

# POLICY BRIEF on Social Security



MAY 2009

## The Social Security System: Coverage, Compliance, and Accountability Issues <sup>1</sup>

The implementation of the Philippine Social Security Law for private sector and self-employed workers typifies that of most other laws in the country – the good intention is not matched by similar implementation. Workers in the informal economy continue to be under-represented in the membership roster of the Social Security System (SSS), and for such workers who are members, there is the critical issue of non-remittance of monthly contributions. The SSS, being a government-controlled financial institution, also has not been immune to problems related to politics, and to demands for more democratic control and representation.



### Introduction

In 1957, with the founding of the SSS, the government implemented “The Philippine Social Security Act of 1954” and adopted the social insurance approach to social security.

The mandate of the SSS is to provide “meaningful protection to private sector workers and their families against the real life contingencies of old age, disability, death, sickness, maternity and employment injury” by providing replacement income and funeral cash benefits. The SSS also provides loan privileges to all active SSS members.

With the enactment of “The Social Security Act of 1997,” SSS coverage was expanded to include self-employed workers, agricultural workers, household helpers, parents

employed by children, and minors employed by parents. Also included are workers who can opt for voluntary coverage; i.e., separated members, overseas Filipino workers (OFWs), as well as non-working spouses of SSS members.<sup>2</sup>

The new Social Security Act has a penal clause which specifies punishment of fines and imprisonment for failure to comply with its provisions, and failure to register employees or himself/ herself, in the case of the covered self-employed.

The SSS has the necessary mechanisms in place. The crucial issues are how effectively it has reached out to and served its constituent base in the informal economy, and addressed failure by members to meet their social security obligations.

Research, writing, and publication of this material was made possible through the Social Protection in Asia



(SPA) policy-research and network building programme, funded by the Ford Foundation and the International Development Research Centre (IDRC). The programme is managed by the Institute for Human Development (IHD) New Delhi, India, and the Institute of Development Studies (IDS) Brighton, UK. For more information please visit the website [www.socialprotectionasia.org](http://www.socialprotectionasia.org) or email [info@socialprotectionasia.org](mailto:info@socialprotectionasia.org)

Institutional support was also provided by the Department of Women and Development Studies, College of Social Work and Community Development, University of the Philippines.



<sup>1</sup> Written by Nathalie A. Verceles and Rosalinda Pineda Ofreneo, based on inputs from Homenet Philippines and MAGCAISA (Magna Carta for the Informal Sector Alliance) members, as well as proceedings of various workshops, meetings, and dialogues with SSS officials.

<sup>2</sup> Not yet covered are barangay health workers, barangay nutrition scholars, barangay *tanod*, and other workers in the government service who are considered part of the informal economy and who do community work in exchange for a small honorarium or allowance. Government employees who enjoy a monthly compensation regardless of employment status are supposed to be covered by the Government Service Insurance System (GSIS), which provides social insurance to meet contingencies such as death, disability, separation from service, unemployment due to involuntary retrenchment, and retirement. GSIS should develop programs for informal workers in the government service to ensure their coverage, as proposed by the Magna Carta for Workers in the Informal Economy (MACWIE).

# POLICY BRIEF on the Social Security System

## The Social Security Commission

The SSS is directed and controlled by the Social Security Commission composed of the Secretary of Labor, the SSS President, and seven appointive members representing the workers' group, the employers' group, and the general public. The President of the Philippines designates the Chairman of the Commission from among its members and appoints the SSS President and CEO. Since SSS funds come mainly from workers' contributions, workers' groups are demanding more democratic representation and control over SSS decision-making and the choice of its Board, which they say should have gender balance

and seats not only for formal but also for informal workers.

Credibility and transparency need to be brought to the fore, given the recent appointment of a controversial political figure very close to the President to the SSS leadership, and the past scandals involving questionable investments and expenditures.<sup>3</sup> The immediate past President of the SSS, Corazon de la Paz, admitted that during her term, she had to resist proposals to use SSS funds for pro-poor government projects which are not defined in the Charter.<sup>4</sup>

**"THE STATES PARTIES OF THE PRESENT COVENANT RECOGNIZE THE RIGHT OF EVERYONE TO SOCIAL SECURITY, INCLUDING SOCIAL INSURANCE."**

*-ART 9, INTERNATIONAL COVENANT ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS*

### Actual Coverage

Type of Member	Number
<b>Employee</b>	21,527
Regular	21,413
Househelper	114
<b>Self-employed</b>	5,159
Regular	1,270
Expanded	3,373
Farmers & Fishermen	517
<b>Voluntary</b>	694

**SOCIAL SECURITY IS A FUNDAMENTAL AND UNIVERSAL RIGHT.**  
- THE GENEVA CONSENSUS

*Source: Nora Mercado, Head of the SSS Membership Program Management Department<sup>5</sup>*

The total SSS membership of 27.38 million as of March 2008 is close to ten million more than the membership in 1996, prior to the enactment of the new Social Security Law<sup>6</sup>.

<sup>3</sup> Melisa R. Serrano and Mary Leian C. Marasigan, "The Bases of Insecurity of the Social Security System – Issues, Concerns, and Reform Proposal in the SSS." Quezon City: University of the Philippines School of Labor and Industrial Relations (U.P. SOLAIR) and FES (Friedrich Ebert Stiftung) 2002.

<sup>4</sup> Jimmy Calapati, "Safeguard funds, outgoing SSS head calls on members." *Malaya News*, July 11, 2008. available at <http://www.malaya.com.ph/jul11/news4.htm>, accessed November 18, 2008.

<sup>5</sup> Symposium on "The State of Social Insecurity of Workers, the Informal Sector, Urban and Rural Poor: Structure, Benefits, Funding and Universal Coverage of the SSS and GSIS," 5 August 2008, University of the Philippines College of Social Work and Community Development (U.P. CSWCD) Diliman, Quezon City.

## Employed Persons by Class of Worker (In Percent)

Employed Persons (in thousands)		<b>33,536</b>
Total	<b>100</b>	
Wage and Salary Workers	<b>52.8</b>	<b>17,707</b>
Private Households	4.7	1,576
Private Establishment	39.5	13,247
Government/ Government Corporation	8.0	2,682
With pay (family-owned business)	0.5	168
Own Account	<b>34.7</b>	<b>11,637</b>
Self-employed	30.1	10,094
Employer	4.6	1,543
Unpaid Family Workers	<b>12.5</b>	<b>4,192</b>

**WOMEN AS A GROUP ARE ALSO DISADVANTAGED IN TERMS OF SSS COVERAGE. THERE ARE LESS WOMEN (11.87M) THAN MEN (17.67M) IN THE SSS MEMBERSHIP ROSTER.**

Source: National Statistics Office, April 2008 Labor Force Survey

An analysis of the figures in tables 1 and 2 show the predominance (79 per cent) of workers in formal private employment in SSS membership. They comprise 48.7 percent of the total employed population outside of government. The self-employed sector, to which the informal workers belong, constitutes only 19 percent of SSS membership despite the total share of own account workers to the total employed population outside of government being 37.7 percent.

Women as a group are also disadvantaged in terms of SSS coverage considering that majority of employed women are in the informal economy. They also comprise the overwhelming majority (two-thirds to three-fourths) of newly hired Overseas Filipino Workers (OFWs) and domestic workers. There are less women (11,871,770) than men (17,670,345) in the membership roster.<sup>7</sup>

Similarly, there are some disturbing membership figures: Only 680,000 of the millions of OFWs are SSS members; 114,000 out of the 1.58 million do-

mestic workers<sup>8</sup>; and only 6,000 out of millions of Filipino housewives (almost half of all Filipino women) who could be classified as a “non-working spouse.”<sup>9</sup>

No less than the Head of the Membership Program Management Department of the SSS reported that only eight million of the more than 27 million SSS members are actually continuing their payments. Paying members comprise just one-third of the total membership and one-fifth of the self-employed membership.<sup>10</sup> This indicates a serious evasion and compliance problem.



Housewives rarely become members of the SSS

<sup>6</sup> Social Security System 2007 Annual Report

<sup>7</sup> From the presentation of SSS Commissioner Jose Matula during the Multi-Stakeholder Forum on Social Protection for Women in Informal Economy, 14-15 August 2008, Bayview Park Hotel, sponsored by the National Commission on the Role of Filipino Women (NCRFW) and CIDA.

<sup>8</sup> National Statistics Office, Labor Force Survey, April 2008.

<sup>9</sup> This even assumes that there are no male “non-working spouses” who are members.

<sup>10</sup> Nora Mercado, during the Symposium on “The State of Social Insecurity of Workers, the Informal Sector, Urban and Rural Poor: Structure, Benefits, Funding and Universal Coverage of the SSS and GSIS,” 5 August 2008, U.P. CSWCD.

# POLICY BRIEF on the Social Security System

Non-continuation of payments has implications on benefits that may accrue, particularly retirement benefits which require at least 10 years of continuous payment, and even maternity benefits which assume that at least three monthly contributions during the 12-month period prior to the semester of delivery have been paid. Again, women who are less covered, who live longer, and who face sex-specific contingencies such as maternity, are more disadvantaged.

Immediate past president of the SSS Corazon de la Paz also brings in the issue of whether informal workers, in particular, are willing to be covered in the first place. If they are, there are additional concerns of whether the irregularity of their income flows will allow them to meet the qualifying conditions for membership and sustain their monthly contributions<sup>11</sup>.

Acknowledging the dismal membership figures in the informal economy, the SSS in 2009 will embark on an intensive information and recruitment campaign for informal workers. The value of benefits for SSS members and the importance of saving will be further emphasized<sup>12</sup>.



Community meeting discussing SSS membership benefits

## SSS Servicing

In response to pressure from informal workers and other groups, and to enhance its own viability, the SSS in recent years has expanded its payment channels in order to provide more access to informal workers, overseas workers, and other underserved groups. Monthly contributions may now be remitted, together with loan payments, through various modes; i.e., over-the-counter with the SSS, accredited banks, and non-bank collection agents; via mall payment centers; online; through an overseas bills payment system,

electronic data interchange, and the Automatic Debit Arrangement (ADA).

Despite its efforts to expand its payment channels, the SSS still has a long way to go in terms of reaching out to informal workers and other vulnerable groups. The ADA program, a payments facilitation scheme conceptualized to serve this segment has not been that successful on the ground. SSS leaders report that just over a thousand ADA members remain active.<sup>13</sup>

**DESPITE ITS EFFORTS TO EXPAND ITS PAYMENT CHANNELS, THE SSS STILL HAS A LONG WAY TO GO IN TERMS OF REACHING OUT TO INFORMAL WORKERS AND OTHER VULNERABLE GROUPS.**

## Focus on the ADA

The Automatic Debit Arrangement (ADA) program is a payments facilitation scheme conceptualized by the BRW-DOLE (Bureau of Rural Workers – Department of Labor and Employment), SSS, NAPC (National Anti-Poverty Commission), and organizations of informal workers, and implemented in cooperation with accredited banks.

Under the ADA program, informal workers can make their monthly SSS contributions through accredited banks via automatic debit from their savings accounts or over-the-counter transactions. The program allows workers in the informal econ-

omy to open a savings account with a minimum deposit of only P100, instead of the regular P2,000-5,000 minimum deposit banks normally require. The maintaining balance is also set at P100.

The ADA is beneficial to the workers because: 1) it affords them the flexibility of depositing more money in periods when they are liquid, which gives them the peace of mind that this will cover future monthly payments; 2) it is a convenient way of making payments to the SSS; and 3) having savings accounts can encourage them to save for other purposes.

<sup>11</sup> Corazon de la Paz, "The Challenge of Covering the Informal Sector: The Philippine SSS Experience." Available at [http://siteresources.worldbank.org/INTTHAILAND/Resources/333200-1089943634036/475256-1151398840534/s3\\_2\\_Philippines\\_Corazon.ppt](http://siteresources.worldbank.org/INTTHAILAND/Resources/333200-1089943634036/475256-1151398840534/s3_2_Philippines_Corazon.ppt) accessed November 17, 2008

<sup>12</sup> Interview with Ms. Delia Lagaste, SSS Senior Communications Analyst, conducted by Nathalie A. Verceles on November 4, 2008.

<sup>13</sup> MAGCAISA dialogue with SSS officials led by Vice President for Public Affairs Marissu Bugante, SSS Gallery, 12 August 2008.

In its initial implementation, the BRW-DOLE and SSS facilitated participation in the program. Representatives from these agencies conducted orientation seminars in communities and brought application forms. The DOLE and SSS ensured rapid processing of the applications.

A focus group discussion conducted with nine ADA participants from the Balingasa chapter of



P A T A M A B A (National Network of Informal Workers) conducted on 3 August 2008 showed some of the problems which can affect implementation of a well-

intentioned program. One main problem was the difficulty in making the monthly (P 104) payments due to lack of/absence of income. Thus, the ADA scheme was marked by irregularity in monthly contributions and a high default rate. The combination of insufficient account balances and irregular monthly payments made it appear that the ADA program was ineffective, as it was expected that these payments were to be debited from the accounts. While the members realize the value of having savings accounts, they admitted that it was not easy for them to save. Those who were able to make deposits found that they eventually had to withdraw them.

There were difficulties encountered in transacting with the bank that originally serviced PATAMABA-

Balingasa ADA members: payments were accepted only on Fridays, deposit slips for SSS payments were sometimes not available, the teller in charge of processing payments was sometimes not present, and other depositors in line were given priority. It appeared that the ADA participants were being discriminated against.

The participants recognize the value of the ADA program in raising the awareness of both the workers and the SSS about the need for social protection by informal workers. While some see merit in reviving the ADA program, they are also concerned that they will still be unable to make their regular monthly contributions. What they would like the DOLE and SSS to do is to conduct more orientation seminars on social protection for informal workers and to continue to facilitate the processing of more applications even without using the ADA mechanism.



**The year 2008 marked the 60<sup>th</sup> anniversary of the Universal Declaration of Human Rights. Article 23 of this historic document states that:**

- 1. Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment. (*underscoring ours*)**
- 2. Everyone, without any discrimination, has the right to equal pay for equal work.**
- 3. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection. (*underscoring ours*)**
- 4. Everyone has the right to form and to join trade unions for the protection of his interests.**

## Some Ways Forward

The SSS must exert maximum effort to ensure that informal workers are effectively covered and efficiently served with respect to their social security needs. Their vulnerability and marginalization make these imperative. The following are recommendations gathered from various consultations, dialogues, workshops and meetings of informal workers' groups with SSS officials and other stakeholders:

1. NGO-PO consultations<sup>14</sup> highlighted the need for the SSS to be more inclusive, to reach out to underserved sectors of the working poor such as tricycle drivers, farmers, fisherfolk, vendors, domestic workers, seasonal workers, and housewives/ spouses, and to devise more programs that ensure equality of access to benefits among people of different socio-economic classes.

2. Unemployment insurance and emergency loans must be provided to displaced and other informal workers especially during times of crises.

3. Sponsorships and subsidies from the national and local governments should be extended to those who cannot afford to pay the full SSS premiums particularly for those who enroll as self-employed and therefore pay both the employer and the employee's share<sup>15</sup>.

Local government units where various organizations are registered for accreditation as well as permits to operate can also provide subsi-

dies to fully or partially cover SSS payments of their constituents

4. In order to facilitate universal membership, cooperatives, women's and people's organizations should be accredited as collecting agents of premiums.

5. Other collection mechanisms (through cell-phones, couriers, etc.) should also be developed.

6. Funds should be set aside to meet the immediate needs of SSS pensioners.

7. There must be an intensification of enforcement and monitoring efforts by the SSS with respect to membership and compliance of members. Accredited banks and other payment channels should comply with SSS rules and guidelines, particularly with regard to acceptance of minimum payments.<sup>16</sup>

8. Monitoring of compliance by employers, especially in the provinces, needs to be improved and if possible be conducted by an independent body.

9. Informal workers, in addition to formal labor, should be represented in the SSS Commission. Since SSS contributions come from workers, workers' representatives should decide how best to use them based on the principles of democratic control, transparency, and accountability.<sup>17</sup>

14 These refer to the NGO-PO Consultations on the Alternative Report on the implementation of the International Covenant on Economic, Social, and Cultural Rights conducted by PHILRIGHTS for the NCR-Luzon (4 September 2008), Visayas (28 August), and Davao (10 September), the final version of which was submitted to and uploaded by the United Nations Committee on Economic, Social and Cultural Rights (UNESCR) to its website.

15 In House Bill 1955 for a Magna Carta for Workers in the Informal Economy, it is proposed that the share of the employer for the self-employed members will be paid by government.

16 Reports from the ground reveal that banks accept only a minimum of P364 a month, when the required amount should only be P104. Sources include the focus group discussion with indigenous women members of PATAMABA conducted in Apugan, Loakan, Benguet by Lourdes Gula, 10 August 2008.

17 From the results of the workshop on national policies and programs, NCRFW Multi-Stakeholder Forum on Social Protection for Women in Informal Economy, 14-15 August 2008, Bayview Park Hotel. (Currently, formal labor is already represented in the SSS Board. There is also one woman member.) Previous recommendations go as far as workers and their organizations participating directly in choosing their representatives to the SSS Board, instead of the latter being appointed by the President of the Republic.