REPOSITIONING SOCIAL SECURITY SYSTEMS FOR PRIVATE SECTOR EMPLOYMENT IN SRI LANKA

A Study Undertaken by
The Employers' Federation of Ceylon
In Collaboration
With
ILO Bureau for Employers' Activities (ACTEMP)

Preface

COVID 19 Pandemic created unprecedented challenges to Employer and Business Member Organisations (EBMOs) across the world. A study conducted by ILO ACTEMP last year on “Leading Business in times of COVID crisis” revealed that EBMOs have demonstrated agility, resilience and the ability to innovate. The crisis has acted as a reminder of the crucial convening role that they play and of the business community’s contribution to society.

COVID-19 has acted as a reminder of the core role of EBMOs: harnessing collective input to inform policy. It also revealed that EBMOs are uniquely placed, to take the pulse of business and generate ‘unique data’ at speed. Surveys, research and sector-specific insight have positioned the voice of enterprise at the forefront of COVID-19 debates across the world.

The impact of the Pandemic exposed the need to have a robust and effective social protection system. It also revealed that most of the Private sector Social security schemes were unable to respond to the crisis. It was an opportune time for a study on Private sector social protection schemes from a job protection perspective. Enterprise sustainability and job protection must be an integral part of any social security scheme relating to employment.
We are happy to collaborate in this study with the Employers’ Federation of Ceylon (EFC).

We take this opportunity to thank our Principal External Collaborator Dr. Nisha Arunatilake, Director of Research, Institute of Policy Studies of Sri Lanka (IPS) and her team (Ashani Abayasekara and Chathurga Karunanayake) for leading the research and conducting this study along with the support from EFC and ILO ACTEMP. I also thank Mariko Ouchi Senior Specialist, Social Protection ILO DWT New Delhi for her valuable support and guidance.

We trust that EFC will make use of the findings and recommendations of the study in its policy advocacy initiatives.

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Abbreviations

APPF	Approved Provident and Pension Fund
CBT	Central Board Trustee
COVID	Corona Virus Disease
CL	Commissioner of Labour
CPF	Central Provident Fund
CPFC	Central Provident Fund Commissioner
CPI	Consumer Price Index
DoL	Department of Labour
EFC	Employers' Federation of Ceylon
EII	Employment Injury Insurance
EPS	Employees' Pension Scheme
EDLI	Employees' Deposit Linked Insurance Scheme
EPF	Employees' Provident Fund
ESP	Employment Stabilization Programme
ETF	Employees' Trust Fund
GSDRC	Governance and Social Development Resource Centre
ILO	International Labour Organization
INSS	National Social Security Institute
IPS	Invalidity Pension Scheme
KII	Key Informant Interview
LFS	Labour Force Survey
MA	Medisave Accounts
MB	Maternity Benefit
NHI	National Health Insurance
NPF	National Provident Fund
NPS	National Pension Scheme
OA	Ordinary Accounts
OECD	Organisation for Economic Co-operation and Development
PVD	Voluntary Provident Fund
RA	Retirement Accounts
RGPS	Regime Geral de Previdência Social

SA	Special Accounts
SB	Sickness Benefit
SOSCO	Social Security Organization
SS	Social Security
SSA	Social Security Administration
SSS	Social Security System
TEWA	Termination of Employment of Workmen Act
UB	Unemployment Benefit
WCO	Workmen’s Compensation Ordinance
WCF	Workmen’s Compensation Fund
WHO	World Health Organization
WS	Wage Support

Executive Summary

1. The COVID-19 pandemic and ensuing economic lockdown have resulted in severe disruptions to labour markets across the world, pushing millions of people into unemployment, underemployment, and working poverty. These effects were felt more in countries with inadequate social security. At present, the ILO estimates suggest that more than half of the world's population is not covered by social insurance or social assistance. Sri Lanka's labour market was not immune to these unfavorable impacts of COVID-19. The impacts were particularly pronounced in the private and informal sectors, where majority of job losses and work place closures took place.
2. Sri Lanka has made progress in social security to workers through legislative changes since the mid-1900s (ILO Country Office for Sri Lanka and the Maldives, 2016). ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) (ILO C.102) specifies nine key branches of benefits that social security programmes are expected to deliver. These are: medical care, sickness, unemployment, old age benefit, employment injury, family benefit, maternity benefit, invalidity benefit, and survivor's benefit. Although different social security schemes available in Sri Lanka provide some types of benefits under all nine schemes, the coverage is low. However, Sri Lanka is yet to ratify the minimum standard in social security as specified in the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) (ILO C.102).
3. The need for social security was accentuated during the COVID-19 pandemic. The Sri Lankan government recognised the need for better social security for workers, and the 2021 Budget presented in Parliament in November 2020 proposes the establishment of a new "COVID-19 Insurance Fund", with contributions of 0.25% of turnover by employers. Although the proposed fund is a step in the right direction, firms facing financial difficulties will find this an added burden during emergency situations. A better measure would be to set up a long-term fund to help both workers and firms during crisis situations.
4. The literature has already pointed to the high cost of labour in Sri Lanka due to social protection-related payments to workers (World Bank, 2007). The findings of this paper show that available social security contributions can be used to provide a wider spectrum of social security benefits without additional costs to the firms and workers, following international best practices. These include measures for extending social security during times of disasters, such as the present COVID-19 pandemic.
5. The following are the main perceptions regarding the current social security measures of a sample of employers, employees and government officials surveyed in this study:
    a. Two of the main social security schemes in Sri Lanka -- EPF and ETF -- are both defined contribution funds where the main risk-taker is the individual. Hence **good corporate governance is important to reduce risks and yield greater benefits to its shareholders**. The main issue with the management of the EPF fund is that neither the employers nor the employees are a part of the fund management. Further, there is little trust and lack of transparency in the efficient management of the funds. The loss of funds due to investments in high-risk ventures and vulnerability of the funds for unlawful transactions are other concerns. Further, limited information on the investment decisions of the board is shared on time with stakeholders of the fund.
    b. The ETF is managed by the Employee Trust Board and consists of nine members; five members nominated by the minister in charge of the ETF and one member each

nominated by the Minister of Trade and the Employers' Federation of Ceylon (EFC) and two members nominated by the trade unions nominated in consultation with the Minister. One concern regarding the ETF Board is that the persons nominated to the Board may not always have the necessary experience, knowledge and the expertise to manage the Fund.

c. **Lengthy and cumbersome procedures involved in claiming benefits** is another identified problem among many employers, including a large list of documents to be produced and numerous conditions to be satisfied. Many workers retire from their workplaces just to claim the EPF benefits, and then rejoin.
d. The enrolment in social security funds is low despite the availability of legal provision. This is partly due to **the low lifecycle benefits available through the funds**. Greater benefits and particularly benefits where risks are pooled could encourage higher participation in the scheme.
e. The **EPF and ETF schemes do not encourage regular contributions as for the most part, workers have to wait till retirement to claim benefits and the benefits that can be taken prior to retirement are difficult to obtain.** Further, **current benefits, established several decades ago, are outdated.** For example, while the ETF provides scholarship opportunities to high performers at government national examinations, many children of private sector workers now attend private schools, and thus cannot claim such benefits.
f. **The rate of returns earned on EPF and ETF investments are insufficient,** while taxes applicable on returns further dampen the returns on investments. In order to improve the returns on investments it is important to manage the fund professionally.
g. **Poor awareness regarding the full range of services and benefits** offered by social security schemes also hinders the full realization of benefits.
h. The recent revisions made to streamline the maternity benefits across different types of private sector workers are commendable, however these should be aligned with maternity benefits received by workers in the public sector. **The onus of providing maternity benefits should not be on the employer, which is not consistent with the ILO convention on maternity benefits**.
i. **EPF does not generate enough savings for low-income individuals to accumulate sufficient funds for retirement**.
j. **EPF and ETF coverage is low, due to non - compliance on account of many who work in the informal sector.**
k. **EPF or ETF should be used to provide some financial support during crisis situations**, in light of the wage and job losses experienced in small companies during the COVID-19 pandemic, as well as in the aftermath of the 2019 Easter Attacks.

In addition to the above, the survey also asked about the current government proposals on extending the private sector retirement age to 60 and converting provident funds into retirement pension funds. The views on those are given below:

l. **Irrespective of the actual retirement age, employees should still be allowed to withdraw EPF and ETF benefits at the age of 55 (for males) or 50 (for females),** given that many employees expect to receive their savings at this age, and have made plans on how to use or invest the funds. Employees are also concerned about how their savings will be used by the government for an additional five years, if withdrawal at 55 is not allowed.

m. **Extending the mandatory age requirement is problematic, in the context of the current legal framework in Sri Lanka**, particularly related to the Termination of Employment of Workmen Act (TEWA),[1] which restricts the ability of employers to terminate workers for non-disciplinary matters. If a mandatory retirement age is imposed on top of TEWA, it will severely restrict the flexibility for firms to adjust their workforce in terms of productivity.

n. **Views regarding replacing EPF and ETF with a pension scheme are mixed.** The positives highlighted are the flexibility to select a customizable plan that will lead to financial independence and the guarantee of a regular source of income to manage living expenses after retirement, especially important for those who may not use a onetime lump-sum payment prudently. The negatives pointed out include the potential need to spend on various obligations after retirement for which a lump-sum would be required, and which employees have been expecting to receive.

Recommendations

In view of the above observations, an analysis of available Labour Force Survey data, and a review of international best practice social security systems, we provide the below recommendations in improving the quality of Sri Lanka's private sector social security schemes:

1. Expanding social security benefits

Many social protection schemes in other countries that have started with the main intention of providing retirement benefits have expanded their benefits to cover other types of social security, with time. In many countries, social security contributions are channeled to different funds for providing different types of social security benefits. Our calculations show that about 1.5% of the wage bill (or half of the ETF contributions) is sufficient to cover Maternity benefits, Sickness benefits, and Unemployment benefits to meet the minimum requirements specified in ILO C.102. A further 0.2% of the total wage bill could cover wage support to firms to retain the workers with social security accounts in employment. We recommend following international best practices and setting up different funds by channeling ETF contributions for expanding social security benefits. Such a scheme will enable workers to benefit from social security throughout their lifecycle, and facilitate ratification of the ILO C.102 of minimum social security standards.

a. Maternity benefit - One main problem with maternity benefits in the country is that it is the sole responsibility of the employer to provide maternity benefits. As a result, the self-employed and workers in small firms do not benefit from maternity benefit coverage. **Our calculations show that just 0.8% of the wage-bill is sufficient for covering wage support during maternity leave**. We recommend establishing a separate fund to provide these benefits. Maternity benefits for

[1] Termination of Employment of Workmen (Special Provisions) Act, No.45 of 1971

low-income workers can be supplemented by the government with matching funds. This will have the added benefit of encouraging more workers to enroll in the retirement scheme. Also, it will reduce the added costs incurred by firms when hiring child-bearing age female workers.

b. Sickness benefit – **Our calculations show that sickness benefits as specified by ILO C. 102 can be covered with 0.1% of the total wage bill**. We recommend establishing a separate fund for providing sickness benefit to workers. The fund should be ideally an individual plus a pooled fund. Clear regulation should guide the eligibility for benefits to avoid fraudulent claims.

c. Unemployment benefit - Out calculations show that the yearly cost of providing **unemployment benefits to permanent workers is 0.6% of the total wage bill**. We recommend setting up such an unemployment insurance fund for providing unemployment benefits. However, literature suggests that unemployment insurance schemes are difficult to administer in countries with large informal sectors and weak administrative capacity. Some countries, such as Chile, have overcome this problem by establishing Unemployment Insurance Saving Accounts (UISA) with dual individual and pooled savings accounts, that could provide better benefits to workers as well as provide more flexibility in the labour market.

   It must also be noted that, although Sri Lanka does not have an unemployment insurance scheme, workers receive large amounts of funds if their contract is terminated by the employer, under TEWA. Even otherwise, long-term workers have access to ETF funds (if not claimed in five years) and gratuity (if the service in the last work place was more than five years). If the workers obtain these funds exactly after five years, they have access to 1.8 months wages through ETF (3% of earnings for 60 months) and 2.5 months wages through gratuity (50% of wages for five years). At present firms employing less than 15 workers are not required to provide gratuity, while respondents felt that five years is too long a period to wait to receive gratuity payments. Workers in smaller firms can also be made to contribute to the above fund so that they can benefit, if unemployed. But, as practiced in other countries, this provision should be given to workers only once in five years. The fund should first provide benefits through the individual fund. This is important to reduce the risk of moral hazard. Only those with valid reasons should be allowed to draw from the pooled fund.

d. Wage Subsidies during Disasters
   Our calculations show that **about 0.2% of the wage bill is sufficient for subsidizing wages during a disaster of the magnitude of the COVID-19 pandemic**. However, disasters happen infrequently. Hence the actual yearly cost for financing an insurance scheme for wage support during disasters would be less than 0.2% of the total wage bill of permanent workers. Such funds can be provided to most affected industries for subsidizing wages, so that firms can retain workers and for investing in skills development.

2. Governance

As per international best practices, checks and balances should be put in place to ensure the proper management of social security funds and include representatives from all stakeholders in the management boards. Further regulation should ensure that only professionals are appointed to the management Boards of the different funds.

Detailed financial information is important for improving transparency and accountability and for the shareholders to assess performance of the fund. Processes must be put in place to provide comprehensive and timely financial information on the management of social security funds. As per international best practices, the funds should be audited by both internal and independent auditors.

3. Improving efficiency of social security services

The present requirements make it difficult for those who wish to continue in employment to claim benefits at a specific age, and showing proof of retirement is also cumbersome. To avoid such administrative difficulties, we recommend changing regulations so that workers are given the authority to withdraw at least part of their funds when reaching a certain age. For example, in India, workers are allowed to withdraw funds when they reach age 55.

An updated digitised system is important in rectifying many of the issues involved in Sri Lanka's social security schemes, including the relevance of benefits offered, ease and efficiency of fund withdrawals, and monitoring fund usage to maintain transparency and accountability. For example, establishing an online withdrawal system, fingerprint system, or ATM-type mechanism where a unique identity number is provided to each worker based on all required documentation would avoid cumbersome procedures when claiming benefits or withdrawing funds.

4. Expanding Coverage and attractiveness

Some of the reasons for poor enrolment include, lack of confidence in the management of savings, lack of risk pooling, difficulties in claiming benefits, limited number of pre-retirement benefits, lack of knowledge of the funds. Improving the management of the fund, improving the quality and variety of benefits, and improving risk pooling can make the funds more attractive. EPF and ETF coverage should be extended to all types of self-employed persons, elementary occupations (including daily wage earners), contract workers, migrant workers, as well as informal workers. Along with extending coverage, it is important to increase awareness of the funds, the quality and variety of benefits, and risk pooling mechanisms, to make it more attractive to all types of workers.

5. Extending Retirement Age

Recently government proposed extending the retirement age of private sector workers, given the increase in life expectancy since the enactment of the retirement related legislation. Retirement age affects the withdrawal of funds as workers have access to the funds only after retirement. This is a restrictive requirement as depending on the specific trade the retirement age can vary (i.e., university professors can work longer than workers who do manual work). The retirement age and eligible age for withdrawing social security funds should be de-linked, as in some countries. For example, in Malaysia workers are allowed to withdraw their EPF savings at age 55 irrespective of whether they are retired or still in employment. Workers who are re - employed and wish to continue to contribute to the fund past that age, can be allowed to do so voluntarily. It is the view of the employers that firms should be given the flexibility to decide on the retirement age. As pointed out by employers and trade unions, if the mandatory retirement age is extended without revising TEWA, it will severely restrict the flexibility of firms to adjust their human resources according to market requirements.

6. Replacing EPF/ETF with a Pension Scheme

Another proposal in recent times was the need for establishing a pension scheme for the private sector workers. The workers and employers have mixed views on this proposal. Although some welcome the idea of a pension, the others prefer having the lump-sum payment so that the funds can be used as wished by the workers. Given this, rather than establishing a pension scheme by reforming the current EPF/ETF system, it would be better to establish a competitive annuity market where individuals can choose among different saving options. The government already provides a guaranteed return on the savings of the elderly. For those with substantial savings this would provide a good source of income. The government should focus on improving retirement benefits for those with less savings due to low incomes.

7. Improving the adequacy of social security funds

One concern among the employers and employees that, the accumulated social security savings are not sufficient for low-income workers. In order to increase the savings for low income earners we recommend establishing a minimum contribution on each worker (e.g., 20% of minimum wages relevant to trade) as done in some countries. In addition, the government can consider supplementing the contributing to the savings of these workers. We also recommend abolishing taxes charged on retirement benefits, so that savings are not eroded. Further, regulation should guide the use of the fund for its administration, as high administration costs can also erode the fund.

1.0 Introduction

The COVID-19 pandemic and ensuing economic lockdown have resulted in severe disruptions to labour markets across the world, pushing millions of people into unemployment, underemployment, and working poverty. The International Labour Organization (ILO) has called for "urgent, large-scale and coordinated measures", including extending social protection, supporting employment retention, and providing financial and tax relief, particularly for micro, small, and medium-sized enterprises (International Labour Organization, 2020). At present, the ILO estimates suggest that 55% of the world's population – amounting to four billion people – is not covered by social insurance or social assistance, while only 20% of unemployed people are covered by unemployment benefits, on average (International Labour Organization, 2020a).

In response to the pandemic, 58 countries have extended the coverage of existing benefits, while another 121 has introduced new benefits for vulnerable population groups (International Labour Organization, 2020b). The rapid distribution of benefits is possible when extending the coverage and benefits of existing programs is an option, for example by revising eligibility criteria or targeting approaches. However, in countries where large population groups are excluded from social protection, the ability to provide speedy and long-term support during crises is low.

Sri Lanka's labour market was not immune to the adverse impacts of COVID-19. The impacts were particularly pronounced in private sector – both formal and informal sectors – which account for 43% and 42% of the total employed population, respectively (Wimalaweera, 2020). According to a recent e-survey conducted by the Department of Labour (DoL) among a sample of 2,764 private sector organizations, as of May 2020, 53% of the interviewed businesses were closed, while a further 44% were working under capacity (Department of Census and Statistics, Ministry of Finance, 2019). Further, 39% of establishments indicated an inability to pay worker salaries – largely consisting of small organizations –, and only 2% had been successful in securing working capital loans offered by financial institutions. Small firms also recorded a significantly lower number of terminations compared to organizations employing over 500 employees. Another survey conducted by the Employers' Federation of Ceylon (EFC) in April and May 2020 covering 100 companies employing over 125,000 employees revealed triple shocks to the labour market – cash flow issues, investment cuts due to uncertainty, and job losses (Daily FT, 2020). Half of the surveyed firms suffered serious cash flow issues, with 18% having cash only for a month and 39% for three months. Subjective estimates of job losses by responding companies averaged at 7% and 9% for executive and non-executive staff, respectively, across the sample.

Such problems are the reflection of present labour legislation as well as social protection. At present, the onus of providing income protection to workers in the private sector through job protection is solely the responsibility of the employer. This is due to the Termination of Employment of Workmen Act (TEWA) of 1971, which requires that firms with 15 or more employees obtain permission from the Commissioner of Labour for non-disciplinary dismissals and provide substantial compensation to displaced workers. However, during recessions, such as the COVID-19 related recession that we are experiencing now, firms themselves face substantial difficulties in continuing business activities due to lower aggregate demand and disruptions to supply chains, as indicated by the earlier mentioned surveys. In such situations maintaining a large workforce, while generating limited or no revenue can create severe financial hardships, and even bankruptcy to firms. Moreover, this could prolong recessions and create added costs to the economy. In addition, stringent legal requirements as those set out in the TEWA could be counterproductive and may result in closure of entire operations, causing loss of employment to many.

The Sri Lankan government, has in fact, recognised the need for better social security systems (SSS) for workers, stating “it is high time for Sri Lanka to have a guaranteed fund like some other countries have to provide emergency assistance to employees during an unexpected disaster.” (Daily News, 2020). The 2021 Budget presented in Parliament in November 2020 proposes to establish a new “COVID-19 Insurance Fund”, to which employers are required to contribute 0.25% of their turnover. This proposal has led to concerns among private sector stakeholders, who are already suffering to keep their businesses afloat amidst dampened business activity and customer demand.

While designing new schemes to strengthen employment protection might not be feasible at this point for Sri Lanka, we too can think of using existing funds - such as the Employees’ Provident Fund (EPF) and the Employees’ Trust Fund (ETF) - to provide better benefits to workers and firms. The literature has already pointed to the high cost of labour in Sri Lanka due to social protection-related payments to workers (World Bank, 2007). The question is whether the available funds can be used to provide for a wider spectrum of social security benefits without additional costs to the firms and workers. As such, the time has come for a comprehensive study on SSS from a job protection perspective; enterprise sustainability and job protection must be an integral part of any social protection scheme relating to employment.

2.0 Research Objectives and Methods

2.1 Objectives

The above-discussed weaknesses in Sri Lanka’s job protection schemes have become all the more evident with the outbreak of the COVID-19 pandemic, presenting a strong case for examining how existing systems can be improved to provide better security to both employees and employers, including compensating workers during times of difficulty and supporting firms to face shocks and sustain operations. Such allowances will also provide an incentive to firms and workers to contribute more actively to the EPF and ETF funds, which currently suffer from low active participation rates.

In this context, the main objective of the proposed study is to identify feasible adjustments that can be made to existing social protection schemes such as EPF and ETF – drawing from international best practices – which can provide more flexibility, job and enterprise protection, and emergency relief during crises. In particular, the study examines the following research questions:

1. What are the international practices in providing social security to workers using provident funds?
2. How do the above-mentioned international practices compare with the practices used in Sri Lanka, in terms of how the funds are managed, returns on investments, and the levels and coverage of benefits?

3. How have provident fund schemes in different countries been used to assist workers during COVID-19?
4. How can Sri Lanka's provident fund schemes be redesigned to improve benefits, including job protection and enterprise sustainability during a crisis?
5. How will such revisions affect the fund as well as superannuation benefits received by individuals?

2.2 Methods

2.2.1 Literature review

The study employed multiple methods to address the above research questions. The first step involved a comprehensive desk review of current private sector employment social security schemes, including benefits and gaps, and a review of international practices concerning such schemes, with a view of identifying possible schemes that can be adopted in Sri Lanka.

2.2.2 Primary data collection

Primary data collection involved Key Informant Interviews (KIIs) among key stakeholders in the labour market, and two online surveys to represent both employers and employees in the private sector.

The interviews were semi- structured to ensure that interviewees are given some scope to raise any major concerns, which had not been previously addressed on the interview schedule. The key issues that the research team intended to address were established in advance, including the current status of employment social protection schemes in the private sector, strengths and weaknesses, opportunities associated with improving job protection and enterprise sustainability during emergencies, and potential barriers that prevent the adoption of proposed measures. Each interview was conducted via Zoom in light of the pandemic, and lasted between 90 and 150 minutes, which allowed the research team adequate time to explore all research topics in detail. All interviews were audio recorded with the prior consent of the participant, and subsequently transcribed.

A mixture of purposive and snowball sampling techniques was used to identify key informants, considering the experience and knowledge of potential respondents. A total of 18 KIIs were conducted, consisting of six employers, three employees, three government officials, and six Trade Unions representing both employers and employees.[2] The online questionnaires for employers and employees included both multiple choice and open-ended questions, to understand views on the strengths and weaknesses of SP programs from an employer and employee perspective. Some of the questions were based on the Likert scale rating system in order to assess opinions, attitudes and experiences of the participants.

For the employer survey, from a total population of 700 private sector companies registered under the Employers' Federation of Ceylon (EFC), the study selected a sample of 200 companies on a random basis

[2] Please refer to Appendix 1 for a list of companies that participated in the KIIs and the interview guides used.

representing all 18 industry sectors.[3] All 700 companies in each sector were first listed in the alphabetical order along with their company size (i.e. firm size<=50 and firm size >50) and the companies were chosen on a random basis where a number was generated randomly through the system in Excel ensuring transparency and un-biasedness. A minimum and a maximum band for each sector was defined to ensure a representative sample from each sector was covered. The details of the companies that were placed at the randomly generated number were subsequently requested from the EFC. The online survey link was subsequently shared with the 200 companies, and the data collection process was carried out until 100 responses were received.

While the same process was adopted in selecting respondents for the employee survey, the research team received only 16 responses from the randomly selected companies. Given difficulties faced in contacting and following-up on selected respondents owing to the fact that most of them were working from home, the research team, in consultation what the EFC, resorted to a mixture of purposive and snowball sampling technique, which yielded 50 responses.[4]

2.3 Costing of Proposed Benefit Payouts

2.3.1 Methods

To present policymakers with concrete evidence-based policy recommendations that can be practicably implemented, the feasibility of each proposed measure was further examined, via some specific cost calculations. Quantitative analysis included a rapid analysis to estimate the costs of proposed changes to the schemes. The methods used for calculating the costs of social protection programmes are given below. When calculating costs, we used minimum parameters specified by the International Labour Organization (ILO) Social Security (Minimum Standards) Convention No. 102 of 1952 (International Labour Organization, 2021) except for maternity benefits (see Table 1). For maternity benefits we used parameters specified in the Sri Lankan legislation. Due to unavailability of data we limit our analysis to calculating the costs of providing maternity benefits, sickness benefits, unemployment benefits. In addition to these we calculate the cost of providing wage support to workers at risk of becoming unemployed due to disasters. For this we use the same parameters as those used for calculating unemployment benefits.

[3] These are: accommodation and food service activities, activities of extraterritorial organizations and bodies, administrative and support service activities, agriculture, forestry and fishing, arts, entertainment and recreation, construction, education, electricity, gas, steam and air conditioning supply, financial and insurance activities, human health and social work activities, information and communication, manufacturing, mining and quarrying, professional, scientific and technical activities, real estate activities, transportation and storage, wholesale and retail trade, repair of motor vehicles and motorcycles and other service activities.

[4] Please refer to Appendix 2 for the employer and employee survey questionnaires.

Table 1. Parameters used for calculating benefits

Type of benefit	Length of benefit	Benefit level (Percent of wages)
Maternity	84 days	100
Sickness	6 months (26 weeks)	45
Unemployment	3 months (13 weeks)	45
Disaster wage support	3 months (13 weeks)	45

Note: Maternity benefits are according to Maternity Benefits (Amendments) Act No. 15 of 2018 of Sri Lanka, others follow International Labour Organization (ILO) Social Security (Minimum Standards) Convention No. 102 of 1952.

<u>*Maternity benefit payout (MB)*</u>

The yearly cost of a maternity benefit (MB) payout was calculated following methodology given in the '*Study on Maternity Protection Insurance in Sri Lanka*' (International Labour Organization, 2016). The costs are calculated using the following formula. As Sri Lanka has already ratified the ILO Maternity Protection Convention (Revised), 1952 (No. 103), we use parameters specified in the local legislation to calculate the cost of MB. At present Sri Lanka provides 84 days of full pay as a maternity benefit, which is higher than the minimum requirement of 45% of wages for 12 weeks specified in the ILO convention 102.

(1) $MB = \sum B^{a} * MLEAVE * \mu DWR^{as}$

Where:

B^{a} is the number of births by permanently employed females in age group a, MLEAVE is the number of maternity leave days (currently 84), and μDWR^{as} is the mean daily wage rate of permanently employed females employed in age groups a and sex s.[5]

<u>*Sickness Benefits (SB)*</u>

Sickness benefits are an essential component of social health protection, according to ILO convention No. 102. According to this convention adequate access to health care and income support during sickness is needed to cover adequate social security. Since healthcare is available free of charge in Sri Lanka at public hospitals, we only consider income support during sicknesses – or sickness benefits (SB) -- in this section. SB usually cover wages during sickness when earnings are suspended. Most permanent workers in Sri Lanka are eligible for a period of paid sick leave. SB is for providing benefits beyond this stipulated period to provide income security.

We use a method similar to the method used to calculate maternity benefits to calculate the yearly cost of providing SB. For example, the cost of maternity benefit is calculated by multiplying the number of births by the number of maternity benefit days and the average daily wages of females. Using a similar method, we calculate the sickness benefit by multiplying the number of permanent workers who are with a job but unable to work due to sickness by 45% of average monthly wages for six months. We use 45% of average monthly wages as this is the recommended share of wages according to the ILO Social

[5] Further disaggregating these values by skill level can result in more accurate calculations. But, for the purposes of this report we only consider the age and sex disaggregation.

Security (Minimum Standards) Convention No. 102 of 1952 (ILO, 2021). Also, according to the same convention, SB can be limited to 26 weeks (or 6 months). In equation 2, we have shown the calculation for an upper limit, by assuming that all those experiencing a sickness episode will be provided with SB for a period of six months. The actual number would be less than this.

(2) $SB = \sum S^{s} * SBENEFIT * \mu MWR^{s} * 0.45$

Where S^{s} is the number of permanent workers unable to work due to sickness of sex s. SBENEFIT[6] is the length of benefits in months, and μMWRs is the mean monthly wage rate of permanently employed of gender s.

Unemployment Benefits (UB)

Sri Lanka does not have unemployment benefit schemes, but it has a severance pay system (i.e., TEWA) which provides job protection to workers, and compensation when work is terminated. There is evidence that this system results in lowering the productivity and job creation in the labour market (World Bank, 2007). The system is also not effective as an income protection measure given reasons of low enforcement of legislation, and uniform benefits regardless of length of unemployment (as discussed in Section 3). According to the LFS, 57.4% of Sri Lanka's labour market is in the informal sector (Department of Census and Statistics, Ministry of Finance, 2019), making it difficult to operate a UI system in Sri Lanka. Effective UI should be coupled with job serach assistance and training, and close monitoring. Given the above context, the following calcualtion is done to provide an indicative measure of the cost of providing unemployment benefits in Sri Lanka for workers contributing to social security. Further research will need to be conducted to model a system that is suitable for Sri Lanka given its labour market charcteristics and administrative capacity.

UB is calcualted using a method similar to the one used to calculate MB above. Following the guidelines given in ILO Social Security (Minimum Standards) Convention No. 102 of 1952, we do the estimate for providing 45% wage support for 13 weeks (or three months).

(3) $UB = \sum\sum UE^{as} * WSUPPORT * \mu WR^{as} * 0.45$

Where UE^{s} is the number of unemployed contributing to social security (i.e., past permanent workers) of sex s and age a, WSUPPORT is the number of equivalent months of wage support (in this calculation we assume this to be 3 months), and μWRs is the mean monthly wage rate of permanently employed of gender s and sex s.

Wage support during disasters (WS)

During disasters, such as COVID-19, in many countries firms were provided with wage support to retain workers. WS is similar to UB, the only difference is UB is provided when workers are no longer working, while WS is provided to retain jobs. During the COVID-19 period an unprecedented number of workers

[6] According to ILO convention No. 102, sickness benefits may be limited to 26 weeks (or six months).

lost their jobs due to the economic slowdown. Using equation (4) we estimate the cost of providing wage support during COVID-19 to give an indication about the possible cost of wage support during disasters. As per unemployment benefit, we assume WS is provided for three months at 45% of wages.

$$(4) \qquad WS = \sum\sum DUE^{s} * WSUPPORT * \mu WR^{s} * 0.45$$

Where DUE^{s} is the number of permanent workers at risk of getting unemployed during disasters of sex s, WSUPPORT is the number of equivalent months of wage support, and μWR^{s} is the mean monthly wage rate of permanently employed of gender s.

Yearly wage bill of permanent workers (WB)

As social security benefits are defined in terms of earned wages, we calculate the total wage bill of permanent workers using equation 5, to provide an estimate of the share of the wage bill that would be needed to support the above-mentioned social security benefits.

$$(5) \quad WB = \sum\sum (\mu MWR^{as} * 12)$$

Where, μMWR^{as} is the monthly average wages of individuals in age groups a and sex s. The total cost of a benefit (TB) will be the above-mentioned costs plus the administrative cost of implementing the measure.

2.3.2 Data and Sample

The above calculations are based on various sources of secondary data. Labour Force Survey 2016 (LFS 2016) data collected by the Department of Census and Statistics was used to obtain the age and sex disaggregated monthly and daily wages of permanently employed workers. The number of births per permanently employed females was calculated using age specific fertility rates (ASFR), where ASFR for permanently employed females were assumed to be same as for the general population. The ASFR for general population were obtained from (De Silva W. I., 2016).

ILO convention No. 102 recommends that SB is given when the worker himself is not well or when he/she has to be the carer for a close family member. The LFS collects information on persons with a job not working due to sickness, injury or personal reasons. We assume that these workers are eligible to receive SB. As the number of workers not working due to sickness, injury or personal reason is small, we only separate according to sex, to make this calculation.

The LFS data does not provide information on whether the unemployed have social security accounts. In 2016, there were 209,445 unemployed (153,554 female and 209,445 male). Although we can estimate how these workers are distributed across different age-sex groups (see Table 11), we do not know the share of these unemployed with social security accounts. However, we do know the share of permanent workers amongst total number of employed in each age-sex group. Using this information, we calculate the number of unemployed workers with social security accounts by assuming that the share of permanent workers in total employment is equivalent to the unemployed with social security accounts.

As unemployment rates and wages vary widely across age-sex groups, we do this calculation for different age-sex groups.

The LFS does not provide a direct estimate of unemployment due to disasters. The increase in Sri Lanka's unemployment rate from 2018 quarter 2 (Q2) to 2020 Q2 was assumed to be the increase in unemployed due to the economic shock. The difference in the two unemployment rates was used to calculate the number of unemployed due to the economic shock. For example, the unemployment rate for males increased from 3.1 to 4.1 from 2018 Q2 to 2020 Q2 for males. We assumed that the 1% increase in the unemployment rate is due to the economic shock and that the jobs of these workers could have been saved with wage support. These COVID-19 related additional unemployed are assumed to be disaster related unemployment (i.e., DUE^s). As in the UB calculation, assuming that the share of workers at risk of getting unemployed with social security accounts are the same as the share of permanent workers among total employed, we calculate the number of workers eligible for wage support. The number of age and sex specific permanently employed workers and age and sex disaggregated number of unemployed were calculated using LFS 2016 data.

3.0 Background of Social Protection Schemes

3.1 Topology of Employment Social Protection Schemes

Social protection (SP) refers to a combined set of policies and programs designed to provide income security and support to people across their lifetime. SP programs target specific demographic groups including children, men and women of working age, persons with disabilities and sickness, older persons, dependents of diseased employees, and households in chronic or transient poverty, caused by economic shocks. Apart from providing income support, SP programs also aim to build resilience to shocks and strengthen links to productive activities (World Bank Group and International Labour Organization (ILO), 2016).

The ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) – the flagship of all ILO social security Conventions – specifies nine key branches of benefits that SP programs are expected to deliver: access to medical care, sickness, unemployment, old age benefit, employment injury, family benefit, maternity benefit, invalidity benefit, and survivor's benefit. While the Convention covers all branches, it requires that only three of these branches be ratified by Member states at a given time, allowing for the gradual extension of social security coverage, depending on a country's level of socioeconomic development (ILO Social Security Convention No.102, 1952). These benefits can take the form of financial support and access to social services.

The minimum objectives of the Convention relate to the:

1. Percentage of the population covered by social security schemes
2. The level of the minimum benefit given to insured persons
3. The conditions for and period of entitlement

Member states are given the flexibility to choose among several schemes to reach these objectives, including universal schemes, social insurance schemes with earnings related or flat rate components or both, and social assistance schemes. The Convention also stipulates that SP schemes be administered on a tripartite basis, involving governments, employers, and workers, through social dialogue (United Nations Research Institute for Social Development (UNRISD), 1952).

In fact, a careful study of some of the ILO Conventions and recommendations reveal that governments are primarily responsible for formulating certain basic social guarantees, irrespective of the nature of the work arrangement. The ILO Social Security (Minimum Standards) Convention No. 102 of 1952 set out standards, which governments, in certain instances, passed on to the employer through legislation. This is the case in Sri Lanka, especially in relation to benefits such as maternity leave, old age pension/ superannuation in respect of private sector employees.

The subsequent ILO Recommendation No: 202 of 2012 on social protection floors introduced a new dimension to the concept of social security. It clearly stipulated that "national social protection floors should be financed by **national resources**. Members whose economic and fiscal capacities are insufficient to implement the guarantees may seek international cooperation and support that complement their own efforts".

Consequently, **governments** need to acknowledge that:

(1) The SP floor envisaged under Recommendation 202 ensures to provide minimum SP guarantees during life cycle (health, children, working age and old age) whereas Convention 102 and other social security conventions provide higher benefit levels progressively.

(2) It has the mandate to seek international support if their economic and fiscal capacities are inadequate to guarantee benefits.

The ILO has also emphasized the need to recognize employment and SP as mutually reinforcing in contributing to people's quality of life and a country's development (International Labour Organization, 2021). While employment facilitates decent work in an economy that generates opportunities for investment, entrepreneurship, skills development, job creation, and sustainable livelihoods, employment alone does not guarantee a secure and holistic life, while addressing social inequities. Secure employment with sustained growth requires availability and affordable access to essential social services in areas of health, water and sanitation, education, food security, housing, and others, throughout an individual's life. Moreover, the ability to access such services during times of unexpected losses – such as the current COVID-19 pandemic – is critical. Hence, the need for repositioning the social security system from an employment perspective.

A wide range of options is available to achieve SSS coverage, although the specific options are unique to each country, depending on country priorities, financing, and implementation capacity. Some countries opt for coverage for specific population groups, while others have adopted a combination of public and private sector social insurance schemes. SS schemes most commonly begin with old-age pensions, and gradually extend to provide benefits for children, people with disabilities and sickness, and expectant and young mothers.

A combination of contributory and non-contributory schemes is used to finance SS. Non-contributory schemes provided by national governments – via re-allocating public expenditures from financing public subsidies to financing specific programs), increasing tax revenues, or using the reductions of debt or debt servicing – predominantly cover workers in the public sector and civil service. SS schemes for private sector workers and the self-employed generally require periodic contributions from both employers and employees – under defined benefit schemes – to a centrally managed fund, which are expected to guarantee predictable and sufficient benefits, in time and in monetary value (International Labour Organization, 2018). In countries such as China, Costa Rica, Germany, and South Korea, social contributions represent over 60%, and in some cases close to 100%, of total SP expenditure (International Labour Organization, 2018).

The combination of non-contributory and contributory mechanisms appears to be the most effective approach in broadening coverage. However, it is important that the State acts as the "guarantor of last resort", particularly in times of crises, ensuring that social assistance is not compromised under tight fiscal conditions, and that adequate benefits are effectively delivered to people.

The following two sections review SS schemes for private sector workers in Sri Lanka and in selected countries that share similarities to Sri Lanka's EPF scheme or socioeconomic context. It then examines the characteristics of some unemployment insurance (UI) schemes which typically provide larger SS benefits, both in terms of adequacy and coverage, as well as during crises. The final subsection examines measures adopted by selected countries using existing schemes to provide additional protection and security during the COVID-19 pandemic.

3.2 Social Security Schemes for the Private Sector in Sri Lanka

Sri Lanka has made progress in providing social protection to those belonging to the labor market through the implementation of different schemes since the mid-1900s, in the interest of establishing a universal retirement scheme for all employees (ILO Country Office for Sri Lanka and the Maldives, 2016). Sri Lanka currently has two main social protection schemes operating in the country that focus on providing safety nets for the private sector workers. They include: (a) The Employee's Provident Fund (EPF) and (b) The Employee's Trust Fund (ETF). In addition, a number of legislative acts and policies provide for the income security and welfare of people which cover unemployment, maternity, health care, disability and social safety nets targeting the poor (Secretariat for Senior Ministers, 2012). Details of each of these are given below.

3.2.1 The Employee's Provident Fund (EPF)

Description of the Fund

The EPF Act was established in 1958 following the passing of the Employees' Provident Fund Act No. 15 of the 1958 and came into operation on 1st June 1958 (Ministry of Labour, Housing and Social Services, 1958). According to the Act, the main purpose of the EPF is to provide superannuation benefits to employees in the corporate and mercantile sector and as such, it excludes public sector workers and those employed in in formal enterprises. EPF is a defined contribution fund, where only contributions are defined but not the benefits. As indicated by Central Bank of Sri Lanka and Department of Labour (2005), while the EPF is applicable to all scheduled private sector workers whether permanent, temporary, apprentices, casual or shift workers, employees who work on piece rate, contract basis or work-performed basis and earning in monthly, weekly or daily basis; it is mandatory that all those who are eligible get enrolled in the scheme. The EPF remains the largest social security fund in the country with a total net worth of LKR 2,540 billion as at end 2019 (Central Bank of Sri Lanka, 2020). Furthermore, according to the EPF's 2018 Financial Highlights, currently there are 2.6 million active contributing member accounts and the total member contributions received in 2018 is LKR 144,996 million (Central Bank of Sri Lanka, 2018). EPF has also made a number of 241,190 refunds (including part payments and 30% withdrawals) and 10,036 guarantee certificates for housing loans (Central Bank of Sri Lanka, 2018).

The EPF act applies to all private sector employments, which have been declared as a "covered"[7] employment by regulations (De Silva S. , 2013). In line with the regulations, all covered employments are a part of the Fund irrespective of the number of persons employed with a few exceptions.[8] As stipulated by the Employees' Provident Fund (Amendment) Act No. 26 of 1981, the Fund is financed through contributions by both employers and employees. According to the act an amount equivalent to 20% (8% by the employee and 12% by the employer) of total earnings of an employee should be contributed monthly to the funds regardless of the nature and the category of the business; an employer of even one employee is legally bound to pay contributions to the Fund. (Parliament of the Democratic Socialist Republic of Sri Lanka, 1981).

The Monetary Board of the Central Bank of Sri Lanka holds the authority of managing the Fund as its custodian, while the general administration of the Fund is vested with the Commissioner of Labour (CL) (Parliament of the Democratic Socialist Republic of Sri Lanka, 1958). The EPF Department of the Central Bank is the operational arm of the fund with responsibility of collecting contributions, maintaining individual accounts for each member, investment of funds while safeguarding the wealth of the Fund, crediting annual interest to member accounts, making payments to members as per the instructions issued by CL, and preparation of accounts and statements of accounts to the members. Neither employers nor employees are part of the Fund management. According to Parliament of the Democratic

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[7] Regulations pertaining to covered employment are published in the following Gazettes: (i) Ceylon Government Gazette No. 11,590 of 21.11.1958, (ii) Gazette Extraordinary No. 11, 619 of 20.12.1958, (iii) Gazette Extraordinary No. 11,732 of 29.04.1959, (iv) Gazette Extraordinary No. 11, 755 of 30.05.1959, (v) Gazette Extraordinary No. 11,790 of 26.06.1959, (vi) Gazette Extraordinary No. 11,817 of 29.07.1959, (vii) Gazette Extraordinary No. 11,871 of 25.09.1959, (viii) Gazette Extraordinary No. 11, 924 of 26.10.1959, (ix) Gazette Extraordinary No. 11,983 of 30.11.1959, (x) Gazette Extraordinary No. 12,018 of 24.12.1959, (xi) Ceylon Government Gazette No. 13,653 of 30.05.1963, (xii) Ceylon Government gazette No. 14,381 of 23.04.1965, (xiii) Ceylon Government Gazette No. 14,936 of 11.12.1970, (xiv) Gazette (of the Republic of Sri Lanka) No. 88 of 30.11.1973 and (xv) Gazette Extraordinary No. 653/16 of 14.03.1991.

[8] The excepted individuals include: a) Businesses where only members family are employed; b) Domestic servants; c) Self-employed persons; d) A person holding the office of director; e) A person who is a partner in any; f) A person who is employed under any local authority; g) A person for whom superannuation benefits are provided by an authority outside Sri Lanka; h) A person who is employed outside Sri Lanka but not ordinarily resident in Sri Lanka; i) A person who is a contributor to approved contributory pension scheme; j) A person under 14 years of age; k) Undertakings that conduct training to juvenile offenders, orphans or to persons who are disabled; l) Charitable institutions with less than 10 employees.

Socialist Republic of Sri Lanka (1958), the Department of Labour is entrusted with registration of members, ensuring compliance, management of beneficiary accounts, and the approval of the early withdrawals for housing loans.

The major benefit of the EPF scheme is that it provides its members with income security by paying a lump sum amount at the age of retirement; which is 55 years for males and 50 years for females. The refunded amount consists of all accumulated contributions and all accumulated interest (Tilakaratna & Jayawardana, 2015). Members who leave the workforce including females who leave employment to get married, workers who leave employment due to a disability, workers who emigrate, and workers who leave the private sector join to a pensionable job in the public sector, are eligible for early withdrawal of the fund. Further, if a member dies before reaching retirement the legal heir nominated by the member can claim the funds. As stipulated by the Employees' Provident Fund Act No. 65 of 1965, the sum paid as a benefit in respect of a member of the fund is exempted from income tax chargeable under any written law relating to the imposition of income tax (Parliament of the Democratic Socialist Republic of Sri Lanka, 1965).

The fund allows early withdrawal of a fraction of the fund for specific purposes such as building a house or for medical reasons. Active members who contribute regularly are eligible for 75% of their current account balances as collateral against housing loans drawn from certain financial intermediaries.[9] Those who are identified as inactive can pledge only up to 50% of the existing account balance (ILO Country Office for Sri Lanka and the Maldives, 2016). In a recent amendment to the Act, members and their immediate family are allowed to withdraw funds for specific medical needs such as heart surgeries, treatment for cancer, kidney transplant or surgery, cesarean operation and hospitalisation for not less than fourteen days on the account of an accident are facilitated by the EPF of a member (Parliament of the Democratic Socialist Republic of Sri Lanka, 2012).

One major issue with EPF is that it provides a lump-sum payment at retirement, without provision for a pension or periodic income after retirement (Rannan-Eliya & Eriyagama, 2003, p. 13). Further, like in most countries, the prevailing EPF scheme does not ensure a minimum level of pension for the lowest-wage workers that require some redistribution within a pension system (as these workers universally are unable to accumulate enough savings to obtain a retirement income that would keep them above the poverty line). This is owing to the fact that the current EPF is purely an individual account-based system, with no possibility for risk-pooling or redistribution (Rannan-Eliya & Eriyagama, 2003). According to Rusiripala (2020), the current EPF scheme requires a review as well as a revision based on international best practices and evidence, as no advancements have been taken place in terms of any improvements to the member benefits, with regard to meeting new social challenges with changing economic landscapes and addressing the current needs except for the changes in administrative regulations and the periodic increases to the mandatory contribution rates. Furthermore, as indicated by Kulamannage (2016), the current EPF has failed to deliver a reasonable and sustainable return while minimizing risk by any reasonable measure. As he notes, the EPF return ignores how relevant headline

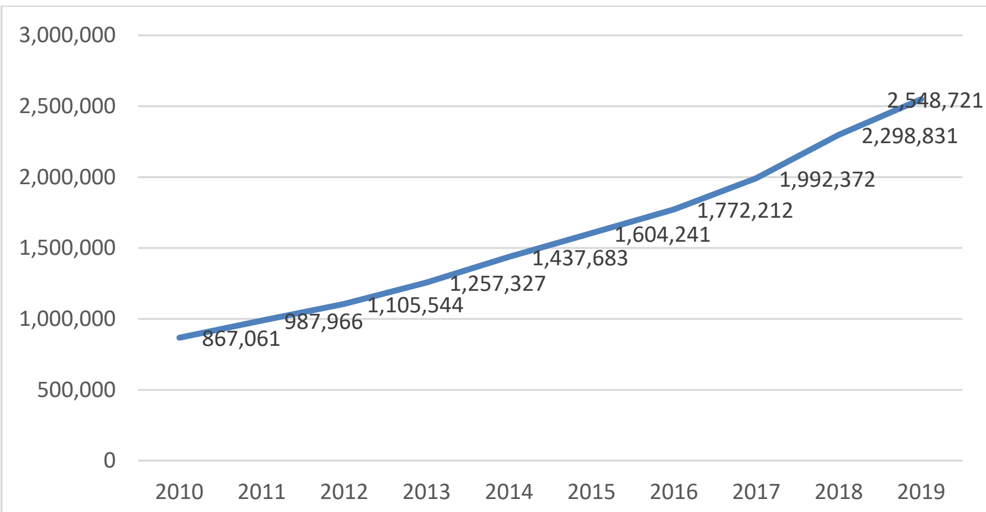
[9] State Mortgage and Investment Bank, National Housing Development Authority, Housing Development Finance Corporation of Sri Lanka, People's Bank, Bank of Ceylon, National Savings Bank, Multi-purpose Corporative Societies.

inflation, as represented by the Consumer Price Index (CPI) and the preceding Colombo Consumers Price Index, is for the total contributors.

Performance of EPF

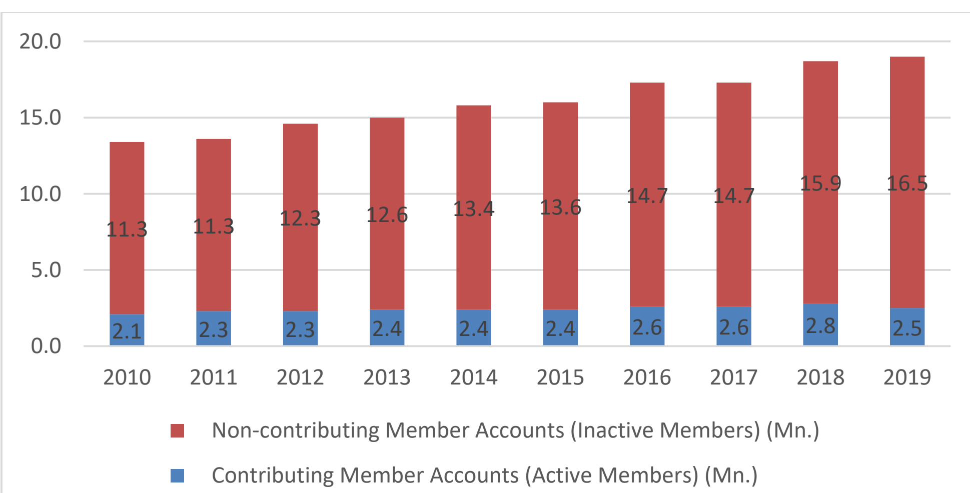
The total investment portfolio of the EPF fund has grown to Rs. 2.5 trillion from Rs. 0.9 trillion in 2010, showing a growth rate of 194% over the same period (Figure 1). However, the number of active members contributing to the fund has only grown from 2.1 million to 2.5 million over the same period, showing a growth rate of only 19% (see Figure 2). It must be worth noting that a large share of the members of the fund is inactive. In 2019, of 19 million members, only 2.5 million were actively making contributions.

Figure 1. Investment Portfolio (Rs. Mn)



Source: Central Bank of Sri Lanka, Employees' Provident Fund – Annual Report, various years.

Figure 2. Membership

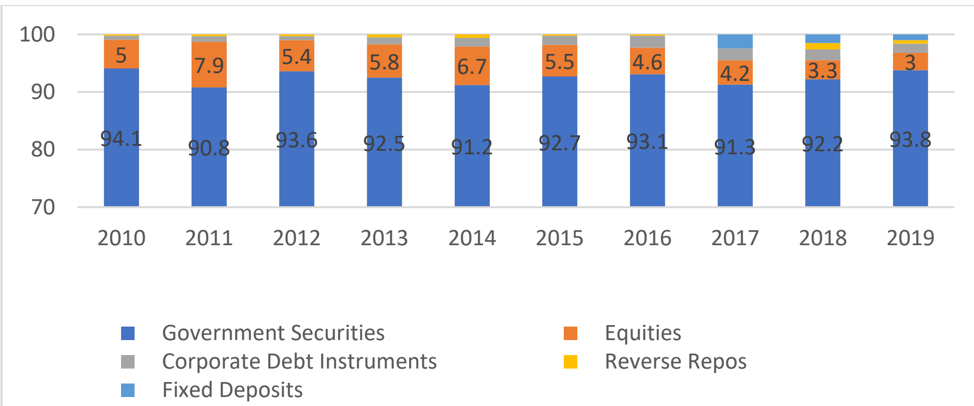


Source: Central Bank of Sri Lanka, Employees' Provident Fund – Annual Report, various years.

Return on investments

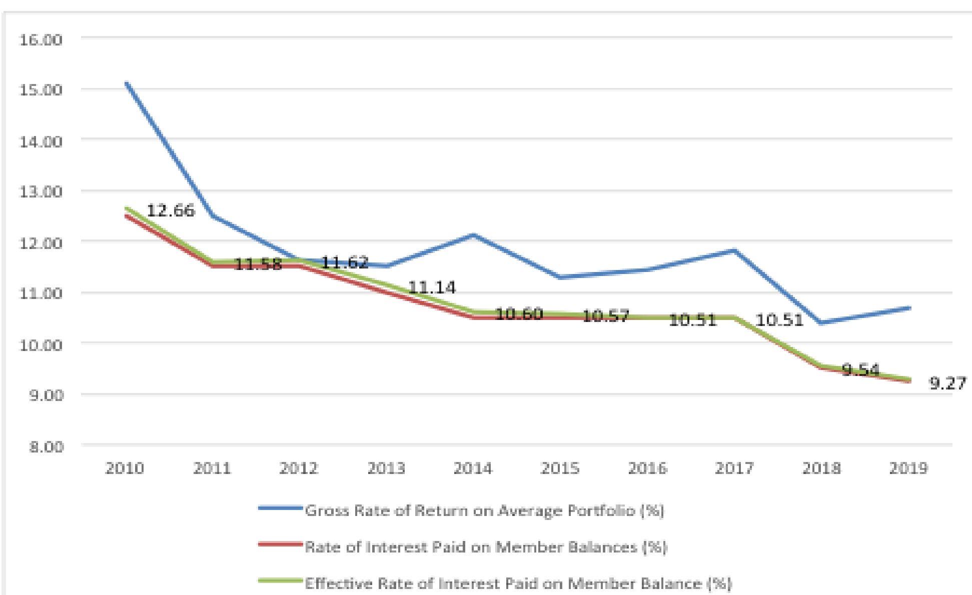
More than 90% share of the investment portfolio is invested in government securities (see Figure 3), followed by equities. The share of the portfolio invested in government securities has increased overtime, while the share invested in equities has declined. With the above investments, the fund has yielded a return of 9 – 13 % over the 2010 to 2019 period (see Figure 4). Further, it appears that the rate of return on portfolio is higher than the rate of interest paid to employees. The main source of gross income for the fund is from investments in government securities (see Figure 5). As seen in Figure 6, the fund has incurred substantial losses due to investments in financial assets and equity investments.

Figure 3. Composition of the Investment Portfolio (%)



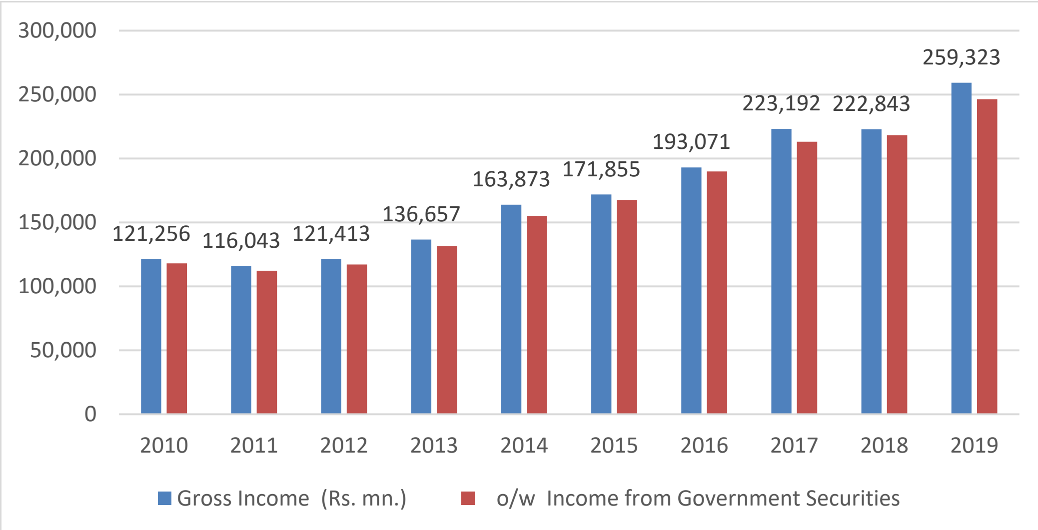
Source: Central Bank of Sri Lanka, Employees' Provident Fund – Annual Report, various years.

Figure 4. Return on Investments (%)



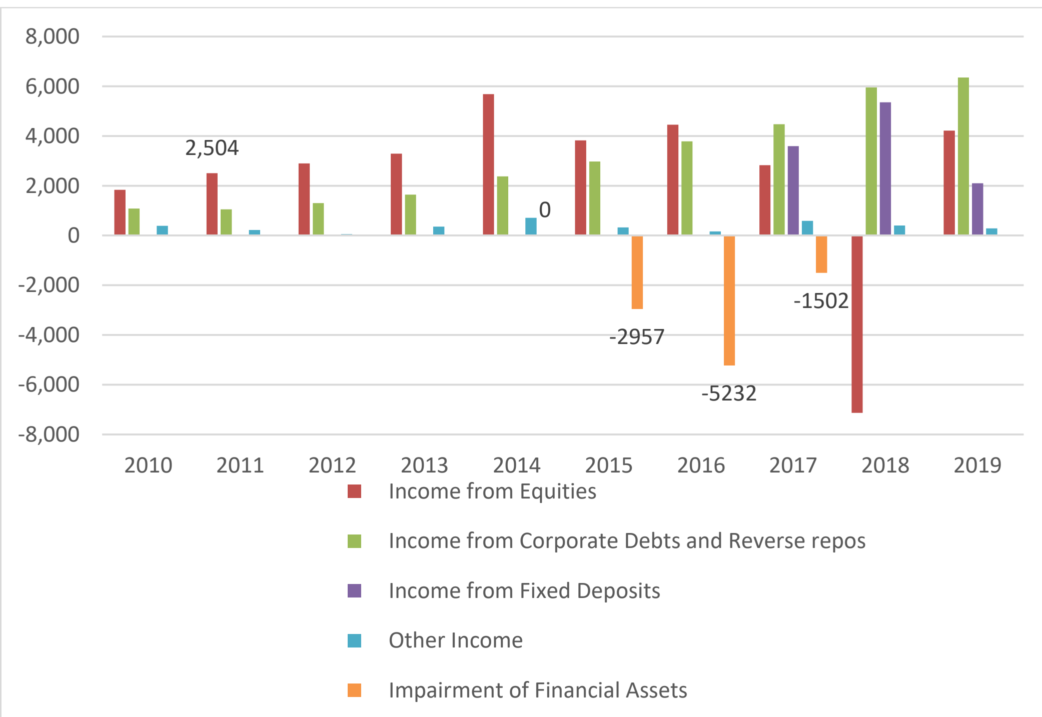
Source: Central Bank of Sri Lanka, Employees' Provident Fund – Annual Report, various years.

Figure 5. Gross Income and Income from Govt. Securities (Rs. Mn)



Source: Central Bank of Sri Lanka, Employees' Provident Fund – Annual Report, various years.

Figure 6. Gross Income - Other than from Government Securities (Rs. Mn)



Source: Central Bank of Sri Lanka, Employees' Provident Fund – Annual Report, various years.

Benefits to Members

In 2019, Rs. 126,330 million was paid as benefits to 241,581 members.[10] In addition, Rs. 5, 097 million was sanctioned for providing guarantee certificates to 10,022 members. Both the benefits given to members at retirement and the housing loan guarantees amount to 5 – 7% of the investment portfolio of the fund. Further, the share of people who receive benefits are about 0.1% of the total members of the fund.

Figure 7. Benefits to members as a percentage of investment portfolio (%)

Source: Central Bank of Sri Lanka, Employees' Provident Fund – Annual Report, various years.

Table 2. Summary of the EPF Scheme in Sri Lanka

No. of Recipients[1]	Benefits	Eligibility criteria	Entitlement to benefits and withdrawals	Financing
241,190 refunds	Lumpsum at retirement Housing Loans[2] Medical Treatments.[3]	To be employed in the private sector "covered" employment as stipulated by regulations	At retirement , at age 55 (for males), or age 50 (for females). Before retirement if unfit for work, or if taking a pensionable appointment in the public service, or if emigrating, or if leaving employment at marriage for females.	Employer (8 per cent) and employee (12 per cent) contributions.

Source: Compiled from various sources cited above

Notes: 1. Including part payments and 30% withdrawals and 10,036 guarantee certificates for housing loans. 2. Housing loans are given for construction of a house, or for the purchase of a land for the construction of a house, for the purchase of a house, for the redemption of a mortgage of a housing property, or for the settlement of a

[10] Benefits include part payments.

housing loan. 3. Medical treatments include, heart surgeries, by-pass surgeries, treatments for cancer including surgery, kidney transplant or surgery, cesarean operation, hospitalization for not less than fourteen days on the account of an accident.

3.2.2 The Employees' Trust Fund (ETF)

The ETF was formed in 1980, following the enactment of the Employees' Trust Fund Act No 46 of 1980 (Parliament of the Democratic Socialist Republic of Sri Lanka, 1980) and currently, operates under the purview of Ministry of Labour and Trade union Relations (Employees' Trust Fund Board, 2018). The Act applies to all state and private sector establishments and is the second largest provident fund in the country (ILO Country Office for Sri Lanka and the Maldives, 2016). Unlike the EPF, contributions to the ETF have to be made only by the employer at a rate of 3% of the total monthly earnings per employee.

According to the Employees' Trust Fund Board (2019a), as at 2019, while the active membership of the fund was approximately 2.6 million covering 79,000 employers, the value of the members' fund as at 31st December 2019 was only around LKR 339 billion. Further, according to the 2018 Annual Report of the ETF, 183,688 refund claims have been processed and a total amount of LKR 18.3 Billion has been paid.

As specified in the Employees' Trust Fund Act No. 46 of 1980, the ETF is administered and managed by the Employee Trust Board and consists of nine members; five members nominated by the minister in charge of the ETF[11], one member each nominated by the Minister of Trade and the Employers' Federation of Ceylon (EFC), and two members nominated by trade unions (i.e. having more than 100,000 members each) nominated in consultation with the Minister (Parliament of the Democratic Socialist Republic of Sri Lanka, 1980). Its management is therefore more representative of all labour market stakeholders compared to the EPF where there is no employer or employee representation.

The ETF is applicable to all employers in the private sector (as defined in the Act) regardless of the number of employees employed; all employers maintaining Approved Private Provident Fund accounts (APPF)[12]for their employees are required to contribute to the ETF (Asian Development Bank, 2012). In addition, special consideration is given to increase the voluntary membership of self-employed persons and migrant workers who provide a sizable contribution to the economy (Employees' Trust Fund Board, 2018) - (See Table 3).

Table 3. Voluntary Contributions from Self-Employed and Migrant Workers

Year	Self-Employed and Migrant Workers	
	Value Rs. Million	**Annual Change**

[11] This includes four members nominated by the Minister and one member nominated by the Minister in charge of the subject of Finance.

[12] Until 1996, the EPF Act of 1958 allowed for the establishment of private provident funds or contributory pension schemes and upon approval, such employers could opt out of the EPF scheme and contribute towards the Approved Provident and Pension Fund (APPF) instead. While the regulations, requirements in terms of contributions and benefits applicable to EPF and APPF are similar; establishment of new APPF funds was restricted by a regulation in 1996. However, existing APPF funds were allowed to continue.

2008	9.5	
2009	16.1	69.5
2010	18.1	12.4
2011	19.8	9.4
2012	20.4	3
2013	26.0	27.5
2014	38.1	46.5
2015	43.0	12.9
2016	44.0	2.3
2017	42.0	-4.3

Source: Employees' Trust Fund Board. (2017). *Facts in Fugures 2017.* Ministry of Labour and Trade Union Relations. Colombo 05: Labour Secretariat.

ETF provides several welfare benefits to its members. Members are eligible to withdraw funds at retirement, resignation from a job, dismissal from or job, or vacation of post. A member is not entitled to make a claim for withdrawal of funds until the lapse of five years from the date of cessation of employment in respect of which a refund has been made. Proviso to Act No. 47 of 1988, exceptions to this rule are: (a) reaching the age of 60 years, (b) migrating for permanent residence, (c) joining state service which entitles the member to a pension, (d) termination of employment due to a permanent disability, and (e) death of the member.

Table 4 summarises the various types of benefits available for ETF members.

Table 4: Benefits offered to ETF members in Sri Lanka

Type of benefit	Eligibility criteria	Benefits	Limits
Free life insurance scheme	Legal heirs of diseased member	Credit of the diseased member's individual account, together with interest and dividend.	15 times the average salary drawn during 6 months preceding the death, subject to a maximum of LKR 100,000.
Disability insurance scheme	Total disability resulting in loss of employment.	24 times the average salary drawn during the 6 months preceding occurrence of disability	Ceiling of LKR 200,000, depending on the degree of disablement
	Partial disabilities (permanent loss of eye sight, loss of both arms or legs).		
	Medical treatment such as heart and cataract surgeries.	Value depends on the nature of the surgery.	Heart: up to LKR 300,000 Cataract: up to LKR 15,000 per eye
Education scholarships for children of members	Top performance at Grade five Scholarship Examination	Financial reward of LKR 15,000	Provided to 9,000 children annually
	Top performance at GCE Advanced Level Examination	Financial reward of LKR 12,000	Provided to 5,000 children annually

"Viyana" housing loan scheme	Subject to conditions specified by the ETF Board and National Development Bank (NDB).	Loans for purchase or renovation of house at concessionary rates of interest from the NDB.	The amount of loan depends on minimum balance maintained in a member's account.

Source: Employees' Trust Fund Board (2019)

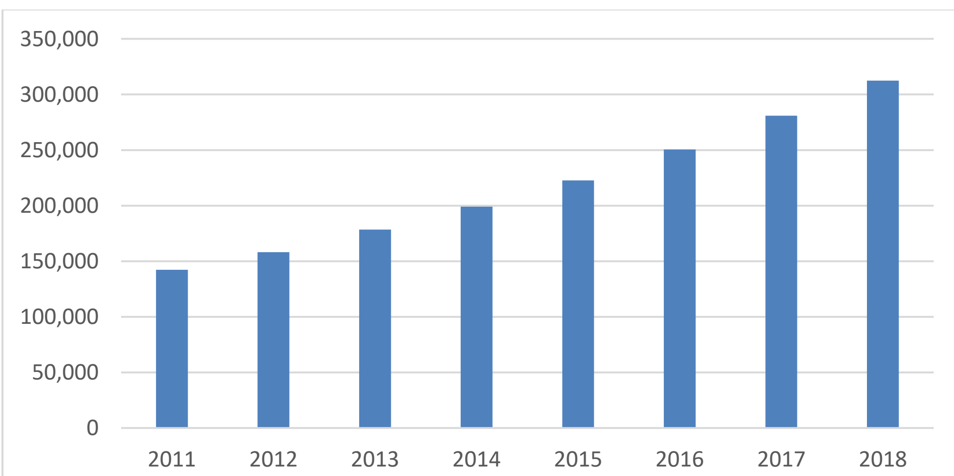
In terms of the ROI of the fund, according to the Performance Highlights in the 2018 Annual Report of the ETF, total investment income of the fund at the end of year 2018 amounted to LKR 28 billion out of which the returns generated to the value of LKR 21.3 billion were through Treasury Bonds and LKR 6 billion through fixed deposit investments (Employees' Trust Fund Board, 2018).

As pointed out by Wijesinhe (2016), one of the loopholes in the prevailing ETF board is that, in terms of assigning the members of the ETF, the four members nominated by the Minister may not be qualified and experienced professionals in the fields of industry, commerce and banking and as such. He further notes that, in the current ETF, more focus needs to be given to health and occupation in the work place in addition to the existing objectives.

Performance of ETF

Total assets of the ETF have grown from below LKR 150,000 milion to over LKR 300,000 million over the 2011-2018 time period (Figure 8). However, income growth of the fund over the same time period has been slower, while also failing to show a continuously increasing trend (Figure 9).

Figure 8. Performance of the ETF - Total Assets (Rs. Mn)



Source: ETF Annual Reports, various years

Note: Since 2016 only assets of the group are included.

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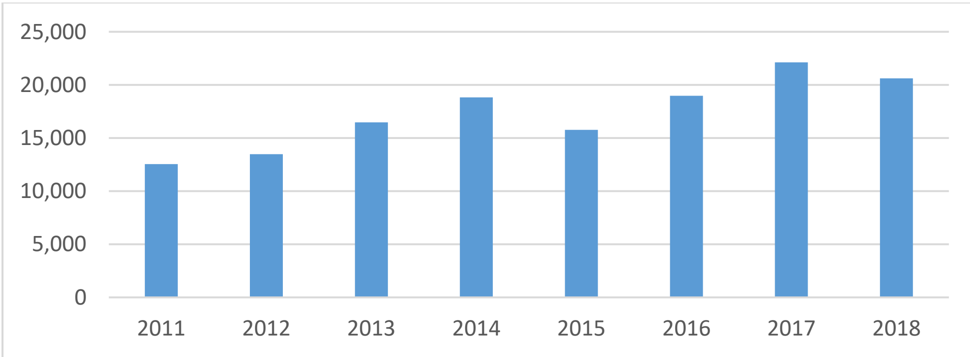
Figure 9. Performance of the ETF - Income (Rs. Mn)



Source: ETF Annual Reports, various years

Note: Since 2016 only assets of the group are included

3.2.3 Gratuity Payments

In addition to the above two funds workers are eligible for gratuity payments under the Payment of Gratuity Act, No.12 of 1983 (Parliament of the Democratic Socialist Republic of Sri Lanka, 1983). As stipulated by the Payment of Gratuity Act (1983) under the sub section 1 of Section 5, the liability to pay gratuity applies to every employer who employs or has employed 15 or more workmen on any day during the period of 12 months immediately preceding the termination of the services of a workman[13] in any industry.[14]

According to the Gratuity Act, a workman should have a period of completed service[15] of not less than five years under the employer to be eligible. Further, the gratuity becomes payable on the following occasions:

(a) At the termination of a workman's services, whether by the employer or the workman, whether on retirement or on the death of the workman, whether by operation of law
(b) Where the termination is owing to the death of the workman, the gratuity is paid to their heirs.
(c) In the event of death of the employer before the liability is discharged, such liability shall be discharged by his/her legal representative.

Gratuity is payable within thirty days of the cessation of the services of a worker or within 30 days of a workman's death.

[13] "Workman" is defined as any person who has entered into or works under a contract with an employer in any capacity, whether the contract is expressed or implied, oral or in writing and whether it is a contract of service or of apprenticeship or a contract personally to execute any work or labour and includes any person ordinarily employed under any such contract whether such person is or is not in employment at any particular, time, and includes any workman whose services have been terminated.

[14] Industry includes: (a) trade, business, manufacture and agriculture, any undertaking or occupation by way of trade, business, manufacture or agriculture, and any branch or section of trade, business, manufacture or agriculture; (b) service, work or labour of any description whatsoever performed by persons in the employment of a Local Authority, or of a Corporation established by or under any written law for carrying on an undertaking whether for the purpose of trade or otherwise; (c) every occupation calling or service of workmen, and (d) every undertaking of employers.

[15] Uninterrupted service and includes service that is interrupted by approved leave.

As specified in the Gratuity Act No. 12 of 1983, in the sub-section two under Section 6, an eligible workman should be paid gratuity as follows:

(a) In terms of a monthly rated workman, half month's wage or salary for each year of completed service calculated at the rate of wage or salary last drawn by the workman.
(b) In the case of any other workman such as a daily rated workman, 14 days' wages or salary for each year of completed service computed at the rate of wage or salary last drawn by the worker.

3.2.4 Maternity Benefits

Sri Lanka ratified the ILO Maternity Protection Convention (Revised) 1952 (No.103), which provides for a wide range of protection, which has since been superseded by Convention No. 103 in 1983 (ILO, 1955). This Convention is applicable to any female person, irrespective of age, nationality, race or creed, whether married or unmarried working in any industrial[16] and non-industrial[17] undertakings as defined by the ILO.

According to Article 3, a woman who has produced a medical certificate stating the presumed date of her confinement is entitled to maternity leave for a period of at least 12 weeks, including a period of compulsory leave after confinement, of at least six weeks. In case of illness medically certified arising out of pregnancy or confinement, national laws or regulations provide for additional leave, the maximum duration of which may be fixed by the competent authority. According to Article 4 of the Convention, a woman while absent on maternity leave shall be entitled to receive cash and medical benefits, where the rates of cash benefit is fixed by national laws or regulations Further, as specified in Paragraph 8 of the Convention, **"in no case shall the employer be individually liable for the cost of such benefits due to women employed by him"** (ILO, 1955) .

According to the Maternity Benefits Ordinance No. 32 of 1939, employees covered under this benefit include all pregnant females employed on a wage in any trade, industry, business undertaking, occupation, profession, or calling except, a) females covered by the Shop and Office Employees' Act or b) whose employment is of casual nature, c) home workers and d) domestic workers in private households. As stipulated by Maternity Benefits (Amendments) Act No. 15 of 2018, a woman is entitled to 84 calendar days of maternity leave (which could be taken as maximum 14 days prenatal and 70 days postnatal) for the first two children and thereafter from the third child it is reduced to 42 days. In terms

[16] Industrial undertaking comprises the following: (a) mines, quarries, and other works for the extraction of minerals from the earth; (b) undertakings in which articles are manufactured, altered, cleaned, repaired, ornamented, finished, adapted for sale, broken up or demolished, or in which materials are transformed, including undertakings engaged in shipbuilding, or in the generation, transformation or transmission of electricity or motive power of any kind; (c) undertakings engaged in building and civil engineering work, including constructional, repair, maintenance, alteration and demolition work; (d) undertakings engaged in the transport of passengers or goods by road, rail, sea, inland waterway or air, including the handling of goods at docks, quays, wharves, warehouses or airports.

[17] Non-industrial undertakings include the following: (a) commercial establishments; (b) postal and telecommunication services; (c) establishments and administrative services in which the persons employed are mainly engaged in clerical work; (d) newspaper undertakings; (e) hotels, boarding houses, restaurants, clubs, cafés and other refreshment houses; (f) establishments for the treatment and care of the sick, infirm or destitute and of orphans; (g) theatres and places of public entertainment; and (h) domestic work for wages in private households.

of cash benefits, they are entitled to six–sevenths of weekly wage and in cases where a crèche is provided, two intervals of breastfeeding of 30 minutes each are provided. If a crèche is not provided, 60 minutes each of two intervals are provided (Parliament of Democratic Socialist Republic of Sri Lanka, 2018).

As postulated in the Shop and Office Employees (Regulation of Employment and Remuneration) Act, every female person employed in or about the business of a shop or office in consequence of pregnancy or confinement is eligible to maternity benefits. According to the Shop and Office Employees (Regulation of Employment and Remuneration) (Amendment) Act No. 14 of 2018, a female employee if she is confined, will be entitled to take leave for a period of (a) 70 days commencing on the date of her confinement, if the confinement results in the delivery of live child; and (b) 28 days commencing on the date of her confinement, if the confinement does not result in the delivery of a live child (Parliament of the Democratic Socialist Republic of Sri Lanka, 2018).

3.2.5 Occupational Diseases, Injuries and Sicknesses

According to the ILO Convention C018 on Workmen's Compensation (Occupational Diseases), each ratifying member should pay a compensation to workmen incapacitated by occupational diseases, or, in case of death from such diseases, to their dependants, in accordance with the general principles of the national legislation relating to compensation for industrial accidents (International Labour Organization, 1925). While all employees irrespective of whether formal, contractual, out-workers, public or private should be protected by the ordinance, the rates of such compensation should not be less than those prescribed by the national legislation for injury resulting from industrial accidents (ILO Country Office for Sri Lanka and the Maldives, 2016a). According to the Workmen's Compensation Ordinance (WCO) of 1934, the prevailing system of employment injury benefits is purely employer liability-based and as such, is no mandatory insurance clause in the WCO that requires employers to be insured against employee injury risks (Department of Labour, 1935). **This makes employers solely responsible for the costs of compensation.**

As stipulated by the WCO of 1934, in the event of death or permanent disability owing to work-related injuries, compensation up to a maximum of Rs. 550,000 has to be paid to the victim or his beneficiaries. However, in the case of a temporary disability suffered by an employee in similar circumstances, he is entitled to receive a maximum of Rs. 5,500 every half-month. The benefit is not a periodical payment, except the temporary disablement benefit (which can also be paid off in lump sum if that is the mutual agreement).

Further, in terms of sickness as stipulated by the Shop and Office Employees (Regulation of Employment and Remuneration) Act No. 19 of 1954, all private sector employees, whose employment is governed by the said Act are eligible to receive seven days of fully paid leave from work due to sickness. However, as asserted by the ILO Country Office for Sri Lanka and the Maldives (2016a), **Sri Lanka does not have any additional social security programmes that provide an individual with replacement wages or an allowance during a period of ill health that a person is unable to attend work.**

3.2.6 Disability

As stated in the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102), if a covered person is unable to find gainful employment owing to a disability he is encumbered with, he should be eligible to receive at least 50% of his previous earnings (or the same percentage of the average wage of a skilled male employee if he does not have a previously earned amount) on a periodic basis throughout his lifetime or until he becomes eligible to receive an old-age benefit.

According to the National Policy on Disability for Sri Lanka (Ministry of Social Welfare, 2003), which was introduced in 2003, persons with disabilities can choose to seek employment in the private sector at their discretion, and to that end, the policy ensures that they are not treated differently and will therefore be provided equal opportunities in employment placement services for both formal and informal employment under wage employment and self-employment. They are also to be treated equally in terms of working conditions, remuneration, training and other benefits such as transport and housing facilities.

3.3 Social Security for the Private Sector: International Best Practices

3.3.1 Provident Funds

Many European Union countries as well as Latin American countries like Argentina, Brazil, and Uruguay, have made important progress in adapting SS schemes by simplifying procedures, facilitating access, and by fully or partly subsidising contributions of low-income groups. Asian countries have also endeavoured to extend the types of benefits available to employees and to provide more flexibility in granting benefits. The following section provides a summary of best practice social security systems in a selected group of countries, based on the types of benefits and criteria stipulated in the ILO Convention – coverage, benefit levels, and entitlement conditions and duration – as well as the financing and administration of provident funds. A more detailed description of each system, along with summary tables of important features, is presented in Appendix 3.

Brazil: Universal and comprehensive social security

Brazil's social security system consists of three main schemes: the General Social Security Scheme (*Regime Geral de Previdência Social* or RGPS) for private sector workers, the Special Regime of Social Security for civil servants, and a private insurance scheme which is complementary (Wapling, Schjoedt , & Kidd, 2020). Private sector employees contribute between 8-11% of their salaries to the RGPS fund, depending on salary scales, up to a maximum of R$608.44 per month. Employer contributions lie between 26.8- 28.8% of employee monthly salaries, of which 20% is allocated to the National Social Security Institute (INSS) – the administrative body of the Fund – and up to 8.8% to other social security taxes, depending on the type of activity. There is no maximum limit for employer contributions. While salary contributions cover most of the expenditures, social contributions (mainly in the form of consumption and corporate income taxes) also finance the system.

The Brazilian social security system has a strong mandate to provide benefits to old and retired workers; coverage under all schemes stands at around 90% of the 65 and older population (Wapling, Schjoedt , & Kidd, 2020). Coverage of private sector workers between the ages of 16 and 59 is also relatively high, at 67%. Apart from pensions, the RGPS provides a wide range of benefits, including maternity and paternity benefits, sickness and disability allowances, benefits for workers' children, and survivor's benefits (Ibid).

The RGPS is administered by the INSS – a Central Government institution – and the Secretariat for Social Security (*Previdência Social*). The INSS is responsible for collecting contributions and paying benefits under each scheme (Deloitte, 2017). The Secretariat for Social Security oversees the registration of enterprises and employee membership of schemes (Eurofound, 2020). Additionally, the National Superintendence of Pension Funds (Previc) was established in 2009 as the supervisory agency of pension funds, which is semi-autonomous, administered by a Board, and has its own budget financed mainly through levies paid by the pension funds based on the assets under management (ABRAPP, 2014).

Malaysia: Increasing prioritisation for social protection

Social Security is provided via two schemes – SOCSO, managed by the Social Security Organization and the EPF. SOSCO provides financial assistance to employees and their families in the event of an accident that leads to death, disability or illness, or occupational diseases. Workers can also apply for benefits under "loss of employment", covering situations where workers are compelled to resign due to specific reasons,[18] closure of company, retrenchment, and constructive dismissal. These funds are given under two insurance types: Employment Injury Insurance (EII) and the Invalidity Pension Scheme (IPS).

The EPF – membership of which is mandatory for Malaysian citizens working in the private sector – provides benefits primarily for retirement purposes, but also allows contributors to withdraw money for specific purposes, such as to cover medical expenses or to buy a home (Angloinfo Malaysia, 2021). The contributions to both schemes are compulsory for employees and employers. A member's EPF savings consists of two accounts that vary by their share of savings and withdrawal flexibilities. The first account ("Account I") stores 70% of the members' monthly contribution, while the second account ("Account II") stores 30%. Savings from Account I can only be withdrawn when a member reaches an age of 50 for purposes of complementing retirement funds by investing in unit trusts, or if s/he becomes incapacitated, leaves the country, or passes away. More flexibility is given to withdrawal of savings from Account II, for payments or loan settlements for a member's first house, finances for education and medical expenses, investments, and when the member reaches 55 years of age (Employees' Provident Fund, Malaysia, 2020). Members above 55 years old can choose not to postpone their withdrawals of EPF savings, and employers may continue to contribute 12% of the members' salaries at their own discretion (Employees' Provident Fund, Malaysia, 2020).

Both SOCSO and EPF are financed through employee and employer contributions, while the government acts as the guarantor of last resort and disburses funds to assist companies and workers, in crisis situations including the current pandemic (NST, 2020). Other benefits, such as maternity, sickness, and retrenchment, are covered by the labour law under the Malaysian Employment Act of 1955.

[18] This includes resignation due to sexual harassment or threats made at the workplace and after being ordered to perform dangerous duties that are not within the job scope.

Singapore: Active government support for self-reliance

The Central Provident Fund (CPF), introduced in 1955 as the nationally funded pension scheme, is the main form of SP for Singaporean private sector workers. It is a compulsory retirement savings scheme to which both employers and employees contribute, assisted by a government subsidy. Although it has retained its primary role as a retirement fund, the CPF's functions have expanded towards a defined benefit system, widening its coverage to include healthcare, housing, education, social insurance, and financial investments (Governance and Social Development Resource Centre (GSDRC), 2011)

Employees contribute to the Fund if they earn at least S$500 per month. A monthly flat amount is deposited for salaries between the range of S$500 and S$750, whereas contributions proportional to salaries are required between S$750 and S$6,000, ranging from 5-20%, depending on the employee's age (Social Security Administration (SSA), 2019). Employers contribute to the CPF for employees earning more than $50 a month, ranging from 9-15.5% (Organisation for Economic Co-operation and Development (OECD), 2019).

Defined percentages of CPF contributions are channeled to four accounts: Ordinary Accounts (OA), Medisave Accounts (MA), Special Accounts (SA), and Retirement Accounts (RA). Beyond the CPF, other types of benefits are provided via a compulsory retirement savings scheme to which both employers and employees contribute, complemented by a government subsidy. Benefits are offered for disability, sickness, maternity, and death. The government's objective is to play a supportive role in building self-sufficiency of workers at all stages of their lifecycle.

Thailand: Multiple benefit entitlements

In Thailand, social protection can be classified into social security (social insurance), social assistance, social services, and labour protection. Private sector workers are currently insured under three main schemes:

1. The Social Security Act of 1990, covering seven types of benefits: illness or injury, maternity, disability, death, child allowance, old age pension, and unemployment
2. The Voluntary Provident Fund (PVD) of 1987, a voluntary defined contribution pension plan intended to help private sector employees in Thailand save for retirement
3. The Workmen's Compensation Fund (WCF) of 1974, to provide prompt and equitable protection against injury, disease, disability or death resulting from employment

The Social Security scheme is funded jointly by employees, employers, and the government. Employees and employers contribute 5% each of an employee's monthly salary, while the government contributes 1%. Employers are required to submit the amounts withheld of employee wages to the Social Security Office (SSO) – the administrator of the Fund – within 15 days of the end of the month during which the payroll deductions were made.

The **Workmen's Compensation Fund** (WCF) provides protection against injury, disease, disability or death resulting from employment (Office of the Official Information Commission, Government House, Thailand, 2013). Contributions to this Fund come solely from employers, who are required to make an annual payment similar to an insurance premium. Employees are eligible to receive compensation benefits consisting of medical services, monthly indemnity, rehabilitation, and funeral grants in case of works-related causes.

Under the **Voluntary Provident Fund** (PVD), each employer can set up its own Fund for employees and hire a professional asset management company to manage it, an important distinction compared to many other countries where the government is in charge of administration. The law requires that the fund management company is completely independent of the employer, and the manager of the Fund has relevant qualifications specified by a pertinent regulator (Juslaws Consultants, 2021). In essence, the registered PVD has its own legal entity separated from the employer, and also from the Fund Management Company. After the appointment of the Fund Management Company, the Fund must be registered with the Securities and Exchange Commission (SEC). The Fund Committee is responsible for supervising the management of the Fund, including the tasks of auditing and coordinating with other parties.

With the objectives of strengthening the retirement safety net and easing the government burden in face of an ageing population, the Thai government proposed a draft law converting the PVD to a **mandatory provident fund – named the National Pension Fund (NPF)** –for private sector workers in 2017. The law recognises that private sector formal workers have insufficient income after retirement, at an average of 19% from contributions made to the SSF, compared to an average of 70% of income received before retirement by public sector workers (Bangkok Post, 2020). The original employee contribution to the NPF is Thai tax deductible. Further, if the money is kept in the Fund until retirement, the original employee and employer contributions, as well as all investment returns, can be withdrawn tax-free.

South Korea: Wide-ranging pension benefits

There are four types of social security contributions in Korea, namely the National Pension Scheme (NPS) (1988), National Health Insurance (NHI) (1977), Employment Insurance (EI) (1995), and Worker's Compensation Insurance (WCI) (1964) (The PricewaterhouseCoopers (PWC), 2021).

The **NPS** provides for four categories of insured persons: the workplace-based insured – applicable in this study context –, the individually insured, the voluntarily insured, and the voluntarily, and continuously insured. The scheme is mandatory for employees who are not allowed to withdraw funds before retirement, while the voluntarily insured can withdraw funds at any point. It covers most employees who work in companies employing five or more people, fishermen, farmers, and the self-employed in both rural and urban areas, aged between 18 and 59. It also provides for voluntary coverage for older people aged 60-64 and coverage for the unemployed. Eligibility for the national pension scheme is dependent not on income, but on age and residence (Australian Government, 2015).

The system is funded by monthly contributions of 9% of employee salaries. To increase financial sustainability, it decided to phase in an increase the retirement age from 60 to 65 over a 20-year period, and to reduce the benefits. The ministry has also made continuous efforts to diversify the fund's portfolio to secure the fund's sustainability and stabilize returns (Inter-American Development Bank (IDB), 2020). At least 20 years of coverage is required for a full old-age pension. Reduced benefits are payable at age 60 with at least 10 years of coverage.

The **NHI** system is funded by compulsory contributions from all residents (83%) and government subsidies (17%). For salaried workers, the contribution is calculated based on wages, and for the self-employed it is based on their income, age, gender, and assets. The NHI provides comprehensive cover including health check-ups, tests and diagnosis, treatments, surgeries, preventive care, hospitalisation, nursing, rehabilitation, and transportation.

The **EI** System is designed to help unemployed workers by giving them unemployment benefits, as well as to enhance employment stabilization and employability of workers. It includes three key programs: Employment Stabilization Program (ESP), Job Skill Development Program (JSDP), and Unemployment Benefits. Benefits and coverage apply to both employers and employees. To receive benefits, job seekers must register their CV with *WorkNet*, an online employment agency run by the Employment Insurance Service, and they must apply for benefits at a Job Centre (Angloinfo South Korea, 2021).

The **WCI** is a state-run social security program for workers with work-related injuries, disease or disability, or any circumstance exposed to danger that can result in death while at work. WCI is financed mainly by premiums paid by employers and the returns on managed assets, while part of the operations cost is funded by the government. Employers contribute by paying premiums to government insurance funds. The contribution rate is imposed by the Social Security Office depending on the type of industry and working environments (The PricewaterhouseCoopers (PWC), 2021).

India: High flexibility

The schemes covering private sector workers come under the Employees' Provident Fund Organization (EPFO). Contributions to the EPF Scheme are obligatory for both the employer and the employee when the employee is earning up to Indian Rs.15,000 per month, and voluntary for the employee when the employee earns more than this amount. If the employee salary exceeds Rs.15,000, the contribution of the employer applies only to the first Rs.15,000 (Global Payroll Management Institute (GPMI), 2017).

The EPFO includes three main schemes, with differing rates of contributions:

1. The EPF scheme (1952)—employer between 1.67%-3.67% and employee between 10%-12%
2. The Employees' Pension Scheme (EPS) (1995)— employer 8.33% and the government 1.16% (no employee contributions)
3. The Employees' Deposit Linked Insurance Scheme (EDLI) (1976)—0.5% only by employer

An important feature in the current context is the flexibility afforded by the EPF scheme to withdraw a non-refundable advance under specific situations, such as buying a house, repaying a home loan, medical needs, education or marriage of children, or when the government has declared a disaster or epidemic, which employees need not deposit back into their EPF account. The maximum amount that can be withdrawn depends on the specific situation and the number of years of service. Since it is an advance and not a loan, there is no interest payment involved.

The Employees' State Insurance Scheme (ESIS), first implemented in 1952, is the oldest social health insurance scheme in India, designed to provide socio-economic protection to blue-collar workers in private formal enterprises with more than 10 workers and their dependents (Institute for Human Development, 2020). The ESIS is also a mandatory contributory scheme, to which employers contribute 3.25% of an employee's monthly salary, whereas employees contribute 0.75%. Although primarily financed via these contributions, the state governments contribute one-eighth of the expenditure of medical benefit within a per capita ceiling of Rs. 1500/- per insured person per annum, as well as bare any additional expenditure incurred (Ministry of Labour and Employment, Government of India, 2019).

In July 2015, with renewed attention to the scheme, the government launched "**ESIS 2.0**", the second-generation health reforms agenda. The initiative proposed digitisation of health records, extended ESIS coverage to North-Eastern States and certain sections of unorganised sectors, like construction workers. From 2017, the government raised the salary cap of ESIS beneficiaries, and currently all employees earning Rs. 21,000 or less per month as wages are eligible for ESIS, against the earlier threshold of Rs. 15,000 per month. This move towards increasing the wage ceiling brought an additional 50 lakh workers and their dependents within the fold of the ESIS (Institute for Human Development, 2020). Areas of coverage have also been growing over the years, with new districts being added and partially covered districts progressing towards full coverage.

At present, the scheme provides comprehensive medical care (from primary to tertiary) to 3.6 crore insured persons, and 12.85 lakh employers of formal enterprises (Institute for Human Development, 2020). The ESIS package also includes retirement and dependent benefits, cash payment for sickness, maternity, temporary or permanent disablement, and has also introduced an unemployment allowance. Importantly, there is no annual limit or cap on maximum insurance, and it provides in-depth coverage including in-patient and out-patient care, hospitalization as well as for pre-existing conditions (Institute for Human Development, 2020).

In September 2020, the **Social Security Code, 2020 (SS Code)** was passed by the Indian Parliament, with the objectives of amending and consolidating the laws relating to social security to extend SP to all employees and workers in both the organised or unorganised sectors. An important aspect of the updated scheme is its provisions for workers in the unorganized sector, including gig and platform workers,[19] who have thus far been largely excluded from SS benefits (Obhan & Associates, 2020). Further details of the SS Code are provided in Appendix 3.

[19] The SS Code defines a "gig worker" as a person who performs work or participates in a work arrangement and earns from such activities outside of traditional employer-employee relationship. "Platform work" has been defined as a work arrangement outside of a traditional employer-employee relationship in which organisations or individuals use an online platform to access other organisations or individuals to provide specific services.

Nepal: Comprehensive benefit package

Although relatively late in its implementation, Nepal's contribution-based Social Security Scheme proposed in 2018 covering workers in the formal private sector has been recognized as one of the government's most ambitious SP schemes in the recent past. Under this program, workers are offered financial security under four categories of support: (1) medical treatment, health protection, and maternity benefits; (2) accidents and disability benefits; (3) a dependent family plan; and (4) an old-age security plan. It is a mandatory contribution scheme to which employee's contribute 11% of their wages, while employers contribute 20%. All support schemes are financed from these monthly contributions from employers and employees, divided among them as follows: 1% for medical treatment, health protection, and maternity scheme; 1.40% for accidents and disability plan; 0.27% to the dependent family plan; and 28.33% to pension or old-age security scheme (The Kathmandu Post, 2020).

Although initial participation rates were low due to lack of interest shown by employers in view of the added costs, and low awareness among stakeholders about the scheme, its operation, and benefits, many believe that the progress so far is encouraging (The Kathmandu Post, 2020). To increase attractiveness of the scheme, the government further plans to provide loans to contributors, up to a maximum of Nepalese Rs. 10,000, which has already seen an increase in enrolments.

3.3.2 Comparison of Schemes

Table 7 summarises the contribution rates and different types of benefits offered under SS programmes in each country, although not directly comparable due to varying country contexts and eligibility requirements and periods. Where available, information on how funds are divided across the different benefit schemes is also provided. The share of employer contributions is largest in Brazil, while employees contribute the largest portion of their wages in Thailand, both at a rate close to 30% at most. Government contributes to funds are also seen in Brazil, Singapore, Thailand, and India, and Malaysia.

Brazil's pension scheme guarantees good coverage at old age, with a specified minimum guarantee, while South Korea offers a comprehensive range of pension benefits. Malaysia and Singapore offer flexibility in premature withdrawals and have a relatively earlier withdrawable age. All countries reviewed offer substantial sickness, injury, disability, and survivor benefits, either in the form of cash benefits, medical care, or insurance premiums. Brazil and India offer higher compensation to workers who are permanently disabled after an accident, and also provide the largest number of days of paid maternity leave, while the scheme in Nepal covers many aspects *of* prenatal and neonatal care. Brazil and Singapore offer the most generous benefit package to dependents of diseased workers, at a rate of 100% of the employee's pension. Thailand is notable for offering benefits for each category under several schemes, thus ensuring to a greater extent that employers and workers are entitled to at least some protection under each benefit category.

Table 7: Comparison of SS system contributions and benefits across countries

Country	Scheme	Share of salary			Share of contributions	Benefits
		Employer	**Employee**	**State**		
Brazil	RGPS	26.8-28.8%	8-11%	Consumption and corporate income taxes.	INSS-20% Other social security taxes-8.8%	• Maternity: 120 days paid leave; optional additional 60 days, paternity benefits, children • Disability and sickness (100% of salary for 15 days; 91% thereafter, permanent disability (100% of salary which increases by 25% if recipient requires constant carer). • Retirement funds: 70% of average monthly salary; increases gradually every 12 months by 1% up to a maximum of 100%.
Malaysia	SOSCO	EII: 1.25% IPS: 0.5%	IPS: 0.5%	Guarantor of last resort		• Industrial accidents, occupational diseases, invalidity/death, loss of employment. • Fully paid sick leave, ranging from 8-16 days depending on years of service.
	EPF	12%	11%		Account I: 70%	Withdrawable at retirement, death or migration
					Account II: 30%	Loan settlements for a member's first house, finances for education and medical expenses, investments, and when the member reaches 55 years.
Singapore	CPF	9-15.5%	5-20%	-	OA: 1-23%	Housing and investment schemes, tertiary education.
					MA: 8-10.5%	100% of employee's gross wages for hospitalization, medical expenses, healthcare insurance premiums
					SA: 1-11.5%	Payment of lump sum if the account balance exceeds minimum required balance in the RA, or S$5,000, whichever is greater.
					RA: remainder	Retirement funds
	Retirement Savings Scheme	Positive amount (share not explicitly mentioned)				Disability, survivor, sickness (100% of employee's gross wages up to 14 days per year), maternity (100% of employee's gross wages up to 16 weeks).
Thailand	Social Security Fund	5%	5%	1%		Sickness (half of wage), maternity (90 days), invalidity (50% of daily wage), death (30,000 TBH), child support, pension, unemployment (180 days per year at 50 % of wage)
	WCA	0.2-1%	-	-		Medical expense & compensation of 60% of monthly wages, funeral expenses
	VPF	2-15%	2-15%			Retirement fund
	NPF	3-10%	3-10%			

South Korea	NPS	4.5%	4.5%	-		Old-age pension, disability pension, survivor pension, lump-sum refunds.
	NHI	3.68%	3.68%			Long-term care insurance; cash and service benefits
	EI	1.05%-1.65%	0.8%			Unemployment benefits, Employment Stabilization Program, Jobs Skills Development Program, including vocational training.
	WCI	0.73%-18.63%	-			Income indemnity (70% of income loss), disability, survivor, funeral expenses, long-term indemnity pension
Nepal	Social Security Scheme	20%	11%	-	3.23% (1% of salary)*	Medical treatment, health protection: Doctor's fees, hospital charges, test and medicine costs, pregnancy tests, hospital admission, surgery, treatment for the new-born, care of mother, and financial support in case of miscarriage of 24-week baby or stillbirth.
					4.52% (1.4% of salary)*	Accidents and disability plan: workplace accidents and disabilities and if injured en route to work, travel expenses. Maximum aid of Rs700,000 in case of accidents outside the workplace.
					0.87% (0.27% of salary)*	Dependent family plan: monthly pension equivalent to 60% of basic salary for spouse and 40% of salary for children.
					91.39% (28.33% of salary)*	Pension or old-age security scheme.
India	EPF, EPS, EDLI, ESIS	15.75%	10.75-12.75%	1.29%	EPF	Retirement funds
					EPS	Pension, death, disability (60% of monthly wage multiplied by age or Rs 90,000), maternity (paid leave of 26 weeks for 1st 2 children and 12 weeks for 3rd child).
					EDLI	Health insurance
					ESIS	Medical care, retirement & dependent benefits, cash payment for sickness, maternity, temporary or permanent disablement, and an unemployment allowance
Sri Lanka	EPF, ETF	15%	8%			• EPF: Retirement fund, housing loans, medical treatment. • ETF: Retirement fund, insurance schemes, medical needs, educational assistance, disability benefits, housing loans

*Shares channeled to different benefit schemes in Nepal are given as a percentage of the salary, as opposed to contributions. The share of contributions are calculated assuming that the total contributions are 31% of the salary (Eg: medical and maternity benefits as a share of contributions = 1/31 = 3.23%).
Source: Authors' compilation based on the sources cited in the discussion above.

Table 8 presents some statistics on SP coverage based on available data from the ILO. The data does not differentiate between employment-related SP programs and others covering the overall population, nor between benefits accruing by sector (public vs. private) and nature of employment (formal vs. informal). The data for Sri Lanka, in fact, refer only to benefits for public sector workers.

As can be seen, in developed states including European countries, Canada, and Australia, many benefit schemes cover the entire population, and close to 100% are covered by at least one program. SP schemes in Latin American countries such as Brazil and Chile also cover a relatively large share of their populations, with the exception of the unemployed, given lack of well-developed UI schemes. Singapore, South Korea, and Thailand in East Asia provide SP to over half of their citizens across many schemes. The least covered are those in South Asian countries, with the exception of the retired in Nepal, young and expectant mothers in India, and injured public sector employees in Sri Lanka.

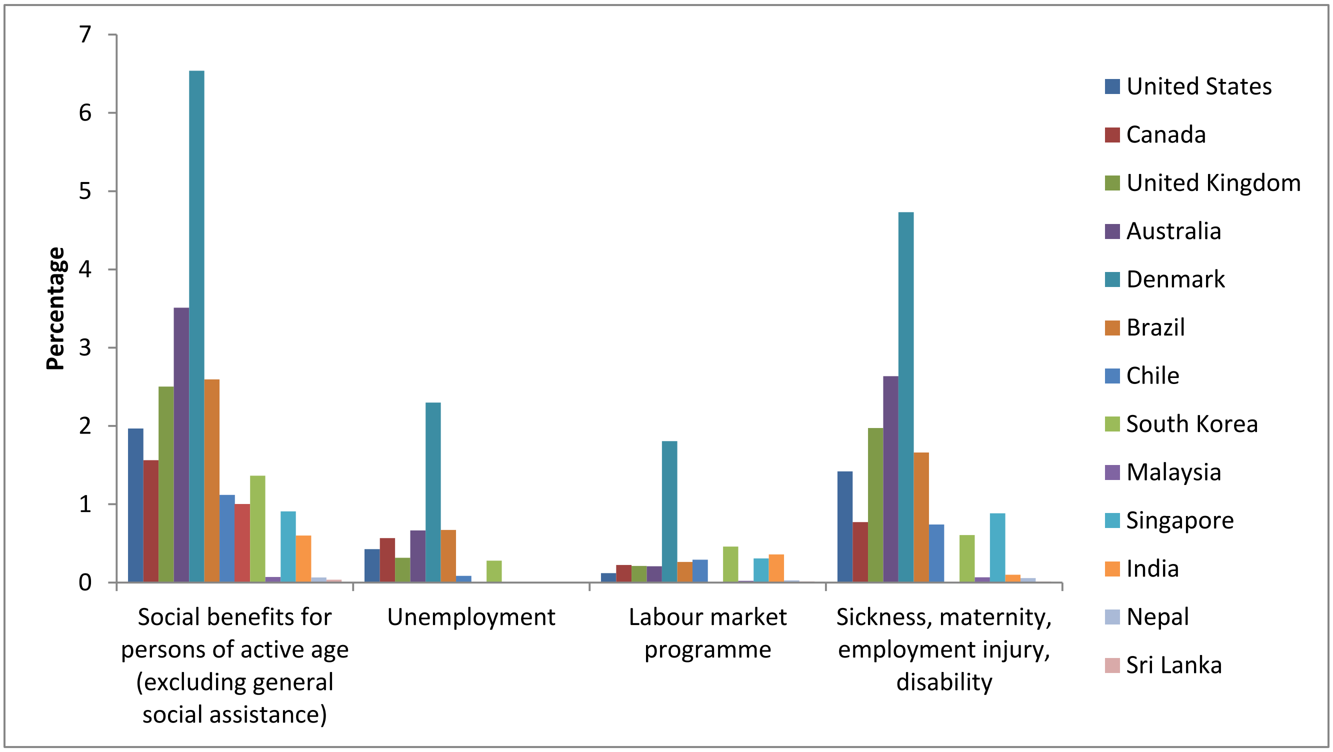
*Table 8. Proportion of population covered by social protection systems (%), latest available year**

Country	Some benefit	Pensions	Disability	Unemployment	Maternity	Work injury	Child/family
UK	93.5		100				100
France	100.0		100.0				100.0
Germany	99.5	100.0	73.6	100.0			100.0
Denmark	89.5		100.0				100.0
Netherlands	97.5		100.0				100.0
Brazil	61.5	78.3	100	7.8			96.8
Chile	69.2	78.6	100.0	45.6			93.1
Australia	100.0	100.0	100.0	52.7	100.0	72.0	100.0
US	76.1		100.0				
Canada	99.8	100	67.2				39.7
China	70.7	100	33	28.2	63.9	29.7	2.9
Singapore	100.0	33.1	57.7	0.0	89.3	86.0	
Malaysia	27.3	18.6	30.5	3.0	46.5	49.8	2.8
South Korea	77.3	100.0	24.8	45.4		85.2	40.0
Thailand	68.0	89.1	92.0	61.0	40.0	31.0	21.0
India	22.0	25.2	5.6		41.5	3.7	
Nepal	17.0	84.2	13.7	0.0	9.8	4.5	22.9
Sri Lanka**	36.4	35.7	18.0	0.0	29.4	58.0	32.0

Notes: *Years range between 2016 and 2019.
**The expenditure refers only to the central government sector.
Source: ILOSTAT, "Statistics on social protection", available at https://ilostat.ilo.org/topics/social-protection/.

Figure 10 compares SP expenditure of given employment related programs as a share of GDP for a selected sample of countries, as reported by the ILO based on data collected from multiple sources including the World Bank, United Nations, Organization for Economic Cooperation and Development, Eurostat, International Monetary Fund, the Asian Development Bank, and national sources. Denmark stands out as a high spender on SP across all categories, followed by Australia, Brazil, and the UK. The US spends close to 2% on social benefits for those of active age. Nepal and Sri Lanka's spending as a share of GDP is near zero for all programs.

*Figure 10. Public social protection expenditure by program (percentage of GDP), latest year available**



***Note**: Years range from 2009-2015.

Source: ILO, *World Social Protection Report 2017 – 19*, available at https://www.social-protection.org/gimi/gess/ShowWiki.action?lang=EN&id=594.

3.3.3 Unemployment Insurance Schemes

Developed countries

A large majority of developed countries have well-functioning unemployment insurance (UI) schemes that provide assistance to vulnerable employers and workers. The main purpose of UI schemes is to protect employed individuals against the risk of job loss, while at the same time creating incentives to search for a job and increase their employability. Overall, these interventions provide income support to the unemployed, conditional on specific job-search requirements or participation in active labour market policies (Asenjo & Pignatti, 2019). Common services provided include support for effective job search, such as counseling, job fairs, assistance for writing curriculum vitae (CV), labour market information, job database, and mobility allowances. Additionally, they also provide support for the unemployed to upgrade their skills and undertake training.

UI schemes traditionally cover private sector employees in the formal sector, while some countries have extended coverage to the self-employed and certain categories of workers on a voluntary basis. Most countries finance UI collectively – from workers, employers, and the government – where contributions are made to a national mandatory insurance scheme which provides periodical cash payments related to prior earnings.

Coverage rates vary by country, but are generally higher in developed countries compared to emerging economies (Asenjo & Pignatti, 2019). Denmark has a voluntary scheme which covers more than 80% of the working population, whereas in Chile, the benefits are first drawn from individual savings and consequently supplemented by a social insurance scheme. In the US and China, the administration and contribution and benefit rates of UI programs are determined at the state or provincial level. Government sector workers are excluded from benefits in Argentina, Chile, Denmark, South Korea and Thailand, as well as workers with low earnings in Germany and Japan, and part-time, temporary or seasonal workers in China, Japan, South Korea and Vietnam.

The implementation of UI schemes has often been in response to international and regional crises. The US and Canada launched their UI schemes in 1935 and 1940, respectively, following the Great Depression of the 1930s. The expansion of the Korean EI scheme in 1998, and the launching of Thailand's scheme in 2004, was partly a response to the Asian Financial Crisis. UI programs in countries like China, Mongolia, and Viet Nam were initiated to manage the labour market implications of moving from a socialist planned economy to a market oriented economy (International Labour Organization, 2013).

In recognition of fast-evolving developments and changing needs of labour markets, such countries have also developed labour market policies to improve the flexibility of a firm to fire and hire workers, while providing workers with UI and assistance for returning to work or for reskilling to improve their labour market prospects – termed "flexicurity." (Arunatilake, 2017). It originated in Denmark in the 1990s and combines labour market flexibility, social security, and proactive labour market policies.

The concept of flexicurity and its objectives differ from country to country. For example, the main objectives for introducing flexicurity in Denmark was to allow firms more freedom in hiring and firing workers, provide a social safety net for those without work, and develop labour market policies to help workers to either return to work or training. On the other hand, the emphasis in moving to a more flexible labour market in the Netherlands was mainly aimed at allowing firms to hire workers under different conditions, while ensuring that all workers, including non-permanent workers, are covered by a minimum level of social protection.

Such systems, however, may not be effective in less developed countries for several reasons, including difficulties in monitoring informal sector employment and weak administrative capacity to monitor schemes. A study of severance pay systems in several countries around the world proposes two options for less developed countries as an alternative for unemployment insurance schemes (Holzmann & Vodopivec, 2012) First, following the Australian severance pay reforms of 2003, is the suggestion of converting severance pay to pre-funded individual accounts. Under this scheme, firms make regular payments – as a defined percentage of their wages – to individual accounts of workers, specifically setup for use by the workers during unemployment spells. If an employee with three or more years of service is terminated, the worker can either receive the accumulated fund as a lump-sum payment or save it towards a future pension.

The other option is based on the Chilean system, which involves converting the severance pay system into a hybrid system, combining individual savings accounts with pooled savings accounts for use during crisis situations. Under this scheme, workers and firms contribute 3% of wages towards two UI funds – an individual savings account and a pooled savings account. For non-permanent workers, the employer is responsible for making the full 3% of contribution towards the two funds. For permanent workers, employers pay 2.4% of the contribution while the worker contributes 0.6%. From the 2.4% contributed by the employer, 1.6% goes to the individual fund while the remaining 0.8% goes towards the pooled fund. When unemployed, workers first access funds from their individual accounts, and under certain circumstances have access to funds in the pooled account, where they receive monthly payments for up to five months.

Developing countries

UI schemes are also used in developing and transition countries to provide income protection to the unemployed. In most developing countries, income protection is provided through ensuring job protection. In such countries, firms have to abide by restrictive procedures to remove workers and typically provide compensation to retrenched workers.

Vodopivec (2013), discussing the pros and cons of the two systems highlights that the main advantages of UI schemes are: more flexible labour markets resulting in more and better jobs, better income protection to workers, better wages for workers, and automatic stabilizer to the economy during economic downturns. More and better jobs result, as firms are able to adjust their workforces with changing technological and economic conditions of the economy. Workers get better protection, as benefits are assured,[20] and depend on the length of the unemployment spell. Due to UI workers have better bargaining power, and as such are able to negotiate better wages. As during economic downturns payment of taxes reduced (due to higher unemployment) and money is injected into the economy in terms of unemployment benefits, thus stimulating the economy. However, to be effective UI schemes need constant monitoring of the unemployed to ensure eligibility, and infrastructure to provide job search assistance and retraining. Further, UI schemes provide workers an incentive to be unemployed for longer, as they have higher reservation wages due to the unemployment benefit. Further, UI makes a recovery from an economic slowdown slower, as workers wait longer to find employment.

Severance pay systems, like the TEWA, in Sri Lanka also are not very effective as a means of providing income protection for the unemployed. As explained by (Vodopivec, 2013), despite legal provision some unemployed workers fail to get severance pay, despite the length of unemployment all workers get the same amount of compensation, further, severance pay systems reduces flexibility in labour market which result in lower access to jobs for youth. (Holzmann & Vodopivec, 2012) also evidence that severance pay systems result in lowering productivity, lowering the uptake of technology and reducing the job creation.

[20] Although legislated many workers under severance pay systems do not receive compensation when work is terminated.

Vodopivec (2013) further notes that UI schemes are difficult to establish in developing countries. Most developing countries do not have the administrative capacity to monitor eligibility and assist the unemployed to improve their employability and find employment. Further, in countries with large informal sectors the nature of unemployment is different. The unemployed are more affluent as they wait for better jobs in the formal sector. The poorer individuals take up any job in the formal or informal sectors. Also, not closely monitored unemployment insurance schemes can be easily mis-used by individuals who choose not to participate on the labour market. Further, individuals with political power can take advantage of unemployment insurance schemes.

Vodopivec (2013) further explains that given the above-mentioned difficulties of establishing UI systems in developing countries, some countries have introduced unemployment insurance savings accounts (UISAs). UISAs are saving accounts (similar to EPF and ETF) established with contributions by workers and employers. These are individual accounts, from which workers can draw an income when unemployed. The funds remaining in these accounts can be withdrawn at retirement. This reduces the moral hazard of remaining in unemployment longer, as workers can financially benefit from returning to work soon. One problem with such individual accounts is that they do not result in risk pooling. In some countries to overcome this problem, funds are channeled to two accounts: an individual account as well as a pooled account. All workers start withdrawing from the individual account first. If the funds in that account are exhausted, under strict criteria (e.g., disability, health issues) workers can receive benefits from the pooled account. Vodopivec (2013) advocates still keeping benefits modest (e.g., 50% of wages for six months), to reduce disincentives to work or receive benefits while working informally. Strict monitoring of job search behaviour or reskilling behaviour is not needed in UISAs as workers have an incentive to return to work faster as funds are coming from their individual accounts.

Hinz, et al. (2013) point out that UISA schemes can be extended to workers in the informal economy as well by government acting as the pseudo employer and providing matching funds to the self-employed or those without an employer.

3.3.4 Use of Employment Social Protection Schemes during COVID-19 – International Experience

The rapid spread of COVID-19 has seen many governments across the world resorting to unprecedented measures to support their citizens and keep economies afloat, including income support, investments in health care, job retention schemes, and business facilitation. According to the ILO, by the end of May 2020, over 90 countries had introduced or announced fiscal measures exceeding US$10 trillion (International Labour Organization, 2020c) The ILO has categorized policy response measures into four main pillars: (1) stimulating the economy and jobs; (2) supporting enterprises, employment, and incomes; (3) protecting workers in the workplace; and (4) social dialogue and workplace cooperation (International Labour Organization, 2020). In the context of the study objectives, this section discusses some of the initiatives taken under pillar 2, with a particular focus on those that draw on provident fund savings. Some initiatives taken under pillar 4 are detailed in Appendix 4.

Supporting Enterprises, Employment, and Incomes

Employment related policies to support enterprises and protect workers from loss of employment have been implemented by many countries as an immediate response to the pandemic. Commonly adopted measures include employment or job retention schemes, wage subsidies, incentives for work sharing and shorter working hours, and postponement of tax payments and social security contributions (International Labour Organization (ILO), 2020d).

Table 9 below provides a brief description of each measure.

Table 9. Employment related policies adopted during COVID-19

Measure	Description
Job retention schemes	The main purpose is to prevent loss of income for workers, by helping employers to retain workers and continue to pay their salary during the crisis. The schemes provide cash grants, low-interest loans, or tax credits for all eligible enterprises that maintain their workforce at the pre-COVID19 level.
Wage subsidies	Implemented through direct subsidies or reimbursements to enterprises for all or some share of the worker's salary when revenue and profit fall due to a crisis. Similar to job retention schemes, they provide incentives to employers to retain workers even when business activities decrease.
Incentives for work-sharing and shorter working hours	A reduction of an employee's working time to spread a reduced volume of work over the same number of workers to avoid layoffs. It is a government scheme that provides workers with a subsidy proportional to the reduction in hours.
Temporary deferrals of tax payments and social security contributions	Common policies include tax cuts, credits, waivers, postponing deadlines for annual tax declarations and payments, waivers of interest and penalties for deferred tax payments, deferral of social security and pension contributions, and allowing payment plans so employers can pay past contributions in instalments.
Extending social protection	Mobilizing, expanding or adapting existing social protection mechanisms, mainly in the areas of health protection, unemployment protection, sickness benefits, and social assistance.

Source: ILO, 2020, "A quick reference guide to common COVID-19 policy responses", available at https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/--act_emp/documents/publication/wcms_754728.pdf.

Job retention schemes

In **Malaysia,** an Employment Retention Programme (ERP) was initiated to provide financial assistance to private sector employees who have mutually agreed with their employers to take unpaid leave during COVID-19 (BDO, Malaysia, 2020). Starting from 1 March 2020, it will run until a date to be determined by the government. Under this program, RM600 is paid per employee per month. To be eligible for benefits, an employee must: (1) work in the private sector; (2) be registered with and contributing to the EIS; (3) earn a monthly wage of RM 4,000 or below; and (4) have been notified of unpaid leave (since March 1, 2020) of at least 30 days, up to a maximum of six months. The ERP payment will be made through employers, who are required to debit the amount into the employees' account within seven days upon receiving payment from SOCSO.

Under a "Stabilisation and Support Package" worth S$4 billion, **Singapore** implemented a Jobs Support Scheme under which employers receive a 25% cash grant (up from 8%) on the gross monthly wages of each local employee who is part of the CPF (Government of Singapore, 2020). The monthly wage cap has also been raised to S$4,600 (up from S$3,600) per employee for 10 months, with payouts disbursed in April, May, July, and October 2020. Additionally, a Senior Worker Support Package has been set up to support employers through Senior Employment Credit, CPF Transition Offset, Senior Worker Early Adopter Grant, and Part-time Re-employment Grant (Government of Singapore, 2020).

In **South Korea**, an already existing scheme under the EIS to support companies to reduce staff or suspend operations due to crisis situations was expanded in March 2020 in the wake of the pandemic. A company is eligible for support if: (1) it reduces work hours or its work force by 20% or more in one month or requests its employees to suspend their work for more than one month due to COVID-19; and (2) pays its employees the necessary business suspension allowance or paid leave allowance, amounting to a minimum of 70% of the employee's monthly wage (Kim & Ching, 2020).

If granted, the support subsidy will be up to three-fourths (for small and medium enterprises and other companies deemed as requiring priority support) or two-thirds (for large companies) of the business suspension allowance or paid leave allowance that the company has paid to a given employee. The amount is capped at KRW 66,000 per day per employee. The support subsidy is available for the period February 1 – July 30, 2020, when the suspension allowance or paid leave allowance was paid. For companies eligible for priority support, the government further increased the ceiling to up to 90% between April – June 2020 (Kim & Ching, 2020).

The **UK** implemented a "Coronavirus Job Retention Scheme", open to all UK PAYE (pay as you earn) employers that need support to continue paying part of their employees' salary, where 80% of employee's wages are reimbursed, up to £2,500 per month. In **Australia**, the government is providing up to $100,000 to eligible small and medium-sized businesses and not-for-profits organizations, as a cash flow boost for employers.

<u>*Wage subsidies*</u>

Singapore's "Stabilisation and Support Package" also includes an enhanced Wage Credit Scheme where an additional S$500 million is provided for employees' wage increases, on top of S$600 million disbursed in March 2020. A Solidarity Budget under the same scheme has raised wage subsidies for all firms to 75% of gross monthly wages for the first S$4,600 of wages paid to all local employees in April 2020 (TMF Group, 2020). Specific attention is given to five sectors considerably affected by the pandemic: tourism, aviation, retail, food services, and transport services.

In **Malaysia**, the Human Resources Ministry, through SOCSO, implemented a new initiative for workers in the private sector – termed the "Wage Subsidy Program" – whose employers have been affected by the pandemic, effective from April 1 2020 (HR Asia, 2020). Under this initiative, employers experiencing a fall in income of more than 50% since January 1, 2020 can claim between RM 600 and RM 1,200 per worker for a duration of three months, depending on the size of enterprise and number of workers. This is applicable for workers with monthly salaries of RM 4,000 and below, who have registered and are contributing to the EIS. Those who choose to claim this benefit are required to retain their employees for a minimum of six months. The wage subsidy is credited directly to the employer's account within seven days of application and approval. As of April 2020, a total of RM13.8 billion had been allocated to the Ministry through the EIS to implement the Wage Subsidy Programme, and is projected to benefit 3.3 million private sector workers in the country (International Labour Organization, 2020e)**.**

To assist small employers in **Canada**, a temporary wage subsidy equal to 10% of remuneration, up to a maximum subsidy of $1,375 per employee and $25,000 per employer, was paid for a period of three months (Rana & Vasisth, 2020). An Employee Retention Credit was introduced in the **US** to encourage businesses to continue paying their workers. The refundable tax credit is 50% of up to $10,000 in wages, paid by an eligible employer whose business has been financially impacted.

Incentives for work-sharing and shorter working hours

In **Brazil**, the government has introduced flexibility for firms to reduce working hours (for a maximum of 240 days) or to grant them unpaid leave for a given time period, instead of dismissing workers (The World Bank, 2020). The Federal Government also granted a financial benefit named *Benefício Emergencial de Manutenção do Emprego e da Renda* (The Emergency Employment and Income Preservation Benefit)(BEm), that partially compensates workers' salary losses from reduced paid time or temporary suspensions of employment contracts, preserving jobs that can be productive once lockdowns and social distancing measures are relaxed (Caixa Econômica Federal (Federal Savings Bank), 2021). The BEm value is calculated by the Ministry of Economy based on the employee's salary information for the past three months, corresponding to a percentage of the UI that the worker would be entitled to in case of a dismissal, ranging from R$261.25 to R$1,813.03. The benefit amount is credited to the employer's bank account registered at the Ministry of Economy. The first installment is made available 30 days after the formalization of the agreement, and the subsequent installments are given every 30 days.

In **Singapore**, companies facing cash flow issues can explore the following options to keep their businesses operating:

- Sending employees for training and up skilling programs and receive absentee payroll funding
- Making adjustments to work arrangements with or without wage cuts
- Making direct adjustments to wages
- Placing employees on no-pay leave

The **Spanish** Government adopted a Royal Decree-Law to allow employers to use temporary employee layoff plans that guarantee employee contracts are maintained. Workers cannot be fired but instead the employers will be able secure unemployment benefits for their workers (S.S. Rana & Co., 2020). In **Chile**, employers can come to an agreement with their employees to partially suspend the working contract or **temporarily reduce the number of working hours up to 50%, with the remaining salary covered by the pension security system.** Under certain conditions, employers and employees can also agree to a reduction of the work hours with a proportional reduction of the salary, which can be compensated with UI benefits of up to 25% of the salary (KPMG Global, 2020).

Temporary suspensions/amendments of social security contributions

In India, an amendment in the EPF regulation following COVID-19 lockdown now allows employees to withdraw up to 75% of their dues as a non-refundable advance, or three months' basic salary, whichever is lower (Sitharaman, 2020). The government also cut EPF contributions of both employers and workers to 10% from the existing 12% for three months – covered by the EPFO – till August 2020. This reduction in contributions is projected to increase employees' take-home pay by Rs. 43 million, reduce the liability of 6.5 lakh employees grappling with a liquidity crunch under lockdown, and infuse liquidity worth 67.5 billion over the three-month period (Firstpost, 2020). Apart from basic needs, employees can also use EPF funds to pay high-interest loans such as credit card loans which carry 3%-4% interest per month (Dugar, 2020).

Malaysia has also made several allowances under EPF accounts to assist employees during the pandemic. From March 2020, Malaysians below the age of 55 are allowed to withdraw RM500 per month from Account II for 12 months, to buy essential goods (Star TV, 2020). Discussions are also underway to allow certain contributors such as laid-off workers to withdraw funds from Account I. The rate of compulsory contributions to the fund was also lowered from 11% to 7%, and a one-off withdrawal of RM 6,000 from Account II was permitted (Tan, 2020). Amidst concerns of possible depletion of savings from member accounts and the consequent impact on funds left for retirement (Tan, 2020), an **"Employer Advisory Scheme"** has been introduced to assist employers, which evaluates the specific conditions of affected companies and offers tailored plans on the EPF contributions schedule, including restructuring of schedules or staggering payments for outstanding contributions (CPA Australia, 2020).

The **Thai** government introduced reductions in both SSF and VPD contributions following the pandemic; in March 2020, SSF contribution rates for both employees and employers were reduced from 4.5% to 4%, which was further brought down to 2% from September-November 2020 (Tilleke & Gibbins, 2020). Allowances were also made in April 2020 for employers and employees to halt PVD contributions in areas affected by the outbreak (Sangwongwanich, 2020).

The **Nepalese** government made a decision to deposit the full contribution of 31% from employers and employees to the Social Security Fund in case of firms who have completely closed due to lockdown measures (Ministry of Finance, Nepal, 2020). Enterprises have been requested to create a welfare trust for the regular payment of wages to the workers, until they are operational (International Labour Organization, 2020f).

Extending social protection

In **Brazil,** estimates indicate that around 80% of private sector formal workers were granted between three to six months of salary protection through a combination of UI, severance pay, and FGTS, preventing around 4 million lives from falling into poverty (The World Bank, 2020). The Government has also made available the withdrawal of resources from the FGTS up to a limit of R$ 1,045.00 per worker until December 31, 2020, benefitting 60.8 million workers (International Labour Organization, 2020g).

The **Indian** government issued an advisory to employers of both public and private firms to avoid dismissing employees or cutting their salaries, particularly in the case of casual and contractual workers, during the lockdown period.[21]

In **Singapore**, a "Care and Support Package" worth S$1.6 billion aims to assist workers and families, particularly the less privileged. Key components include (Central Provident Fund Board, Singapore, 2021):

- Tripling the cash pay-out for all adult Singaporeans to S$300.
- Workfare Special Payment: cash payment of S$1,500 each in July and October 2020 for those who received Workfare Income Supplement (WIS) payments for work done in 2019. Those who receive WIS for work done in 2020 but not for 2019 will receive a cash payment of S$3,000 from October 2020.
- COVID-19 Support Grant: Lower and middle-income workers who lose their jobs or experience reduced monthly salaries due to COVID-19 can apply for a cash grant of up to S$800 a month for three months. Applications can be made from 4 May to 31 December 2020.

The **South Korean** government announced plans to extend the EIS to cover all working people in the country, which currently provides protection to less than half of the country's working population (Korean Broadcasting System World, 2020). The aim is to have all workers insured against unemployment, in view of the large number of workers who lost jobs during the pandemic.

In **Thailand**, workers in the formal sector registered under the SSO will receive unemployment benefits which will be increased during 2020-21. Laid-off insured persons will receive from 50% of the salary for 180 days to 70% of the salary for 200 days, while for voluntary resignations and end of contracts, insured persons will receive from 30%-45% of the salary up to 90 days (International Labour Organization, 2021a). The Thai social security agency will also cover all medical costs of those infected with COVID-19 (International Labour Organization, 2021a).

In **Canada**, its Employment Insurance (EI) scheme was extended to the self-employed who are quarantined or sick with COVID-19 but do not qualify for EI sickness benefits, providing a flat-payment benefit up to $900 bi-weekly, for up to 15 weeks. The government also implemented an EI Work Sharing Program, which provides EI benefits to workers who agree to reduce their normal working hours, by extending the eligibility of such agreements to 76 weeks, easing eligibility requirements, and streamlining the application process (S.S. Rana & Co., 2020). The **US** launched a "Federal Pandemic Unemployment Compensation" – an emergency program designed to increase unemployment benefits for Americans affected by the pandemic – which provides an additional $600 per week to regular Unemployment Compensation claimants.

[21] ThePrint. 2020. Don'T Cut Salaries Or Fire Workers During Lockdown — Modi Govt Issues Advisory. [online] Available at: https://theprint.in/india/dont-cut-salaries-or-fire-workers-during-lockdown-modi-govt-issues-advisory/386643/.

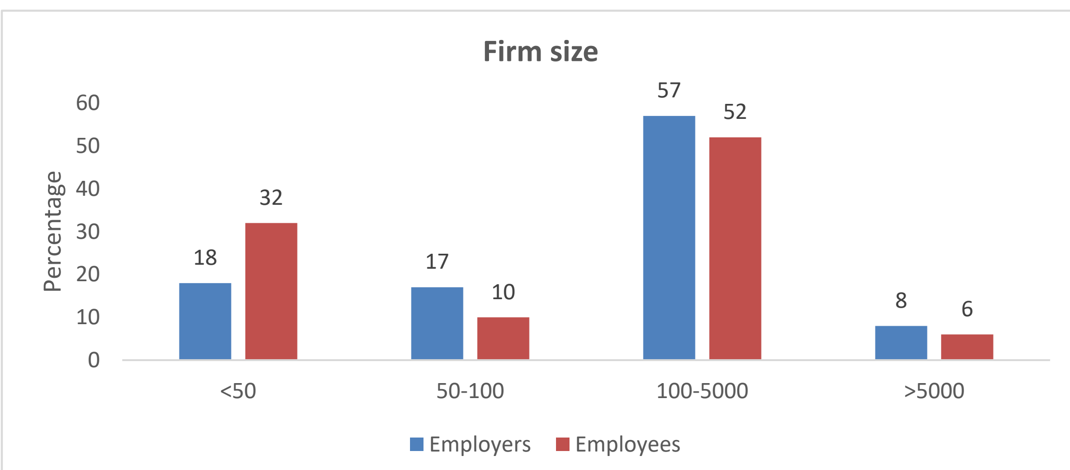
In **Italy,** €4 billion was allocated to existing unemployment funds, and was extended to all employees in all sectors, while companies with fewer than five employees can file and receive benefits for a maximum duration of nine weeks. In **Chile**, if a worker loses a job, those that meet minimum requirements can apply for UI which will cover 70%, 55%, and 45% of the salary during the first, second, and following months of termination, respectively (KPMG Global, 2020).

4.0 Employer and Employee Perspectives on Sri Lanka's Social Protection Schemes

This section analyses findings from the employer and employee surveys and KIIs, based on a thematic approach following good practice indicators identified in the literature review.

The sample of the 100 surveyed companies includes a mix of small, medium, and large companies, across different industry sectors. As shown in Figure 11, 57 of the 100 employer representatives are from large companies, employing between 100-5,000 workers, [22] while 18 are small, consisting of a workforce of less than 50. Eight companies surveyed have a very large workforce exceeding 5,000. Enterprises from all 18 industry sectors are represented in the employer survey (Figure 12); the most prominent are manufacturing (24%), accommodation and food services (12%), and human health and social work activities (8%). Of the 50 employees who responded to the survey, 51% are from large companies, 8% from medium-sized, and 33% from small firms. The largest shares of employees represent the manufacturing and financing and insurance service sectors (17% each).

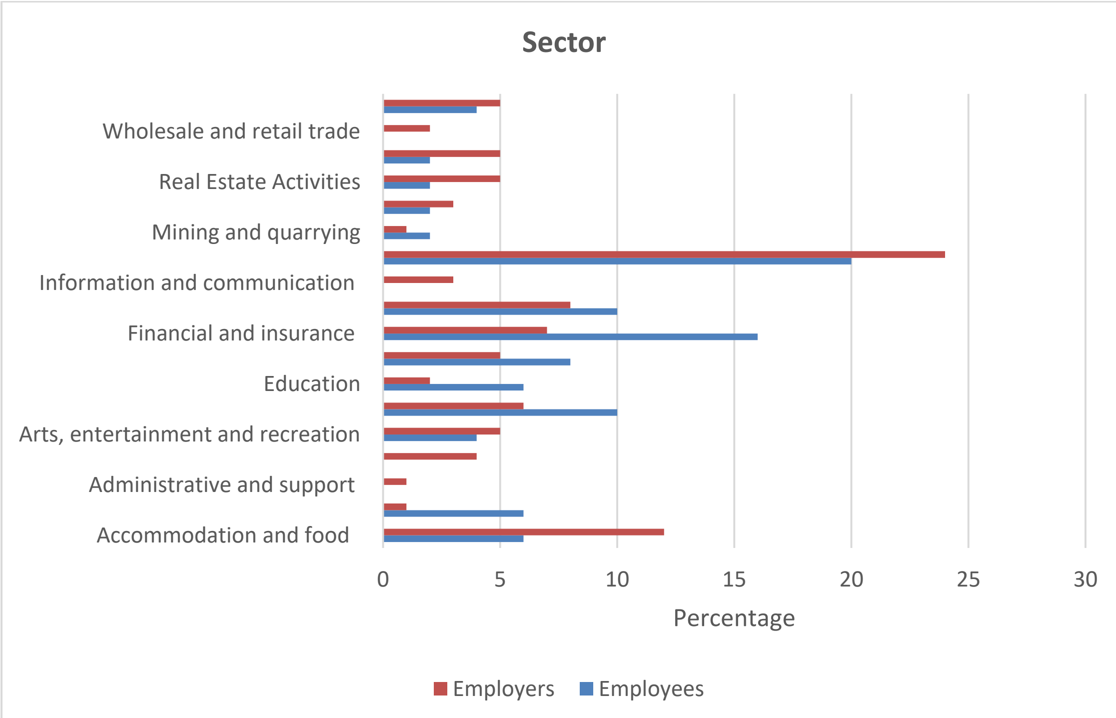
Figure 11. Percent Distribution of the Surveyed Sample of Employers and Employees by Firm Size



Note: The bars show the percentage distributions of the employer and employee samples by firm size. For example, 18% of the surveyed employers and 33% of the surveyed employees were from firms with less than 50 workers.

[22] The World Bank defines enterprise size in Sri Lanka based on the number of employees: those with fewer than 49 employees are small; those with 50-99 employees are medium-sized; and those with more than 100 employees are large.

Figure 12. Percent Distribution of the Surveyed Sample of Employers and Employees by Sector



Note: The bars show the percentage distributions of the employer and employee samples by sector.

4.1 Benefits

4.1.1 EPF and ETF

59% of the surveyed employers believe that the existing EPF and ETF schemes fall short of encouraging regular contributions from employees. One of the most commonly cited reasons for this is the **inadequacy of guaranteed benefits to employees compared to contributions made, both during and after employment**. Given the current context of a pandemic situation where businesses are finding it difficult or unable to operate, the lack of any social security scheme coming into play to support the membership is a commonly lamented fact among employers. While the grace period given to employers to make contributions is appreciated, they argue that more benefits should be offered to the employees, such as some mechanism for workers to withdraw funds allowing some extent of flexibility during emergencies.

Key informant employers also point out that **the current benefits, established several decades ago, are outdated**. For example, while the ETF provides scholarship opportunities to high performers at government national examinations, many children of private sector workers now attend private schools, and thus cannot claim such benefits. Also, although there are certain insurance schemes and loans available for surgeries under ETF, but many large private sector companies already cover these with superior benefits under their own schemes for surgeries, hospitalisation, as well as life insurance policies. Further, the current administrative system still requires submission of birth certificates and national identity cards when workers are eligible to collect their savings, which is problematic for some workers such as those in the plantation sector, and government officials are often not understanding or helpful in such situations.

The rate of returns earned on EPF and ETF investments are also deemed insufficient. When asked about their expectations of areas in which SP programs can improve, the most important factor for 63% of surveyed employers and 60% of surveyed employees is better rate of returns. Key informants point out that EPF savings are subject to inflation, and returns do not make up for the real value for the money that has been invested. Further, apart from taxes paid by many employees on wage earnings, taxes applicable on EPF returns result in double taxation, further dampening disposable income from savings. A related concern is the **lack of transparency in how the funds are invested**; the current investment mechanism does not ensure that savings are invested in the most efficient way, with large shares being deposited in commercial investments and in the stock market which are typically high-risk options. This needs **review to determine more secure investment options, and to establish strict guidelines in this regard.**

Lengthy and cumbersome procedures involved in claiming benefits is another identified problem, including a large list of documents to be produced and numerous conditions to be satisfied. 35% of surveyed employers view cumbersome procedures for *withdrawals* as the most important reason for poor EPF/ETF membership, and 18% view cumbersome procedures for *registration* as the key reason. Similarly, close to half of the surveyed employees cite simpler withdrawal procedures as the most important expectation from SP programs.

Employers highlight early withdrawal from the EPF to obtain loans as a particularly challenging process, compared to applying for loans under alternate procedures. A majority of surveyed employees also mention this concern, with the largest share (54%) viewing obtaining loans for their children's education as the most challenging. A related problem highlighted by key informants is the **lack of a well-organised and easily-accessible digitised system to determine the amount in one's account at a given point in time**. Further, when applying for loans or credit cards, banks only consider the basic salary, information of which is readily available, and thus deem earnings as insufficient on many occasions. But if employees can also show their EPF/ETF balances, this would serve as important collateral when applying for loans. According to interviewees, such problems are largely due to the **poor service mentality under the current system**, which gives the impression that the funds are a grant or allowance, as opposed to a worker's own earnings which rightly belong to them.

Lastly, **lack of awareness regarding the full range of services and benefits offered by SP schemes** leads to irregular or poor contributions to the EPF. Further, although the ETF offers a wider range of benefits relative to the EPF – including housing, education, and health benefits – many employees are only aware of EPF benefits. In smaller companies, some workers do not even know how they can claim fund balances after they retire. One respondent is of the view that **it is the joint responsibility of the government as well as companies to educate their employees about these benefits**. Apart from benefits, employees are also unaware of the penalties imposed by the funds – as mentioned in the KIIs, employers have experienced situations where employees who have taken loans against their deposit balances end up paying heavy penalties, and as a result exhaust their receivable funds.

In contrast to the majority view of employers and surveyed employees, interviewed employees view **the 20% savings of monthly employee salaries over a long time period, complemented by a compound interest rate, as a satisfactory retirement fund**. The ability to claim 30% of the EPF to buy or construct housing and obtain educational loans, as well as the healthcare cover for critical illnesses under ETF are also considered beneficial. A suggestion given is to establish fixed amounts to be given for different loan categories, as opposed to basing it as a share of the EPF/ETF balance, so that low earners can also obtain comprehensive benefits. However, the means of financing such a measure remains unclear.

4.1.2 Other social security benefits

The absence of a health insurance scheme for workers and their families is a commonly highlighted issue. While employers are burdened with providing maternity and workmen's compensation injury on top of EPF/ETF and gratuity, benefits offered under the WCA are negligible – capped at a maximum of Rs. 150,000 – and often insufficient to cover required treatments. While some amount can be withdrawn from EPF and ETF for bypass surgeries, it is a nominal amount which doesn't even cover the cost of the surgery. This is particularly an issue in smaller companies where workers are not covered by any other company health insurance scheme, such as against personnel accidents, including life (permanent disability and death) and critical insurance cover (cancer, cardiac illness, kidney transplants).

Employers are generally satisfied with gratuity payments, where the ability to work for five years, withdraw gratuity earnings, and then re-join the company enables the opportunity to use the funds at present for various needs, rather than waiting till final retirement. They also believe **that workers have a high level of trust in this payment system, which is backed by strict labour laws and high transparency, as opposed to the EPF and ETF.** One issue brought up is the fact that there are strict regulations on paying the due sum within 30 days of an employee leaving an enterprise, with surcharges imposed for any delays. In cases where delays occur due to certain investigations on the worker being carried out, such penalties should not be imposed.

Both employees and employers are happy about the revisions made to maternity benefits in 2018, bringing together rules and allowances initially offered separately under two provisions of the MBO and Shop and Office Employees Act (SOEA). Before 2018, under the two acts, females falling under the SOEA were granted leave for 84 working days (excluding statutory holidays), whereas those under the MBO were given only 84 calendar days. The 2018 revisions also provided feeding breaks for female workers under the SOEA until a child reaches one year of age. However, a remaining distinction is the payment of maternity benefits. The salary of females on maternity leave under the MBO has to be paid as a lump-sum advance in two installments, as opposed to a regular monthly salary, which is the case for those coming under the SOEA. If many employees are on maternity leave in a given company that falls under the MBO, this is a large cost, and it is also not beneficial to the employee who will not receive a periodic payment. Further, some employers noted that **putting the onus on the employer to provide for**

maternity benefits is in contravention with the ILO convention on maternity benefits, which clearly states that the employers should not bear the total responsibility of maternity benefits.

Respondents further point out that **compared to the private sector, maternity benefits received by workers in the public sector are superior,** particularly the provision of half-pay leave for a further three months upon completing the fully paid 84 days, plus additional fully-paid leave in some cases. The respondent argues for extending maternity leave in the private sector too, until a child turns one, to prevent young mothers resigning from their jobs due to childcare obligations.

Overall, it is important to note that although the ILO Maternity Benefits Convention clearly stipulates that these benefits are a responsibility of the governments as well, it is still fully borne by the employer. Research has shown that this also affects job opportunities for young women in the private sector, as hiring them can be viewed as costly compared to hiring a male counterpart (Verite Research, 2020). This is in fact one factor contributing to high female unemployment rates in the country, which is double that of male unemployment rates.

4.2 Coverage

There are also many employers who do not contribute to EPF, although this is a requirement according to legislation. Requiring better administration by the DoL to monitor basic wages and funds being paid by companies to ensure sufficient contributions are being made to both the EPF and ETF. However, 43 out of the 50 employees who responded to the online survey stated that their employers make the relevant monthly contributions on their behalf.

Interviewed <u>employees, government officials, and trade union representatives</u> also opine that **EPF and ETF participation should be made attractive to all types of self-employed persons, elementary occupations (including daily wage earners), contract workers, migrant workers, as well as informal workers.** At present the benefit schemes are not attractive to these workers, making participation low. This should be accompanied by awareness programs to change the current mentality which views contributions towards social security as disadvantageous. Implementing social security schemes in the informal sector, however, is likely to be a complicated process given limited mechanisms to monitor the sector, and requires further research into how this can be feasibly done.

The coverage of gratuity payments is also deemed inadequate by both employers and employees. These payments are not made in companies employing less than 15 workers, and do not cover outsourcing companies with contract-based or part-time working arrangements.

4.3 Financing and Support during Crises

<u>4.3.1 Financing</u>

In terms of financing the funds, while raising employer and employee contribution rates might not be feasible, an <u>employee perspective</u> is for the **government to invest the funds better,** by raising interest rates to around 15% - which is the current rate for senior citizens – thereby ensuring a good rate of return. Another employee believes the contribution rates need to be revisited, while also introducing other social safety nets as well as amendments to minimum wages and wages board related governance structures.

Interviewed employers point out that **there should not be any further contributions required from employers** because, as it is, they are shouldering the burden of all the social security funds that are relevant to private sector employees in Sri Lanka, while also contributing towards social security of state sector workers by way of tax that they contribute through their operations. Instead, **the sustainability of the funds can be boosted by a government contribution,** of at least 2-3% of monthly employee salaries, which is a common practice in other countries. 64% of surveyed employers also support this view.

4.3.2 Support during COVID-19 and other crises

A majority of both employers (70%) and employees (56%) believe that **the EPF or ETF should be used to provide some financial support during crisis situations**, in light of the wage and job losses experienced in small companies during the COVID-19 pandemic, as well as in the aftermath of the 2019 Easter Attacks. **Responsibility of implementation should rest with the government**, who has been providing full wages to public sector employees, irrespective of reporting to work during the pandemic. Key informants argue that while the current schemes are not geared for any specific condition such as a crisis, a well invested large fund such as EPF, with prudent financial governance, should be able to generate a return after investment and sufficient funds to support its membership, without completely paying out the full contribution. A monthly pay-out to the unemployed using the fund will support both employers and employees to manage crisis situations, while reduced contributions will help businesses that are facing difficulty to manage their finances, as done in other countries.

However, both parties acknowledge that while a “crisis fund” is a good idea, the existing funds and schemes may not be sufficient to support this, requiring a boost from the government as well. Further, if such a fund is to be established, it has to be strictly governed to avoid misuse and wasteful spending or investment of withdrawn funds. An alternative suggested is for employers to contribute to an insurance scheme, where premiums will not be very costly, given that such crises do not happen often. Short-term assistance can be provided through the EPF/ETF contributions, such as via a “disaster loan scheme”. But the government should play a catalyst role in developing necessary policies in this regard to ensure financial security, in consultation with private sector employers.

Trade Union representatives agree with this viewpoint, stating that **the government will have to make a contribution to the fund or establish a separate fund for use in crisis situations**. The Sri Lankan government should study relief packages offered to employees and employers in developed countries and devise our own programs. For instance, in developed countries, all stakeholders contribute to a National Insurance Scheme, through which a monthly payment is made by the government during spells of unemployment. Trade Unions in Sri Lanka have been advocating for such a scheme for many years, and are currently in discussions with the government to establish a program to provide relief for members if they lose their job temporarily due to a crisis situation, in the form of a minimum 60% of the basic salary for a period of two years until the retrenched worker finds another job.

In addition to monetary support, they also call for retraining programs for workers who have lost employment and a readily available database that informs employers and employees about job opportunities/labour availability. They also point out that in the longer-term, amendments to the current acts to provide support when economies are under shock are important. One objective of the ETF is to give certain benefits to employees *while they are in employment* for whatever the requirements they may have, given that they have contributed for a minimum of five years. **ETF is thus aligned to cater to the current pandemic situation**. Thus, part of the ETF, including unclaimed funds, could have been used during the crisis, along with a government contribution.

Government officials, however, strictly maintain that it is not possible to provide additional benefits to employees during crisis situations as **such support is not provided for in the current EPF and ETF Acts,** unless the act is amended to accommodate such provisions – a process that is likely to take several years. The only relief measures provided within the Acts during COVID-19 were giving employees additional time to pay EPF contributions, reducing surcharges on delayed payments, and providing flexibility to employers to pay in installments. Instead, they recommend that the government – through Parliament – implement other measures such as those discussed above to provide relief during such situations.

4.4 Governance and Regulations

4.4.1 Governance

87% of employers surveyed perceive that current SP schemes in the private sector are poorly managed. The key concern cited with regard to governance of the EPF by a majority of both employers (92%) and employees (78%) is its **sole management by the government, with lack of representation from employers or employees**. There is thus **no transparency, communication, or accountability, as to how the funds are managed or invested and how returns on investment are obtained**. There have been instances where audited accounts have not been published, and past incidences where EPF and ETF savings were utilised for distrustful or unauthorised transactions, resulting in significant losses to the funds, severely eroding public confidence and trust in their management.

However, according to views of a member of the ETF Board, the funds are managed well by both the Central Bank and Ministry of Labour, where decisions are taken carefully after discussions at monthly meetings, subject to final approval of the Commissioner of Labour. The same respondent indicated that there is adequate representation as discussions are held with the National Labour Advisory Committee (NLAC). Established in 1995, the NLAC's main objective is to promote social dialogue between the government and the organisations of workers and employers on social and labour issues, and consists of representatives from the Ministry of Labour, organisation of workers, organisation of employers, other key ministries such as Finance, Industry, Planning, Justice, Education and Public Administration, Trade Chambers, Boards of Investments of Sri Lanka, and experts in relevant fields. In this respondent's view, what is lacking is a digitised system to manage the fund more efficiently.

This view is echoed by other respondent categories too, including employers and employees. The procedures established have remained the same since the schemes were introduced several decades ago. Failure to adopt new technologies in terms of administering the fund, fast-tracking procedures, communicating information, and facilitating withdrawals has impeded any improvements in efficiency.

4.4.2 Regulations

One trade union representative draws attention to two regulatory requirements which are viewed as unfair, requiring amendments. One is the current rule of mandating expatriate employees to confirm that they have no intention of re-entering employment in Sri Lanka in the future, to be eligible to claim EPF benefits. Employees cannot make such a guarantee and this requirement should be removed. The second is a rule where an employee, upon retiring from a given company at the eligible age for EPF and ETF withdrawals (50 for females and 55 for males) and looking to join a new company on a contract basis, has to wait a minimum of three months to withdraw funds and reinvest in another firm. This works as yet another administrative barrier for employees in claiming their savings. The suggested amendment is to give those who are eligible to claim contributions the option to retire or resign and claim their contributions, and afterwards re-join employment on a fixed-term contract or in any arrangement of their choice.

4.5 Feedback to Proposed Changes in the Labour Market

4.5.1 Increasing (mandatory) retirement age

A commonly agreed view held by all respondent categories is that irrespective of the actual retirement age, **employees should still be allowed to withdraw EPF and ETF benefits at the age of 55 (for males) or 50 (for females)**, given that many employees expect to receive their savings at this age, and have made plans on how to use or invest the funds. Employees are also concerned about how their savings will be used by the government for an additional five years, if withdrawal at 55 is not allowed.

Employers who responded to the survey are roughly equally divided in their views on the implications of increasing the private sector retirement age to 60 (54% against and 46% in favour). The main reasons cited by those in favour of this proposal are the increasing life expectancy of the Sri Lankan population and an ageing demographic profile, which means that workers can contribute for additional years and boost their funds for retirement. It can also reduce the burden on families in the context of the high and increasing costs of living, and benefit employee’s mental health by keeping them productively engaged for longer. They also draw attention to the fact that government employees are allowed to work until 60, as well as private sector workers in many other countries. Another factor highlighted is the possibility to retain skills and experience of employees for a longer period of time, combined with lower costs associated with recruiting and training new staff. Some employers believe that skills and talent among younger cohorts are relatively lacking while there are also shortages of workers and difficulties in filling up vacancies, especially in the manufacturing sector, exacerbated by the large-scale migration of skilled personnel.

Employers who are against increasing the retirement age point to factors including high youth unemployment rates, barriers for new talent and innovative thinking to enter organisations, productivity and efficiency concerns associated with a blanket mandatory age limit for all workers, a further delay of five years to claim EPF and ETF savings and utilising/investing them in the best possible way, and increasing manpower and gratuity costs at the expense of innovation and productivity, since the salary of experienced staff is relatively high. One way of allowing for flexibility, as suggested by some firms, is to retain the choice of re-employing an employee on a contract basis after retirement at age 55, rather than being forced to retain workers for another five years.

Indeed, both groups stress the fact that **this should not be a mandatory requirement and should be left unregulated** – each firm should be given the flexibility to decide on each employee's retirement age, depending on a range of factors specific to both the firm and worker, including worker performance, the sector to which a firm belongs (more physically demanding occupations are likely to prefer a relatively earlier retirement age), and the firm's expected future trajectory. These views are also expressed among key informants, arguing for flexibility on this decision at the discretion of the employer, based on performance in terms of productivity and output.

The EFC also views a mandatory age requirement as problematic, in the context of the current legal framework in Sri Lanka, particularly related to the TEWA, which restricts the ability of employers to terminate workers for non-disciplinary matters. **If a mandatory retirement age is imposed on top of TEWA, it will severely restrict the flexibility for firms to adjust their workforce in terms of productivity**. Other countries where a mandatory retirement age is in place at 60, do not have stringent regulations such as TEWA. Thus, if such a measure needs to be implemented in light of an ageing population for instance, the TEWA also has to be amended, allowing termination decisions to be taken by the employer without having to seek permission of the Commissioner General of Labour or the employee. They draw attention to some other related issues as well. First, in certain countries like Singapore and Japan where they have introduced a mandatory retirement age, they also have provisions with regard to wages and other benefits that the employees will receive after a particular age, based on factors like productivity and health status of an employee. Second, if a mandatory retirement age is to be introduced, it has to be implemented in a systematic and phased out manner as opposed to a sudden increase, so that employers will be able to adjust and develop a mechanism to balance their cadre levels on the basis of the best combination of different age groups that they need to meet the challenges in the future.

In contrast, trade unions representing employees see this as a positive move, since currently there are different retirement age levels for the government and private sector, which they believe is unfair.[23] According to their view, **the retirement age should not be determined according to the sector you work in, but according to the population's life expectancy and various other socioeconomic factors**. It can still be left open for the employee to voluntarily retire at 55, but if he wishes to work till 60, then the employer can't compulsorily terminate him before that. 21 out of the 30 surveyed employees are also in favour of increasing the retirement age.

[23] Public servants work till 60; judiciary and university employees work till 65; many of the state corporations till 60.

Views among <u>government officials</u> differ. One representative sees a mandatory age as a positive move, since companies can terminate employees when they are unable to work productively, while also providing job security to workers since they can't be terminated arbitrarily. Another respondent however sees this as a problem, arguing that it should be flexible, based on employees and employers' decisions.

<u>4.5.2 COVID-19 Insurance Tax</u>

69 out of the 100 firms surveyed are in favour of imposing an additional COVID insurance tax of 0.25% on the turnover of businesses, mainly citing the importance of supporting employees, given the unprecedented effects caused by the pandemic. Some employers are of the view that the government has done what it can, and has limited capacity to assist employees further. They also point out that the share of the tax is very low, and hence not a significant challenge for firms, and should be viewed as a "social responsibility" amidst challenging situations.

However, those opposing the tax offer compelling reasons in support of their stance. Key among them is the fact that businesses are also under significant pressure given limited revenue generation amidst dampened consumer demand and economic activity, and should not be burdened further. Another view is that while this could be a useful longer-term goal in facing future crises, ad-hoc and sudden implementation in the proposed manner will have a detrimental impact on already suffering firms, some who have been compelled to cut salaries and/or working hours. **13 out of the 31 surveyed employers who oppose the tax believe that the government should take sole responsibility in providing relief for employers**, while 8 firms opine that it should be a joint contribution from both the government and businesses. **Employers are also skeptical as to how credibly the fund would be managed, given the current problems surrounding the governance and administration of the EPF and ETF**. There is no information available on the specific benefits employers and employees will receive from such a fund during crisis situations.

One respondent further argues that the term 'tax' itself is not a conducive term to be used in relation to social security contributions, and also points out that a contribution based on the turnover of a company is not appropriate, as different companies will have varying cost schedules. For example, although a company has a high turnover, their cost structures could also be high depending on the nature of business. Thus, **if at all, the tax should be based on profits of a business, as opposed to turnover**. Another factor mentioned is that some large companies have been providing considerable support to the society in various forms during the pandemic, for example in providing remote education opportunities to children in marginalised areas, and enforcing an added tax for this purpose is not fair. Employees also agree with these sentiments, adding that many small and medium sized industries will not be able to afford such a tax.

Some alternative suggestions to the proposed tax include utilising funds from the current ETF scheme for COVID-19 relief, maintaining an additional fund as a reserve within the company which can be used to support both workers and liquidity issues in firms, and businesses tying up with insurance companies to provide assistance during crises, without incurring any additional costs.

4.5.3 Replacing EPF/ETF with a Pension Scheme

Views regarding replacing EPF and ETF with a pension scheme are mixed. Both employers and employees point to both positive and negative impacts of such a proposal, which also depends on the circumstances and aspirations of each employee. It could be positive if there is flexibility to select a customisable plan that will lead to great financial independence, and is useful for those looking for a regular source of income to manage living expenses after retirement. Given the problem with the erosion of the real value of EPF and ETF when it is claimable, a pension adjusted for inflation could be more advantageous. A pension scheme would also be more sustainable, beneficial, and provide better security to many workers who may not use a one-time lump-sum payment responsibly and wisely, and lower chances of funds being misused. However, an informant representing the EFC notes that **this task cannot be undertaken by the private sector – it has to be initiated by the government**, where the government intervenes and ensures that the person is looked after under a pension scheme until he or she dies.

Moreover, if workers have specific obligations – such as children's education and marriage – upon retirement, or have made plans to invest in a new venture, a lumpsum payment would be more valuable. Some trade unions argue that many employees who have been expecting to receive a lump-sum do not want it to be replaced by a pension scheme. They state that while there is some scope for examining the feasibility of converting the ETF into a pension fund, the EPF cannot be substituted, to which workers have been contributing and expect to receive their full savings upon retirement. **Any pension scheme would need the consent of workers**, or, it should be implemented for future entrants to the workforce, if the current scheme is not sustainable.

In contrast, some unions have been advocating for a pension scheme for several years, and a proposal was put forward in 2011 for tripartite contribution by the government, employers and employees, but it wasn't successful at that time, due to poor formulation. Employers and trade union representatives opposed the proposal on the grounds that it was not really a pension scheme which guaranteed payments until death, but only until an individual account had money.

5.0 Proposed Reforms and their Effect on Existing Provident Fund Schemes

5.1 Proposed reforms

Analysis of employment related social protection schemes in other countries shows that contributions collected are channeled to different accounts for different purposes. For example, funds collected in Singapore are channeled to four accounts (i.e., ordinary accounts, medisaver accounts, special accounts and retirement accounts), and the funds in those accounts are used for providing different types of benefits as shown in Figure 13. A similar system is in place in Nepal, where contributions for social security are channeled to different accounts for different purposes (Figure 14).

Figure 13. Channeling of Social Security funds in Singapore

Contributions (% of Salary)	Apportioned share (% of contributions)	Benefits
14-35.5% (Employer: 9-15.5%; Employee: 5-20%)	1-23%	Ordinary Accounts - Housing and investment schemes, tertiary education.
	8-10.5%	Medisave Accounts- Hospitalization, medical expenses, healthcare insurance premiums.
	1-11.5%	Special Accounts- Payment of lump sum if the account balance exceeds minimum required balance in the RA, or S$5,000, whichever is greater.
	Remaining share (90%-55%)	Retirement funds Retirement Accounts

Source: Authors' compilation based on literature review

Figure 14. Channeling of Social Security Scheme in Funds in Nepal

Contributions (% of Salary)	Apportioned share (% of contributions) [a]	Benefits
31% (Employer: 20%; Employee: 11%)	3.23%	Medical treatment, health protection, and maternity scheme
	4.52%	Accidents and disability plan
	0.87%	Dependent family plan.
	91.39%	Pension or old-age security scheme.

Source: Authors' compilation based on literature review

Note: In terms of percentage shares of salary, 1%, 1.4%, 0.27% and 28.33% are allocated respectively for health care, accidents and disability, dependent family and pensions.

After discounting for the costs of healthcare,[24] the contributions as a share of salary collected in other countries are not that different to those collected in Sri Lanka. For example, in Singapore all benefits other than health benefits are covered with contributions amounting to 25-27% of salary. In Sri Lanka the social security contributions amount to 23% of salary (EPF: Employer 12% Employee 8%; and, ETF Employer – 3%). The contributions collected in other countries are used for a multitude of different purposes. However, benefits collected in Sri Lanka are mainly used to provide a lump-sum payment at retirement other than for withdrawals allowed for housing, education and some medical procedures.

Based on reviewed international best practices and key stakeholder perspectives, we have identified four social protection benefits that could potentially improve the functioning of the labour market in Sri Lanka. These include: a) maternity benefits; b) sickness benefits; c) unemployment benefits; and, d) wage support during disasters. Other than wage support during disasters all other social security benefits are those specified in the Social Security (Minimum Standards) Convention 1952 (No.102). Permanent workers do have access to maternity benefits in Sri Lanka, but providing maternity benefits is the sole responsibility of the employer in Sri Lanka. This is in contravention to the ILO convention.

The following section assesses the cost of each of these benefits using the methodologies described in Section 2.2. Section 5.3 discusses possible means of financing these.

5.2 Costs of Increasing Social Security Benefits

5.2.1 Maternity Benefits

As shown, in 2016, the total cost providing maternity benefits amounted to Rs. 6,786 million. The actual cost of maternity benefits is likely to be lower as working women, especially high-income earners, have a lower fertility rate.

Table 10. Estimated cost of maternity benefits

Age group	Age specific fertility rate [a,1] (ASFR)	No. of births [b] by permanent female workers (B)	Average monthly wage (Rs.)		Average daily wage [d] (Rs.)		Number of permanent workers[c] (Rs.)		Yearly cost of maternity benefits (Rs.) (J =B*C*84) [e]
			Males	Female	Males	Females (C)	Males	Females	
15-19	36	392	22843	15716	1141	785	7895	10889	25,850,405
20-24	107	8477	26879	21106	1343	1054	76643	79228	750,357,442
25-29	147	19636	31930	28516	1593	1425	151820	133580	2,350,795,270
30-34	118	17666	37540	31413	1876	1573	194694	149712	2,333,607,930
35-39	58	7452	39219	33063	1961	1655	190508	128476	1,036,044,325
40-44	16	1950	44495	32003	2234	1599	159475	121848	261,937,161

[24] The need for health care is less in Sri Lanka, as health care is available free of charge in public hospitals for most medical treatments.

45-49	2	216	43950	30461	2196	1523	155088	108212	27,691,351
50-60	0	0	39606	36662	1979	1837	239551	141237	-
							1,175,674	873,181	**6,786,283,883**

Sources: data for ASFR is from (De Silva W. I., 2016), other data based on Department of Census and Statistics, Labour Force Survey data 2016.

Notes: a) Per 1000 women. We assume that the fertility rate of working women are equal to that of total fertility rate; b) Number of births = ASFR * G/1000; c) We assume all permanent employees pay EPF. d) Daily wages are calculated assuming 20 days of work a month. E) As per applicable legislation, maternity leave is taken to be equal to 84 days.

5.2.2 Estimated cost of Sickness Benefits

According to LFS data, 11,191 of 15- to 60-year-old permanent employed were not working due to sickness, injury or personal reasons.[25] **The cost of providing sickness benefit (SB) for these workers for six months is equal to Rs. 1,078 million if support is given at 45% of wages for 6 months as per ILO convention No. 102** (Table 11). The actual costs of providing wage support during long-term sickness and disability is likely to be lower as it is possible that some of these workers may not need wage support for a six-month period.

Table 11. Estimated cost of sickness benefit to permanent workers

Item	Male	Female
(A) Number of employed persons not working due to sickness injury or personal reason	7035	4,156
(C) Ave monthly wages	38,504	30,895
Cost of wages support during sickness or injury (Assuming 45% of wages for six months)	**731,364,228**	**346,678,974**

Note: We assume that the number of permanent workers with a job not working due to sickness, injury or personal reasons as the number of workers eligible for SB. The number of permanent workers who are not working due to sickness or injury are too small to conduct the calculations at age sex disaggregated levels.

5.2.3 Cost of Unemployment Benefit

If benefits were provided for all unemployed with social security accounts for three months at 45% of wages,[26] the total cost of the benefit would have been Rs. 5,265,526,437 in 2016 (Table 12).

[25] We assume personal reasons are, taking care of close family members.

[26] Only those who were held a permanent job prior to being unemployed would have social security funds. So benefits would only available for those unemployed.

Table 12. Cost of unemployment benefits (for past permanent workers)

	No. of unemployed [1]		No. of unemployed with social security funds[2]		Average monthly wages (LKR) [3]		Yearly cost of unemployment benefits (LKR) (workers with social security accounts)
Age group	Male	Female	Male	Female	males	female	
15-19	35269	23353	2441	5745	22843	15716	
20-24	65383	78487	13316	30676	26879	21106	1,683,680,527
25-29	26023	50601	8131	25260	31930	28516	1,599,568,046
30-34	7906	22360	2623	10451	37540	31413	777,469,815
35-39	3924	13766	1136	4937	39219	33063	417,795,440
40-44	4568	7503	1212	2476	44495	32003	327,130,040
45-49	3889	5971	1039	1753	43950	30461	248,682,822
50-60	3412	6169	722	1413	39606	36662	211,199,745
Total	**150374**	**208211**	**30619**	**82711**			**5,265,526,437**

Notes: 1. LFS 2016 data. 2. These numbers are arrived by assuming that the share of permanent workers among employed are equal to the share of unemployed contributing to social security funds. This estimation is necessary as not all unemployed have been permanent workers, with social security accounts; 3. Benefits at 50% of wages for 6 months. Assume that teenagers have not contributed long enough to social protection to receive unemployment benefits.

5.2.4 Wage Subsidies During Disasters

As discussed earlier, governments in many countries provided wage support to firms to retain workers during the COVID-19 economic downturn. The types of support provided by the governments included cash grants, low-interest loans and tax credits in return for retaining workers. This section assesses the costs of providing wage subsidies to firms during times of national/regional disasters as an incentive for firms to retain workers even when business activities decrease in the short term. **Based on these estimates, the cost of providing wage support for sick or injured workers is Rs. 1, 732 million**.

Table 13. Wage subsidy during disasters

	Male	Female	Both
Increase in unemployment rate due to COVID-19[a]	1%	0.80%	
Labour Force [b] (NO.)	5,303,502	3,007,180	
Number at risk of UE [b]	53035	24057	77,092
Share of permanent workers[c] (of total employed)	0.41	0.59	
Number at risk of UE (of those contributing to social security) [d]	21953	14176	36,130
Ave monthly wage (perm workers)[1]	38504	30895	
Sickness payment (for 1.4 months = 45% wages for three months)	1,141,150,551	591,261,125	1,732,411,676

Sources: 1) Based on Department of Census and Statistics, Labour Force Survey data 2016.
Notes: a) Assume that disasters such as COVID-19 results in increasing the unemployment rate by 1% and 0.8% for males and females respectively. B) These numbers are for 15 and above population. The number for 15-60 population would be slightly less. C) Based on labour force survey data 2016. D) We assume that the share of permanent workers at risk of being unemployed due to the disaster is equal to the share of permanent workers of total employed.

5.3 Different Means of Financing Benefit Costs

Table 14 summarises the costs of maternity benefits, sickness benefits, unemployment benefits and disaster wage subsidy during disasters. Of these, only maternity benefits, sickness benefits, and unemployment benefits will be incurred every year. The disaster wage subsidy will only be provided when a national level disaster takes place. As seen, the cost of financing maternity benefits, sickness benefits, and unemployment benefits amount to 0.8%, 0.1%, and 0.6%, of the total wage bill of permanent workers, respectively. The cost of financing wage subsidies during national disasters amounts to 0.2% of the wage bill.

Table 14. Cost of Providing Benefits

	Total wage bill of permanent workers	**Maternity benefit**	**Sickness benefit**	**Unemployment benefit**	**Disaster Wage subsidy**
Wage bill/ Cost of benefit (LKR Mn)	866,939	6,786	1,078	5,266	1,732
As a share total wage bill	100%	0.8%	0.1%	0.6%	0.2%

Source: Own calculations.

At present the employers provide 3% of the wage of a worker towards ETF. As shown above, ETF contributions are more than sufficient to cover the costs of providing the four types of benefits discussed above. As EPF funds are earmarked especially for retirement benefits, we recommend using ETF funds to setup funds to provide for above mentioned social security schemes. Establishing a system to channel contributions from ETF for supporting these different types of benefits will help to expand the social security coverage of workers in the country and help the country towards providing social security minimum standards as specified by ILO Convention No. 102. At present,

At present Sri Lanka provides maternity benefits. But employers have the sole responsibility of financing wages during maternity leave. As per ILO Convention No. 103 establishing a fund for providing maternity benefits, and doing so irrespective of the sex of the worker will result expanding maternity benefits and removing the labour market distortions relating to maternity benefits. Currently, employers are liable to provide maternity benefits to females, employers have to incur an additional cost when hiring child-bearing age females. This cost will be shared by both males and females, if a fund is created as specified.

Many workers whose earnings are halted due to long-term illnesses are at risk of falling into poverty due to these illnesses. At present in Sri Lanka, onus is on the employer to provide for workers who are sick or injured. Establishing a fund for providing this benefit can reduce the burden on the employer to provide sickness benefits. In order for this to be successful sickness benefits should be covered through collective financing mechanisms so as to allow for risk pooling (International Labour Organization, 2020).

Establishing an unemployment insurance benefit scheme should be done carefully to avoid adverse selection (i.e, to reduce the risk of workers taking advantage of unemployment insurance). In more developed countries unemployment insurance is coupled with job search and training so as workers are helped to get back to the labour market soon. A system that is workable given the administrative capacity and labour market context should be worked out for Sri Lanka.

As discussed previously, many countries channel social protection contributions to two or more funds, which are set up for different purposes. For example, in Malaysia 70% of social security benefits are channeled to a retirement fund, while the rest are channeled to a second fund from which withdrawals can be made for housing loans, medical treatment, education of children, etc (also see Figures 13 and 14 for distributions of social security funds in Nepal and Singapore). We recommend having a similar system in Sri Lanka. **The above analysis shows that from the existing social security payments, channeling the equivalent of 1.7% of the wage bill[27] to a special fund can finance maternity benefits, sickness benefits, and unemployment benefits, and wage support during disasters**. This amount is less than the 3% of the wages collected for ETF.

In 2016 the operating costs of ETF and was Rs.1898 million and Rs. 1487 million, respectively. In terms of the total wage bill this amounts to 0.2% for each fund. Despite been a much smaller fund, the operating expenses of ETF was larger than that of EPF. The proposed additional funds can increase the operating costs of ETF. But, computerization and improving the efficiency of ETF fund management can reduce the costs of operating the proposed funds. Further, as indicated by some respondents some identified benefits -- such as providing scholarships to those who have done well at national exams – are not relevant to all workers. Streamlining such benefit schemes and adding the proposed schemes that are advocated by ILO minimum standards, could reduce the additional costs of administering the ETF funds due to proposed new schemes. Combining the administration of the two funds could further reduce administrative costs.

[27] Wage bill is the total wages earned by all permanent workers.

Figure 15. Proposed *Channeling of Social Security Funds for Sri Lanka*

Contributions (% of Salary)		**Proposed distribution** [a]		**Benefits**
		Percent of salary	**Percent of contributions**	
ETF - 3% (Employer: 3%)		0.8%	3.4%	Maternity
		0.1%	0.4%	Sickness
EPF 20% (Employer 12%; Employee 8%0		0.6%	2.6%	Unemployment
		0.2%	0.9%	Disaster wage support
		20% from EPF 1.3% from ETF	92.6%	Pension or old-age security

Source: Own calculations

Note: a: It is assumed that the yearly contribution to the disaster insurance fund is half of the calculated amount, given the low frequency of occurrence of disasters.

Establishing different funds for covering the different social security benefits should be done carefully so that there is sufficient risk pooling, but safeguards are also included to stop workers from unnecessarily take advantage of the system. This can be done by keeping the benefits levels low, limiting the duration of social security benefits, and ensuring that benefits are given for a limited time during a specified time period. Putting in place rewards for not using benefits. For example, under the Unemployment Insurance Savings Accounts (UISA), not claiming unemployment benefits can help workers to have a larger retirement benefit. Careful designing of these schemes can encourage workers who are not covered at present such as informal workers and workers in small and medium scale establishments to also benefit from these schemes.

6.0 Conclusions and Policy Recommendations

This study set out to examine Sri Lanka's existing social security system landscape and identify feasible adjustments that can be made to schemes such as the EPF and ETF to provide more flexibility, job and enterprise protection, and emergency relief during crises. It used several methods to examine the above issues, including an in-depth literature review of international best practice social security systems for private sector employees, two online surveys and 18 KIIs of employer and employee perceptions of current schemes and areas for improvement, and a costing exercise based on LFS data to estimate the costs of expanding benefits under ETF to cover maternity, sickness, unemployment, and wage support during disasters.

The conclusions and related policy recommendations are presented below under several categories.

6.1 Benefits

As indicated earlier, the ILO Social Security Convention specifies nine key branches of benefits that SP programs are expected to deliver including, medical care, sickness, unemployment, old age benefit, employment injury, family benefit, maternity benefit, invalidity benefit, and survivor's benefit. Although different SP schemes available in Sri Lanka provide some types of benefits under all nine schemes, the available provisions can be expanded with existing contributions, which could also help to encourage participation and coverage.

6.1.1 Retirement Benefits

One main issue pointed out by the employers in their survey was that at present the EPF and ETF schemes do not encourage regular contributions as for the most part, workers have to wait till retirement to claim benefits and the benefits that can be taken prior to retirement are difficult to obtain. Further, the types of benefits offered under ETF are no longer relevant (e.g., the loans available for medical procedures are not relevant for workers who are covered by private health insurance schemes, and the scholarships available for high achievers of grade five scholarship exam is not relevant for children of workers who attend private schools).

The rate of returns earned on EPF and ETF investments are deemed insufficient, further taxes applicable on returns further dampen the returns on investments. In order to improve the returns on investments it is important to manage the fund professionally as indicated in the governance section.

One issue identified with the fund is it does not generate enough savings for low-income individuals to accumulate sufficient funds for retirement. Their savings are further eroded as the returns on their savings are also subjected to taxation. First, **we recommend establishing a minimum contribution on each worker (e.g., 20% of minimum wages relevant to trade) to avoid low contributions to the fund**. Second, we recommend that **the government abolish taxes charged on retirement benefits,** as it goes against the very concept of government intervention to protect employees after retirement. If at all, a nominal tax charged should be reverted back to the fund to maintain a threshold of benefits. As discussed, this ais practiced in Thailand, where partial or full tax exemptions are granted based on when the funds are withdrawn. In countries like Malaysia and Singapore too, while a large share of the contributions come from employers and workers, **the governments supplement the funds in emergency situations or when the fund value is viewed as too low, acting as guarantor of last resort.**

6.1.2 Extending Retirement Age

Both workers and employers have pointed out the difficulties in withdrawing EPF/ETF funds due to the need for establishing retirement from work. A simple solution for this would be **allowing withdrawal of EPF funds at a certain age, as done in Malaysia, rather than at retirement.** For example, in Malaysia workers are allowed to withdraw their EPF savings at age 55 irrespective of whether they are retired or still in employment. Workers who are re-employed and wish to continue to contribute to the fund past that age, can be allowed to do so voluntarily. . Along with this, the retirement age can be extended, but in a phased-out manner, as being done in South Korea, as opposed to a sudden increase. It is the view of the employers that firms should be given the flexibility to decide on the retirement age.

As pointed out by employers and trade unions, if the mandatory retirement age is extended without revising TEWA, it will severely restrict the flexibility of firms to adjust their human resources according to market requirements.

6.1.3 Replacing EPF/ETF with a Pension Scheme

Views regarding replacing EPF and ETF with a pension scheme are mixed. The positives highlighted are the flexibility to select a customizable plan that will lead to financial independence and the guarantee of a regular source of income to manage living expenses after retirement, especially important for those who may not use a onetime lump-sum payment prudently. The negatives pointed out include the potential need to spend on various obligations after retirement for which a lump-sum would be required, and which employees have been expecting to receive. **Rather than establishing a pension scheme by reforming the current EPF/ETF system, it would be better to establish a competitive annuity market where individuals can choose among different saving options**. The government already provides a guaranteed return on the savings of the elderly. For those with substantial savings this would provide a good source of income. The government should focus on improving retirement benefits for those with less savings due to low incomes.

One suggestion is to give each worker the option of choosing between a lump-sum or a pension scheme, as the cost-benefit comparisons of each scheme would depend on each individual's specific circumstances. In any event, if such a change is to be considered, it would first need wide consultation from diverse stakeholders, with the government taking the lead role in initiating and facilitating the process.

6.1.4 Expanding social insurance benefits

Many social protection schemes in other countries that have started with the main intention of providing retirement benefits have expanded their benefits to cover other types of social protections with time. We recommend a similar system in Sri Lanka. **We especially recommend establishing a separate fund for providing maternity benefits, sickness benefits, unemployment benefits**. Our calculations show that the yearly cost of providing such benefits is about 1.5% of the total wage bill. Sufficient funds from the existing social protection schemes can be channeled to a separate fund for this purpose. A similar system is in place in Nepal where, 1% of wage bill is allocated for medical treatment, health benefits, and maternity benefits. In addition, we estimate that the cost of providing wage support (according to the unemployment benefits parameters) to those unemployed due to the COVID-19 epidemic amounts to 0.2% of the total wage bill. We recommend establishing an emergency fund using portion of the ETF contributions to provide wage support during disasters,

Maternity Benefits

One main problem with maternity benefits in the country is that it is the sole responsibility of the employer to provide maternity benefits. As a result, the self-employed and workers in small firms do not benefit from maternity benefit coverage. **Our calculations show that just 0.8% of the wage-bill is**

sufficient for covering wage support during maternity leave. We recommend establishing a separate fund to provide these benefits. Maternity benefits for low-income workers can be supplemented by the government with matching funds. This will have the added benefit of encouraging more workers to enroll in the retirement scheme. Also, it will reduce the added cost incurred by firms when hiring child bearing age female workers.

Sickness benefits

Our calculations show that 0.1% of the total wage bill is sufficient to cover sickness benefits as specified by ILO Convention 102. We recommend setting up a separate fund for this purpose. However, the fund must be properly regulated to ensure that only eligible persons are allowed to benefit from the fund. Further analysis could be done to improve the design of the fund to incorporate risk pooling, so that it is more attractive to contribute towards the fund.

Unemployment benefits

Although Sri Lanka does not have an unemployment insurance scheme, workers receive large amounts of funds if their contract is terminated by the employer, under TEWA. Even otherwise, long-term workers have access to ETF funds (if not claimed in five years) and gratuity (if the service in the last work place was more than five years). If the workers obtain these funds exactly after five years, they have access to 1.8 months wages through ETF (3% of earnings for 60 months) and 2.5 months wages through gratuity (50% of wages for five years).

International best practices for developing countries shows that UISA with dual individual and pooled savings accounts could provide better benefits to workers as well as provide more flexibility to the labour market. Out calculations show that the yearly cost of providing **unemployment benefits to permanent workers is 0.6% of the total wage bill**.

At present firms employing less than 15 workers are not required to provide gratuity, while respondents felt that five years is too long a period to wait to receive gratuity payments. Workers in smaller firms can also be made to contribute to the above fund so that they can benefit, if unemployed. But, as practiced in other countries, this provision should be given to workers only once in five years.

The fund should first provide benefits through the individual fund. This is important to reduce the risk of moral hazard. Only those with valid reasons should be allowed to draw from the pooled fund.

6.1.5 Wage Subsidies during Disasters

Our calculations show that **about 0.2% of the wage bill is sufficient for subsidizing wages during a disaster of the magnitude of the COVID-19 pandemic**. However, disasters happen infrequently. Hence the actual yearly cost for financing an insurance scheme for wage support during disasters would be less than 0.2% of the total wage bill of permanent workers. Such funds can be provided to most affected industries for subsidizing wages, so that firms can retain workers and for investing in skills development.

6.2 Governance

Two of the main social protection schemes in Sri Lanka -- EPF and ETF -- are both defined contribution funds. In such funds the main risk-taker is the individual. This is because the benefits are not defined and will depend on the contributions, the market conditions, as well as the management of the fund. Good corporate governance reduces a company's investment risks and yields greater benefits to its shareholders. Components of good corporate governance include effective mangers, transparency in transactions, executive accountability, and the ability of stakeholders to participate in corporate decision making.[28] Further, accurate, transparent, consistent, reliable and detailed financial information is important for the shareholders to assess performance of a company. The global financial crisis that started in 2008 illustrated how investor confidence can wane with financial misinformation. To ensure proper transparent financial information, it is important to put in place processes to oversee financial reporting, and monitoring internal and independent auditors.

At present the Monetary Board of the Central Bank of Sri Lanka holds of the authority of managing the Fund as its custodian, while the general administration of the Fund is vested with the Commissioner of Labour (CL). **The main issue with the management of the EPF fund is that neither the employers nor the employees are a part of the fund management**. Further, according to responses from different stakeholders, **there is little trust in the efficient management of the social protection funds.** The loss of funds due to investments in high-risk ventures, vulnerability of the funds for unlawful transactions, is also a concern. Limited information on the investment decisions of the board is shared on time with stakeholders of the fund. The ETF, on the other hand, is managed by the Employee Trust Board and consists of nine members; five members nominated by the minister in charge of the ETF and one member each nominated by the Minister of Trade and the Employers' Federation of Ceylon (EFC) and two members nominated by the trade unions nominated in consultation with the Minister. One concern regarding the ETF Board is that the persons nominated to the Board may not always have the necessary experience, knowledge and the expertise to manage the Fund.

As discussed previously, in contrast to what is practiced in the management of the EPF fund in Sri Lanka, most other countries have put in place checks and balances to ensure the proper management of SP funds and included representatives from all stakeholders in the management of funds. For example, in Brazil in addition to the entities responsible for operating the General Social Security Scheme (RGPS) of the country, the National Superintendence of Pension Funds (Previc) was established in 2009 to supervise the management of RGPS. The Previc includes an ombudsman, a department in charge of monitoring compliance with internal processes, and the Complementary Pensions Chamber of Appeals. It is staffed with representatives from different stakeholder groups as described earlier. In Singapore, the Chairman is appointed by the Minister, and its composition of representatives from the government, employer federations, and trade unions facilitates active tripartite engagement, ensuring that interests of all stakeholders are taken into account in the management of the fund. In India, the social protection schemes are administered by the Central Board of Trustees (CBT) assisted by the Employees' Provident Fund Organization (EPFO). The tenure of the CBT is five years, and its members include representatives

[28] (International Social Security Association (ISSA), 2021)

from different stakeholder groups. In Nepal too, representatives from the government, employers and the employees are included in the Board of Trustees responsible for the management of the Social Security Fund (SSF).

Further, most countries have specified the appointment of professionals for the management Boards of the different Funds. For example, in Brazil Board of directors are selected from individuals with good reputation and recognized competencies. Under the PVD in Thailand, each employer can set up its own Fund for employees and hire a professional asset management company to manage it. The company has to be completely independent of the employer, and the manager of the Fund has to have relevant qualifications specified by a pertinent regulator.

In addition to the appointment of competent individuals representing different groups, **for improving the transparency and the accountability, it is also important to ensure detailed information on the investment decisions by the board and made available**, and that the Board is kept accountable for their decisions.

Compared to the EPF, the ETF is managed by a board consisting of all stakeholders. But, the with regard to the ETF board the main concern is that some of the appointed members are not professionals. Further the respondents felt that the rate of return on EPF and ETF is not sufficient. The appointment of members to the board should be regularized so that only qualified and experienced professionals are put in charge of managing the fund.

In view of the above issues, we recommend the following:

- **Changing the management of EPF and ETF funds to a system involving representation of all stakeholders, including the workers, the employers and the government**. In particular, a participatory mechanism should be established where stakeholders are present in governing mechanisms, at least in a supervisory capacity.

- **Establishment of strict regulation for sharing information on the management, investment and return of social protection funds**. if, for instance a large share of funds has been invested in risky options like the stock market, or in different instruments in an ad-hoc manner, these can be checked and corrected before funds are completely lost. Further, if an administration cost is debited from the fund, this should be borne by the state.

- **Fund investments should be managed by qualified and knowledgeable persons using proper scientific approaches**, in consultation of all relevant stakeholders, and not just Board Members.

6.3 Promoting Coverage

EPF is applicable to all scheduled private sector workers whether permanent, temporary, apprentices, casual or shift workers, employees who work on piece rate, contract basis or work-performed basis and earning in monthly, weekly or daily basis. It is mandatory that all those who are eligible get enrolled in such schemes. In 2019, there were only 2.5 million active contributing EPF member accounts. This is much less than the 4.7 million private sector employees in the country.[29] In addition to the before mentioned private sector employees, 0.2 million employers and 2.7 million self-employed were also eligible to enroll in the EPF scheme. The low enrolment despite the availability of legal provision is partly due to the low life cycle benefits available through the funds. **Greater benefits and particularly benefits where risks are pooled could encourage higher participation in the scheme**. In the case of SMEs employing less than 10 employees, a contribution towards a Social Security Pension scheme – instead of the standard EPF/ETF – where the employer, employee and the state contribute and a monthly pension is available after retirement, has also been suggested.

Poor enrolment due to various reasons is a main reason for poor coverage of EPF, ETF funds despite the existence of legal provision. Some of the reasons for poor enrolment include, lack of confidence in the management of savings, lack of risk pooling, difficulties in claiming benefits, limited number of pre-retirement benefits, lack of knowledge of the funds. This section already has provided recommendations for improving the management of the fund, improving the quality and variety of benefits, and improving risk pooling. Once these improvements are made, **conducting awareness programmes to educate the private sector to inform workers on the benefits of enrolling in EPF/ETF can increase membership, as well as the coverage of social security**.

6.4 Withdrawal of Funds

Lengthy and cumbersome procedures involved in claiming benefits is another identified problem among many employers, including a large list of documents to be produced and numerous conditions to be satisfied.

The present requirements also make it difficult for those who wish to continue in employment to claim benefits at a specific age. Many workers retire from their workplaces just to claim the EPF benefits, and then rejoin. To avoid the administrative difficulties incurred by individuals in claiming funds, when they wish to continue in employment, **we recommend changing regulations so that workers are given the authority to withdraw at least part of their funds when reaching a certain age**. For example in India, workers are allowed to withdraw funds when they reach age 55.

6.5 Digitising the System

An updated digitised system is important in rectifying many of the issues involved in Sri Lanka's SS schemes, including the relevance of benefits offered, ease and efficiency of fund withdrawals, and monitoring fund usage to maintain transparency and accountability. For example, **establishing an online withdrawal system, fingerprint system, or ATM-type mechanism** where a unique identity number is provided to each worker based on all required documentation would avoid cumbersome procedures when claiming benefits or withdrawing funds. **A digitised system can also allow for implementation of more attractive benefit packages** such as "progressive funds", where larger benefits are given for larger

[29] (Department of Census and Statistics, Ministry of Finance, 2019)

contributions and allowances for upgrading worker knowledge and skills through training and related programs,

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Appendix 1: Key Informant Interviews

A1-1: List of Companies, Trade Unions and Government Organizations

Senior officials from the following Companies, Trade Unions and Government Organizations contributed towards the Key Informant Interviews:

- **Companies -** Hemas Hospitals (Pvt) Ltd, John Keells Holdings PLC, Nestle Lanka PLC, Hirdaramani Industries (Pvt) Ltd, Dialog Axiata PLC, Hayleys PLC, Ceylon Beverage Can (Pvt) Ltd, Union Assurance Pvt Ltd
- **Government Officials -** Labour Department, GoSL, ETF Board
- **Trade Unions -** Sri Lanka Independent Workers' Union, National Trade Union Federation (Private Sector Plantation Workers), Ceylon Federation of Trade Unions, Free Trade Zones & General Services Employees Union, The Employers' Federation of Ceylon

A1-2: Interview Guide for Employers

Repositioning Employment Social Protection in the Private Sector Post COVID-19:
A Case Study of Sri Lanka
Key Informant Interview Guide – Employers representing Large, Medium and Small from different Industries
INTRODUCTION
Project and Objective of the Interview - COVID-19 and resulting labour market outcomes has highlighted the importance of strengthening the social protection in Sri Lanka, to improve security for workers as well as supporting firms to maintain activities during times of crisis. A more effective system will also provide an incentive to firms and workers to contribute more actively to the EPF and ETF funds, while improving benefits to both workers and firms.

In this context, the main objective of the proposed study is to identify the gaps in the current system and provide recommendations for improvement.

❖ **Adequacy of the prevailing Social Protection Schemes and Social Safety Nets/Programmes in the Private Sector**

1. What is the current role of the government, employers and employees in providing social-security? (in general, and especially in times of crisis)
2. What should their role be?
3. What are the pros and cons of the current social-security schemes and benefits (Probe into the Type of Social Security Scheme/Benefit) Ex: The EPF, the ETF, Gratuity payments, maternity benefits, workman's compensations for retrenchment and unemployment, injuries, sickness and disability?

(Please specify the pros and cons in terms of (i) benefits, (ii) coverage, (iii) costing/financing, (iv) governance and (v) their uses under each Social Protection Scheme and Social Safety Program – The EPF, The ETF, Gratuity Payments, Maternity Benefits, and Workmen's compensations for injuries, sickness and disability)?

4. How do you see the above discussed aspects evolving in the next few years (In terms of benefits, coverage, financing, governance and uses)?
5. What are the implications of introducing a mandatory retirement age to the Private Sector?
6. What are the implications of changing the eligibility criteria, particularly the age limits, applicable when withdrawing EPF benefits?
7. How can the social security system improve labour market conditions during times of crisis?
8. Do you think the current social security schemes are adequate for private sector employees? Why?
9. What should the role of employers and employees be in designing policies on social-security?
10. How do you see this evolving in the next few years?
11. Will it inject confidence if the fund covers protection of jobs during crisis situations for members of the fund?
12. How best can this be done? Are early withdrawals or reduced contribution rates – as practiced in other countries during COVID-19 – an option?

- **Governance, Coverage, Management & Efficiency of the prevailing Private Sector Social Protection Schemes**

1. What are the challenges faced by employers in complying with the current social security laws and regulations?
2. What are the social-security expectations of employers and workers? Are these met by the current policies?
3. How can they be improved? (In terms of benefits, coverage, financing, governance and uses)
4. How can social-security be better used to improve economic activities in times of crisis to support both the employers and the workers?
5. What has been the historical and recent experience in social security provision in the country (challenges and successes)?
6. What do you think about the proposed tax on turnover of the businesses and factories to set-up an insurance scheme to support employees who have lost their livelihoods due to epidemics including COVID?
7. Do you support this tax? Why? Why not?

****Thank you for your valuable time & participation***

A1-3: Interview Guide for Employees

Repositioning Employment Social Protection in the Private Sector Post COVID-19:
A Case Study of Sri Lanka
Key Informant Interview Guide – Employees representing large, medium and small from different industries (Different types of workers, permanent, casual)

Project and Objective of the Interview

COVID-19 and resulting labour market outcomes has highlighted the importance of strengthening the social protection in Sri Lanka, to improve security for workers as well as supporting firms to maintain activities during times of crisis. A more effective system will also provide an incentive to firms and workers to contribute more actively to the EPF and ETF funds, while improving benefits to both workers and firms.
In this context, the main objective of the proposed study is to identify the gaps in the current system and provide recommendations for improvement.

1. Social Security is the protection provided to employees to ensure/guarantee income security particularly in old age, sickness, disability, injury, maternity, unemployment and retrenchment and has a has a powerful impact at all levels of society. What is the current role of the government and employers in providing social security to workers in general as well as in times of crisis, such as during the past year?
2. What should their role be?
3. As you know, currently most workers are enrolled in the EPF and the ETF schemes, and are entitled to other social safety nets, which cover maternity benefits, health care, sickness, injuries and disability and other workman's compensations for unemployment and retrenchment. What are the pros and cons of these schemes and social safety nets? (Please specify the pros and cons in terms of (i) benefits vs contributions, (ii) coverage, (iii) costing/financing, (iv) governance and (v) their uses under each Social Protection Scheme and Social Safety Program – The EPF, The ETF, Gratuity Payments, Maternity Benefits, and Workmen's compensations for injuries, sickness and disability)?
4. How do you see the above-discussed aspects evolving in the next few years (In terms of benefits, coverage, financing, governance and uses)?
5. Who influenced those trends?
6. What are the implications of introducing a mandatory retirement age to the Private Sector?
7. What are the implications of changing the eligibility criteria, particularly the age limits, applicable when withdrawing EPF benefits?
8. How can the social security system improve labour market conditions during times of crisis?

- **Governance, Coverage, Management & Efficiency of the prevailing Private Sector Social Protection Schemes**

1. Are you or your employer contributing to any social-security programme on your behalf? Do you know how much?

2. Given a choice would you opt to continue with your contribution to EPF?
3. Do you know the benefits you will received from these programmes? What are they?
4. Are you happy with the benefits you receive, relative to your contributions?
5. What is your perception on replacing the EPF by a pension scheme? (Positive/Negative/Mixed). Please elaborate reasons for your answer.
6. What are the issues of the current social security programmes? (In terms of benefits, coverage, financing, governance and uses)
7. What are your social-security expectations?
8. How can the current social-security system be improved to better support your expectations?
9. What are the challenges faced by you, in adhering to different regulations? How can they be improved?
10. How can social security be better used to improve economic activities in times of crisis to support the workers?
11. What has been the historical and recent experience in social security provision in the country (challenges and successes)?

****Thank you for your valuable time & participation****

A1-4: Interview Guide for Government Officials

Repositioning Employment Social Protection in the Private Sector Post COVID-19:
A Case Study of Sri Lanka
Key Informant Interview Guide – Government Officials Involved in Monitoring, Administrating and Managing Social Security

Project and Objective of the Interview - COVID-19 and resulting labour market outcomes has highlighted the importance of strengthening the social protection in Sri Lanka, to improve security for workers as well as supporting firms to maintain activities during times of crisis. A more effective system will also provide an incentive to firms and workers to contribute more actively to the EPF and ETF funds, while improving benefits to both workers and firms.

❖ **Adequacy of the prevailing Social Protection Schemes and Social Safety Nets/Programmes in the Private Sector**

1. What is the current role of the government, employers and employees in providing social-security? (especially in times of crisis)
2. What should their role be?
3. What are the implications of introducing a mandatory retirement age to the Private Sector?

4. What are the implications of changing the eligibility criteria, particularly the age limits, applicable when withdrawing EPF benefits?
5. What is the potential for improvement in terms of coverage and adequacy especially in times of crisis situation? What are the associated costs?
6. Will it inject confidence if the fund covers protection of jobs during crisis situations for members of the fund?
7. How best can this be done? Are early withdrawals or reduced contribution rates – as practiced in other countries during COVID-19 – an option?
8. What measures can be feasibly adopted to increase attractiveness of the schemes and active participation? What are the associated costs?

❖ **Governance, Coverage, Management & Efficiency of the prevailing Private Sector Social Protection Schemes**

1. How are the EPF and ETF schemes currently managed?
2. What are the regulatory frameworks for social-security (e.g., EPF, ETF, and Gratuity) at present?
3. What can we learn about compliance and the capacity of the state to enforce regulations? How can these be strengthened? Do you think that the beneficiaries have any trust or faith in the scheme to provide them adequate benefits?
4. What are some of the pressing issues in relation to governance and management of the fund?
5. What changes would help improve the functioning of the current EPF/ ETF system? (In terms of benefits, coverage, financing, governance and uses)
6. What are employers, employees, and other stakeholders demanding with respect to Social security? (In terms of benefits, coverage, financing, governance and uses)
7. How has the current social security programs supported workers and firms (e.g., providing support to pay workers, support for reskilling workers) during times of crisis (e.g., global financial crisis, COVID-19 pandemic?)
8. How should the employers and Unions be involved in influencing policy at the national or state level?
9. What are the metrics and measures of financial accountability? How can they be improved? (In terms of benefits, coverage, financing, governance and uses)
10. What are the permitted investments that can be made using these funds?
11. What is the return on investment? How has the trend evolved over the past 10-20 years?
12. What happens to interest earned through the investments and the Fund itself?
13. How is the benefit accruing from investments distributed among beneficiaries?
14. How does the Funds get audited/checks and balances available to ensure efficient management of funds?
15. What happens to the surcharges collected on late remittances?
16. Government tax on EPF/ETF – Is it equitable?

*****Thank you for your valuable time & participation******

A1-5: Interview Guide for Trade Unions

Repositioning Employment Social Protection in the Private Sector Post COVID-19:

A Case Study of Sri Lanka

Key Informant Interview Guide – Trade Union Leaders

Project and Objective of the Interview - COVID-19 and resulting labour market outcomes has highlighted the importance of strengthening the social protection in Sri Lanka, to improve security for workers as well as supporting firms to maintain activities during times of crisis. A more effective system will also provide an incentive to firms and workers to contribute more actively to the EPF and ETF funds, while improving benefits to both workers and firms.

- **Adequacy of the prevailing Social Protection Schemes and Social Safety Nets/Programmes in the Private Sector**

1. What is the current role of the government, employers and employees in providing social-security? (especially in times of crisis)
2. What should their role be?
3. What are the implications of introducing a mandatory retirement age to the Private Sector?
4. What are the implications of changing the eligibility criteria, particularly the age limits, applicable when withdrawing EPF benefits?
5. What is the potential for improvement in terms of coverage and adequacy especially in times of crisis situation? What are the associated costs?
6. Will it inject confidence if the fund covers protection of jobs during crisis situations for members of the fund?
7. How best can this be done? Are early withdrawals or reduced contribution rates – as practiced in other countries during COVID-19 – an option?
8. What measures can be feasibly adopted to increase attractiveness of the schemes and active participation? What are the associated costs?

- **Governance, Coverage, Management & Efficiency of the prevailing Private Sector Social Protection Schemes**

1. What are some of the pressing issues in relation to governance and management of the fund?
2. What changes would help improve the functioning of the current EPF/ ETF system? (In terms of benefits, coverage, financing, governance and uses)
3. What are employees demanding with respect to Social security? (In terms of benefits, coverage, financing, governance and uses)
4. How has the current social security programs supported workers and firms (e.g., providing support to pay workers, support for reskilling workers) during times of crisis (e.g., global financial crisis, COVID-19 pandemic?)
5. Are you satisfied with the benefits you receive, relative to your contributions? Are they sufficient?

6. What is your perception on replacing the EPF by a pension scheme? (Positive/Negative/Mixed). Please elaborate reasons for your answer.
7. What are your social-security expectations?
8. How can the current social-security system be improved to better support your expectations?
9. What are the challenges faced by you, in adhering to different regulations? How can they be improved?
10. How can social-security be better used to improve economic activities in times of crisis to support the workers?
11. What has been the historical and recent experience in social security provision in the country (challenges and successes)?
12. How should the employers and Unions be involved in influencing policy at the national or state level?

****Thank you for your valuable time & participation****

Appendix 2: Employer and Employee Survey Questionnaires

A2-1: Employer Questionnaire

- Social Security provides protection to employees to ensure income security, particularly in old age, sickness, disability, injury, maternity, unemployment and retrenchment.
- Currently, most workers are enrolled in the EPF and the ETF schemes, and are covered by other social safety nets, including maternity benefits, health care, sickness, injuries and disability and other workman's compensations for unemployment and retrenchment.
- At present, COVID-19 and resulting labour market outcomes has highlighted the importance of strengthening the social protection in Sri Lanka, to improve security for workers as well as supporting firms to maintain activities during times of crises.

This is a questionnaire prepared and presented to identify the gaps in the current private sector social protection schemes and programmes, and provide recommendations for further improvement. For the purpose of this survey, the social security schemes namely; the EPF and the ETF schemes, other social safety nets including maternity benefits, health care, sickness, injuries and disability and other workman's compensations for unemployment and retrenchment should be considered.

❖ **Please give short answers to Questions I & II.**

I. Company Name: ………………………………………………………….

II. Please specify the Number of Employees in your company: …………………..

❖ **On a scale of 1 – 5 where; 5 = Totally Agree and 1 = Totally Disagree; please rate following statements.**

1 = Totally Disagree   2 = Disagree   3 = Partially Agree   4 = Agree   5 = Totally Agree

	1	2	3	4	5
1. <u>Adequacy and Efficiency of current social protection schemes</u>					
1.1. Enterprise sustainability and job protection should be an essential part of any social protection scheme.					
1.2. The benefits offered by current social protection schemes are satisfactory, compared to the contributions made.					
1.3. There needs to be flexibility in terms of withdrawing non-refundable advances from the funds when the government has declared a disaster or epidemic.					

❖ **Please select "Yes" if you agree with the statements below, and "No" if you disagree.**

1.8 Prevailing social protection schemes do not incentivize employees to contribute.

Yes ☐ No ☐

1.8.1 Please give reasons to your answer:

…………………………………………………………………………………………….

2. <u>Governance and Costing of the prevailing social protection schemes</u>

2.1 Employer and Employee representatives need to be included in the Management Board of the EPF Fund.

Yes ☐ No ☐

❖ **Check the statements given in Q. 2.2 and Q. 2.3 from a scale of 1 to 5; based on their importance.**

2.2 What are the reasons for poor membership despite wide coverage in law?

- Inadequate benefits and returns ☐
- Lack of awareness of benefits ☐
- Limited flexibility to withdraw in times of need ☐
- Cumbersome procedure to apply for early withdrawal ☐
- Cumbersome procedure in terms of registration ☐
- Other (please specify): ……………………………………

2.3 What are your expectations of the current social protection schemes?

- Better rate of returns ☐
- Wider range of benefits ☐
- Flexibility to support wages during crises ☐
- Flexibility to change contribution rates during crises ☐
- Simple procedures for pre-retirement withdrawing ☐

- Other (please specify): ……………………………………..

❖ **Check the most appropriate answer:**

2.4 What is your stance on the management of the current social protection schemes in the Private sector?

- They are well-managed ☐
- They are mis-managed and thus, there is room for improvement ☐

2.4.1 Please give reasons to your answer:

……………………………………………………………………………………………………

……………………………………………………………………………………………………

2.5 Both the workers and employers should be actively involved in designing policies on social security.

Yes ☐ No ☐

2.6 The proposed tax of 0.25% on turnover of the businesses and factories to set-up an insurance scheme to support employees who have lost their livelihoods due to epidemics including COVID-19 is a good move by the Government.

Yes ☐ No ☐

Please explain your choice briefly:

……………………………………………………….

2.7 Is the decision to increase the retirement age limit to 60 years, a good decision by the Government?

Yes ☐ N ☐

Please explain your choice briefly:

…………………………………………………………………………………………

❖ **On a scale of 1 – 5 where; 5 = Totally Agree and 1 = Totally Disagree; please specify your degree of agreement to following statements.**

3. Social Protection Schemes in times of crisis

	1	2	3	4	5
3.1 Social Protection Schemes should support employees in times of crises.					
3.2 The Government should contribute to Private Sector social-security funds.					
3.3 Social protection should provide wage support during times of crisis.					

End of the Survey

A2-2: Employee Questionnaire

- Social Security provides protection to employees to ensure income security, particularly in old age, sickness, disability, injury, maternity, unemployment and retrenchment.
- Currently, most workers are enrolled in the EPF and the ETF schemes, and are covered by other social safety nets, including maternity benefits, health care, sickness, injuries and disability and other workman's compensations for unemployment and retrenchment.
- At present, COVID-19 and resulting labour market outcomes has highlighted the importance of strengthening the social protection in Sri Lanka, to improve security for workers as well as supporting firms to maintain activities during times of crises.

This is a questionnaire prepared and presented to identify the gaps in the current social protection schemes and programmes, and provide recommendations for further improvement. For the purpose of this survey, the social security schemes namely; the EPF and the ETF schemes, other social safety nets including maternity benefits, health care, sickness, injuries and disability and other workman's compensations for unemployment and retrenchment should be considered.

❖ **Please select the most appropriate answer.**

I. Does your employer contribute to a social security scheme on your behalf?

☐ ☐ ☐

Yes No Do not know

II. Do you, as an employee, contribute to a social security scheme?

Yes ☐ No ☐ Do not know ☐

- **On a scale of 1 – 5 where; 5 = Totally Agree and 1 = Totally Disagree; please rate following statements.**

2 = Totally Disagree 2 = Disagree 3 = Partially Agree 4 = Agree 5 = Totally Agree

1. <u>Adequacy and Efficiency of the current social protection schemes</u>

	1	2	3	4	5
1.1 There is flexibility to withdraw non-refundable advances from the funds under specific situations such as buying a house.					
1.2 It is easy to withdraw non-refundable advances from the funds for repaying a home loan.					
1.3 There is flexibility to withdraw non-refundable advances from the funds for medical needs.					
1.4 It is easy to withdraw non-refundable advances from the funds for education or marriage of children.					

2. <u>Governance and Costing of the prevailing social protection schemes</u>

2.1 Are you aware of the amount you and your employer contribute for social protection (e.g., EPF, ETF) on your behalf?

Yes ☐ No ☐

2.2 Given a choice, would you continue with your contributions to social protection?

Yes ☐ No ☐

2.2.1 Please specify the reason(s) for your choice:

……

2.3 Are you happy with the benefits you receive, relative to your contributions?

Yes ☐ No ☐

2.3.1 Please specify the reason(s) for your choice:

…………………………………………………………………………………………………

2.4 Do you think currently offered benefits are enough compared to the contributions?

Yes ☐ No ☐

2.4.1 Please specify the reason(s) for your choice:

……………………………………………………………………………………………………….

2.5 Would you support a move to replace the EPF by a pension scheme?

Yes ☐ No ☐

2.5.1 Please specify the reason(s) for your choice:

……………………………………………………………………………………………………….

2.5.2 If "Yes" for question 1.5, are you prepared to increase your contribution?

Yes ☐ No ☐

2.6 Do you support the proposal to increase the retirement age limit to 60 years?

Yes ☐ No ☐

2.6.1 Please explain the reason(s) for your choice briefly:

……………………………………………………………………………………………

❖ **Check the statements given in Q. 2.7 from a scale of 1 to 6; based on their importance.**

2.7 What are your expectations from the current social protection schemes?

- Better returns ☐
- Wider range of benefits ☐
- Provision to support wages during crises ☐
- Flexibility to change contribution rates during crises ☐
- Simple procedures for taking advances ☐
- Transparent Management of Funds with Employer and worker representatives ☐

2.8 Do you have any other expectations from the current social protection schemes (in addition to what is mentioned above)

Yes ☐ No ☐

2.8.1 Please explain the reason(s) for your choice briefly:

……………………………………………………………………………………………

❖ **On a scale of 1 – 5 where; 5 = Totally Agree and 1 = Totally Disagree; please rate following statements.**

3. <u>Social Protection Schemes in times of crisis</u>	**1**	**2**	**3**	**4**	**5**
3.1 Do you support a reform, which would use the EPF fund to provide income support during unemployment?					
3.2 Do you support a reform, which would use the EPF fund to provide wage support during crisis times?					

End of the Survey

Appendix 3: Summary of Benefits, Eligibility, Financing, and Governance of SP schemes in Selected Countries

A3.1: Brazil

Brazil's lifecycle approach to social protection – that recognises the fact that individuals face different risks at different stages in life, and that SP should be designed to address these risks at each stage – has ensured that a high proportion of the population are entitled to ESP benefits (Ibid).

While benefit levels depend on contributions for each of these schemes, there is a minimum (and maximum) transfer amount of one minimum wage. As of 2015, the minimum level was BRL 880, equivalent to 35.29% of GDP per capita, and the maximum benefit amount was BRL 5,400 per month. The average transfer amount across all benefits is BRL 1,200.66 (Wapling, Schjoedt , & Kidd, 2020). This minimum benefit level means that low-income or unskilled workers tend to have a replacement rate close to 100%.

Previc's organizational structure consists of an ombudsman, a department in charge of monitoring compliance with internal processes, and the Complementary Pensions Chamber of Appeals (*Camara de Recursos da Previdência Complementar* - CRPC), staffed with representatives from pension fund entities, plan sponsors, plan participants, and the government. The Board of Directors include the superintendent and four other directors, all of whom are chosen among professionals of good reputation and recognized competencies, identified by the Minister of Finance and approved by the President. Directors are not permitted to participate in any professional or political activity that would conflict with their responsibilities (ABRAPP, 2014).

In 2013, the total budget of the public social insurance system accounted 11.4% of GDP, of which 7.4% was for private sector workers under the RGPS (Duran, 2013). Another fund named *Fundo de Garantia por Tempo de Serviço* (FGTS), provides account-based cash benefits to employees on termination of employment for any reason, including retirement, as well as cases of serious diseases, construction and acquisition of properties, and settlement or amortization of a debt related to mortgage contracts (Duran, 2013). The FGTS is entirely funded by the employer, comprising of mandatory monthly deposits equivalent to 8% of the employee's salary.

Table A31: RGPS benefits for private sector workers in Brazil

Scheme	No. of recipients (2015)	Benefits	Eligibility criteria	Entitlement period	Financing
Old-age pension (General)	15,172,414	70% of average monthly salary; increases gradually	Men over 65 and women over 60 (in rural areas	Retirement	Employer and employee

		every 12 months by 1% up to a maximum of 100% (for longer periods of contributions: 35 years for men, 30 for women). Minimum monthly benefit equivalent to minimum wage.	men over 60 and women over 55). Granted after at least 15 years of contributions.		contributions.
Rural Pension Scheme (*Previdência Social Rural*)		Monthly pension at level of minimum wage.	Above pensionable age and worked in mining, agriculture or fishing for at least 15 years.	Retirement	Govt subsidies to the private sector / social insurance fund
Disability	3,353,955	Temporary disability: 100% of monthly salary for 15 days, 91% beyond 15 days. Permanent disability: 100% of monthly salary; increases by further 25% if recipient requires constant carer. If contributed for at least 15 years, can retire 3, 6, or 10 years earlier.	Assessed with a permanent incapacity to work by INSS and has at least 12 months of contributions. Contribution period waived if disability is the result of an accident or serious illness. Employment must cease. Benefit cancelled if recipient returns to work.	Granted on a permanent basis, but re-assessed every 2 years.	Work related: cost covered by employer Non-work related: cost split between employer and INSS.
Sickness	1,612,657	100% of monthly salary for 15 days. 91% of monthly salary thereafter.	12 months of contributions (except temporary sickness which does not require a minimum contribution).		Employer responsible for 1st 15 days. INSS covers additional days.
Maternity	54,700	Paid leave	Pregnant women from 8th month of pregnancy and in cases of child adoption	120 days; optional additional 60 days	INSS; optional days funded by govt.
Paternity			Partner of pregnant women from 8th month of pregnancy and in cases of child adoption	5 days; optional additional 15 days.	
Survivor benefits	7,545,905	100% of pension the deceased received /eligible to receive. 100% of minimum wage for rural workers. Pension split equally among eligible survivors.	The deceased a pensioner / insured at time of death. Eligible survivors: widow(er) / partner and children younger than 21 (no limit if disabled). In the absence of the above, survivors include parents and		

			siblings younger than 21 (no limit if disabled).		
Children: *Salário Família programme*	9.4 million children	Monthly salaries up to BRL 806 (£207) per month: BRL 41.37 per child per month. Earning between BRL 806 and BRL 1,213: BRL 29.16 per month	Children under age 14 of formal sector workers on low wages. Parents of persons with disabilities regardless of the age.		Employer/INSS

Source: Wapling et al., 2020, "Social Protection and Disability in Brazil", available at https://www.developmentpathways.co.uk/wp-content/uploads/2020/02/Social-Protection-and-Disability-in-Brazil-1.pdf.

A3.2: Malaysia

It is the employer's responsibility to ensure that their employees are registered with SOCSO; a new employee must be registered within 30 days of starting work. Coverage under the SOSCO system is optional for employees earning more than RM 3,000 per month (Angloinfo Malaysia, 2021).

As of 31 March 2018, the value of the EPF stood at RM 814 billion (US$200 billion), making it the fourth largest provident fund in Asia, and the seventh largest globally (Employees' Provident Fund, Malaysia, 2020).

Apart from these state-managed initiatives, a "Private Retirement Scheme" (PRS) was introduced in 2012, with the objective of offering Malaysian employees – regardless of sector – an additional avenue to save for their retirement (Securities Commission Malaysia, 2020). There are eight PRS providers approved by the Securities Commission, and members can contribute to more than one. Employers can also contribute towards a particular PRS provider in providing retirement support for their employees. There are no fixed amounts or time periods for making contributions to PRS, and can be made at the discretion of the investor on a voluntary basis.

The EPF Board consists of a chairman, deputy chairman (from the Finance Ministry), four government representatives, four employer and four employee representatives, three professionals from various backgrounds, and the CEO as an ex-officio member (Employees' Provident Fund, Malaysia, 2020). Other ministries involved include the Ministry of Health, Ministry of Defense, Ministry of Women, Family and Community Development, and the Ministry of Urban Wellbeing, Housing and Local Government. Additionally, the administration of PRS accounts is managed by private pension administrators, also involving insurance companies and banks (Employees' Provident Fund, Malaysia, 2020).

Table A3-2: ESP schemes for the private sector in Malaysia

Scheme	Conditions	Financing	Benefits	Entitlement period
SOCSO: Employment injury insurance	Malaysian citizens / permanent residents.	1.25% of worker's monthly wage only by employer.	• Industrial accidents • Occupational diseases • Invalidity or death • Loss of employment	
SOCSO: Invalidity	Aged 18-60; not	0.5% of monthly		

pension scheme	eligible if no contributions have been made by 57. Employed based on a contract of service.	wage by employer and employee.		
EPF	Up to 30% withdrawal at age 50; full withdrawal at 55 or older.	12% by employer (13% if salary is below RM5,000) and 11% by employee.	• Lump-sum at retirement • Withdrawal for house ownership, medical treatment, education • Emigration	Retirement or before
Maternity benefits	Employed for at least 90 days within the 4-month period preceding childbirth and have no more than 5 children.	Employer	Fully paid maternity leave	60 days, starting from any day within 30 days before the date for childbirth.
Sickness benefits	Leave certified by a doctor.		Fully paid sick leave	<2 years' service: 8 days 2-5 years: 12 days >5 years: 16 days
Retrenchment benefits			Wages	<2 years' service: 10 days per year 2-5 years: 15 days >5 days: 20 days

Sources: Wikiwand, "Employees Provident Fund (Malaysia)", available at https://www.wikiwand.com/en/Employees_Provident_Fund_(Malaysia). Asian Development Bank, 2012, "Malaysia: Updating and Improving the Social Protection Index", Technical Assistance Consultant's Report, available at https://www.adb.org/sites/default/files/project-document/76082/44152-012-reg-tacr-11.pdf.

A3.3: Singapore

Beyond the CPF, other types of benefits are provided via a compulsory retirement savings scheme to which both employers and employees contribute, complemented by a government subsidy, with the exception of the cash sickness benefit which is funded solely by the employer (Table A2.4). The government's objective is to play a supportive role in building self-sufficiency of workers at all stages of their lifecycle.

It has a staff of around 1,600, organised under three main business groups: Services, Info-communication Technology Services, and Policy and Corporate Development. The CPF Board comes under the purview of the Ministry for Manpower and is the trustee of the CPF, into which all member contributions are made. The Board is headed by a Chairman appointed by the Minister, and its composition of representatives from the government, employer federations, and trade unions facilitates active tripartite engagement, ensuring that interests of all stakeholders are taken into account (Organisation for Economic Co-operation and Development (OECD), 2019).

Table A3-3: CPF contributions and benefits for Singaporean private sector workers

Account	Conditions	Share of contributions	Benefits
OA	Funds generally can be withdrawn at age 55. Exceptions: • If assessed with a serious medical condition or permanently leaves Singapore • To purchase a home or insurance • To pay for full-time tertiary education at approved local institutions for the fund member or family • To make investments in approved instruments (over S$20,000)	1-23%	Housing and investment schemes, tertiary education.
SA		1%-11.5%	Payment of lump sum if the account balance exceeds minimum required balance in the RA, or S$5,000, whichever is greater.
MA	Maximum annual combined insured person and employer contribution is S$37,740	8%-10.5%	• Hospitalization, medical expenses, healthcare insurance premiums • Govt opens and credits amount for newborn citizens, low-income and elderly
RA	• Additional premium for coverage under the Dependents Protection Scheme • Ranges from S$36 (if younger than age 35) to S$260 (if aged 55-59) • Can be paid using the balance in the OA or SA.		• Members with at least S$60,000 at age 65 enrolled in a life annuity program from the CPF Board (Enrolment voluntary for members with lower amounts) • Funds can be partially withdrawn at age 55, subject to certain conditions, or at any age if member has a serious medical condition or permanently leaves Singapore

Source: Social Security, "Social Security Programs Throughout the World: Asia and the Pacific, 2018" available at https://www.ssa.gov/policy/docs/progdesc/ssptw/2018-2019/asia/singapore.html.

Table A3-4: Benefits under the Retirement Savings Scheme

Scheme	Conditions	Benefits	Entitlement period
Disability benefit	Aged 21-60 and diagnosed with a serious medical condition, a permanent total incapacity for any work, or terminal illness. Maximum combined disability benefit is S$46,000.	Lump sum of up to S$5,000 or amount of the RA balance exceeding a pro-rated minimum balance, whichever is greater. A monthly benefit of the remaining balance in the RA is also paid.	
Survivor benefits	Direct dependent of diseased employee.	Remaining balances in the deceased's accounts, any term-life insurance payouts, and any death benefit from the CPF LIFE annuity scheme. Fund member determines the proportion of benefit that different survivors receive.	
Sickness benefit	At least 3 months of employment. A registered doctor must provide medical certification.	100% of employee's gross wages	Up to 14 days a year (60 days if hospitalized).
Maternity benefit	At least 3 months of employment or self-employment immediately before childbirth and be married to the child's father.	100% of employee's gross wages The maximum maternity benefit is S$10,000 for each 4-week period.	Up to 16 weeks. 1st and 2nd child: employer pays for 1st 8 weeks and govt pays thereafter. Each subsequent child: govt pays for all 16 weeks.

Source: Social Security, "Social Security Programs Throughout the World: Asia and the Pacific, 2018" available at https://www.ssa.gov/policy/docs/progdesc/ssptw/2018-2019/asia/singapore.html.

A3.5: Thailand

Employees in the private and public formal sectors are covered by social security measures. Apart from the social security system, the government also offers additional social assistance and services which are non-contributory, aimed at providing assistance and services to specific vulnerable groups. These are classified into three categories: in-cash transfer programmes, in-kind transfer programmes, and income generation programmes (Paitoonpong , Chawla , & Akkarakul , 2010).

It is compulsory for all employees aged between 15 and 59 working in registered private business, to be members of the SSF. The payment is due on the 15th of the month and late payments are subject to a 2% penalty (International Labour Office, Public Finance, Actuarial and Statistics Services Branch (SOC/PFACTS), Social Protection Department ; ILO Country Office for Thailand, Cambodia and Lao People's Democratic Republic ; ILO DWT for East and South-East Asia and th, 2016).

Both the SSF and WFC are managed by the Social Security Office (SSO), one of the departments under the Ministry of Labour. Policy-making responsibilities are assigned to various committees. The SSF consists of tripartite committees: The Social Security Committee, the Appeal Committee, and the Medical Committee. The WCF is directed by the Workmen's Compensation Committee and the Medical Committee (Social Security Office (SSO), Thailand , 2021).

The law requires companies with at least 100 employees to establish a mandatory provident fund within one year after the law comes into effect. Once the law takes effect, every company must establish a fund within five years (Bangkok Post, 2020). Companies with at least 10 employees will have to offer compulsory retirement savings from the fourth year of implementation, while those with only one employee must contribute from the seventh year. The current understanding is that the NPF will be managed by a government-controlled organisation; however, details on who will manage the investments are yet to be confirmed (Willis Towers Watson, 2020).

This differs from defined contribution plans in other countries where contributions are tax-deferred only, or the contribution is made on an after-tax basis. The NPF thus allows the employee both a tax deduction and tax exemption after retirement. Given that the NPF is intended to encourage savings for retirement, the full tax benefits of contributing to the Fund can only be realised if one keeps the money in the Fund until retirement at 55 years of age, and has contributed to the Fund for at least five years (Creveling & Creveling Private Wealth Advisory, 2011). If such requirements are not fully met, partial tax-exempt schedules are still available based on retirement age and years of service.

Table A3-5: Contributions and benefits under social protection schemes for Thai private sector workers

Scheme	**Criteria**	**Benefits**	**Contributions (share of monthly wage)**
Social Security Fund			• Employer & employee: 5% • Govt: 1%
Sickness	Contributions for at least 3 months within a period of 15 months.	Compensation up to half of receiving wage according to actual number of days of leave, not exceeding 90 days.	
Maternity	Full contributions of 7 months prior to childbirth.	Total of 90 days of paid leave. 50% of salary for 2nd 45 days paid by social security, subject to a monthly cap of THB 15,000, for 2 childbirths. 100% of salary paid for 1st 45 days by employer. Lump-sum of 12,000 TBH per child at child delivery.	
Invalidity	Contributions for at least 3 months within a period of 15 months before date the Medical Board to declare the insured as a disabled person.	50% of the insured's average daily wage in the highest paid 3 months of the 9 months before the disability began, paid until death. The minimum monthly earnings used to calculate benefits are 1,650 baht.	

Death	Contributions for at least 1 month within a period of 6 months.	Funeral benefit of 30,000 TBH. Assistance benefit equivalent to 1.5 or 5 months of average wage depending on contribution period.	
Child support	Contributions towards child benefits for at least 12 months within a period of 36 months.	400 TBH for 12 months to the mothers of children up to the age of 1 living in households with per capita income less than THB 3 000 per month.	
Old-age pension	-Contributions for at least 180 months -Reaches the age of 55. -Termination of status of being an insured.	Monthly benefit of 15% of last 60 months of average wage. If contributed for over 180 months, benefit increased at the rate of 1% per every 12 months of making the contributions.	
Unemployment	Contributions towards unemployment for at least 6 months in the 15 months prior to unemployment.	Termination of employment: benefit for 180 days per year at 50 % of the wage. Resignation: benefit for 90 days per year at 30% of wage.	
Workmen's Compensation Act			• 1st 4 years: varies from 0.2–1% based on risk rating of establishment. • Thereafter: may increase or decrease depending on accident record of business.
Illness	If employee is unable to work for more than 3 consecutive days, but not exceeding 1 year.	Medical expense & compensation of 60% of monthly wages	
Loss of organs	Not exceeding 10 years.	Medical expense & compensation at 60% of monthly wage in case of loss of certain organs of the body,	
Rehabilitation		Medical & vocational rehabilitation expense up to 24,000 THB; operation expense up to 40,000 THB.	
Permanent disability	Not exceeding 15 years.	Medical expense % compensation of 60% of monthly wages,	
Death/ disappearance	Compensation for each category must lie between 2,000 and 9,000 THB per month.	Funeral expense equivalent to 100 times of the highest minimum daily wage rate and compensation of 60% of the monthly wages for 8 years to dependents.	
Voluntary Provident Fund			
	If separately making tax-deductible contributions to an individually owned Retirement Mutual Fund (RMF), the combined employee contribution to both the PVD and RMF cannot exceed 15% of salary or 500,000 TBH per year.	Lump-sum at retirement	• Employee: 2%-15%, with the total contribution not exceeding 500,000 TBH per year. • Employer: equal to or higher than employee contributions
Mandatory Provident Fund			
		Lump sum at retirement at different tax-exempt schedules. Withdrawal upon retirement at 55 years and	Employers and employees each: • 1st 3 years: 3% • 4-6 years: 5%

		contributions to the Fund for at least 5 years: full tax benefits: Withdrawal before 55 but after 5 years of contributions: partial tax exemption based on following equation: *Taxable Amount = [Total benefits received excluding employee contribution – (7,000 x years of employment)]*0.5* Withdrawal before 55 and less than 5 years of employment: employee contribution tax exempt	• 7-9 years: 7% • 10 and above: 10%, with a cap of 60,000 TBH per month. Employees with a monthly salary below 10,000 TBH are exempt from contributions, but not employers.

Sources: http://www.oic.go.th/FILEWEB/CABINFOCENTER2/DRAWER056/GENERAL/DATA0000/00000089.PDF.; https://www.crevelingandcreveling.com/blog/thai-provident-funds-explained; https://shieldgeo.com/maternity-and-paternity-leave-in-thailand-a-guide-for-overseas-employers/; https://www.unescap.org/sites/default/files/Session_4_PPT_UNICEF.pdf; https://openjicareport.jica.go.jp/pdf/12183232.pdf

A3.6: South Korea

The Ministry of Health and Welfare (MOHW) is responsible for making policy decisions and supervising the operation of the NPS. The National Pension Corporation administers the program, collects contributions, and pays benefits.

Table A3-6: Social Security Benefits for Workers in South Korea

Scheme	**Contributions (% of monthly salary)**	**Benefits**
National Pension Scheme	4.5% each from employees & employers, capped at a monthly salary of KRW 4,860,000.	• Old-age pension: workers who are insured for more than 10 years after turning 60 • Disability pension: workers who became disabled while they were working • Survivor pension: family of an insured worker who dies (spouse or children). • Lump-sum refunds: workers with less than 10 years of contributions who are 60, or to Korean nationals who permanently emigrate Specific amount varies depending on the benefit type, insured period, age of the first benefit, existence of income, and degree of disability.
National Health Insurance	7.35%, split equally between employers and employees at approximately 3.68% each Capped at a monthly contribution of KRW 6,644,340 in total, subject to change in	The benefit is divided into cash and service benefits. Although contribution amounts differ according to payment capability, all people receive the same benefits. Employee contributions to the NHI program are deductible in calculating taxable income.

	2020.	Includes long-term care insurance
Employment Insurance	Employee: 0.80% Employer: between 1.05%-1.65% depending on the number of employees and type of industry.	• Unemployment benefits • Employment Stabilization Program • Jobs Skills Development Program, including vocational training
Worker's Accident Compensation Insurance (WCI)	Compulsory contributions only for employers. Ranges between 0.73%-18.63% depending on type of industry.	• Income indemnity: covers 70% of income loss when worker is unable to resume job within 3 days • Disability benefit: payable either as lump-sum or pension depending on degree of impediment • Survivor's benefit: if lump-sum, average income of 1,300 days provided; if pension, 47% of average annual income plus 5% for each additional recipient. Maximum annual pension payment cannot exceed 67% of annual average income. • Funeral expenses: average income of 120 days • Long-term indemnity pension (for those with incurable diseases): pension, according to severity of disease, between 329–3,257 days depending on severity of disease.

Sources: Kim, H. (2002), "Industrial Accident Compensation Insurance in Korea"; https://taxsummaries.pwc.com/republic-of-korea/individual/other-taxes

A3.7: India

All of the schemes are administered by the Central Board of Trustees (CBT), assisted by the EPFO, consisting of offices in 135 locations across the country. It is considered the world's largest social security organization in terms of volumes of transactions undertaken and membership (Tax2win, 2020). The EPFO is under the purview of the Ministry of Labour and Employment, and performs the dual roles of regulating the Act to ensure proper implementation and providing services. Its main functions include providing retirement benefits to employees, settling claims, maintaining individual accounts, and regulation of payments under the three schemes (Tax2win, 2020). The tenure of the Board is five years. Its members include a chairman, vice chairman, Central Provident Fund Commissioner (ex officio), five central government representatives, 15 State Government Representatives, and 10 employer and employee representatives each (Ministry of Labour & Employment, Government of India , 2021).

The administration and implementation of ESIS is carried out by the Employees' State Insurance Corporation (ESIC), an autonomous statutory body under the Ministry of Labour and Employment (Ministry of Labour and Employment, Government of India, 2019). It comprises members representing key interest groups, including, employees, employers, the Central and State Governments, representatives of Parliament, and medical personnel. The Corporation is headed by the Union Minister of Labour, as its Chairman, whereas the Director General, appointed by the Central Government, functions as its Chief Executive Officer.

Table A3-7: ESP schemes for private sector workers in India

Category	**Conditions**	**Benefits and entitlement period**
Pension	Businesses with at least 20 employees	• Superannuation or disability pension

		• Family pension (widow/children/orphans) in case of death during service.
Health insurance and medical benefits	Employees earning Rs. 21,000 (US$313.53) or less monthly. Sickness benefit of 70% of average daily wage, payable for 91 days during 2 consecutive benefit periods.	• Medical care to employees and their families • Cash benefits during sickness and maternity • Monthly payments in case of death or disablement for those working in establishments with 10 or more employees.
Disability benefits	In cases of employment-related injuries or diseases that result in death or disability.	• Death—50% of monthly wage multiplied by age or Rs80,000, whichever is more. • Total permanent disablement—60% of monthly wage multiplied by age or Rs90,000, whichever is more.
Maternity benefits	Rate of average daily wage for the period of the employee's actual absence from work, if employee has worked for at least 80 days in the 12 months immediately preceding the date of expected delivery	• Paid maternity leave of 26 weeks for first 2 children and 12 weeks for third child • 12 weeks for mothers adopting a child below 3 months and to commissioning mothers who opt to use a surrogate. • Negotiable work from home arrangements after maternity leave ends. • 6 weeks of paid leave in the event of miscarriage or medical termination of pregnancy • Additional month of paid leave in case of complications arising due to pregnancy, delivery, premature birth, miscarriage, medical termination, or a tubectomy operation
Gratuity	Establishments with 10 or more employees	• Payment of 15 days of additional wages for each year of service to employees who have worked at a company for 5 years or more, payable as a lump sum • In the event of the death or disablement of the employee, payable to nominee or heir of employee. • Payable to employees hired directly or through a contractor, under the SS Code • Gratuity = Last Drawn Salary × 15/26 working days in a month × Years of Service

Source: Shira, D., "Introduction to India's Social Security System", Global Payroll Management Institute, available at http://www.gpminstitute.com/publications-resources/Global-Payroll-Magazine/december-2017/introduction-to-india-s-social-security-system.

Table A3-8: Brief description of ESIS benefits of India

Benefit	Contributory Condition	Duration	Rate
Sickness Benefit			
Sickness Benefit	Payment of contribution for 78 days in corresponding contribution period.	Up to 91 days in two consecutive benefit periods.	70% of the average daily wages.
Enhanced Sickness Benefit	Same as Above	14 days for Tubectomy & 7 days for vasectomy, extendable on medical active.	100% of the average daily wages.
Extended Sickness Benefit	For 34 specified long term diseases, continuous insurable employment for two years with minimum 156 days' contribution in four consecutive contribution periods.	124 days during a period of two years. This may be extended up to two years on medical advice.	80% of the average daily wages.
Disablement Benefit			
Temporary Disablement Benefit	From day one of entering insurable employment for disablement due to employment injury.	As long as temporary disablement lasts.	90% of the average daily wages approx.
Permanent Disablement Benefit	From day one of entering insurable employment for disablement due to employment injury.	For whole life	For permanent total disablement - 90% of average daily wages. For permanent partial Disablement proportionate to the loss of earning capacity as determined by the medical board.
Dependents' Benefit	From day one of entering insurable employment in case of death due to employment injury.	For life to the widow or until her re-marriage. To dependent children till the age of 25 years. To dependent parents etc. subject to conditions.	90% of average daily wages shareable in fixed proportion among all dependents.
Maternity Benefit	Payment of contribution of 70 days in two preceding contribution periods.	Up to 12 weeks in case of confinement. Up to 6 weeks in case of miscarriage. Extendable by 1 month on medical advice in case of sickness arising out of Pregnancy, Confinement, Miscarriage	100% of the average daily wage.
Medical Benefit	Reasonable medical facilities for self and family from day one of entering insurable employment	Reasonable medical care till he/she remains in insurable employment	
Others Benefits			
Confinement Expenses	An Insured Woman or an I.P. in respect of his wife is eligible if confinement occurs at a place where necessary medical facilities under ESI Scheme are not available	Up to two confinements only	Rs.5,000/- per case
Funeral Expenses	From day one of entering insurable employment	For defraying expenses on the funeral of an insured person	Actual expenses subject to a maximum of

Benefit	Contributory Condition	Duration	Rate
			Rs.10,000/-
Vocational Training	In case of physical disablement due to employment injury	As long as vocational training lasts.	Actual fee charged Or Rs.123/- a day, whichever is higher.
Physical Rehabilitation	In case of physical disablement due to employment injury	As long as person is admitted in an artificial limb center.	100% of the average daily wages.
Unemployment Allowance (RGSKY)	In case of involuntarily loss of employment due to closure of factory, retrenchment or permanent invalidity due to non-employment injury and the contribution in respect of him have been paid/payable for a minimum of three years prior to the loss of employment	Maximum 12 months during life time.	50% of the average daily wages.
Skill Up gradation Training	Same as above.	For a duration of maximum 6 months	

Source: ESIC at a Glance. https://www.esic.nic.in/attachments/publicationfile/ec981aff6bd6ff1c81e3b8605991d3a6.pdf

Social Security Code in India

The SS Code gives authority to the central government and state governments to notify schemes for such workers related to life and disability cover, health and maternity, provident fund, employment injury benefits, and housing.[30] It mandates that the schemes be funded through a combination of contributions from the central government, state governments, and "aggregators" – defined as a digital intermediary or a market place for a buyer or user of a service to connect with the seller or the service provider.

Every eligible unorganised worker (usually of at least 16 years of age) is required to make an application for registration along with prescribed documents, including the "Aadhaar" number. It is yet to be determined whether such schemes would be applicable to all unorganised workers irrespective of their salary scales.

The SS Code has also raised employer contributions to the EPF to 10%, while the central government has the discretion to increase the contribution percentages to 12% for both employers and employees of certain establishments.[31] Further, if an employer fails to pay any contribution under the SS Code regulations, he or she will be punishable with: (1) imprisonment for a term between one to three years and a fine of INR 100,000, if the relevant amount has been deducted from the employee's wages; or (2) imprisonment between two to six months, and a fine of INR 50,000 in any other circumstance.

[30] Section 109 of the SS Code.
[31] Section 16 of the SS Code and Chapter III of the SS Code.

The SS Code also provides for coverage of unorganized sector workers under the ESIS. The employer is required to pay in respect of every employee – whether employed by him directly or through a contractor – both the employer's and the employee's contribution. Neither the employer nor the contractor is entitled to deduct the employer's contribution from any wages payable to an employee or otherwise to recover it from him (Obhan & Associates, 2020). Further, the government has the power to extend the ESIS to any hazardous occupation, irrespective of the number of workers employed.

The new SS Code gives the central government the authority to appoint a Central Provident Fund Commissioner (CPFC) who shall be the Chief Executive Officer of the Central Board and shall also function as head of the EPFO.[32] The CPFC will be subject to the general control and superintendence of the Central Board in the discharge of his functions under this Code. The central government is also responsible for appointing a Financial Advisor and Chief Accounts Officer to assist the CPFC to carry out his duties. The Central Board can appoint as many Additional CPFCs, Deputy Provident Fund Commissioners, Regional Provident Fund Commissioners, Assistant Provident Fund Commissioners and such other officers and employees as it may consider necessary for the efficient administration of the schemes. These include aggregators, representatives of gig and platform workers, the Director General of the ESIC and representatives of state governments (PRS Legislative Research, 2020).

A3.9: Nepal

The employer has to initiate the enrolment process, by registering with the Social Security Fund (SSF) Secretariat—the body that manages the Fund. Once a worker is enrolled, they receive a unique social security number and an identity card, after which they can sign up and start contributing. The same number and identity card apply even if the employee switches jobs.

The SSF lists all member employers and workers, collects the contributions, mobilizes funds, manages claim payments on different facility schemes, expands the network of health institutions affiliated to the fund, and provides access to quality and effective health care (Government of Napal, 2020). A Board of Trustees is appointed to manage and operate the Fund, headed by the Secretary of Ministry as Chairperson. Other Board members include: (1) Joint Secretaries of the Ministry of Finance and Ministry of Law and Justice; (2) Chairpersons of the Federation of Nepalese, Industries and Commerce, Confederation of Nepalese Industries, and Nepal Chamber of Commerce; and (3) three representatives of the Federation of Nepalese Trade Unions as prescribed by the Government of Nepal (Nepal Law Commission, 2018).

Table A3-9: Nepal's ESP scheme for formal private sector workers

Category	Conditions	Entitlements	Entitlement period
Medical treatment	Contributed to the fund for a minimum of 6 months.	Doctor's fees, hospital charges, test and medicine costs, travel expenses.	
Maternity coverage	Monthly deposits for at least 12 months (within	Regular pregnancy tests, hospital admission, surgery, treatment for the	3 months of full treatment for the newborn.

[32] Chapter 3, SS Code.

(female worker and male worker's wife)	the last 18 months).	newborn, care of mother, and financial support in case of miscarriage of 24-week baby or stillbirth.	1 month of basic salary for care of the mother.
Accidents and disability benefits.	Workplace accidents and disabilities. Financial support also given if worker dies or is injured en route to the workplace from home, or vice versa.	Immediate provision of financial support. Maximum aid of Rs700,000 in case of accidents outside the workplace.	Entitled from first day of enrolment. 2 years of continuous contributions for occupational diseases.
Dependent		A diseased worker's: • Spouse receives a monthly pension equivalent to 60% of their basic salary of the last job for a lifetime. • Children receive 40% of their parent's monthly salary as educational support until the age of 18. If the deceased worker does not have any spouse or children, parents of the worker get 60% of their monthly salary as pension.	
Old-age security	Contributed for 15 years and attained 60 years of age. If the worker turns 60 but has not contributed for 15 years then s/he will get all the money deposited back with interest.	Lump sum at retirement.	Retirement

Source: Mandal, C.K., 2020,. "Why Nepal's Social Security Scheme Has Failed To Take Off." *The Kathmandu Post*. [online edition] Available at: https://tkpo.st/2LpdRhN.

Appendix 4: Use of Social Dialogues to Implement Emergency Measures during COVID-19

To successfully implement policy measures such as those discussed above, understanding and shared commitment between employers, workers, unions, and the government – who are all adversely affected by the pandemic – is important. Legislation may need revisions and more flexibility to enable the implementation of alternative arrangements for job and income protection, so that employers are able to retain workers and minimize layoffs or redundancy. Bipartite and tripartite social dialogue plays a key role in strengthening the capacity of governments, employer and worker organizations, and labour relations institutions and processes, and in achieving agreement on different arrangements. Below are some country examples of social dialogues, as compiled by the ILO.[33]

In **Brazil**, the emergency measures adopted in the wake of the pandemic were all preceded by social dialogue and collective bargaining as well as individual negotiations between the employer and worker. In accordance with the Presidential Decree MP 927/2020 it is now possible to extend the duration of collective bargaining agreements (that are ending or have ended) for a period of 90 days if decided so by the employer.[34] According to MP 936/2020, some decisions can be taken unilaterally by employers (such as through advance notice when initiating work from home arrangements), while others – such as reducing wages or number of working hours – have specific modalities on how arrangements that were collectively bargained or form part of labour contracts can be modified.

In **Singapore**, the Ministry of Manpower, the National Trade Union Congress, and the Singapore National Employers Federation signed a tripartite advisory statement on managing excess manpower and responsible retrenchment. The statement requests enterprises to use retrenchment as a last resort, only after all other options have been explored and considered infeasible. Alternatives to retrenchment include the training of employees to upgrade their skills, relocation of employees to other parts of the enterprise, flexible work schedules and short workweeks, wage adjustments, and unpaid leave. It further states that if an enterprise is unionized, the relevant union(s) should be consulted as early as possible on these measures.

The **Malaysian** Government introduced an open platform for discussions and interaction with employers, employees, social partners, and the general public. The platform includes the 24/7 call center as well as interaction via its Facebook, Twitter and Instagram accounts.[35]

In **South Korea**, the Government and social partners issued a tripartite declaration on 6 March 2020 to overcome the COVID-19 crisis with measures to preserve employment and protect workers most exposed to the virus and also ease the tax burden on small enterprises. This was complemented by a "Health Care Sector Tripartite Agreement" signed on 19 March 2020. The agreement specifies obligations for labour and management to promote occupational safety and health and patient safety,

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[33] Ilo.org. 2020. [online] Available at: https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---act_emp/documents/publication/wcms_754728.pdf

[34] Ilo.org. 2020. Country Policy Responses. [online] Available at: https://www.ilo.org/global/topics/coronavirus/regional-country/country-responses/lang--en/index.htm#BR.

[35] Ilo.org. 2020. Country Policy Responses. [online] Available at: https://www.ilo.org/global/topics/coronavirus/regional-country/country-responses/lang--en/index.htm#MY.

contain the spread of the virus, prevent exhaustion of medical staff, improve the working environment in health-care facilities, and safeguard employment in the sector.

In **Denmark**, a tripartite agreement was concluded on 14 March 2020 between the Government, the Danish Confederation of Trade Unions, and the Danish Employers' Confederation, to avoid large-scale redundancies. It provides a State-financed temporary salary compensation scheme for employers at risk of large-scale redundancies. To assist employees, the State pays the employer 75% of the monthly salary, and 90% of hourly wages for every full-time employee, up to a maximum of DKK 30,000. Employees must take five days of holidays and/or time off during the salary compensation period. In return, their employment cannot be terminated.[36]

In **Italy**, a tripartite "Joint Protocol for the regulation of measures to combat and contain the spread of COVID19 at the workplace" was signed on 14 March 2020 between the Government and social partners. The Protocol includes 13 action points including social safety nets, smart working arrangements, and general measures aimed at maintaining economic activity, while ensuring a safe working environment. It also requests social partners to further specify these measures by industry and sector.

In **India**, a high-level virtual discussion was organised by CII (a partner of Employers Federation of India) with two central trade unions, on continuation of operation of factories producing essential goods and measures undertaken for the safety of workers.[37] Deliberations were also held by several EBMOS and central trade unions on approaches for safe recommencement of operations and revival of economy and livelihood recovery, including recommendations on relief measures for income and social protection support to workers and employers.

Sri Lanka too has engaged in tripartite social dialogue during this period. A task force chaired by the Minister of Skills Development, Employment and Labour was formed in March 2020 to manage the labour market impacts of COVID-19. Through the task force dialogues, employers' organizations agreed to pay workers' full salaries in March and April 2020. A subsequent tripartite agreement was made to prorate wages in situations where workers cannot be simultaneously deployed due to health restrictions or operation limitations.[38]

[36] Mette Soested and Natalie Videbaek Munkholm, "COVID-19 and Labour Law: Denmark", Italian Labour Law e-Journal, Vol. 13 No. 1S, 2020.

[37] Ilo.org. 2020. Country Policy Responses. [online] Available at: https://www.ilo.org/global/topics/coronavirus/regional-country/country-responses/lang--en/index.htm#IN

[38] Employers' Federation of Ceylon.