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SERIES:

SOCIAL SECURITY EXTENSION  
INITIATIVES IN SOUTH EAST ASIA



## FIJI: EXTENSION OF COVERAGE OF THE FIJI NATIONAL PROVIDENT FUND

**ILO Subregional Office for South East Asia**



*Decent Work for All*

Asian Decent Work Decade



## **1. Overview of the FNPF**

The Fiji National Provident Fund (FNPF) was established in 1966 with the primary objective of providing retirement benefits. The FNPF operates a provident fund, to which workers and employers each contribute 8 per cent of salary to the workers' individual accounts. The totality of contributions and the interest earned is what may be withdrawn as benefit by the FNPF member at time of separation.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.

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
- Includes expatriate employees and directors who hold 20% shares or less in a company

Compulsory members comprise about 99% of total membership. The FNPF also provides for voluntary contributors: (i) for self-employed workers, and (ii) for the domestic workers of a private employer

As of 30 June 2005, the FNPF covered 316,791 workers, of which 206,560 (65 per cent) are males and 110,231 (35 per cent) were females. The members who converted their lump sum benefits into pensions reached 28 per cent of eligible members. The number of pensioners was 8,922, of which 5,339 (60 per cent) were single-life pensions and 3,583 (40 per cent), joint-life pensions. The overall average monthly pension was F\$372. The average single-life pension was F\$407 and the average joint-life pension was F\$322. At the beginning of 2004/05, the total asset of the FNPF was F\$2,847 million. During that year, the income of the FNPF was F\$416 million (F\$246 million from contributions and F\$170 million from interest on investments). The expenditure was F\$228 million (F\$36 million for benefit payments, F\$181 million for withdrawals, and F\$11 million for administrative expenses). This produced a surplus of F\$187 million. Consequently, the Fund amounted to F\$3,034 million at the end of that year, which is 13.3 times the annual expenditure.

## **2. Issues in extension of coverage**

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 with 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, it is recognised 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.

### **3. *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, NLTB, and additional contributions from the FNPF members and other organised groups.

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 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.

The FNPF is expected to take a leading role in formulating policy on health care coverage and the extension of FNPF coverage to workers in the informal economy.

#### **Reference**

ILO, *Social Security for All Men and Women – A sourcebook for extending social security coverage in Fiji*