if micro insurance is not available in the area then the first option is correct and the others irrelevant. The last 3 choices only apply if micro insurance is available in the area.

10. Income pattern has a number of choices which could be multiple, you should try to identify which is the greatest value and mark that. i.e. if own use and market are both options then you need to select the one which represents the greatest value. The second part, % of income in cash is the most

difficult but respondents need to be able to apply a value to their in-kind consumption. You should not get too hung up on an answer as this is a very subjective answer but if a value can be stated by the respondent then using the local typical mean income mat be used to best guess the % of income in cash.

11. For subsistence farmers they may identify all months where they get most income so you should check all months, although it is most likely that some months are going to be more difficult than others. This response could identify the periods where people may need most assistance or in conjunction with Q12 could indicate when contributions could most likely be made.

12. As above

13. This follows on from Q12 to identify the regularity of income; and

14. 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. This question is designed to identify the number of households with only one income earner or more than one income earner.

19. 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.

20. The discussion in Q19 also applies to this question.

21. 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.

22. 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 Q23. If they answer yes go to Q 24.

23. This question is only relevant for those who indicated in Q22 that they would not be prepared to contribute to a social insurance scheme.

24. This provides options for respondents to indicate who should be responsible for their personal social security, i.e. who should be pay for their benefits as opposed to who should deliver the benefits. The purpose of this question is to find out who they think should und the schemes that will provide their social security benefits.

25. 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

26. 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.

27. 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.

28. 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 fist option "no loans available here" then that is obviously the prime answer.

29. 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.

30. 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 8 Formal employment sector survey

Version - 23 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 FNPF 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 Fiji National Provident Fund but a social security scheme can provide a wider range of benefits than the FNPF 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: Ms. Anne Nacola Telephone: 327 0153

1. Your personal information

Sex ……Male / Female.

Married ……. ☐

Single ……..…….... ☐

☐

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 $20,000 ☐

$15,001 – $20,000 ☐

$10,001 – $15,000 ☐

$5,001 – $10,000 ☐

Less than $5,000 ☐

The FNPF 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 assistance for small businesses, medical and education.

Other Social Security Programs

Other types of social insurance programs can be provided to replace income that has been lost through any of the following events:

- **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 FNPF?

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 ……... ☐

Date / / 2005

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

Annex 9 Health care and microinsurance survey

Version:- 31 August 2005

Administration notes for Data Collectors

The purpose of this survey is to provide initial mapping on the health care situation for people in the informal economy. It aims to get a broad view of their current health care needs and their views and their capacity or willingness to contribute to a national health insurance scheme. It is also designed to collect additional data to assist the Ministry of Women, Social Welfare and Poverty Alleviation to improve its understanding of its customers.

You should anticipate a limited understanding of health care and financial terminology 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:	Ms. Anne Nacola	Telephone:	(689) 327 0153
	Address:	ILO Office, PO Box 14500, Suva, Fiji	Fax:	(689) 327 0151

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 health care entitlements to people in the informal economy. This survey is anonymous and ***no records of your personal information, your name or address*** that could identify you will be taken. The data will only be used in the form of statistics by ILO, Ministry for Women, Poverty Alleviation and Ministry of Health.

What is Insurance?

Insurance is a process where a group of people pool some money which is held together in one place that can be used to cover some unexpected problem or expense that may happen in the future. To be able to claim for the events (if they occur to you) you must be paying the amounts of money (premium) into the fund. If you stop the regular contributions you are no longer covered for the risk or event. Common types cover things like death, fire, accident etc.

What is Health Insurance?

Health Insurance is one of the elements of Social Security and is a system where people (men & women) can be insured against illness that results in a loss or restriction in their income or by out-of-pocket expenses related to the treatment program. Health Insurance means that people make regular contributions to a fund and if they become ill they can receive payments from the fund based on the illness or ailments they are covered for under the scheme. These programs aim to provide income support and other assistance to people in times of need. The types of health care needs that are usually covered by a micro insurance scheme are:

- **Costs for Additional Medications** – workers (men & women) and their immediate families who are insured can receive some part of their additional medication needs that are not provided as part of the public health system,
- **Travel to treatment centres** – the health insurance scheme could cover a standard benefit to assist in the travel costs in getting to a treatment centre ,
- **Additional costs for accommodation** – the health insurance scheme may be able to provide a standard rebate for out of pocket expenses and accommodation incurred whilst traveling to the referred treatment centre.

It should be noted that micro health insurance schemes do not normally provide comprehensive cover of all ailments because of the small contributions that people in the informal economy can afford. These schemes usually target a small number of key elements that cause people out-of-pocket expenses for medical care.

Other types of insurance support can be offered based on the needs of people and their capacity to pay for the insurance premium. ***People (men & women) 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 Fiji National Provident Fund but a health insurance scheme for informal economy workers may only be able to provide a restricted range of services that will be dependent on the premiums people can afford to pay.

Your help will be invaluable in the aim to provide improved health care through health insurance benefits to everyone.

John Angelini, Chief Technical Adviser Mobile (679) 990 6665

FORM No. ____

1. Personal Information

Age ____ Married ☐ Single ☐

Sex -- Male / Female

Head of Household **Yes / No**

# of Child Dependents ____

# of Adult Dependents ____

2. Characteristics of Household

Single Parent ☐

Disabled (Complete Disability Addendum) ☐

Elderly ☐

Prisoner Dependent ☐

3. Education

None ☐

Primary ☐

Secondary ☐

Tertiary ☐

Trade ☐

4. Ethnicity

Fijian ☐

Indian ☐

Other ☐

5. 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

6. Occupation

Fisherman/woman ☐

Farmer ☐

Fish/Farmer ☐

Retail ☐

Other (Please specify) ☐

7. Employment Status

Self Employed ☐

Regular Employee ☐

Casual worker ☐

Unpaid worker ☐

Employer ☐

# of Employees ☐

8. Do you have insurance?

None ☐

Life/death insurance ☐

Property/crop ☐

Health Insurance ☐

Other ☐

9. What insurance do you need?

None ☐

Life/death insurance ☐

Property/crop ☐

Health Insurance ☐

Other ☐

10. Do you receive regular income?

Yes / No

11. Any months with no income?

Yes / No

12. How do you sell produce?

Market ☐

Cooperative ☐

Direct sale ☐

Barter ☐

On Contract To Coop or trader ☐

Own Use ☐

13. Income Pattern

% of Income that is cash (rest goods & food)

100% ☐ 40% ☐

80% ☐ 20% ☐

60% ☐ <20% ☐

14. How do you make ends meet when you have no income?

Gift from Family ☐

Personal savings ☐

Sell some assets ☐

Borrow money ☐

Assistance govt./NGO ☐

Remittances from family ☐

15. Do you have savings?

> $2,000 ☐

$1501 – $2000 ☐

$1001 – $1500 ☐

$500 – $1000 ☐

< $500 ☐

None ☐

16. Annual Income – Self

> $20,000 ☐

$15,001 – $20,000 ☐

$10,001 – $15,000 ☐

$5,001 – $10,000 ☐

< $5,000 ☐

17. Annual Income –Household

> $20,000 ☐

$15,001 – $20,000 ☐

$10,001 – $15,000 ☐

$5,001 – $10,000 ☐

< $5,000 ☐

18. Have you or anyone in your household ever claimed for assistance from MWSWPA[1]?

Yes / No → (Q27)

19. Did you get paid on the claim(s)?

Yes / No → (Q 20)

20. Reason for not receiving benefits or services?

Did not qualify ☐

Eligible but no funds ☐

Don't know reason ☐

Withdrew claim ☐

Still waiting ☐

21. Reasons for seeking assistance

Cash Assistance ☐

Housing Assistance ☐

Family problems ☐

22. Types of Assistance received?

Grants ☐ Training ☐

Cash/allowance FAS) ☐

23. How well did the payment or benefit satisfy your needs?

Very well ☐

Adequate for my needs ☐

Inadequate for my needs ☐

24. How long did it take for your claim to be processed?

Within 3 weeks ☐

Within 3 months ☐

Around 6 months ☐

Over 6 months ☐

Over 1 year ☐

25. How satisfied were you with the service from Ministry for Women, Social Welfare and Poverty Alleviation?

Very satisfied ☐

Satisfied ☐

Unsatisfied ☐

Very Unsatisfied ☐

Don't know ☐

26. Reasons why you were not satisfied with the service?

Attitude of staff ☐

Took too long to pay ☐

Process too complicated ☐

Amount not enough ☐

Difficult to get to office ☐

No feedback on process or claim ☐

1. Ministry for Women, Social Welfare and Poverty Alleviation

PRIMARY HEALTH CARE

	27. How many times in a year to you need to seek primary health care for the following ailments?		28. Where did you receive treatment for each ailment?					29. Were you satisfied with the *service* you received?			31. Were you required to pay any costs for the treatment. If so how much and for what reason?				
	Self	Household	Village Nurse	Nursing Station	Health Centre	Hosp-ital	Tradit-ional	Yes	No	Partly	No	Travel	Medicine	Accommodation	Total
	#	#	X	X	X	X	X	X	X	X	X	$	$	$	$
Accidents & Emergencies[1]	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Burns	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Reproductive health[2]	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Gynaecological Problems[3]	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Maternal Child Health[4]	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Viral Illnesses[5]	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Eye infection	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Skin conditions [6]	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Communicable diseases[7]	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Non communicable diseases[8]	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
STI's and HIV/AIDS	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Common cold /flu	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Upper respiratory Infection	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Asthma	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				

NOTES
1 Drowning, poisoning, electrocution, vehicle accidents, injuries,
2 Pre-natal, childbirth, postnatal, family planning, pap smear,
3 Menstrual pain, abortions, dysfunctional bleeding
4 Child clinics, Any Childhood illness (< 5 yrs), e.g.diarrheoa in children, acute respiratory infection, Immunisation,
5 Cough, headaches, body pains, diarrhoea, and vomiting
6 Scabies, tinea, boils, sores, ringworm, dhani infection, skin abrasions
7 Leptispirosis, TB, Dengue fever, typoid,fever, hepatitis etc
8 High Blood pressure, diabetes, strokes, heart or cardiac conditions, cancer, mental illness

30. Reasons why you were not satisfied with *service*?

Wait too long	☐	Out of pocket expenses	☐
Poor environment	☐	Inadequate supply of medication	☐
Attitude of staff	☐	Lack of professional medical staff	☐
Accessibility of service	☐	Lack of self help information	☐

SECONDARY/TERTIARY HEALTH CARE

32. How many times in a year to you need to seek secondary or tertiary health care for the following ailments?

33. Where did you receive treatment for each ailment?

34. Were you satisfied with the *service* you received?

36. Were you required to pay any costs for the treatment, if so how much and for what reason?

	Self #	House-hold #	Sub Div Hospital X	Area Hospital X	Div Hospital X	Private Hospital X	Over-seas X	No Days Confined #	Yes X	No X	Partly X	No X	Travel $	Medicine $	Accomm-odation $	Total $
Medical condition: includes gastritis, Upper respiratory tract infection, Respiratory conditions. Cardiac or heart diseases, Urinary Tract Infection, Severe Diabetes, Hypertension, Severe Asthma, Meningitis, Rheumatic Fever, Cancer, Tetanus, Psychiatric Conditions, Migraine etc	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Communicable Diseases: Dengue Fever, Leptospirosis, Typhoid Fever, Sexually Transmitted Infection (STI), TB, Measles, Infectious Hepatitis etc	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Surgical Conditions: includes appendicitis, liver diseases, abdominal conditions, tonsillitis, head injury, etc liver diseases, abdominal conditions, tonsillitis, head injury, etc	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Gynae Conditions: Dysfunctional bleeding, various types of Abortions (Missed, Threatened, Complete or Incomplete), Endometritis, Uterine fibroids, Ovarian cyst etc	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				
Orthopaedic Conditions: includes Bone injury, fractures, sprain, dislocation	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐				

35. Reasons why you were not satisfied with *service*?

Wait too long	☐	Out of pocket expenses	☐
Poor environment	☐	Inadequate supply of medication	☐
Attitude of staff	☐	Lack of professional medical staff	☐
Accessibility of service	☐	Lack of self help information	☐

37. What health services & out-of-pocket expenses not covered by the existing services concern you most and you would like to be covered by a NHIS[1]?

- Treatment for Accidents ☐
- Travel costs to treatment centres ☐
- Diabetes & other lifestyle diseases ☐
- Accommodation ☐
- Infectious diseases ☐
- Extra medication ☐
- Overseas treatment ☐
- Other (please explain) ☐

38. What treatments cost you most. Please indicate in priority order?

- Local village treatment ☐
- Local medical clinic ☐
- Sub-divisional hospital ☐
- Divisional hospital ☐

39. Would you contribute to Health Insurance?

Yes ☐ Maybe ☐ No ☐

40. Who should contribute for your Health Insurance?

- Individual (self) ☐
- Employer ☐
- Central Government ☐
- Provincial Council ☐
- Shared by all (i.e. self+employer+govt) ☐
- Don't know ☐
- Other ☐

41. Reason for not wishing to contribute?

- Cannot afford to contribute ☐
- Don't provide services I need ☐
- Benefits paid by schemes too low ☐
- Don't trust administrators of schemes ☐
- No need – happy with existing arrangements ☐
- Don't know enough to make decision ☐

Go to (Q42)

42. How would you like to make Health Insurance contributions?

- Weekly ☐
- Fortnightly ☐
- Monthly ☐
- Quarterly ☐
- Annually ☐

43. How much (*per month*) could you pay for Health Insurance?

- > $30 ☐
- $21 – $30 ☐
- $11 – $20 ☐
- $6 – $10 ☐
- < $5 ☐
- Could not pay ☐

44. Who would you want covered in a National Health Insurance scheme?

- Self only ☐
- Family group (Parents & Children) ☐
- Parents & Children Individually ☐

45. What is the best way to collect Health Insurance contributions?

- Local community collection ☐
- Village collection through Provincial office/ Advisory council ☐
- Credit union debit ☐
- Rural bank debit ☐
- Other method ☐

46. Membership of Organizations

- Rural cooperative ☐
- Micro Finance Scheme ☐
- Provident Fund ☐
- Insurance Scheme ☐
- Church group ☐
- Other ☐

This question to be completed by Data collector

47. Demographic Information

Name of town/village/location

Predominant enterprise in the area

- Fishing ☐
- Subsistence farming ☐
- Plantation ☐
- Services ☐
- Urban/peri-urban area ☐
- Mixed farming ☐

Remote location Yes ☐ No ☐

Built-up area Yes ☐ No ☐

Approx community population, (people) ☐

	Distance / travel time		***Means of accessibility and travel to services***			
Approx distance to nearest Clinic	☐ Kms	☐ Hours	Boat ☐	Road/bus ☐	Walk ☐	Air ☐
Approx distance to nearest Sub-Div hospital	☐ Kms	☐ Hours	Boat ☐	Road/bus ☐	Walk ☐	Air ☐
Approx distance to nearest Divisional hospital	☐ Kms	☐ Hours	Boat ☐	Road/bus ☐	Walk ☐	Air ☐

Interviewer

Date / / 2005

Other Comments or Feedback.

1. National Health Insurance Scheme

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 coordinator 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 endeavour 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 a National Health Insurance is going to happen!! At all times you should stress that this is a survey and these questions are only about what <u>is possible</u> not probable.

1. This question is basic person data and the number of dependents should be identified as children or other adult dependents like parents etc. All dependents in the household should be included. The person being interviewed should identify if they are the head of the household. By derivation we will be able to identify the percentage of female headed households

2. This question aims to identify the key target groups for the Ministry of Women, Social Welfare and Poverty Alleviation. If the respondent is not from the target group then the boxes should be left blank.

3. Education is the highest level of education achieved by the respondent.

4. Ethnicity aims to identify the proportion of the sample from each of the key ethnic groups. Ideally the sample should show a strong correlation to the national census and other verifiable statistics.

5. This question is intended to identify the type of land tenure the respondent has. Lease is in FJD per month, it is clearly applicable to most villagers who will in someway or other be linked to the land or sea for livelihood although traditional owners will probably not pay for lease of land.

6. Whilst there are a number of occupational possibilities the most likely are in the areas shown in the options 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. ***Fisherman/woman*** includes prawning, sea shelling, reef fishing work carried out by women for sustenance as well as commercial purposes. This definition is broader than the typical definition of line fishing only.

7. 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/she has. This may establish that an employer/employee relationship exists and together with income the potential for compulsory contribution to the provident fund.

8. The purpose of this question is to ascertain the existing level of insurance in the informal economy. This may also assist in determining the degree of understanding of the concept.

9. The purpose of this question is to see if people can identify the type of insurance coverage they may need the most. This is related to risk and it may be best to approach the question in terms of risk that people face.

10. This question aims to identify if people have regular income. It is complementary with Q 12 which asks if there are months with no income

11. This question asks if there are any months with no income.

12. Sale of produce or 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.

13. The % 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 issue but if a value can be stated by the respondent then using the local typical mean income may be used to best guess the % of income in cash.

14. In this question we need to try to find out how people are looked after and how they make ends meet when they have no income.

15. This is a highly personal question that aims to assess the level of personal savings people in the informal economy have accumulated. The purpose of this is to identify how people care for themselves and also the degree of risk they face if they have to cover medical and other costs from their savings. e.g. how a typical illness, funeral or wedding may affect their savings levels.

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. This Q will determine how many in the sample have claimed for services from MWSWPA. For a yes response go to Q 19 for No go to Health Survey questions Q27.

19. A *Yes* response from question 18 will then inquire whether or not services were paid. If not then Q20 asks for the reasons why not.

20. Reason for non payment will help quantify the major types of rejection or non payment of claims.

21. This question aims to identify the reason or needs for assistance. Even if the claims were rejected the reasons why the household sought assistance is useful.

22. This question identifies the types of assistance actually received.

23. This Q seeks to get a subjective view on how well the services satisfied the needs.

24. This is oriented to service quality and a subjective opinion by respondents on how long it took to process claims. The reliability of this will be questionable but is an indicator of processing timeliness that can be substantiated by Ministry data.

25. This Q aims to obtain an indication about the satisfaction level with Ministry services.

26. This question is about satisfaction with service and is a sub set of the sample from those who answered *N*o or *Partly* to being satisfied with the service they received.

27. Q27 – 31 series of data attempts to identify for *Primary Health Care,* the types of ailments, health care needs, frequency and out-of-pocket expenses that people may incur. This indicative data will assist in the determination of the needs for a National Health Insurance scheme and possibly to identify the key areas of dissatisfaction in services and the areas of high out-of-pocket expenses. A micro Health Insurance scheme by its nature will only be able to cover a small number of contingencies and if the scheme is voluntary then these contingencies will need to be well targeted and meet the needs of contributors. Where people contribute to accommodation or other expenses by produce (e.g. dalo) then we should attempt to monetize the value of the expense made by the person.

    In the event that an individual and/or household have more than one occurrence of medical assistance but not all occurrences attract out of pocket expenses then in Q31 where there is no additional expenses the No box should be checked. Of course where expenditure has been made the amount should be indicated in the appropriate boxes.

32. Q32 – 36 series of data attempts to identify for *Secondary/Tertiary Health Care* the types of ailments, health care needs, frequency and out of pocket expenses that people may incur. This indicative data will assist in the

determination of the needs for a National Health Insurance scheme and possibly to identify the key areas of dissatisfaction in services and the areas of high out-of-pocket expenses. A micro Health Insurance scheme by its nature will only be able to cover a small number of contingencies and if the scheme is voluntary then these contingencies will need to be well targeted and meet the needs of contributors. Where people contribute to accommodation or other expenses by produce (e.g. dalo) then we should attempt to monetize the value of the expense made by the person.

In the event that an individual and/or household have more than one occurrence of medical assistance but not all occurrences attract out of pocket expenses then in Q31 where there is no additional expenses the No box should be checked. Of course where expenditure has been made the amount should be indicated in the appropriate boxes.

37. This question aims to identify the major and most common ailments and get the opinions of the respondents on which ailments concern them the most and which ones they believe should be covered in a potential National Health Insurance scheme.

38. This question aims to identify the level of treatment which costs people the most in out-of-pocket or other expenses. This may enable the Ministry of Health and others to conduct further investigation into the causes and possible interventions to reduce the costs borne by patients, particularly in the informal economy.

39. This question would need some preamble to ensure that people understand the basic concepts of insurance and particularly for a potential Micro insurance scheme. Data collectors should refer to the briefing notes and personal briefing provided by the coordinators.

40. Those respondents who answered *Maybe* or *No* to the above question (33) should be asked for the reasons that they do not wish to, or a reluctant to contribute to a potential health insurance scheme.

41. In this question we need to try to find out who should provide for, or who should contribute to the cost of contributions to health insurance schemes.

42. In this question we should make it clear to respondents that they should assume that they would contribute if it was compulsory; in other words, a hypothetical and then the next series of questions become valid. This question seeks to determine how people could best make contributions to some yet to be determined agency.

43. This question follows on the sequence by asking how much people would be willing, or able to contribute for a selected National Health Insurance Scheme.

44. This question seeks to identify how people would see their insurance coverage, by individual, family or extended family premiums. This could influence the administration and costs of the potential scheme.

45. This question aims to identify part of the administrative constraints on such a scheme and how people may be able to make contributions, as this is one of the most costly components of a micro scheme where much of the generally low premiums can be absorbed by contribution collectors.

46. 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. Collection of premiums through existing agencies can also be successful in terms of compliance and cost effectiveness.

47. 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. It also will enable some ideas about distances, transport costs and travel times the respondents may need to undergo to obtain medical services. It is expected that the information will be identical for the respondents from a particular village or location.

Annex 10 Bibliography

General references

Author	Title
Asian Development Bank	Social Protection in Asia and the Pacific, edited by Isabel Ortiz
	Kiribati: Monetization in an Atoll Society: Managing Economic and Social Change. Manila: ADB, 2002.
	Social Protection Strategy, 2003
AusAID	Pacific Program Profiles, 2003- 2005
Barr, N	*The economics of the welfare state*, 3rd ed. Oxford, Oxford University Press. Beattie, R.; McGillivray, W. 1995. "A risky strategy: Reflections on the World Bank Report: *averting the old age crisis*", *International Social Security Review*, Vol. 48, No. 3-4, pp. 5-22. 1998.
Colombia University	Colombia University Clearinghouse on International Developments in Child Youth and Family Policies (Website)
Crocombe, Ron	The South Pacific, University of the South Pacific, 2001
Crocombe, Ron et al (ed).	1992. Culture and Democracy in the South Pacific. Suva: Institute of Pacific Studies (University of the South Pacific).
Crocombe, Ron (ed).	*Land Tenure in the Pacific*. Suva: Institute of Pacific Studies (University of the South Pacific), 1987.
Crocombe, Ron et al (ed).	Culture and Democracy in the South Pacific. Suva: Institute of Pacific Studies (University of the South Pacific), 1992
Tim, Curtis	Kastom as Development: Opening the Na'hai Kaljaral Senta. *Cultural Survival Quarterly* (web version), 2002
Derek Rowntree	Statistics Without Tears, Penguin 2000
Ejuba J.	Current trends in work accident insurance and prevention in Africa
Iwamura *et. al*	International comparison of employment injury protection systems [in Japanese], The Japan Institute for Labour Policy and Training (JILPT), Research Report No. 148, 2002.
Gillion, C.; Turner, J.; Bailey, C.; Latulippe, D. (eds.)	2000. *Social security pensions: Development and reform*. Geneva, ILO.
Holzmann, R.; Hinz, R.	*Old Age Income Support in the 21st Century*. Washington, World Bank. 2005.
Holzmann R. and Hinz R.	Social Risk Management: A conceptual framework for Social Protection and beyond, Social Potection discussion paper, World Bank 2000
Holzmann R. and Stiglitz J.E. (Eds)	New ideas about old age security, The World Bank, 2001
ILO	Social Security Financing (Vol.3); Pension Schemes (Vol. 4). Geneva, ILO. 1997.
	ILO Convention 169: Indigenous and Tribal Peoples Convention. Suva: 2001.
	ILO Conventions Numbers 3 (1919), 103 (1952), and 183 (2000).
	Global strategy on occupational safety and health, conclusions adopted by the 91st International Labour Conference 2003, 2004.
	Introduction and Extension of Social Security, ILO Geneva, December 2004
	Maternity at Work – A Review of National Legislation. ILO Geneva 2005
	Promotional framework for occupational safety and health (Report IV(1) for 93rd International Labour Conference 2005), 2004.
	Report on the Symposium on Employment Injury Protection for Developing Countries in Asia and the Pacific (Bangkok, 28 October- 1 November 1985), ILO Regional Office for Asia and the Pacific, 1986.
	Recording and notification of occupational accidents and diseases and ILO list of occupational diseases, Report V (1) International Labour Conference 90th Session, 2002
	Global Strategy on Occupational Safety and Health Conclusions adopted by the International Labour Conference at its 91st Session 2003
	Social security: a new consensus (2001)
	Social Security for the Excluded Majority – Case studies of developing countries – Edited by Wouter van Ginneken
	Social Protection for Rural population: Needs, limitations, possibilities
	The extension of social security coverage: The approach of the International Labour Office. ESS paper # 3, Emmanuel Reynaud
	Social Security for the Informal Sector: Investigating the feasibility of pilot projects in Benin, El Salvador and Tanzania – Edited by Wouter can Ginneken

Author	Title
	Extending Social Security: Policies for developing countries ESS paper # 13, Wouter van Ginneken
	Decent Work & the Informal Economy (Report VI) – ILC 90th Session 2002
	Conclusions Concerning Decent Work in the Informal Economy – ILO 2002
	World Labour Report, ILO Geneva, 2000: Income security in a changing world.
	Introduction and Extension of Social Security, ILO Geneva, December 2004
	Health Insurance in Developing Countries, the social security approach, 1990
	Urban Informal Sector Information: Needs and Methods.
	Workers Education Assistance in Strengthening Trade Union support for Workers in the Informal Sector in Selected ASEAN Countries, CTA Uffe Elbaek July 2001
	Financing Micro-Insurance: Perspective and Prospective, David M. Dror
	Extension of social security protection to the self-employed workers, ILO study Malaysia 1999
	Out of The Shadows, Practical Actions for the Social Protection of Homeworkers in Indonesia, Lucita Lazo, 1996
ILO/ISSA	Training manual on social security No. 1. Social Security Principles, 1998. No. 2. Administration of Social Security, 1998 No. 3. Social Security Financing, 1998 No. 4.Pensions Schemes, 1998 No. 5. Social Health Insurance, 1998
ISSA	*Guidelines for the Investment of Social Security Funds.* http://www.issa.int/pdf/GA2004/2guidelines.pdf 2004
	Diseases, 28th General Assembly of the International Social Security Association (ISSA), 13-17 September 2004, Beijing, China.
	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
	Conditions for implementation of reform of a work injury scheme, Joachim Breuer, ISSA Conference Towards sustainable social security systems, Limassol, Cyprus November 2003
	Current social Security Issues in Asia and the Pacific, 1997
	Social Security Programs Throughout the World, 2003
	Report of the Technical Commission on Insurance Against Employment Accidents and Occupational.
	Report of the Technical Commission on Insurance Against Employment Accidents and Occupational Diseases, 28th General Assembly of the International Social Security Association (ISSA), 13-17 September 2004, Beijing, China.
Iwamura *et. al.*,	International comparison of employment injury protection systems [in Japanese], The Japan Institute for Labour Policy and Training (JILPT), Research Report No. 148, 2002.
Lindstrom, Lamont and Geoffrey	*Culture-Custom-Tradition: Developing Cultural Policy in Melanesia*. Suva: Institute of Pacific Studies (University of the South Pacific), 1994.
McGillivray, W.	'Ten Years of Public Pensions Reform', in Takayama, N. (ed.), *Taste of Pie: Searching for Better Pension Provisions in Developed Countries*. Tokyo: Maruzen Co., 401-17. (2003).
Ministry of Education	National Education Sector Summary Statistics. Honiara 2004.
MISSOC	MISSOC Mutual Information System on Social Protection amongst EU Member States and EAA
Normand C. and Weber A.	Social Health Insurance – a guidebook for planning, ILO/WHO, 1994
SINPF	Operations Department Report Honiara June 2005.
SSO, Thailand	Annual Report 2003, --------
Social Security, India	Report of the Taskforce on Social Security, 1999.
Social Security System (Philippines)	Disability assessment manual: medical and functional (revised July 1999).
Thompson, K	Study into workers' compensation schemes (2005, mimeo.)
Thompson, L	*Older and wiser: the economics of public pensions*. Washington, Urban Institute, 1998.
United Nations	Towards Social Security for the Poor in the Asia Pacific Region. United Nations Economic and Social Commission for Asia and the Pacific. New York 1996
UNDP	UNDP Microfinance Assessment Report for the Pacific, 1997
UNESCAP	Social Protection systems
Van Trease, Howard (ed).	*Melanesian Politics: Stael Blong Vanuatu*. Suva: Institute of Pacific Studies (University of the South Pacific), 1995.

Author	Title
Wassmann, Jurg	1998. *Pacific Answers to Western Hegemony*. London: Berg.
Williams, S	Administration of Disability Insurance Programmes: Control of Abuse and Recent Changes to benefit Systems, Technical Commission on Old Age, Invalidity and Survivors' Insurance, ISSA, Sep 2004.
World Bank	Averting the old-age crisis, 1994
	Old Age Income support in the 21st Century, World Bank Washington , 2005
WHO	Social Health Insurance – Selected case studies from Asia and the Pacific, 2005
Zimmer, S	Problems and Challenges of Statutory Accident Insurance Schemes Related to Occupational Diseases: Reporting, Recording and Statistics, Technical Commission on Insurance Employment Accidents and Occupational Diseases, ISSA, September 2004.

Fiji references

Author	Title
Department of Social Welfare, Ministry for Women, Social Welfare and Poverty Alleviation	Family Assistance Statistics, Suva, April 2005
ILO	Report to the Government on the actuarial valuation of the Fiji National Provident Fund evaluated as of 30 June 2002 (ILO/TF/Fiji/R.4), 2002.
	Expanding social protection in Fiji, 2001 (mimeo.).
	Informal Economy Survey – Fiji, ILO Suva, January 2005
Ministry of Education	2004 Corporate Plan
	2005 Business Plan
Ministry of Finance	Economic and Fiscal Update November 2004, Ministry of Finance and National Planning, Suva November 2004
Fiji Islands Bureau of Statistics	Analytical Report of the 1996 Census of Population and Housing.
	Household Income and Expenditure Survey (HIES) 2002-2003
	Key Statistics, December 2000
	Key Statistics, March 2004
	Key Statistics, June 2004
Ministry of Labour, Industrial Relations & Productivity	Annual Report, 2003
	1997/98 Draft Workers Compensation Bill: Levy System and Compulsory System
	Summary Paper on the proposed Workers Compensation Scheme
	Cabinet Paper of June 1998: Draft Workers Compensation Bill
	Current and proposed OHS & Workers Compensation Reorganisation Restructure, 2003
	Annual Reports: Workers Compensation Section 1999, 2000, 2001,
	Cabinet Decision No.94 approving the proposed improvements to the Workers Compensation Scheme
	Cabinet Decision No 70 of 29 October, 2001 approving the Restructuring and Institutional Strengthening of the OHS and Workers Compensation Service into an Autonomous Authority
Department of Statistics	Household Income and Expenditure Survey - The Urban Sector 2002-03. Fiji Islands Bureau of Statistics December 2002
Family Assistance Review Committee	Review of the Family Assistance Scheme, Suva, March 2004
Fiji Council of Social Services	Annual Report, 2002, 2003.
Fiji Development Bank	Annual Report, 2000, 2003
Fiji Care Insurance Ltd	Annual Report, 2003
Pacific Islands Forum Secretariat	Annual Report, 2003/2004
Pacific Foundation for the Advancement of Women	Gender Impact Study on Trade in the Pacific, April 2004

Author	Title
Housing Authority	Annual Report, 1998, 1999, 2003
Singh, O.P.	General Minimum Wage, May 2003
Cichon, M	Health Insurance in Fiji: Recent Developments and Future Options
Narsey, Wadan,	To level the playing fields: developing our small people, Suva, Fiji:Vanuavou Publications, 2004
Narayan, P., P. Kumar, B.Chand	Fiji's Sugar, Tourism and Garment Industries, A Survey of Performance, Problems and Potentials. Fijian Studies vol.1 no.1, 2003
Plange NII K	Aspects of Ageing in Fiji, USP Suva, 1987
Reddy,M., V. Naidu and M. Mohanty	The Urban Informal Sector in Fiji,: Results from a Survey. Fijian Studies vol. 1. No1. 2003 Impediments and Poverty Dimensions of Urban Informal Sector: the case of Fiji, April 2003
Reddy M.	Public Sector Housing in Fiji: Response to Social Exclusion, 2002
Reserve Bank of Fiji	Annual Report 2003, Insurance Annual Report 2003
Singh, O.P	"A brief summation on the proposed workers compensation bill" (report submitted to FTUC, 6 February 2004).
Walsh, Crosbie	Poverty, Politics and the Politics of Race in Fiji. Suva, November 2000
The Pacific Provident Fund CEO	Sustainability of Provident Funds in the Pacific, Forum 4th-5th July, 2003, Fiji

Internet references

Organisation	*Internet address*	*Information viewed/downloaded*
Amnesty International	www.amnesty.org	Human rights,
Asian Development Bank (ADB)	www.adb.org	Economic development; Social Security, Poverty, environment
Australian Aid (AusAID)	www.ausaid.gov.au	AusAID Pacific aid programmes
Australian National University (ANU)	coombs.anu.edu.au/WWWVL-PacificStudies	Trade, globalisation and Pacific Islands
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
Secretariat of the Pacific Community (SPC)	www.spc.int	Various statistics
United Nations Conference on Trade & Development (UNCTAD)	www.unctad.org/en/docs	Global trade issues; data on LDC's
United Nations Children's Fund (UNICEF)	www.unicef.org	Data on youth and children
United Nations Development Fund for Women (UNIFEM)	www.unifem.undp.org	Gender issues
United Nations Development Programme (UNDP)	www.undp.org/dpa/ publications	Human Development Index, miscellaneous environmental indicators
United Nations Fund for Population Activities (UNFPA)	www.unfpa.org	Population related data
United Nations Office of the High Commissioner for Human Rights	www.unhchr.ch	Human rights reports
World Bank (WB)	www.worldbank.org	Economic and environmental data
World Health Organisation (WHO)	www.who.int	Health statistics (global)
WHO Western Pacific (WHO WPRO)	www.wpro.who.int	Health statistics (Pacific regional)

Index

absolute poverty 248
accidents 319
Advance funding 8
Annuitization 197
Asian Development Bank 7
basic needs 248
Cash sickness benefit 6
Child benefits 6
citizens pensions 188
commuting 300
comparative poverty 248
Compulsory membership 18
compulsory savings scheme 187
Concessional interest 251
contingency of unemployment 200
Contributions 8
Convention 102 146
Convention 169 134
Convention No. 168 234
cost subsidies 251
Decent Work 5
Decent Work deficits 2
defined contribution 186
Defined contribution or Defined benefit 8
Differential levies 366
direct grants 251
Direct provision 251
Disease patterns 167
disqualifications 320
Diversification 8
Donor support 167
Eligible births 372
employment injuries 297
Employment injury 299
Employment Injury 289, 292
Equalising 366
Extending social security coverage 11
fatal accidents 321
first level of governance 193
formal classification of the informal economy 19
formal employment sector 154
full unemployment 200
Funded social security schemes 192
Health care financing 165
Health-care systems 6
implicit conditionality 358
in kind programs 254
infant mortality 363
informal economy 14, 19
International Labour Conference 11
Liable Parent Scheme 254
Maternal mortality 363
Maternity insurance 6
maternity leave 251
Maternity Protection 355
Maternity protection programmes 356
medical and short-term cash benefits 305
Medical benefits 320
medical care 302
MedInsure scheme 171
MediSave Scheme 171
membership voluntary 20
micro-insurance schemes 16
Minimum standards for benefits 293
Moral hazard 178
normal retirement age 189
Occupational accident 299
occupational disease 300
Occupational disease 299
Occupational Safety and Health 306
out-of-pocket funding 179
Overseas referrals 167
paid maternity leave 357, 362
Paid Maternity Leave 356
partial unemployment 201
pension system in Chile 196
pensionable ag 189
permanent disability 303
Permanent disablement benefit 303
Population ageing 190
poverty of opportunity 248
Premium 171
Privatization 8
provident fund 1, 186
provider payment methods 176
prudential supervision 195
reciprocit 103
redistribution 189
Rehabilitation 309
Retirement Pension systems 6
risk pooling 185
Risk Pooling 173
Samoa National Provident Fun 317
second level of governance 193
Senior Citizens Benefit 251
Senior Citizens Benefit Fund 318
sex-disaggregated data 151
social and economic utility 194
Social assistance 9
social contract 185
Social Insurance 9
Social Protection 6
Social Safety Net 7
Social security iii, 1, 5
Social Security 7
social security needs 15
social security pensions 185
Social security systems in the Pacific 1
social support systems 191
solidarity 185
support ratio 190
survivor's pensions 304
Targeted assistance 250
Temporary disablement benefits 303
third level of governance 193
tribal and indigenous peoples 122
Unemployment benefit 6
unemployment protection 199
universal pensions188, See Social pensions or citizens pensions
Universal pensions 253
vulnerability 248
Work injury schemes 6
worker's compensation 289
World Bank 6