

Social protection for poverty eradication and inclusive growth

The Government of Mongolia and United Nations' report of the Assessment Based National Dialogue (ABND) on social protection, launched in May 2015, confirmed a **national consensus** on strengthening social protection as a mean to eradicate poverty and ensure that growing economic wealth is shared equitably among the whole population.

However, under the current economic indicators and anticipated cut in the State's budget, the necessity of maintaining and enhancing social protection is even more pressing to secure the past decade's progress in reducing poverty.



Universal social protection, through the establishment of a social protection floor as part of the social security system, is no alternative to prevent Mongolia's population from falling back to poverty, reduce inequalities and mitigate the social impact of the present economic downturn. Extension of social protection should be done in a way that will provide effective and adequate level of protection to the whole population, including groups still lacking proper coverage, e.g. elderly, herders, self-employed and workers of the informal economy. **Risk pooling and collective financing** through contributions, backed-up by taxes, are fundamental principles of social protection systems designed to promote social solidarity and social justice.

Several other factors are important to the success of social protection. **Participation of social partners** in the design, implementation and evaluation helps raise credibility and ownership of the social protection programmes, secure their compliance and financial basis of contributory schemes. **Better coordination** of social protection interventions increases outreach and efficient use of resources. These core principles have proven to provide the foundations for efficient and effective social protection systems that seek to guarantee a minimum income security to all and redistribution of the economic wealth.

Finally, contributing to social insurance and creating the fiscal space for financing social protection floors are also a question of political will. Social protection is an **investment in productive employment** and therefore economic growth, by allowing workers to search more productive jobs and by investing in human capital. Fiscal space can be found in improved coordination and more efficient use of existing resources.



Those principles are rooted in the **ILO Social Security (Minimum Standards) Convention, 1952 (No.102)** and the **ILO Social Protection Floors Recommendation, 202 (No. 202)**. These two instruments provide internationally agreed framework and standards can guide the strengthening of the social protection system in Mongolia, especially in the current economic situation.

Table 1. The ILO Social Security (Minimum Standards) Convention, 1952 (No.102)

The ILO Social Security (Minimum Standards) Convention, 1952 (No.102) and the ILO Social Protection Floors Recommendation, 202 (No. 202) contain a number of principles that are required for systems to be effective and sustainable, e.g. risk pooling, social justice, participation of the beneficiaries and employers, and universal coverage. They set standards that, amongst others, aim at guaranteeing the adequacy of benefits, the good governance of the system, its financial sustainability, rights of the beneficiaries and the respect of the rule of law, equality of treatment, non-discrimination and policy coherence.

Convention No.102, the flagship Convention of the ILO in the field of social security, is a key tool used by countries to guide reform leading to the establishment of comprehensive social security systems at national level, and it also serves as a reference at the regional and international levels. It defines the nine classical branches of social security, which are also the nine contingencies included under Mongolia's social security system – medical care, sickness benefits, unemployment benefits, old-age benefits, employment injury benefits, family benefits, maternity benefits, invalidity benefits and survivor's benefits – and sets minimum requirements for each branch. This Convention also establishes common rules for collective organization, financing and management of social security, and upholds the principles of good governance of the system under the general responsibility of the State, the right to due process and the principle of equality of treatment of non-national residents. The ratification of Convention No. 102 requires the acceptance of at least three of the nine branches (or parts) of social security of the Convention, including at least one long-term benefit, namely old age (Part V), employment injury (Part IV), invalidity (Part IX) or survivors (Part X), or unemployment benefits (Part IV). A ratifying State should consider accepting other parts of the Convention at a later stage in accordance with its national circumstances.

Source: ILO, 2016: *Mongolia: Report to the Government: Assessment of the social security legislation for the ratification of the Social Security (Minimum Standards) Convention, 1952 (No. 102)* (Geneva).

Why ratify Convention No. 102?

There would be a number of advantages for Mongolia in ratifying Convention No.102. Primarily, in ratifying Convention No.102, Mongolia would be following the guidance provided by the latest international standards, including the Social Protection Floors Recommendation (No.202) adopted by the International Labour Conference in June 2012. Once ratified, Convention No.102 constitutes an **internationally recognized and monitored safeguard** of the Mongolian social security system that serves to guarantee that the protection provided to workers and their families is not reduced below the internationally agreed minimum level with future amendments, especially amendments pressured by economic downturns and necessary cuts in public expenditures.

Secondly, Convention No.102 can serve as **guidelines and reference for minimum standards for the future reforms of the social security system**, in terms of objectives, benefits, personal coverage and administration principles, the need of which is widely

recognized, in particular to extend coverage to herders, self-employed and informal economy workers. In periods of reform, ratification can give a particularly strong signal to society and social partners of the State's commitment to comply with minimum social security standards. The implementation of the principles and standards of Convention No.102 will also contribute greatly to decent work and poverty alleviation by providing for adequate basic levels of income security and access to basic social services.



Thirdly, international instruments have served and continue to serve as important sources for the development of the Mongolian social framework. It marks a concrete step for the country towards meeting its obligations under international instruments for the



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protection of human and labour rights, thereby setting an **environment conducive to political and social stability**, and **creating an environment attractive to business and international investments**. Mongolia has already ratified a number of international labour standards instruments. Ratification of Convention No.102 would set an example for other countries. In this respect, it should be underlined that following Japan, Mongolia would be the second country to have ratified Convention No. 102 in the Asia and Pacific region.



Is Mongolia in a position to ratify the ILO Social Security (Minimum Standards) Convention, 1952 (No.102)?

A legal assessment undertaken by the International Labour Office on the compatibility of the national legislation with the requirements of each Part (branch) of the Convention No.102, concludes that **Mongolia is technically in a position to ratify Convention No.102** starting by accepting its obligations in respect of **medical care (Part II), sickness benefit (Part III), employment injury benefit (Part VI), unemployment benefit (Part IV), family benefit (child allowance) (Part VII) and maternity benefit (Part VIII)**. Indeed, the national legislation and practice fully or widely complies with the requirements of these Parts of the Convention, and is only a few steps away from full conformity. However, in accordance with the principle of equality of treatment between national and non-nationals (Part XII), coverage should be extended to non-nationals for medical care (Part II), family benefits (Part VII), and maternity (medical care) benefits (VIII).

Secondly, ratification of the **Part IX (invalidity benefits) and Part X (survivor's benefits)** of Convention No. 102

is possible, subject to clarification that the invalidity and survivor's benefits (under the Individual Pension Insurance Contribution Accounts Law) are provided at a replacement rate of at least 40 per cent of a standard beneficiary's previous earnings after a contributory period of 15 years and that such a benefit is granted throughout the contingency or until an old-age benefit becomes payable as required by Convention No. 102.



Thirdly, it is not recommended at this stage to accept the obligations of the Convention in respect of **Part V (Old-age benefit)**. While the analysis conducted above shows that the provisions of the Law on Pensions and Benefits provided by the Fund of Social Insurance, which sets out the parameters of the old-age pension that is currently being provided, generally comply with the requirements of the Convention, it is noted that their application has a time-bound existence of 20 years (as of June 2015). The notionally defined contribution scheme that is foreseen to replace the current one, as laid down in the Law on Individual Pension Insurance Contribution Accounts and further explicated in the State Policy on Pension Reform (2015-2030) does not provide a sound basis for ratification of Part V (old age benefit) at this stage as some of the key parameters of the future old-age pension scheme that will come in operation in 20 years are still undefined. Among the key concerns that arise in respect of meeting the standards of Convention No. 102 is the absence of a guaranteed minimum benefit at the minimum level required by the Convention, and a lack of certainty as to the level of benefits in the absence of a pension formula. The ILO therefore reserves its conclusions on the compatibility of the future pension scheme with the requirements of Part V of the Convention.

Finally, the **common provisions found under Part XII (Equality of treatment of non-national residents) and**



Part XIII (Suspension of Benefits, Responsibility of the Government for the due provision of benefits) of Convention No. 102 are also binding for ratifying states. The Mongolian legislation generally seems to be in line with these Parts; however some clarification and/or amendments would be required to ensure full compliance with requirements for equality of treatment for medical care, including maternity care, and child allowance; for suspension of unemployment benefits; and for the necessary periodical actuarial studies and calculations concerning the fiscal equilibrium of the social security system.

What's next?

The general elections held in June 2016 are a critical opportunity to ensure that social protection remains a priority for the new Government amidst the current serious economic downturn. In August, the newly elected Government has announced a number of measures to reduce public expenditures, including re-introducing the income targeting of the Child Money Programme. In this light, the possible ratification of the Social Security (minimum standards) Convention, 1952 (No.102) would provide necessary guarantees for sustaining Mongolia's social protection system and advising future reforms, needed to prevent Mongolia's population from falling back to poverty, and to mitigate the social impact of the present economic downturn.

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