



Operational Review of the Cambodian National Social Security Fund

Recommendations for Institutional Reforms

International Labour Organization

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Executive Summary

This report reviews the operations of the National Social Security Fund (NSSF) of Cambodia in order to assess its current capacities and institutional constraints as it continues to grow. This is done in the context of the launch of the National Social Protection Policy Framework (NSPPF) 2016-2025 which envisions an ambitious expansion of the contributory social security system in Cambodia, with the NSSF at the front of all operations. The report intends to develop evidence-based recommendations to improve the administration of existing NSSF benefits and allow stakeholders to assess the enabling environment required to support the extension of social security coverage to new groups.

From the launch of the scheme in 2007, until the end of 2016, the NSSF only administered one branch, the Employment Injury Insurance (EII). It follows that understanding the performance of the scheme to deliver this benefit will provide the best possible overview of where the strengths and challenges of the organization lay. Consequently the review focuses on the EII branch and does not go into detail on the new Social Health Insurance (SHI) branch, although it is advised that a specific process evaluation of this benefit is carried out after it has run for a full two years.

As of 2015, there were 8.35 million workers in the country, 49% of which were in paid employment. The remaining 51% are predominantly self-employed and thus are legally excluded from current social security benefits. The NSSF currently has 1.1 million members under its EII branch, or 13% of all workers in Cambodia, although a recent decision to allow enterprises with less than 8 workers to register has expanded legal access to an additional 3 million workers. Over 70% of insured workers are female, owing to the size of the garment sector.

The NSSF was established in 2007 under the provision of the 2002 Law on Social Security to cover all persons defined by the Provisions of the 1997 Labour Law. As an institution which collects contributions and manages resources for which the government acts as a last resource guarantor, it sits technically under the Ministry of Labour and Vocational Training (MoLVT) and financially under the Ministry of Economy and Finance (MEF). According to the law, the NSSF is governed by a tripartite board of directors, comprising representatives of workers, employers and Government. The Governing Body has, among others, the authority to approve the contribution rate of each benefit, determine investment, set its administrative structure and establish internal regulations on personnel statute, recruitment and incentives. The NSSF draws this authority from its status as an Institution of Public Administration, which makes it a legally and financially autonomous entity. However, in practice, the NSSF seems to continue to operate as a Department of the MoLVT. The limitation to act on the functions listed above constitute a key structural challenge for the Fund to operate efficiently.

The first challenge relates to its organizational structure, which presently includes 9 Divisions and a number of ad hoc teams and commissions. This structure was established in 2008 to administer the EII benefit and served well for this purpose but it continues to be used without significant changes following the launch of the SHI branch. The imminent extension to new populations like civil servants, which are widely spread across the country, will challenge this set-up. Likewise, at the moment decision-making power is concentrated with the Management level, including on administrative issues such as benefit payments. Although this is currently done in the interest of maintaining strong safeguards against mismanagement of funds, it is not the most efficient way to achieve this goal. Moreover, it limits the growth and expertise of mid-level managers that might one day rise to the top of the organization. It will be extremely hard for the NSSF to take up their expanded mandate under their current model.

The second related challenge concerns the staffing of the organization. At the end of 2016, the NSSF had a total of 782 staff, 76.7% of whom were contractual. Strikingly, almost 3 out of 4 contractual staff have been with the organization for less than one year. This has obvious consequences for the productivity of the institution as a whole, as on average over half of the NSSF staff are in their first year of service. The operations of a social security institution are unique and complex, making these extreme levels of turnover a significant threat to the institution's ability to perform effectively. Behind this challenge is the NSSF's continued use of Government staffing procedures which prevents them from providing contractual staff with salaries higher than that of civil servants. The institution's inability to set their own remuneration scale makes it impossible to recruit and retain the right staff, particularly highly-skilled ones such as medical doctors, lawyers, and now actuaries and investment experts. Moreover, the civil servant staff is appointed directly by the MoLVT, giving the Executive Director no power to place the right people in the right jobs. The issue of the Management's power to appoint staff is considered critical. This capacity must be devolved to the NSSF in order to allow the institution to implement a recruitment and retention policy in line with its needs.

Third, as a result of the lack of clarity on governance authorities, the NSSF has not yet developed clear financial policies. In order to ensure the financial viability of the scheme, it is recommended that the periodical performance of actuarial reviews is adopted as official standard practice, and that the Fund adopt explicit Funding and Investment policies for each of its branches. This will serve to formalize the long-term funding objectives of the scheme, better understand the risks and advantages of financing options and enhance corporate governance by increasing transparency. These policies should be evidence-based and developed through a tripartite national dialogue. Again, the evolution of such functions will require the adaptation of the administrative structure. It is recommended that the establishment of new Units such as Human Resources and Investment are considered under the appropriate Divisions. In the case of investment in particular, the NSSF should consider outsourcing this function to specialized private subcontractors.

The Review finds a weakness in the strategic planning which should be led by the Policy Division, which at the moment supports policy implementation but does not lead research or policy formulation. As a first step to deepen the work of this important Division, this Review finds the need to establish two new Units. In any public institution, a Legal Division is necessary to prepare draft legislation and oversee contracting. Moreover, a legal division will be important to strengthen the NSSF's prosecution of repeatedly non-compliant enterprises. Well within the responsibilities of the Policy Division also lies the communication efforts of the institution. The division currently leads public relations but a dedicated Communications Unit could add much value. A survey carried out by the ILO in the context of this report revealed that despite a high level of awareness about the NSSF, only 1% of members were knowledgeable about all the benefits of the EII. Awareness of rights and obligations vis-à-vis the social security system plays a key role in fostering a "culture" of social security and compliance. In Cambodia, where the NSSF is a relatively new institution, this should be coupled with general and constant awareness raising efforts.

Registration will also be a key function of the institution moving ahead. At the moment, the process of registration of new enterprises is not systematic, as there is no automatic mechanism for inspectors to identify new businesses. A more efficient way for the Division to function would be to establish a link with the relevant Department of the Ministry of Commerce (MoC) which handles all new business licenses so that proof of registration and up to date contribution to the NSSF becomes a requirement in that process. This would require a high-level agreement between the two ministries but is common practice in countries

with well-developed social security and taxation systems. In terms of workers registration, the lack of ID cards continues to be a challenge. Even within the formal sector, the ILO survey showed that 71% of employers who reported challenges in registering workers with the NSSF, pointed to the lack of workers' IDs. The NSSF has rolled out their own biometric ID system as a stop-gap measure but this will continue to be a challenge for the large numbers of people entering the labour market for the first time every year, particularly since the Mol currently does not cover minors. The burden for this process will continue to rest mostly with employers, and of course, increased administrative costs for the NSSF. This is key to the Government's ambitions of expanding coverage to informally employed workers and thus should be a priority for the new National Social Protection Council (NSPC) who should drive efforts to enhance civil registration activities led by the Ministry of Interior (Mol).

Now that the legal framework for the initial expansion of NSSF coverage to all paid employees has been set, the real challenge will be in adapting the existing NSSF mechanisms which have been developed on a "formal employment" model, with predictable monthly earnings, stable and clear employment relationships. However, there is a wide diversity of employment arrangements in the informal economy which vary according to industries and employment type (wage employees, the self-employed, casual workers, household employees and unpaid family members). Thus any strategy which aims at expanding statutory coverage will have to be evidence-based, focused and gradual. In other words, there is no silver bullet to reach universal coverage of contributory schemes.

Expanding further to other groups in the informal economy, such as the self-employed, will be much more challenging as this group is also not homogeneous. Own account operators, casual wage workers, homeworkers and unpaid family workers all operate under distinct employment relationships. Their income is generally low, irregular and unpredictable and their employment situation is intermittent with no formal contract and multiple employers. These issues should be properly understood and accounted for so as to develop appropriate benefits and administrative solutions. Moreover, the institution must ensure institutional readiness before attempting any further major expansions so as not to jeopardize the hard-earned gains made so far. In most cases, the extension of coverage is a horizontal endeavor requiring the collaboration of a variety of institutional players.

The progress made by the NSSF in the past 10 years is remarkable. The transition from a department of the MoLVT to a full blown institution with over 700 staff serving over one million workers around the country is unprecedented in Cambodia. Workers and employers representatives agree that the tripartite governance which led the establishment and expansion of the EII over these years was productive and should be maintained as the institution grows. It is this success which has now placed the institution at the center of a high-level reform to harmonize and expand the country's social protection system, as expressed through the new NSPPF 2016-2025. However, there is room for improvement and for the NSSF to successfully take up this new mandate. It is important for all stakeholders to understand these challenges, the history of the institution and the administrative structure that derives from it.

This report is the first attempt to gain a comprehensive understanding of the operational capacities and challenges of the NSSF and can thus serve government as a key input to develop an evidence-based implementation plan for the policy goals identified in the SPPF. However, the authors acknowledge the limitations of the report and encourage further and more in depth work on issues that require it. In parallel to this report, the ILO has also produced additional products on communications, investment, governance and feasibility for expansion to specific groups.

In addition, it is important to run these kind of operational reviews periodically, to ensure that the gaps and limits of the institution can constantly be dealt with, leading to a culture of excellency. Particularly, in a moment in which several reforms are taking place with existing benefits expanded to new groups of workers and new benefits being introduced and designed, it is important that the next review takes place in the coming years. The NSSF is an institution full of potential. However, it is advisable that further expansion is planned in a more strategic manner and not before the foundations of the institution are further strengthened. Taking into account the challenges identified throughout this report, and the new role and responsibilities that the NSSF is expected to assume following the launch of the NSPPF, the successful implementation of the recommendations presented in Chapter 6 will require a systematic approach. It is thus recommended that the institution develop a Three-year Organizational Development Strategy to allow it to streamline its efforts.

Key recommendations include:

- Addressing the ambiguity in the status of the institution, in order to allow for action on the critical areas of staffing and administrative organization.
- Establishing fit-and-proper standards for Management positions.
- Reviewing the organizational structure or the organization to reflect its new mandate.
- Reviewing planning, budget and monitoring processes, prescribing standards and benchmarks for key areas of operation.
- Developing Funding and Investment policies for each benefit branch.
- Establishing a Communications Unit and taking a more proactive approach in fostering a culture of social security.
- Seeking ways to systematize and formalize key processes such as registration and compliance, pursuing collaboration agreements with other key Government institutions.
- Exploring delegation and decentralization of functions, specifically in the case of payments approval.
- Develop evidence-based administrative solutions for the expansion of coverage to informally employed workers.

Chapter 1 of this report establishes the goals and methodology of the work. Chapter 2 provides an overview of the socioeconomic context of the country and the historical background of the institution. Chapter 3 examines the NSSF's structure in more detail and determines its capacity to support further coverage expansions. Chapter 4 goes into more depth regarding the operational performance of each of the institution's Divisions. Chapter 5 looks at administrative solutions for coverage extension by identifying the elements that the institution could leverage and the gaps that should be mitigated. Finally, Chapter 6 presents the Review's final recommendations.

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1 Chapter 1: Introduction

1.1 Objectives

The objective of this study is to review and assess the NSSF's operations and produce recommendations towards institutional reforms (including practical operational modifications) required to improve the delivery of existing and new benefits.

From the launch of activities in 2008, until the end of 2016, the NSSF only administered one branch, the Employment Injury Insurance (EII). Understanding the performance of the scheme to deliver this benefit, will thus provide the best possible overview of where the strengths and challenges of the organization lay. This is particularly important since the launch of the National Social Protection Policy Framework 2016-2025 envisions an ambitious expansion of the contributory social security system in Cambodia. Before the NSSF takes up any of these new challenges, however, it is important for the institution to assess the enabling environment required to support the extension of social security coverage to new groups.

By assessing the current performance of the different divisions of the NSSF, this report intends to identify the elements that the institution could leverage and the weaknesses that should be mitigated. Moreover, the report also performs a brief review of the legal provisions guiding the NSSF. However, the report does not aim to be a legal review. Ensuring that the institution has the required authority to pursue the administrative solutions identified is key, as is ensuring cooperation from other institutions which might play a key role in certain administrative processes.

The authors are aware of the limitations of the study, considering also the existing constraints in terms of data availability. Based on the conclusions of the study, the NSSF should consider further specific analyses. In addition, it is important to run these kind of exercises periodically, to ensure that the gaps and limits of the institution can constantly be dealt with, leading to a culture of excellency. Particularly, in a moment in which several reforms are taking place with existing benefits expanded to new groups of workers and new benefits being introduced and designed, it is important that the next review takes place in the coming years.

1.2 Methodology

The methodology employed qualitative and quantitative methods and included:

- An examination of the legal framework within which the NSSF administration operates which includes Parkas, Sub -Decree and Directives.
- Key informant interviews with all NSSF division Directors and their Deputies.
- Four (4) missions to the headquarters, newly rented facilities and provincial branch offices.
- Key informant interviews with relevant counterparts at the Planning Unit of the Ministry of Health (MoH) and a site visit to an NSSF contracted public hospital to interview hospital administrative staff.
- Key informant interviews with social partners, including employer and worker representatives.
- Key informant interviews with other relevant service providers, including bank staff and representatives of the private Insurance Association.
- Review of the NSSF database according to key performance indicators.
- A large comprehensive survey of over 1,300 respondents to gauge the level of knowledge and of satisfaction of employers, employees, service providers and benefit recipients regarding the

services and level of benefits received through the Employment Injury Insurance administered by NSSF.¹

- The quantitative survey reached 1,352 respondents in the provinces of Phnom Penh, Siem Reap, Svay Rieng and Sihanouk Ville. A total of 168 enterprises were included, divided between three categories based on size – large, medium and small; and based on sector – garment, hospitality, transport and others. Respondents selected for interviews per enterprise consisted of one administrative staff in charge of administrative work dealing with contributions, employee registration, accident reporting and other matters for promotion of safety measures, as well as workers with experience and no experience claiming benefits. This selection process aims to capture consistent information across the stakeholders. Approximately 30% of enterprises were selected outside of the NSSF's membership in order to include views from those the scheme is struggling to reach.
- Key informant interviews were added in order to capture information that cannot be captured through quantitative methods. Respondents included beneficiaries of long term pensions for disability, as well as survivors of a deceased NSSF member.

¹ A dedicated report with the survey's results will be published separately.

2 Chapter 2: Background

2.1 Social protection for women and men of working age

Social protection plays a key role in ensuring income security for women and men of working age, which is an essential component of the well-being of individuals and families, and for the achievement of the SDGs, including SDG 8 on decent work and economic growth.

The majority of people of working age are economically active, and generally gain their livelihoods through income-generating activity, whether in formal or informal employment, and whether such activity can be categorized as decent work or not. Whether currently economically active or not, persons of working age have specific needs for social protection, and that effective policies to meet these needs are key to not only to realizing their right to social security, but also to ensure the efficient functioning of labour markets and broader economic and social development. Their needs generally fall into three broad categories:

- the need to replacement of income lost temporarily or permanently as a result of unemployment, employment injury, disability, sickness or maternity;
- the need for income support or other social protection measures where income is insufficient to avoid poverty and/or social exclusion; and
- the need for support to restore earning capacity after any of the contingencies listed above and to facilitate participation in employment.

Most people seek income security during working life in the first instance through participation in the labour market. Income security is strongly dependent on the level, distribution and stability of earnings and other income from work, and is therefore significantly influenced by policy choices and the adoption and enforcement of legislation in a number of areas. Policy areas particularly relevant to income security include employment, employment protection, wages (including minimum wages) and collective bargaining, and active labour market policies, as well as policies to support workers with family and care responsibilities and to promote gender equality in employment. Effective policy and legal frameworks in these areas are key to ensuring decent work. However, recent labour market and employment trends, such as higher unemployment, underemployment, more prevalent precarious and informal employment, as well as dwindling real wages and rising working poverty, or have increased the pressure on social protection systems to ensure income security for persons of working age.

Against this background, it is essential that national social protection floors guarantee, at a minimum, “basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability” according to Recommendation No. 202. Other ILO social security standards provide more detailed guidance for specific policy areas.

The NSSF is at the forefront of Cambodia’s efforts to protect people of working age.

2.2 Socio-economic context

The Socio-Economic Survey (CSES) 2015, published by the National Institute of Statistics, in the chapter on Employment Status, provides estimates of population and labour force. The definition used to classify own account workers or self-employed in CSES is “persons who currently work to contribute to their own households and who operate their own enterprise (e.g. farmers cultivating their own land small shop keeper or small restaurants) without payment or income of any kind”. Table 1 shows that the labour force reaches 8.3 million people and that a large proportion are in the rural areas.

Table 1: Population and labour force aged 15-64 years by sex and geographical domain in thousands (2015)

L	Cambodia	Phnom Penh	Other Urban	Other Rural
Total Population	15,405	1,993	1,772	11,639
Total Working age Population	10,113	1,461	1,195	7,455
Labour Force	8,359	1,142	933	6,283
Labour force Participation Rate				
Women	77.2	71.1	72.4	79.2
Male	88.5	86.0	84.2	89.7
Unemployment Rate:				
Women	0.1	0.1	0.1	0.1
Men	0.0	0.2	0.0	0.0

Source: Cambodia Socio-Economic Survey 2015, page 54.

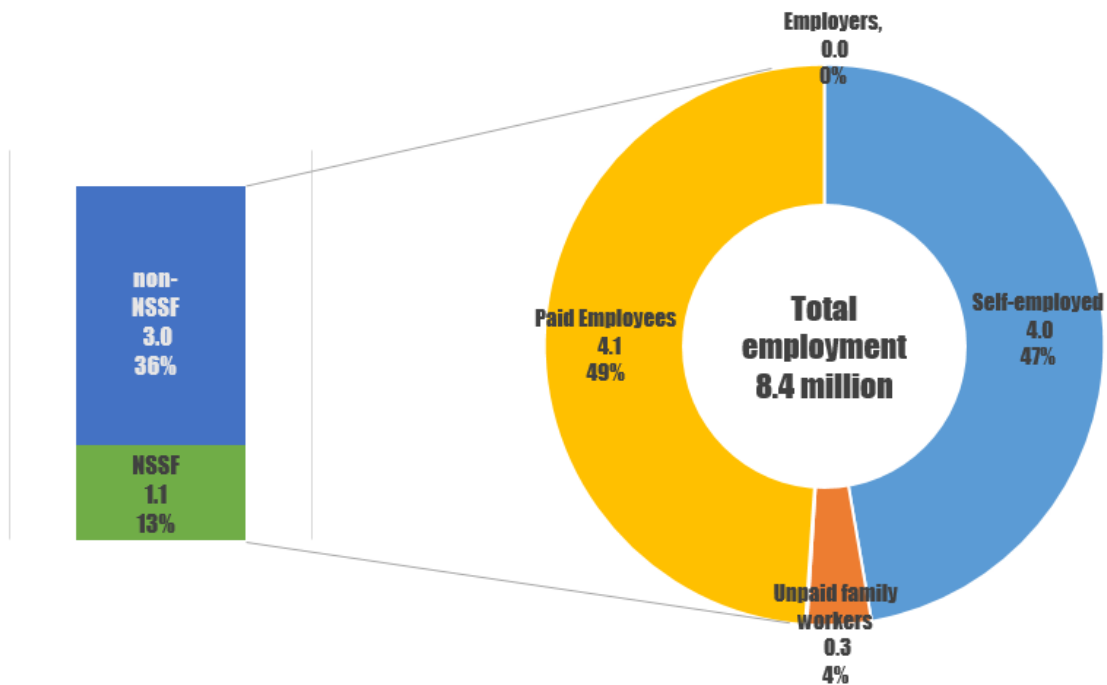
Table 2 then shows the employment status in Cambodia. There are 8.352 million workers in employment and 4.172 million, or 48.9% are in paid employment. There is also indication that there is a low rate of unemployment and a high rate of labour force participation.

Table 2: Employment status, main occupation aged 15-64 years by sex in percent (2015)

Employment Status	Women	Men	Both sexes
Employed population, number (thousand)	4,029	4,322	8,352
Paid employee	43.4	54.0	48.9
Employer	0.1	0.1	0.1
Own account worker/ self employed	52.7	42.3	47.3
Unpaid family worker	3.8	3.5	3.7
Others / don't know	0.0	0.1	0.0
Total	100	100	100

Source: Cambodia Socio-Economic Survey 2015, page 54.

Figure 1 provides an overview of the employed population aged 15-64 years by employment status. Less than half of all workers are paid employees, but the proportion has risen rapidly from 26.9% in 2009 to 49% in 2015. Still, almost the same amount of workers continue to be self-employed and thus legally excluded from social security benefits. Figure 1. Employment by status (CSES, 2014)



Source: Author's compilation from CSES 2015 and NSSF 2015 data

2.3 Establishment and development of the NSSF

The Law on Social Security for workers covered under the Labour Law was enacted in 2002, stipulating the introduction of social security benefits and the establishment of a new administrative institution, the National Social Security Fund (NSSF) under the Ministry of Labour and Vocational Training (MoLVT). According to the law, the NSSF is governed by a tripartite board of directors, comprising representatives of workers and employers (two each), and of the Government (one seat each for MOLVT, MOEF and MOH). The law stipulates the introduction of the following social security benefit branches:

- a compensation fund for victims of employment injuries and occupational diseases;
- a pension insurance fund;
- and other benefit branches as relevant.

According to the law, the NSSF is mandated to cover all persons defined by the provisions of the Labour Law. The Labour Law itself establishes employment injury as an employer liability under any type of employer-employee relationship, and makes no mention or differentiation between companies according to their size. However, the Labour Law also mentions that companies with eight (8) or more workers should have internal regulations and overtime, the MoLVT has used this threshold as a practical definition for formal companies, or the formal sector. However, legally the NSSF still has a mandate to serve companies below this threshold when it comes to employment injury compensation.

Most recently, on October 19, 2017, the MoLVT issued notification No. 307 on the registration of informal workers, informing all employers who employ one or more workers of their obligation to register with the NSSF. This follows the joint MoLVT and MoH Prakas No. 404 K.B, dated October 11, 2017, which defines informal workers as “a worker who signed a labour contract for a period of time not exceeding 08 hours per week”. This definition is not in line with traditional concepts of informality, but it does in practice extend the NSSF mandate to all paid employees in Cambodia.²

Anu-Kret (Sub-Decree) No. 16 E.S. on the establishment of the NSSF was passed in March 2007, providing the legal basis for administrative arrangements and the implementation of the scheme.

The functions of the NSSF are defined as follows:

- i. Manage social security benefits in accordance with the 2002 Social Security Law for persons defined by the provisions of the Labour Law.
- ii. Ensure that the same benefits are provided to all members of the NSSF in a bid to alleviate their difficulties with old age, disability, death, occupational risk, or any other contingencies such as maternity.
- iii. Collect contributions from its members and employers.
- iv. Facilitate health care for its members.
- v. Raise awareness on the prevention of employment injury and occupational diseases and take any technical action on working security and hygiene.
- vi. Monitor occupational risks.
- vii. Manage the investment of the fund.
- viii. Nonetheless, as per Sub-Decree No. 16 ANKr.BK, the NSSF is a public, legal and financially autonomous entity.

Following its establishment, Prakas (ministerial regulation) 109/2008 on benefit entitlements was adopted by the MoLVT in February 2008. The Employment Injury Insurance (EII) branch was launched in November 2008 with ILO technical and financial support. Following the threshold mentioned above, and in the understanding that small and medium enterprises (SME) did not, at the time, have the internal administrative procedures to allow them to comply with the scheme’s mechanisms, the initial coverage was limited to companies with 8 or more workers. Once covered, companies remain members of the NSSF even if the number of their employees drops below this threshold, following the “once covered, always covered” principle. Expansion was initially also limited to the garment sector in the industrial area of Phnom Penh the capital, Kampong Speu and Kandal provinces.

In 2010 the program to extend coverage began with 5 provinces being covered and another 6 in 2011. The experience gained from the process led to 6 additional provinces being covered and the final phase was in 2013 where the remaining 4 provinces were covered. The strategy applied for extension was to start covering provinces with high potential economic and the detailed list of coverage extension is as follows:

- Nov. 2008 to Dec. 2009: Phnom Penh Capital, Kompong Speu and Kandal provinces

² No mention of the self-employed is made in these new regulations, but it is expected that the NSSF will allow groups of organized self-employed workers to be registered in the near future. The ILO is providing technical assistance in this respect through the EU-SPS funded project Social Protection for Informal Workers.

- Jan.2010 to Dec.2010: Sihanouk Ville, Siem Reap, Kompong Chhang, Bantaymenchey, and Svay Rieng;
- Jan-2011 to Dec.2011: Kompong Thom, Battambang, Pursat, Pailin, Kartie and Kompong Cham;
- Jan. 2012 to Dec.2012: Koh Kong, Takeo, Kompot, Kep, Mondolkiri and Prey Veng;
- Jan.2013 to Dec.2013: Oddor Menchey, Preah Vihear, Stung Treng, and Rattanakiri

Currently the NSSF has its head office in Phnom Penh and a branch in all provincial cities, except a newly divided province of Khbong Khmom. The coverage of the scheme increased gradually from 711,228 in the year 2010 to reach 1,993,065 workers in December 2015.

Table 3: Scheme Coverage, 2010 – 2015

YEAR	2010	2011	2012	2013	2014	2015	2016
CONTRIBUTORS*	711,228	899,480	1,185,812	1,356,893	1,585,862	1,684,138	1,993,065
MALE	137,343	210,860	317,029	380,279	441,041	482,558	552,958
FEMALE	573,885	688,620	868,783	976,614	1,144,821	1,201,580	1,440,107

*Annual average

Source: IT division, NSSF

It can be observed that over 70% of insured workers are female, which can be explained by the predominance of the garment and footwear industries in the manufacturing sector. The coverage by economic sector is shown in Table 4.

Table 4: Coverage by economic sector, 2016

<i>Economic sector</i>	<i>Insured persons*</i>	<i>% of total</i>
Agricultural enterprises	6,874	0.6
Garment and footwear industries	678,749	63.0
Manufacturing (other)	114,034	10.6
Mining and Construction	6,198	0.6
Transport and Telecommunications	10,370	1.0
Wholesale and Retail Trade	13,512	1.3
Hospitality and Entertainment	61,082	5.7
Financial Services	59,681	5.5
Other service industries	127,376	11.8
Total (all sectors)	1,077,876	100.0

* Workers insured in June 2016.

Source: IT Division, NSSF

It is apparent that the growth in coverage has slowed down significantly in recent years. The issue of coverage expansion is examined more closely later in the report.

2.3.1 Employment Injury Insurance

Employment injury benefits, as stated in Article 15 of the 2002 social security law, cover workplace accidents and work-related diseases, including road accidents during commutes between home and work. More specifically, the EI branch provides the following benefits:

- i. Medical care
- ii. Nursing cash allowance
- iii. Temporary disability cash benefit (TDB)
- iv. Funeral (death) benefit
- v. Permanent disability benefit (PDB) and caretaker benefit
- vi. Survivor benefit pension
- vii. In-kind rehabilitation benefit

Traditionally employers were made liable to cover the cost of work-related accidents and diseases, including the compensation of survivors in fatal cases. This was also the case in Cambodia where the principle of employer liability was enshrined in the 1997 Labour Law. With the launch of NSSF scheme, the responsibility to fund the employment injury insurance was kept as an employer responsibility, what is aligned with the practice in the large majority of the countries in the world. The fund is financed through wage-based contributions at the rate of 0.8 per cent of reported wages up to a ceiling of KHR one million per month. Following the most recent actuarial review of the scheme, this ceiling is set to be raised to KHR two million per month.

By international comparison, the incidence rate of occupational accidents experienced so far is very low. This could be, among other factors, due to underreporting of accidents by employers. Larger factories operate on-site infirmaries staffed with a nurse or doctor, and it is suspected that minor injuries are treated on site and therefore not reported to the NSSF. During the early years of the scheme it was expected that reporting of accidents would improve over the next few years. However, nine years after launch the incidence rate remains low, raising concerns about the effectiveness of claims procedures. Due to the low number of benefits disbursed so far, a sizable surplus was achieved since 2009 and reserves have been accumulated. As a result, the reserve-to-expenditure ratio reached 8.1 in 2015.³

Most recently, the NSSF has also expressed an intention to extend coverage of the EII branch in two directions. The first relates to a specific industry, construction, which cuts across the formal and informal economy. The second, is small and medium enterprises (SME), or those with less than 8 employees who have so far fallen outside of the EII mandate and thus operate informally. The ILO is currently conducting the initial feasibility studies, with the aim of providing practical recommendations on mechanisms for expansion. This report fully integrates the prospect of these expansions into its assessment and recommendations for improvement.

³ Hennicot, 2017. Actuarial Review of the Employment Injury Insurance Branch of the National Social Security Fund (forthcoming).

Box 1. Protecting workers affected by employment injury

Employment injury benefit schemes, providing benefits in cash and in kind in cases of work-related accidents and diseases, constitute in many countries the oldest branch of social security, just like in Cambodia. The schemes were established to address one of the key challenges in modern workspaces. Employers are responsible for securing the occupational safety and health of their workers and providing fair, equitable and effective compensation to workers, and, in the event of deaths of workers, to their dependent survivors to cater for the loss of income as a consequence of employment-related accidents or diseases and for injured workers' access to the necessary healthcare, including medical and allied care services and good and physical as well as vocational rehabilitation services. In countries where such mechanisms are not in place, the only hope of redress for a person injured at work, or for his/her survivors, lies in action against the employer in the ordinary courts. Lawsuits of this type are generally lengthy, expensive and stressful for victims, and thus are rarely efficient in providing effective compensation to injured workers and the family or other dependents of deceased workers.

Non-adversarial schemes were thus introduced in a number of countries at an early stage, with a view to ensuring the timely provision of benefits to injured workers and their dependants, the establishment of predictable and sustainable financing mechanisms, and the efficient administration of funds. The first generation of such schemes consisted in “workmen’s compensation schemes”, under which the compensation of a worker or his/her surviving family dependants is a legal liability placed upon the employer. Underpinning this approach is the principle that employers must provide their workers with a safe and healthy working environment, and that failure to do so renders them liable for the consequent losses suffered by workers or their family members. Given that the financial burden of meeting this obligation rests solely on employers, these schemes often require them to take out private insurance.

Experience has shown, however, that even where such an obligation exists in law, the outcomes of these schemes are often sub-optimal. The need to process an insurance claim, involving the need to obtain relevant information and undergo rigorous medical assessments, can cause serious delays in obtaining treatment and benefits. In addition, an employer may be reluctant to make a claim for fear of other legal implications. Since the employer may not continue his/her business and the private insurer does not want to provide benefits for a long time, benefits are in the form of lump sums or, even in the case of periodical payments, are paid for a definite period without benefit indexation. In recognition of these drawbacks, many countries have replaced employer liability provisions with social insurance, which in effect extends the no-fault principle to share the costs of employment injury among employers.

This shift in approach to employment injury protection has been reflected in the standards adopted by the ILO from its early days (see box 3.3.1).

The effectiveness of programmes in addressing the specific contingency of employment injury relies on a specific set of principles:

1. “No fault”, namely a worker who is injured, or his/her survivor(s) in case of death, should qualify for benefits without any necessity to prove “fault” of the employer;
2. Collective sharing of liability among employers; and
3. Neutral governance of administration of the scheme, meaning that the right to benefit is established outside the contractual relationship between a worker and his/her employer.

Within this framework, the aim of employment injury provisions in most countries is to meet the needs of disabled workers or of their dependent family members of deceased workers due to employment related injuries and diseases, by way of:

- appropriate and relevant medical and allied care to injured workers,
- earnings-related periodic cash benefits to disabled workers, whose disability is assessed as
- temporary or permanent and partial or total in case of permanent disability, and
- Earnings-related periodic cash benefits and funeral grants to survivors of deceased workers, namely widows and widowers, children and other dependent relatives.

Many national employment injury schemes have a set of wider aims, such as the re-employment of injured or sick workers, and the promotion and maintenance of decent levels of safety and health in the workplace. These objectives can only be achieved effectively if there is a high level of policy integration, not only between the various branches of social security schemes, but also between those and policies relating to labour markets, labour inspection and occupational safety and health.

The provision of adequate compensation in case of permanent partial disability represents one of the greatest challenges in the employment injury branch of social protection. An approach which focuses on the loss of *bodily function* tends to compensate essentially for the physical loss and may result in either over- or under-compensation from the economic viewpoint of a disabled worker, even if the degree of disability is not assessed exclusively on the basis of medical factors. An approach based on *earning capacity* attempts to relate the level of benefit to the economic loss arising from the injury; this imposes demanding administrative requirements for the management of claims, and needs to be complemented by well-developed rehabilitation services in order to develop the residual capacities of injured workers. This in turn requires the full engagement of employers in the rehabilitation programme.

A rating system of contributions by considering the past performance of employers in respect of occupational injuries and diseases can be used to provide an incentive to employers in preventing occupational injuries and diseases as well as facilitating the return to work of injured workers. However, this is usually possible only for medium- and large-size firms.

When it comes to implementation, another important criterion for measuring the effectiveness of employment injury schemes is the ability of the system to ensure that injured workers have access to healthcare facilities, goods and services and that cash benefits reach injured workers and survivors of deceased workers without delay. Timely delivery of benefits requires effective reporting systems of occupational accidents and diseases and simple and efficient claim procedures for injured workers and survivors of deceased workers. Online reporting systems of occupational accidents and diseases help facilitating the access to benefits.

Source: World Social Protection Report 2017/18, ILO

2.3.2 Social Health Insurance, Maternity and Sickness Benefits

In January 2016, the Prime Minister signed into law the establishment of a mandatory Social Health Insurance (SHI) for private sector workers. On the 1st May, 2016, the NSSF launched this branch together with maternity and sickness branches, although contributions were first collected in September of that year.

The new SHI provides a basic benefit package that includes:

- i. Medical care and hospitalization not exceeding 180 days within 12 months
- ii. Prevention services

In order to facilitate negotiations, the contribution rate for the three new branches were lumped together, although actuarially speaking, they are still calculated separately. The three branches are co-financed equally between employers and workers through a contribution of 1.3% of net wages each.⁴ Contribution must be at a minimum of 2,600 Riels (USD 0.65) and a maximum of 13,000 Riels (USD 3.25) per month. As mentioned already, in addition to health insurance, the contribution rate also includes access to maternity and sickness benefits which sometimes contributes to the erroneous impression that maternity and sickness benefits are part of the SHI benefit package, rather than separate branches.

The first phase of expansion targets garment sector workers in the provinces of Phnom Penh, Kandal and Kampong Speu, where most garment and footwear factories are located. The expansion rate will follow the pace of the implementation of a new biometric identification system, managed and issued internally by the NSSF. By the end of 2016, more than 295,000 workers had been registered and around 100,000 had used it to access health services. By the end of October 2017, the scheme reached approximately 950,000 workers. Although the initial expansion is prioritizing garment sector workers, the scheme will be rolled out to all NSSF members in the coming two years. Likewise, while the scheme is currently available to NSSF members and survivors only, expansion to family dependents is foreseen when capacity allows.

In the meantime, the ILO was requested to perform an actuarial valuation for a new SHI branch for civil servants. According to the ILO's ongoing actuarial valuation of the NSSF-C, there are approximately 190,000 civil servants in Cambodia.⁵ Royal Decree No. 0217/078 was signed on 1 February 2017, granting the NSSF the mandate to launch this scheme which is expected in late 2017.

Finally, the NSSF has expressed its intention to launch its Pensions branch in 2019. To this end, the ILO is currently performing the pertinent actuarial review.

2.4 Recent policy developments

In June 2015, the Government established a Technical Working Group (TWG) to reform the social protection sector. Led by the Ministry of Economy and Finance, the TWG formulated a new Social Protection Policy Framework (SPPF) 2016-2025. The SPPF was formally adopted by Parliament on March 24, 2017 and subsequently launched by the Prime Minister on July 24, 2017. The policy envisions a system where social insurance and social assistance are managed under one umbrella, and thus calls for important reforms across both areas. On the contributory side, the SPPF maps the present coverage of the population and its implementation by various institutions which include, the NSSF, the National Social Security Fund for Civil Servants (NSSFC), the National Fund for Veterans (NFV) and the People with Disability Fund (PWDF). These institutions provide protection with regard to income insecurity which might result from illness, employment injury, disability, maternity or old age, for the targeted groups of

⁴ In August 2015 the Prime Minister announced that as of January 2018, employers will cover the entire contribution rate, meaning workers will not contribute any part of their wages towards social security.

⁵ ILO, 2017. Actuarial Valuation of the National Social Security Fund for Civil Servants and Actuarial Study on the Implementation of a New Pension Scheme in the Private Sector (forthcoming).

civil servants, veterans, people with disabilities, and general employees. However, the fact that they work independently results in lack of policy and operational coordination and consequently, gaps in coverage.

The Framework envisions the horizontal and vertical expansion of the Social Protection Floor. In the short-term, it calls for the financial consolidation and expansion of existing schemes. For example, the Government commits to take over the financing of Health Equity Funds (HEF) by the end of the policy period and to introduce contributory mechanisms for civil servant schemes. An important mid to long-term policy objective is the development of pension and health insurance schemes that achieve universal coverage. A broader objective is the promotion of the welfare of people with disabilities and initiating a feasibility study on the implementation of an unemployment insurance scheme.

2.4.1 Policy Coordination

Coordination at the policy level is to be achieved through the new National Social Protection Council (NSPC), established through Royal Decree NS/RKT/0617/488 on July 29, 2017. The roles and functions of the NSPC include the integration and harmonization of existing schemes and the formulation of the institutional framework and governance mechanisms to ensure efficient implementation of the system. To perform its mandate, the NSPC will establish an Executive Committee to lead and coordinate the development and implementation social protection policy. In turn, this Executive Committee will be supported by a permanent Technical Secretariat. The roles and functions of these two bodies will be established by Sub-Decree.

Achieving these policy objectives will require a review of the governance structure. In the context of social security administration, the International Social Security Association (ISSA) defines governance as the manner in which the vested authority uses its powers to achieve the institutions' objectives.⁶ Legislation, policy or decree should define the powers and responsibilities of the NSPC, Executive Committee, Technical Secretariat, and the NSSF Governing Body and Management. There should be no area of ambiguity, dilemma or conflicts of interest.

Achieving these policy objectives requires a review of the institutional structure and a clear division of duties at policy, regulatory and operational levels. At the request of the government the ILO is currently collaborating with Palladium, a USAID subsidiary, to define the roles and functions of these bodies, ensuring that they are in line with local legal frameworks and the ISSA Guidelines on Good Governance. Inputs produced through this work will be provided to the NSPC during their first meeting, expected to be held in late 2017.

2.4.2 Governance and operational integration

The NSPC taps the NSSF for a central role in this reform on account of its successful track record implementing the EII scheme for the private sector. Accordingly, the institution's mandate could potentially extend in two directions. First, the framework prioritizes the rationalization of benefits provided under the National Social Security Fund for Civil Servants (NSSFC). The NSSFC was established in 2008 to centralize the administration of social security benefits for civil servants and create a contributory and financially sustainable scheme. However, in practice the NSSFC never fulfilled its second objective, with a long list of benefits being paid to civil servants coming directly from the national budget without

⁶ International Social Security Association, 2011. Good Governance Guidelines for Social Security Institutions.

any contributions from civil servants themselves. As the size of the public sector grows and wages continue to rise year to year, this system is putting growing pressure on the national accounts.

This makes it an urgent reform which has begun implementation before the official launch of the SPPF. The signature of Royal Decree No. NS/RKT/No. 0217/078 on February 03, 2017, grants the NSSF the mandate to manage EII and SHI schemes for the public sector. These are two branches which have never been managed by the NSSFC, making the NSSF's new task easier in the sense that no old liabilities or staff must be transferred. However, it is important to note that the expansion of the Fund to this population was not discussed in the Board or communicated officially to its members who remain largely unaware about this expansion. The fact that the Board was bypassed for such a decision speaks to the health of the tripartite governance of the institution.

Employer and union representatives could not provide comments on this issue, stating that they had no official information on the matter. On the side of the NSSF management, the rationale was that since the scheme does not involve the private sector, decision-making lies exclusively with Government. This is only partially true, as the tripartite Board continues to have a mandate over the operations of the NSSF and in addition, the management of this new scheme will imply administrative costs that will be shared with the scheme for private sector workers. The lack of transparent discussion on this issue has affected the trust of worker and employer representatives in the effectiveness of the board, but additionally, it has prevented key administrative issues from being outlined. For example, at the moment there is no clarity on how or if the resources the NSSF is directing to the preparation of this new scheme for civil servants will be reimbursed. When it comes to pension and survivor benefits, which are at the core of the NSSFC's functions, there is less clarity on what the details of the transition will be.⁷

Second, the SPPF states the broad role of the NSSF in providing coverage to the working population. Due to the labour market structure in Cambodia, this includes workers in the informal sector. The policy specifically endorses the goal of universal health coverage and calls the government to assess possibilities to implement a SHI scheme for non-poor workers in the informal sector. While the government commits to subsidize the poor – as is currently done under the HEFs – it also notes that non-poor groups in the formal and informal sectors will be obliged to pay contributions based on their income. The policy states that all SHI must be operated through a single payer mechanism to ensure effectiveness and equity and reduce administrative costs.⁸

The NSSF has been identified as the best-positioned institution to house the single-payer mechanism. However, there are still no concrete proposals for the implementation of schemes other than that of the public sector, nor any financial allocation on the government's side. Given that the NSSF has to date only implemented a single branch relatively successfully, there is reason to be cautious about the pressure this

⁷ For the moment, the NFV will not be part of the reform, although its situation is similar to the NSSFC meaning that its growing liabilities remain an issue of concern for the sustainability of the schemes it manages.

⁸ No feasibility study on the implementation of a single payer mechanism in Cambodia was carried out during the policy formulation stage. The ILO and WHO are currently partnering to carry out this work and provide practical options for the way forward.

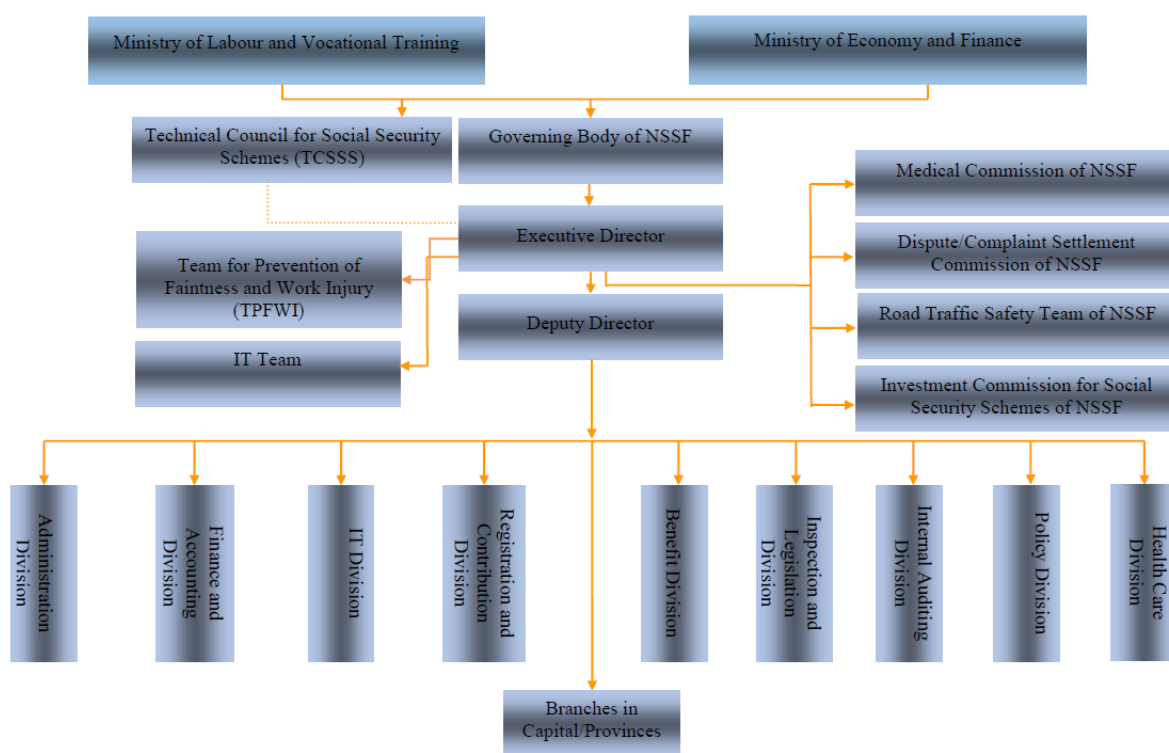
considerable increase in its mandate and workload could put on its administrative structures. The integrity of the NSSF's tripartite structure also remains an open question.

Simultaneously expanding to new populations and branches is an ambitious goal that will require administrative reform and consolidation prior to implementation. Gradual expansion is also required not to risk the institution's young foundations. Finally, when it comes to social security, the trust of contributors and beneficiaries is essential. Pressure to move to quickly, without taking into account the time needed for the administrative reforms can have a counterproductive effect in terms of the future extension of the system.

3 An examination of the present organizational structure of the NSSF

The present structure for the administration of social protection and the NSSF provided by the Administration Division is in Figure 1 below.

Figure 2. Organizational Structure of the NSSF⁹



Although the NSSF is a statutory body, its administrative structure should function within a service provider-client framework. The institution has the sole purpose of providing effective and efficient services to its members. These clients or members are the employers, employees and their dependents.

⁹ In November 2017, the NSSF added two new Divisions for Pensions and Rehabilitation Services.

As a service provider, the NSSF should seek to achieve a long-term relationship of trust with its client, and as such must identify the needs of each respective client and work with them to fulfil them. These goals can be achieved by establishing a strong and well planned organizational structure that is adequately funded and has well-trained staff.

3.1 Governance

A sound governance structure is essential for the effective functioning of the NSSF and any other social security institution. It should ensure an appropriate division of operational and oversight responsibilities as well as the suitability and accountability of persons involved.

As an institution which collects contributions and manages resources for which the government acts as a last resource guarantor, it sits technically under the MoLVT and financially under the MEF.¹⁰ These two ministries are members of the NSSF's Governing Body, or Board, which also includes:

- A representative from the MoLVT (President)
- A representative from the Office of the Council of Ministers (member)
- A representative from the MEF (member)
- A representative from the MOH (member)
- Two (2) representatives of employers (member)
- Two (2) representatives of workers (member)
- The Executive Director (automatic member)

Representatives of employers and workers are nominated by their own organizations. In line with the International Social Security Association (ISSA) Guidelines on Good Governance, Sub-Decree No.16 ANKr. BK provides for the Board's independence from political interference to implement its mandate by prescribing the selection process and by defining the grounds for removal from office. According to Art.10, among other grounds, members can lose their status if they become members of Government or Parliament. Any member of the Board may also be dismissed in the event that they provide any service to the NSSF in a direct or indirect manner.

As a tripartite institution, government, employers and workers have equal voting rights within the Governing Body. Some of the key functions of this body include:

- Approve the NSSF's annual budget, particularly, the benefits of each scheme.
- Examine and approve the contribution rate of each scheme.
- Schedule and determine the Fund's investment plan.
- Examine and approve internal regulations, personnel statute and administrative structure of the organization.
- Determine the process of recruiting, terminating, promoting, punishing and providing incentives to personnel at the request of the Director.

The NSSF is officially an Institution of Public Administration, as such, it is a public, legal and financially autonomous entity. Article 39 of Sub-Decree No. 16 E.S. explicitly states that as the Sub-Decree came into force on March 02, 2007, the Department of Social Security of the MoLVT became the National Social

¹⁰ Art.37 of Sub-Decree No.16 ANKr.BK states that the State guarantees the NSSF's debt contracted with previous approval of the MEF.

Security Fund. In practice, however, the NSSF seems to continue to operate as a Department of the MoLVT.

3.2 Management

The Management of a social security institution is the group of persons who, under the legislation establishing the entity, are given the responsibility for the administration and daily operations of the social security programme. Referred to as the 'Executive Unit' of the NSSF, the above-mentioned Sub-Decree vests this authority with the NSSF's Director as the Head of Management.

3.2.1 Executive Director

The Director is fully authorized to run day to day implementation of the schemes and the Sub-Decree clearly delineate his duties from those of the Board, to whom he must report periodically. As the Head of Management, the NSSF Executive Director is accountable to the Board and thus should be appointed by the Board as well. However, the NSSF's Executive Director is currently appointed by Sub-Decree at the request of the MoLVT. This is unusual, and reflective of the continued room to implement the institution's de-jure independence in a de-facto manner.

The Executive Director should be suitable and competent to fill the position of Head of Management of the NSSF. The term of office of the Director, and the basis for its renewal (if renewable), must be clear and well-defined. The current Director is deemed to be suitable and competent to fill the position by all members of the Board interviewed for this report, and continues to hold the trust of this body.

Due to the relatively short life of the institution, the NSSF has benefited from the leadership of only one Director and thus there has not yet been a need to ensure compliance with selection processes or indeed to establish guidelines on the suitability and fit-and-proper standards for the position. It is recommended that prior to any transition in Management, the Governing Body establish a policy on these standards for the position of Director, including provisions on how these may be reviewed and updated. The new National Social Protection Council could be asked to apply the fit-and-proper test to candidates nominated by the Board. Furthermore, as advised by the ISSA Good Governance Guidelines, legislation, policy or decree may provide for the independence of the Executive Director from political interference by prescribing the selection process and by defining the grounds of removal from office solely for just cause. Both the Board, and potentially the new National Social Protection Council, should ensure that the selection of the Executive Director complies with the established selection process. Finally, the selection and removal process should be clear, documented and of public knowledge.

3.2.2 Technical Committees and Working Teams

The Management of the NSSF is supported by five Deputy Directors and a number of technical committees (social security, investment, medical, financial, dispute and complaint settlement, provider payment mechanism), as well as three working teams (prevention of mass fainting, prevention of road accidents and IT).

The Technical Committee for Social Security Schemes (TCSSS)

The TCSSS for persons defined by the provisions of the Labour Law was established as an inter-ministerial technical committee by Sub-decree No. 34 SD.E on February 24, 2011. It comprised the MoLVT, MEF and the Council of Ministers. The TCSS is no longer active, but previously held responsibilities for: (i) studying

the development of management technics and social security schemes in line with the stability of the economy and social affairs in collaboration with the Governing Body of the NSSF; (ii) advising on miscellaneous procedures for implementing the 2002 Social Security Law for persons defined by the provisions of the Labour Law; (iii) studying and advising on occupational diseases in relation to physical work, toxic substances and abnormal conditions causing workers miscellaneous diseases; (iv) studying and advising on the implementation and development of the NSSF; and (v) providing technical advice when necessary.

Some of these functions are similar to those of the newly created NSPC, although the scope of this body is meant to be broader. Regardless, lessons learnt from the establishment and ultimate cessation of the TCSSS could provide valuable feedback to those supporting the establishment of the NSPC and its supporting bodies.

Investment Committee for Social Security Schemes (ICSSS)

The ICSSS was established as an inter-ministerial committee by Prakas No.108 LV/PrK, on May 20th, 2014. It comprises the MOLVT, MEF, MOH, Council of Ministers and employers' and workers' representatives. Basically, this committee is tasked with organizing investment plans and procedures for short, medium and long term, as well as monitoring these regularly. Due to the limited availability of investment outlets in Cambodia, this Committee has not been able to prepare a written Investment Strategy. Due to the existing reserves of the EII and imminent launch of a pension branch, this work should be prioritized. The ILO is currently assisting the NSSF to evaluate its investment options and clarify investment goals that can be captured in a short and long-term strategy, depending on the branch.

Box 2. Investment Management¹

Enforcing the prudent person principle in investment management

As a social security institution with a mandate to manage the investment of reserve funds, the NSSF's Board and Management are duty-bound to ensure that the funds are invested in accordance with basic prudential rules such as profitability, safety, liquidity and diversification. After defining the competencies required and available, the Governing Body should establish an Investment Policy and pursue its implementation through the establishment of a dedicated investment unit. This unit can be internal to the institution, or alternatively an external fund manager may be appointed.

In the first case, the Board and Management should ensure that there is minimum suitability standards for all staff in the investment unit and that an external office (i.e. Finance and Accounting) monitors compliance with these standards. To establish clear accountability, the organizational structure of the investment unit should reflect the investment decision-making process and should embed a system of checks-and-balances. In the second case, the Board and Management should ensure that best practices are used when selecting the fund managers. To enhance accountability, transparency and predictability, there should be a written process, established by the by-laws of the NSSF, to select its external fund managers and to establish the type of mandate given to them.

Under any scenario, targets, standards and benchmarks should be established to evaluate the performance of investments. The grounds for liability and mismanagement should be defined.

Dispute and Complaint Settlement Committee (DCSC)

The DCSC was established as a tripartite committee by Prakas No.177 LV/PrK on August 18, 2010. It consists of the MOLVT as the government representative, as well as workers' and employers' representatives. The DCSC's role is to manage complaints of NSSF members about the Institution. Common complaints may include issues with benefit levels, abnormalities in service provision, lack of compliance from employers, incompatibility of NSSF regulations with other provisions, and any other complaint that may arise related to the services they receive from the institution.

It is recommended that while this committee should remain as a last instance mechanism that makes decisions on cases that could not be solved through administrative solutions, a dedicated Case Management Division should be established to deal with all appeals and complaints coming from members, that might relate to issues arising in the Registration, Finance, Inspections, Benefits or Health Care divisions. Moreover, increased efforts should be made to establish more accessible channels through which workers can lodge their complaints and receive resolution. Hotline services should be extended in this direction, but other technologies could also be considered that would allow members to submit a complaint and report abnormal services immediately. This will be particularly useful in terms of monitoring the performance of health services providers under the new SHI and pointing at bottlenecks that the NSSF can address. The information collected through the Case Management Unit should be shared with all concerned divisions for strategic planning, particularly the Policy Division.

Medical Committee

The MC is an inter-ministerial committee between the MOH and MOLVT established by Joint-Prakas No.088 LV/PrK on April 27, 2009. The medical committee consults to determine the degree of permanent disability of a worker suffering from work injury, as well as the level of care to be provided through NSSF health facilities or poly-clinics. The committee's decisions carry if an absolute majority is obtained. In cases of doubt, a medical practitioner can be brought in to provide an assessment, covered by the NSSF. The committee can meet a maximum of five times per month and has, in practice, been meeting four times per month during 2016/17.

Provider Payment Mechanism Committee (PPMC)

The PPMC is an inter-ministerial committee between the MOH and MOLVT established by Prakas No.194 LV/PrK on September 14, 2012. The tasks of the Committee are as follows:

- i) Determine the provider payment mechanism and basic cost of health services.
- ii) Determine disease groups, request the service cost of each disease group, and determine the provider payment mechanism for health facilities contracted by the NSSF.
- iii) Determine the conditions health facilities must meet to be contracted, mechanisms to monitor service quality, and procedures to provide services to NSSF members.
- iv) Prescribe the procedures for the NSSF members to claim benefits under the health insurance scheme.

The PPMC serves as the main coordination body between the MOH and the NSSF on all issues regarding the Social Health Insurance scheme.

Road Traffic Safety Team (RTST)

The RTST was established by decision No. 002 LV/D, on January 25, 2013. It is formed by the MOLVT, MOH, Ministry of Interior (MOI), Ministry of Public Works and Transport (MOPWT), Handicap International, employer and worker representatives. The objective of the team is to design action plans to prevent commuting accidents and advise the NSSF on how to invest in prevention strategies.

Team for Prevention of Faint and Work Injury (TPFWI)

Similarly, the TPFWI was established by decision No.002/15 LV/D on January 13, 2015 to tackle the recurring issue of mass fainting at garment factories by examining the causes and proposing solutions. The team consists of officials from the MoLVT's Department of Occupational Safety and Health (OSH), and the NSSF's Inspection Division.

Information Technology Team (ITT)

The IT Team was established as an inter-ministerial forum for the MOLVT and the MOI by Prakas No.136 PrK on January 7, 2014. The purpose of the ITT at the time was to coordinate the identification of workers for NSSF registration. In order to do this, there was to be a link set up between the Department of Statistics and Passports of the National Police General Commissariat at the Ministry of Interior, and the NSSF. This aim was never achieved and ultimately the NSSF decided to establish an in-house biometric identification system that was launched in mid-2016.

These Committees and teams were established in an ad-hoc manner to advice on specific matters that required the attention of multiple departments and/or institutions. However, because they were not time-bound and no performance targets were set, they mostly met sporadically and kept no objective records of their actions and achievements. While the establishment of inter-ministerial and tripartite working groups is necessary and beneficial in many instances, the multitude of such bodies and their permanent nature within the NSSF's organizational structure is reflective of a lack of strength within the Policy Division to lead strategic planning. Most of these committees and teams actually perform functions that could be embedded into the work of regular divisions. The TCSSS, now defunct, could offer lessons to the new National Social Protection Council, but also reflects the need for the NSSF Governing Body to be supported by a technical secretariat, possibly placed within the Policy Division. Similarly, the Policy Division should also lead the RTST and TPFWI, with the participation of the other relevant NSSF Divisions.

As delegated functions, the purpose of these committees and teams should be well-defined, documented, time bound and subject to review and approval by the Board. It is recommended that their performance and continued relevance is reviewed at this point and that concrete TORs, work plans and methods of performance evaluation are established. In the case of the Investment and Dispute Settlement Committees, it is recommended that they be directly embedded as units or divisions of the institution.

3.3 Organizational Structure

Organizational structure refers to how individuals and teams work within an organization and are coordinated. It is this structure that leads to achieving organizational goals and objectives through the coordination and management of individual work. An organizational structure is a valuable tool in achieving coordination, as it specifies reporting relationships, delineates formal communication channels, and describes how separate actions of individuals are linked together.

Organizations can function within a number of different structures, each possessing distinct advantages and disadvantages. Although any structure that is not properly managed will be plagued with issues, some organizational models are better equipped for particular environments and tasks. The degree to which an institution is centralized and formalized, the number of levels in the hierarchy, and the type of departmentalization the institution uses are key elements of the structure of the institution. These elements of structure affect the degree to which the institution is effective and innovative and it also has an effect on employee attitudes and behaviors at work. These elements come together to create a mechanistic structure, which is rigid and bureaucratic but assists the institution to function, more so if it is a statutory body like the NSSF.

In contrast to the mechanistic structure, there are organic structures which function through decentralization, allow flexibility and aid in achieving innovativeness. In general, most government controlled statutory bodies operate using a mechanistic structure and this is how the NSSF is arranged. However, there is room to incorporate certain practices of organic structures, in particular with regards to the decentralization of tasks. At the moment, decision-making power on administration, development and approval of payments is concentrated with the Management level. Although this is currently done in the interest of maintaining strong safeguards against mismanagement of funds, it is not the most efficient way to achieve this goal. Moreover, it limits the growth and expertise of mid-level managers that might one day rise to the top of the organization. Management should consider decentralizing decisions on benefits to the branch managers, starting with a trial period under strict monitoring.

The existing structure of the NSSF was established in 2008 to administer the EII scheme and served well for this purpose. However, this structure continues to be used without significant changes following the launch of the SHI branch. The imminent extension to new populations like civil servants, which are widely spread across the country, only make this a more pressing issue. In the context of these developments, and the higher expectations placed on the institution as a result, it will be practically impossible for the NSSF to continue functioning within a rigid central model.

As per Art.16 of Sub-Decree No.16 ANKr.BK, the NSSF management structure is set out by Prakas of the MoLVT, following the Governing Body's request. It is thus within the immediate power of the Management to recommend a structural reform to the Governing Body. By assessing the performance of the EII scheme, the next chapter of this report examines the NSSF's structure in more detail and determines its capacity to support further coverage expansions. However, it is recommended that a specialized management consulting firm is engaged to suggest the details of this reform and if approved, how it would be implemented.

4 Operational performance

At the end of 2016, the NSSF had a total of 782 staff, out of these, 176 were civil servants and the remaining 600 contractual staff. The headquarters of the Fund are located in Phnom Penh and a branch in all provincial cities, except a newly divided province of Khbong Khmom. There are 9 divisions in the head office including administration, finance and accounting, IT, registration and contribution, benefits, inspection and legal affairs, internal auditing, policy and health care.

Each division is headed by a Director and supported by two deputy directors. Division Directors report to the Executive Director. Coordination amongst the divisions is done through monthly management meetings, but could be further strengthened by incorporating more formalized reporting mechanisms.

The Director's secretariat should be directly responsible for arranging these meetings on a regular basis, taking minutes and sharing them with all divisions, recoding decisions made and following up by monitoring the actions of the concerned divisions.

Moreover, Management should require each division of the institution to submit regular reports on the division's actual versus target performance. In order to do this, and in line with ISSA guidelines for accountability of management, it is recommended that the management:

- Establish and implement a planning and budget process, and regular system of monitoring and review.
- Prescribe standards and benchmarks for key areas of operations, including efficiency in coverage and collection, operating expenses, adequacy and quality of service to members, investment returns, prevention of fraud and others.

Provincial branch offices are not organized by division and operate as agencies, rather than direct extensions of the central structure. The services provided are primarily enterprise and worker registration, with some limited inspection functions performed. Each branch office is typically organized simply with one manager, with remaining staff reporting directly to him/her, and employs a mix of civil servant staff and contractual staff. Civil servants perform managerial duties, as well as registration and inspection functions, while contractual staff are not authorized to perform inspection functions and operate primarily as registration officers.

4.1 Administration

The Administration Division had 11 Civil Servant and 38 contractual staff at the end of 2016. During that year, there were 11 recruitments and 3 resignations, with a total turnover rate of 10 percent. All staff changes were contractual staff. As per the EII actuarial report of 2017, administration costs at NSSF increased from KHR 2.5 billion in 2010, to KHR 11.6 billion in the year 2015. This is due to the establishment of new branch offices in all provinces and the resulting staff recruitments.

In 2015, administrative costs made up 45.4 per cent of total expenditures. This can be in part explained by the relatively low level of benefit expenditures. The relative share of administration cost to contribution income reached 23.1 per cent in 2014 but decreased to 15.6% in 2015. While in relative terms administration costs are high by international standards, they can be explained by the fact that at these dates, the scheme operated only a single benefit branch throughout the country and therefore all the administrative costs fall under this single benefit, hence fixed costs (rent and salaries) make up a larger relative share compared to other countries. The relative share of administration cost should decrease in the future as new benefit branches collecting higher contribution rates are introduced (i.e. health insurance and pensions) and economies of scale in administration are achieved.

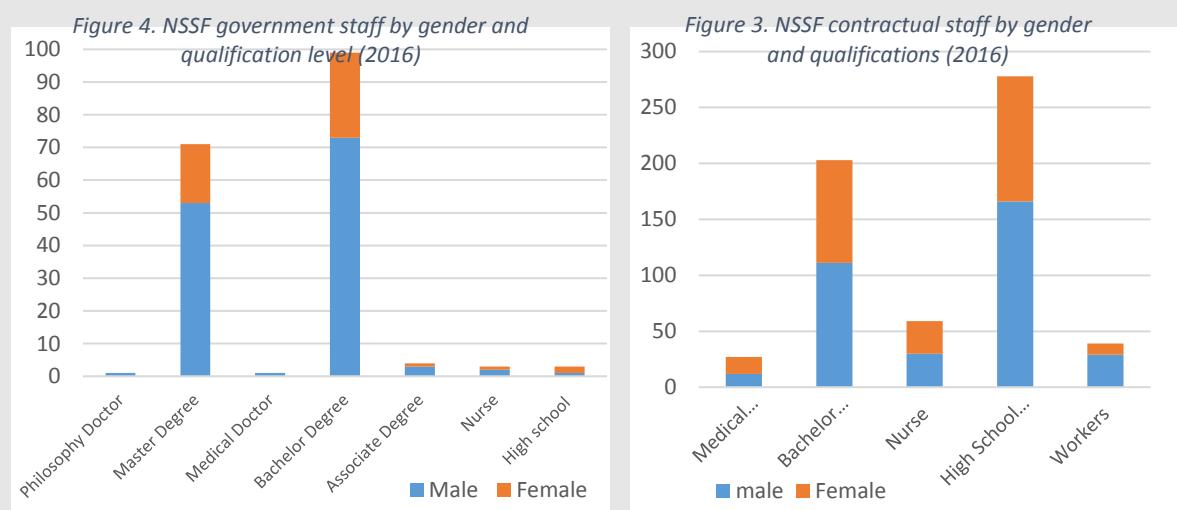
The division is also responsible for all human resource matters within the NSSF; this includes recruitment, training, leave, sickness, maternity and any other benefits. The success of an institution largely depends on finding suitable and competent people to fill positions. The current NSSF staff include civil servants under the MoLVT and contracted staff. According to Sub-Decree No.16 ANKr.BK, the Director should have authority of appointment over both categories of staff. In reality, however, this authority has remained with the MoLVT who continues to second Ministry staff to the NSSF, leaving the institution with no power or flexibility to ensure a pool of qualified staff according to technical assessments. As of end of 2016 the NSSF had 176 government staff whose tenor of service is guaranteed as public servants, and thus enjoy

the salaries and incentives of any civil servant under the MoLVT. In comparison, there are 600 contracted staff at the NSSF, whose salaries and benefits are subject to the provisions set by the Governing Body. It is recommended that the institution adopt a code of conduct and implement a Board-approved compensation scheme that provides the correct incentives for adherence to this code of conduct and dedication to performance excellence.

Box 3. A note on staffing and recruitment challenges

The first thing to note about the composition of the NSSFs staff, is the gender disparity, particularly amongst government staff. Since government staff are appointed by the MoLVT, this could be a reflection of the pool within that Ministry. Given that senior positions are reserved for this group, this dynamic results in all top-level management being male. Institutions with gender-balanced forces tend to be more effective in fulfilling their mandate. In the case of the NSSF, where the bulk of members is actually female, it is important for this population to be properly represented within staff and to be given the same opportunities to rise to management positions. Currently, only the Administration Division is headed by a woman. This disparity is less prominent amongst contractual staff which are actually selected by management, reflecting the availability of equally qualified females among younger cohorts.

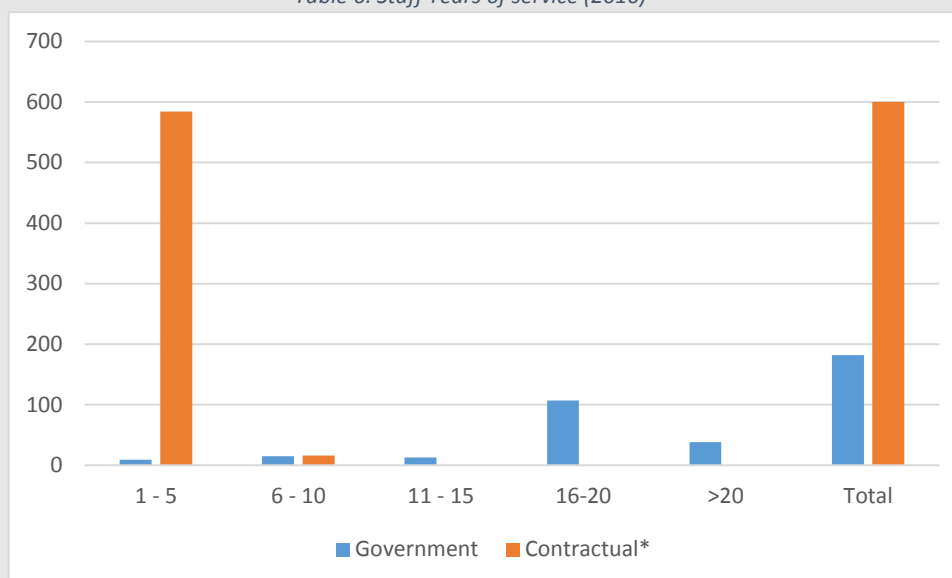
Figure 5. Number of NSSF officers per years of service (2017)



The NSSF currently has a core pool of trained government officers with an average 17.5 years of experience in social security administration. They are academically well qualified with 95% holding a tertiary level degree, constituting a solid knowledge base for the institution.

However, of the total 766 staff at the NSSF today, 76.7% are contractual staff. While 50% of them do hold a bachelor’s degree, a striking 73% of these have been with the organization for less than one year. This means that in total, 54% NSSF staff officials are in their first year of service. This has obvious consequences for the productivity of the staff body as a whole, as 1 out of 2 employees are in what can be considered training periods, and the remaining ones are providing this training on top of their own functions. The operations of a social security institution are unique and complex, meaning that high levels of turnover can have significant impacts on the ability of the institution to perform effectively.

Table 6. Staff Years of service (2016)



*414 less than one year. Source: NSSF Administration Division

The high level of turnover is concentrated amongst contractual staff, indicating that although salary levels are set at similar levels to government staff, the additional benefits available to the public sector function as a powerful incentive for staff retention. In 2016, of the total 600 staff employed on a contractual basis, only 406 were consistent in their work attendance; 372 of these were newly recruited that year and 48 had resigned by the end of the year. This points to the fact that the NSSF is perpetually operating under staff shortages. The largest number of resignations were in the Registration and Contributions Division (12), followed by the Healthcare Division (10). Both are core departments of the institution, and particularly, are the two currently leading the expansion of the new SHI branch.

Table 5. Staff turnover at NSSF (2016)

Recruited	Resigned	Total	Percentage with consistent work attendance	Turnover
372	48	600	67.7%	12%

Source: NSSF Administration Division

This highlights the role of incentive mechanisms in building and retaining the capacity of the institution. This is particularly true of certain high-skilled occupations, such as doctors, IT staff and investment experts who are in high demand in the job market and who can thus obtain much higher salary levels in the private sector. This makes the issue of the Management's power to appoint staff quite critical. This capacity must be devolved to the NSSF in order to allow the institution to implement a recruitment and retention policy in line with its needs. The continued failure to allow the NSSF Management to manage its recruitment, salary and benefit provisions can have a very real and detrimental effect on the institution's capacity to take on new challenges extending coverage as well as administering additional schemes.

Presently, the NSSF has no Human Resource policy, and consequently there are no strategic plans on human resource recruitment, training or promotion. This has an obvious impact on the capacity that the organization is able to build and prevents the strategic planning of staffing alongside the expansion of the institution's mandate and responsibilities. Nonetheless, many staff have benefited from additional professional training on social security. In 2016, senior officers attended 5 training courses conducted overseas by the ILO, World Bank, WHO and GIZ. Mid-level officers also participated in 6 seminars overseas and participated in one study tour. This dynamic has been ongoing since 2014 which means that most of the senior staff have attended some kind of social protection training overseas covering the areas of health protection, IT, administration, pensions, rehabilitation and investments.

It must be noted that many of these senior, highly qualified and experienced staff, are due for retirement in the near future. The NSSF presently has no succession plan in place to train the next generation and systematically identify those with management skills to take over senior roles. This process needs to be formalized within the Administration Division, particularly in the light of the NSSF's growing mandate and potential role in the coordination of the social security system as a whole.

Moreover, in addition to having highly qualified staff, improving administration performance by exploiting the knowledge bank requires a conscious effort to relax structures and allow mid-level and junior staff to bring about change and innovation. As discussed above, there is room to improve the delegation of authority and decision-making powers. This should be done in parallel with the strengthening of accountability and performance review mechanisms, so as to allow supervisors to exercise adequate monitoring, guidance and control. The introduction of annual performance reviews could be used to reward staff with salary increase and other incentives such as participation in overseas learning events. For this, however, job descriptions must be reviewed and clearly defined, establishing clearly roles and responsibilities, as well as management capacities. The development of clear work flows should determine the quality of each post in relation to the responsibility shouldered, and ensure that there is a reasonable and smooth information and reporting line from the bottom up as well as from the top down. This kind of structure and salary review should be performed by a qualified and reputable management consulting company hired for this purpose.

On a lower scale, a right step in this direction has been the NSSF's investment in training courses organized locally, which consequently benefit a larger number of staff, including at junior levels. Most recently the NSSF has been partnering with the ILO International Training Center (ILO-ITC) which in 2016 delivered a certified training program on actuarial modelling for 60 NSSF staff. The NSSF also extended this opportunity to NSSFC and MEF staff, as well as employer and union representatives, showing their strong commitment to building the capacity of all actors involved in the management and governing of the institution. In early 2018, the NSSF has contracted the ITC-ILO to deliver a Social Security Trainer of Trainers (ToT) course, which will enable the knowledge accumulated in the top levels of the NSSF, to more systematically be passed down to lower levels.

Given the growing availability of partners to support the NSSF, it is important that the institution is able to streamline this support, including in the case of trainings. Regular participation of already well-trained senior officers in overseas trainings can actually be detrimental to the day-to-day administration of schemes. Moving forward, it is recommended that the institution put in place a Training Plan and more carefully extends learning opportunities, including at the level of the Governing Board. Becoming a full

ISSA member, could also enable the institution to enjoy a range of services on top of the summer training courses.

Finally, on a day to day basis, the Administration Division is also responsible for service tenders and procurement. Public procurement refers to the process of acquisition by government and public entities of goods, works and services that are necessary to fulfil their mandate in the provision of services and facilities to the public. The administration department follows two guiding documents instructing procurement procedures; the law on Public Procurement and the Guidelines for implementing rules and regulation governing public procurement. The process starts by identifying needs as outlined by the annual plan and budget. Once necessary items have been identified, the department researches market prices before preparing the bid documents and announcing the tender. There is a minimum period of 80 days required between announcement and awarding of contracts. No major issues have so far been observed in procurement, however vigilance is required as short-term issues like redundant spending and misinterpretation of contracts can result in the NSSF not obtaining the services it needs at the quality required by its beneficiaries.

Procurement management is a cornerstone of good governance. As the procurement capacity of the NSSF expands, particularly driven by the new branches, it is important for the Administration Division to scrutinize the status of their current procurement system and measure the extent to which it conforms to internationally recognized standards. It is advised that the NSSF ensures sufficient staffing of the Administration department to cover the expanding procurement requirements and that attention is given to quality of contractual arrangements and monitoring mechanisms to ensure that providers deliver high quality services at agreed price and time.

It is recommended that the Division have three separate units, namely Human Resources, Procurement and Training. The **Human Resources Unit** may perform the following functions:

- a) Manpower planning by developing Job Specifications of each post, scoping of responsibility and duties.
- b) Recruitment from advertising of vacancies to interviewing and selection.
- c) Maintain staff records of annual, emergency and sick leave, courses attended, acquisition of new academic degrees or diplomas, other personal records of individual staff.
- d) Manage salaries, benefits and loans or advances given.
- e) Monitor performance and discipline processes and recommend promotions.
- a) All other matters regarding the staff.

The **Procurement Unit** could be responsible for the following areas:

- a) Designing the procedures for the tender and procurement system and determining the powers of approval according to the cost of the purchase.
- b) Establishing a Tender Committee and acting as the secretariat for decision making.
- c) Managing all the purchases, monitoring the quality and quantity of all products supplied to the NSSF, in collaboration with the healthcare unit when necessary.
- d) Managing the stores and keeping all records of the assets of the NSSF.
- e) Take action on disposing assets that have been damaged or exceeded their economic life.

The **Training Unit** could have the following responsibilities:

- a) Preparing a Long-Term Training Plan and an Annual Training Plan.
- b) Prepare a Training Policy to meet the objectives of the NSSF.
- c) Select the right candidates for training both internal and overseas training.
- d) Make all preparations for the training.
- e) Work with Universities and other establishments to advance training in social protection.

4.2 Finance and Accounting

The division has 6 civil servant and 4 contractual staff and has not seen any resignations in 2016. Despite the name of the division, their duties are mostly on accounting. The Accounting Unit keeps records of all contributions received, and all benefit and administrative expenditures. As new schemes are introduced, the complexity of these tasks is increasing on par. The NSSF follows the financial reporting standards set out by MEF regulations. Legally, the NSSF is not obligated to publish their financial statements, but both financial statements and balance sheets are reported to MEF and MoLVT as the Fund's parental ministries.

The 2002 Social Security Law does not prescribe a schedule for actuarial reviews. The last complete actuarial review of the EII took place in 2012, this was followed by an update report in 2016. In order to ensure the financial viability of the scheme, it is recommended that the periodical performance of actuarial reviews is adopted as official standard practice, possibly embedded in legislation. Likewise, tracking financial issues becomes more challenging due to the lack of clear financing and funding objectives. Such objectives are usually stated in the scheme's funding policy. It is therefore recommended that the NSSF adopt an explicit, written funding policy for each of its branches, especially for long-term benefits. The policy should be developed through a national tripartite dialogue and informed by quantitative evidence produced under an actuarial exercise. The policy may be updated as necessary following new actuarial reviews. This is in line with ILO Social Security Standards which state that as part of its overall responsibility, the State should ensure that the necessary actuarial studies and calculations concerning the scheme's financial equilibrium are made periodically.

Additionally, the division is also currently responsible for investing the surplus of the EII scheme into fixed-term deposits. The 2017 actuarial review of the EII indicates that the annual balance of the scheme have risen steadily to create a strong reserve. The decision on the amount and period for which the funds will be invested and later renewed upon maturity is made jointly by the Director General and the Director of Finance. The investment income has risen steadily through a conservative investment approach, and thus has the potential of increasing even more with a more robust and secure investment strategy. It would be advisable for the NSSF to perform a thorough investment feasibility study to assess all the investment possibilities and strategies available to the fund. In fact, the ILO is already supporting Government with such a study. After clearly defining the institution's investment goals, a clear investment policy should be submitted for the Board's approval. This policy should define the investment governance structure, establishing clear roles and responsibilities of the different bodies involved, as well as the competencies required to perform these functions. The policy should be specific to the EII reserves, as upcoming schemes such as pensions will generate different kinds of reserves which different investment goals.

Box 4 Funding Policy

It is recommended that the NSSF adopt a funding policy for its EII branch, as well as all other subsequent branches, in order to:

- Formalize the long-term funding objectives of the scheme
- Better understand the risk and advantages of financing options
- Ensure that plan assets are sufficient to deliver the promised benefits
- Enhance corporate governance by increasing transparency

Funding rules must address the interests of stakeholders, including:

- Scheme members and former members, as both beneficiaries of an often contributors to the financing of the system
- Employers, as one of the parties bearing responsibility for financing the scheme
- The public and the government

The funding policy should specify:

- Contribution rate and its proposed evolution
- Risks faced by the scheme and how these risks can be managed
- Risk tolerance
- Allocation of risks among participants and employers
- Funding objectives (such as contribution stability or a targeted level of reserve)
- Frequency of actuarial valuation
- Methods of actuarial projection, including actuarial assumptions and parameters of the scheme
- Funding methods
- Goals related to intergenerational equity
- All other funding issues

It is recommended that the NSSF establish an Investment Unit to act as a secretariat to the existing Investment Committee. The staff required for such a Unit should have the right academic and professional experience in investment. This is deeply linked to the staffing issues discussed earlier in this chapter as under the current staffing policy, the NSSF would not be able to recruit adequate staff. The recruitment would only be possible if the NSSF is given the autonomy of recruiting its own staff with a benefit package capable of attracting and retaining knowledgeable and experienced staff. In terms of the Investment Unit particularly, staff compensation should provide the correct incentives to do right and not to do wrong.

In the meantime, the NSSF has the option of outsourcing this function to specialized private subcontractors. The ISSA Guidelines for Investment of Social Security Funds provides clear guidance in this area. It will be important for the Board to direct the Management to establish standards and benchmarks for the returns on fund investment. The Management should evaluate, monitor and review the performance of its fund managers, whether internal, external, or both, to ensure that returns to member funds and the cost of fund management services to members are within the prescribed standards and benchmarks. Whether by policy or rule-of-thumb, a minimum rate of return on fund investment may be

established to ensure the financial viability of the scheme (the so-called actuarial hurdle rate) and/or ensure the sufficiency of accumulated member accounts for the contingencies covered by the schemes.

The Investment Unit should follow the prudent person principle in managing the funds of the NSSF. The prudent person principle is integral to the fiduciary duties of the Board and Management in administering and managing the funds of the NSSF. Thus, there should be minimum suitability standards for all staff in the investment unit and they should be bound by a code of ethics and conduct, and compliance with these should be monitored closely. To establish clear accountability, it is recommended that the organizational structure of the Investment Unit should reflect the investment decision-making process and embed a system of checks-and-balances. Manuals of procedures should document how investment policies are to be implemented in accordance with the prudent person principle.

4.3 Internal Audit Division

The Audit Division of the NSSF currently has only two civil servant staff members. The purpose of the division is to carry out process audits and support any required external audits, thus, the number of staff seems inadequate for the amount of resources that the institution manages. An experienced team of auditors could provide added value to the institution by identifying problems and bottlenecks in processes, boosting overall efficiency. In order to promote transparency and efficiency, the National Audit Authority (NAA), established in 2002, should carry out visits at regular intervals and performed its last visit in the fourth quarter of 2016. A well-staffed and capable Internal Audit Division could ease this process.

The regulations of the NAA have further significant impacts in terms of the NSSF's processes, the most ordinary of which is the requirement that all claims and payment documentation be kept available in hard copy for any potential audit. For an institution of the size of the NSSF, this represents a significant burden as storing that many documents is cumbersome and expensive. The institution has even hired private storage facilities for old files, which in time have lost legibility. A more efficient way of handling this information would be digitally, and indeed the NSSF Accounting and Finance, and Internal Audit divisions use the Sage 500 financial accounting software to store and organize all files digitally, placing them within easy access. The inability or unwillingness of the NAA to use this system, however, requires the NSSF to keep accumulating files in every possible space of their headquarter offices. This is one of the main reasons why space is so limited there for the staff itself.

The Government has recently allowed the General Department of Taxation to switch to an electronic filing system. As the financial supervisor of the NSSF, the MEF is highly advised to extend this facility to the NSSF as well.

4.4 Policy Division

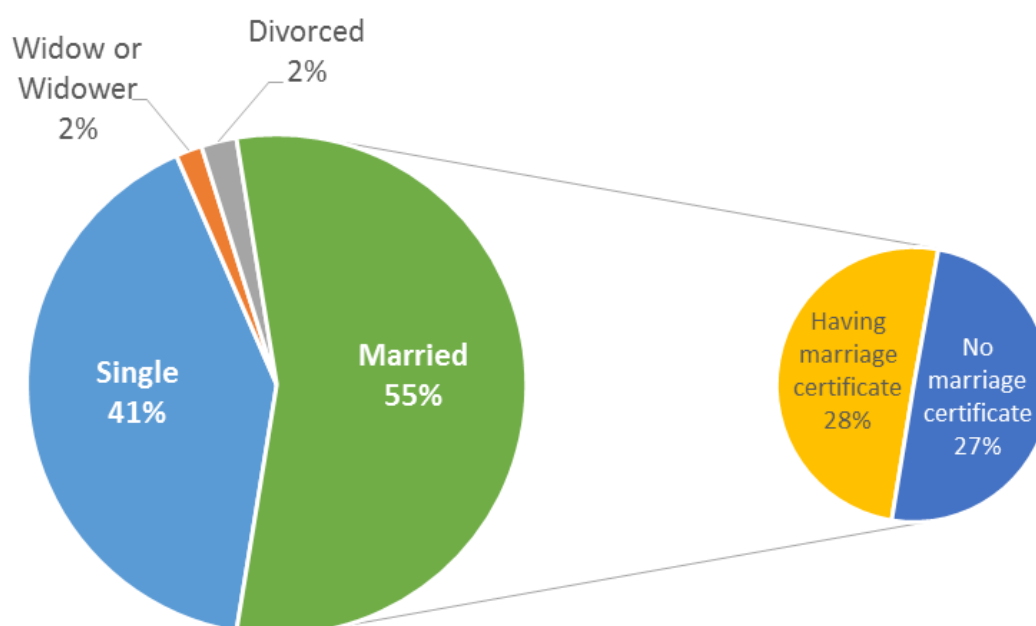
The Policy Division currently has 13 civil servant and 48 contractual officers and suffered a turnover rate of 16 percent in 2016, with all staff changes in contractual staff. The responsibilities of the division lay in the policy formulation and planning areas, as well as preparing the legal framework for any change in the parameters of existing benefits or the establishment of new ones. The staff has been capacitated on social security policy issues, but there is no specific legal expertise within the team. Again, this is because under the current salary scale, it is difficult to recruit certain high-skilled professions.

The institution should considering establishing a specific Legal Unit within this Division, who would be able to support the management in the interpretation of Laws, prepare draft legislation on coverage as well as

new benefits under any scheme. The legal division would also advise Management when contracts are signed with service providers, such as public and private hospitals. Legal advice is also important in order to strengthen the prosecution of repeatedly non-compliant enterprises. In the event that the NSSF is challenged legally, this Unit would be able to represent the institution. While the legal capacity on social security issues in Cambodia is lacking, there is a strong base of lawyers working on labour issues. If a Legal Unit is established, selected staff should be qualified at least in this respect.

The high turnover and lack of legal support has also been a challenge for the unit to perform in a strategic and forward-looking manner. A good example is the NSSF's current policy stating that children of worker's who die as a result of work-related accidents or diseases cannot receive the EII survivor pension if their parents did not have a legal marriage certificate. This holds even if the child's birth certificate attests to the relation with the deceased. This has been an issue for the benefits division on a number of occasions.

Figure 6. Sample workers' marital status (2017)



Source: ILO survey

Indeed, within the respondents of the survey, slightly less than half of the people who were identified as married did not actually have a marriage certificate. This is a matter of national practice and culture, and the NSSF policies must reflect that. This is a policy that is not difficult to amend, as birth certificates constitute valid proof of relationship. If necessary, the NSSF could also accept wedding invitations or photographs, or even a written statement from the village chief attesting to the union. Likewise, at the moment dependent children with disabilities are only eligible for survivor pensions up to the age of 21 years. Disabled children older than 21 at the time of death are not considered as dependents, leaving

them with no source of income. According to international standards, disabled children should benefit from lifetime pensions.¹¹

By denying the EII pension benefits to dependents who have no income-generating capacity themselves, such policies run against the income replacement purpose of the EII scheme. It also can create a problem of mistrust and reputation for the institution. These are issues that the Policy Unit is uniquely placed to identify and address.

A point could also be made regarding the NSSF's efforts to alert workers of these provisions, so that they themselves may also take action and ensure that they are not risking their family's access to benefits. Well within the responsibilities of the Policy Unit also lies the communication efforts of the institution. Awareness of rights and obligations vis-à-vis the social security system plays a key role in fostering a "culture" of social security and compliance. This is particularly important where there is no history of social security and where there have been historical problems of poor governmental social services.

A culture of social security and compliance must include efficient and compassionate administration of schemes that respond to the realities of stakeholders. In Cambodia, where the NSSF is a relatively new institution, this should be coupled with general and constant awareness raising efforts, it is thus recommended that the NSSF establish a dedicated Communications Unit within the Policy Division.

Overall, moving ahead the NSSF will have to be more proactive in fostering a culture of awareness of social security and contribution responsibility. The National Social Protection Framework envisions a number of voluntary schemes from health insurance to pensions. However, voluntary compliance with contribution policy will be highly dependent on the overall culture of the social security in the country. The NSSF should approach this in a strategic way, instilling confidence in their schemes and management by constant education of the public about the programmes and their benefits. Specific information dissemination campaigns should aim to generate awareness of any changes in the schemes and specific information about stakeholders' responsibilities. The aim of such campaigns is to foster a sense of responsibility in every stakeholder about the contribution process. Likewise, public awareness campaigns should raise awareness about the NSSF's anti-fraud policies in order to inform public opinion on the meaning and social impact of contribution evasion and fraud.

Attached to this the institution should develop channels for people to ask questions and provide feedback. Part of building the trust of constituents in the institution is to have a responsive and service-oriented interaction. With support from development partners, a new hotline has been established for the new health insurance scheme. Such facilities should ideally be strengthened, but most importantly, should serve all the schemes of the NSSF and not just single branches. Officers should be trained in all benefits and should be able to reply to questions on any of the services of the NSSF. In the event of complaints, the general call center should be able to forward the call to a specific case management team, based in the relevant Division.

¹¹ There is a point to be made regarding the lack of a standard tool to classify disability and the degrees of it in Cambodia. Some work is being done by the MoSAVY in the context of the targeted disability grant. Until then, however, the NSSF should continue to use the existing methods used to determine worker's disabilities following work injuries.

Box 5. Communication Needs

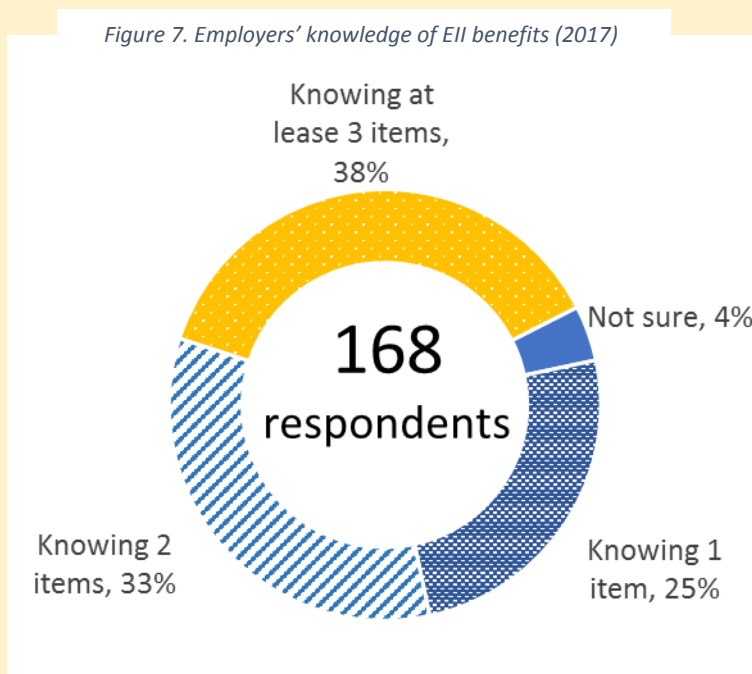
The ILO survey conducted in the context of this study¹² found that generally, employers are aware of the NSSF and of the EII. This is not surprising given the fact that the scheme has been operating for almost 10 years and employers are liable for paying contributions. At the moment the majority of employers seem to be highly aware of the benefits related to medical care for work injuries and commuting accidents, but very few are familiar with the remaining benefits. Smaller companies scored lower on general knowledge about NSSF benefits – 29% were unsure about any benefit compared to none in medium and larger enterprises.

Given that workers cannot access these benefits without the employer's facilitation, this constitutes to be a real obstacle in the accurate reporting of legitimate claims.

Some 73% of respondents reported that their main source of information on the EII benefits came from NSSF trainings. This is very positive, as it shows the NSSF's efforts are reaching the target audience. However, alternative means of communication such as radio (0%), newspapers (0%), TV (6%) and social media (3%) seem underutilized. Moreover, sending staff to attend a training represents a higher opportunity cost for smaller enterprises.

When asked about preferred means to obtain information, 72%, 41%, and 35% of respondents suggested TV, social media and radio, respectively. The preference for social media was slightly higher amongst small enterprises. It follows that reaching out to employers through an active social media presence might be a

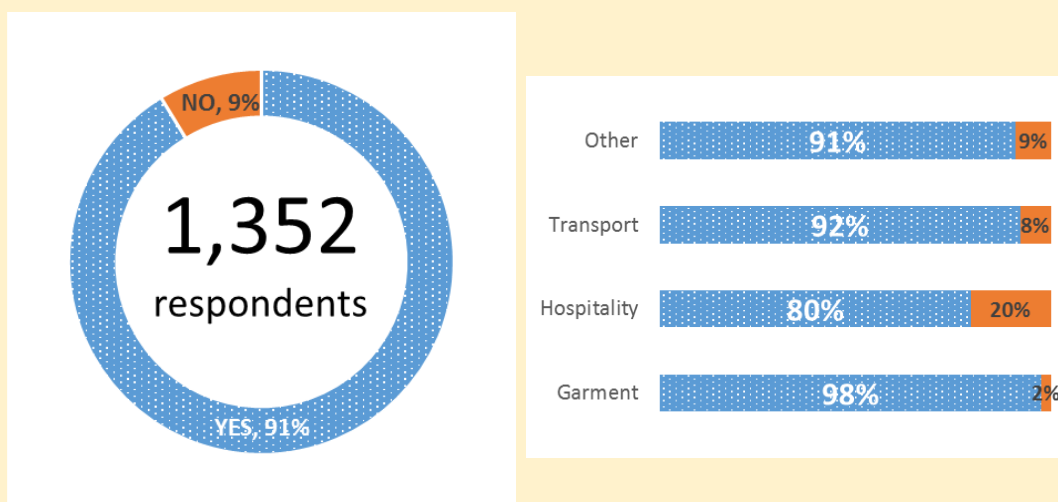
Figure 7. Employers' knowledge of EII benefits (2017)



¹² See Annex I for study methodology. For further details on the results of the survey refer to the separate report *Khin, Pisey and Ramirez, Betina, 2017. Gauging the Experience with the Employment Injury Insurance of the National Social Security Fund in Cambodia*.

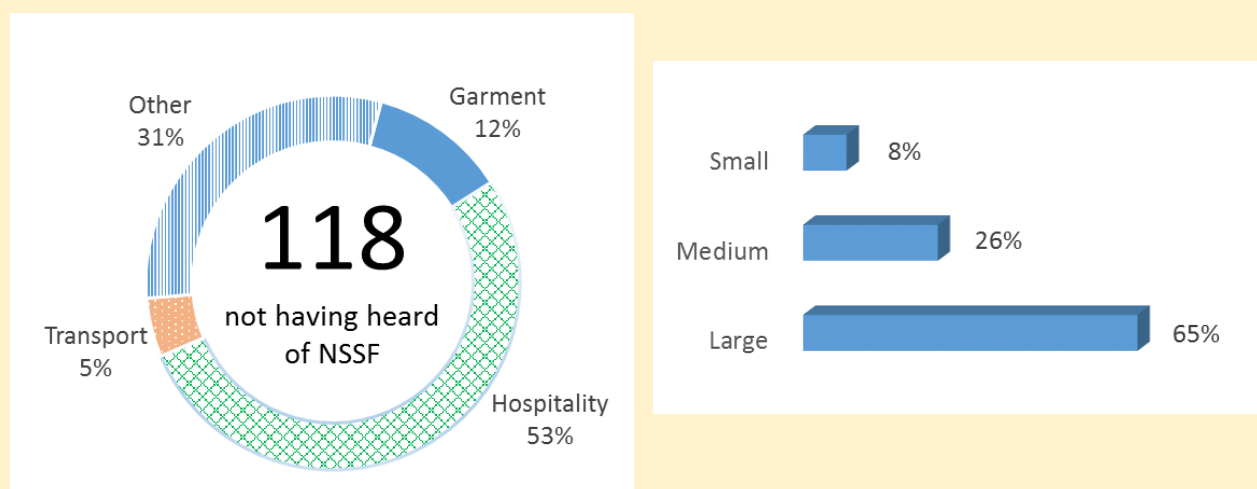
cost-effective way of increasing awareness. Nevertheless, at the level of employers, efforts should be more broadly directed at enhancing their knowledge of specific registration and reporting systems, particularly through online modalities. The development of online or video-based trainings that companies can easily access may quickly result in higher usage. These modules could also include a wider briefing of the actual benefits perceived through the NSSF schemes.¹³

Figure 8. Workers' knowledge of the NSSF by industry (2017)



On the demand side, workers' knowledge about the NSSF is also a strong challenge. On average, 91% of respondents reported to have heard about the NSSF. The lowest scores were observed amongst smaller companies (75%) and the hospitality sector (80%). Amongst the 9% which is unfamiliar with the NSSF, the majority was found in other sectors (56%), particularly the hospitality sector (25%). This points at this sector as a blind spot for the NSSF. It is also interesting to observe that across company sizes, the largest proportion of these groups are found in large companies (72% and 66%, respectively).

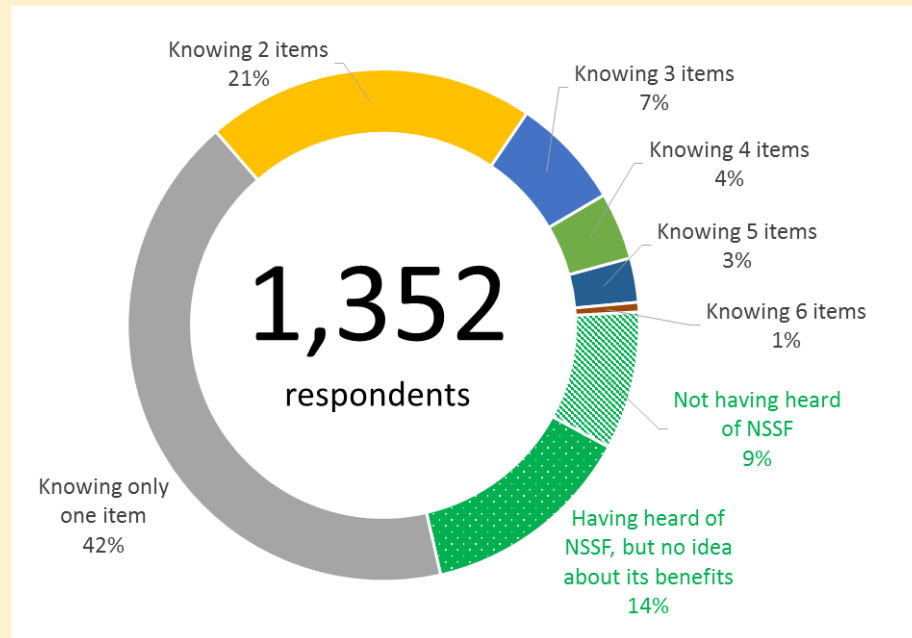
Figure 9. Worker's unfamiliar with the NSSF by industry and enterprise size (2017)



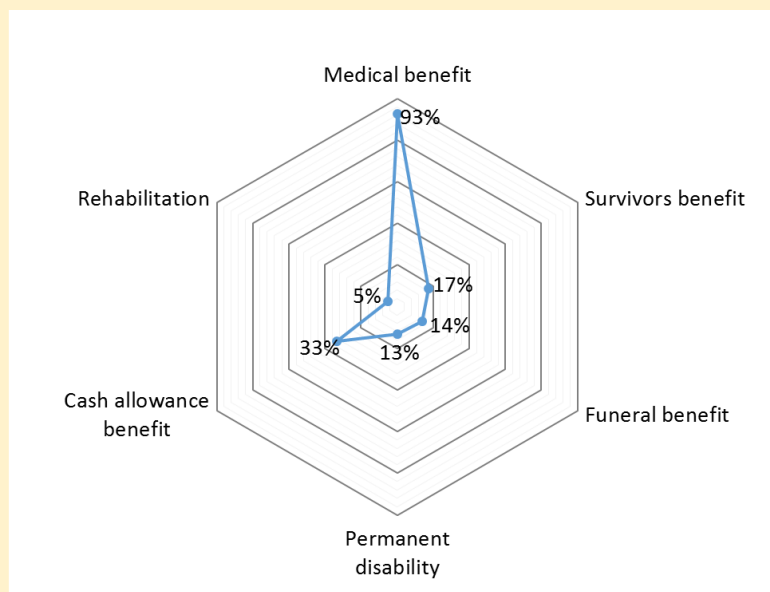
¹³ An alternative version of these materials could in fact be used in house to train the large amount of new recruits.

Moreover, despite the high rate of awareness about the institution itself, only 1% of those knew about all the benefits received under the EII scheme. Even among NSSF members who have claimed benefits under the EII, the vast majority know only two (2) out of the six (6) benefits.

Figure 10. Workers' knowledge of NSSF EII benefits (2017)



The most popular benefits, by far, are the in-kind medical benefits, followed by the cash allowance perceived during the medical leave period. It is remarkable to find that very few respondents are familiar with the long-term pensions, which could be conceived as the most attractive benefits.

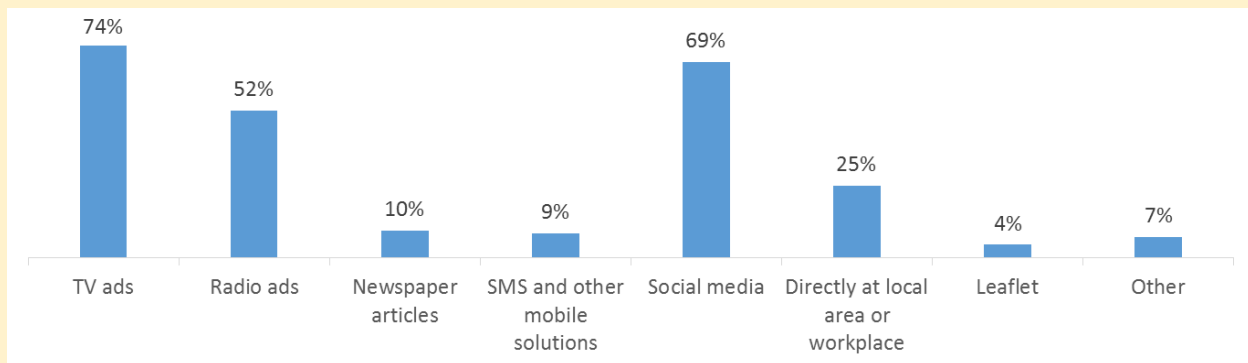


When it comes to sources of information among workers, 82% of respondents quote employers. The next main sources are friends (36%) and the NSSF (22%). This highlights the importance of ensuring that employers themselves are knowledgeable, but also the need to make alternative channels available.

Only 2% of respondents pointed to unions as a source of information, pointing to the need of representatives to become more active in disseminating information about the benefits that their members already have available to them.

Similarly to employers, when asked about the most effective ways to disseminate information on these issues, workers turned to TV ads (74%), social media (69%) and radio (52%). Some 25% of respondents also suggested information could be disseminated directly at the workplace and living areas. Printed materials and newspaper articles were not favored, possibly because of the low levels of literacy still predominant in Cambodia.

Figure 12. Workers' preferences on communication channels (2017)



4.5 Registration

The Registration and Contribution Division has the vital role of registering employers and employees covered by Prakas No 02/08LV/Pr. K dated February 11, 2008, as well as all the new enterprises who have gained access following MoLVT Notification No. 307. This division had a total of 16 civil servant staff and 128 contractual staff at headquarters by the end of 2016. In addition, branch offices primarily perform registration functions (see introduction section 4), with a total of 63 civil servant and 101 contractual staff employed at the end of 2016. The registration of enterprises and workers has been an ongoing process since the EII was launched in 2008, and it will indeed continue to be a rolling process, key to the functioning of the institution. The process requires the employer to fill the *Employer Registration Form* and *Employee Registration Form* and submit it to the NSSF within a period of 45 days from the date of liability. Each employer is then assigned with a code number that is used in the payment of monthly contributions and all correspondence with the NSSF. Each employee is also assigned an individual social security number and issued with an identification card.

4.5.1 Registration of Enterprises

The process of identification of new enterprises is not systematic. There is no automatic mechanism for inspectors to identify new enterprises and they usually just monitor their assigned geographical areas in person. Considering the high turnover rate in this division, this is a very inefficient way of capturing new enterprises, particularly since inspectors do not have the power to take action against employers who fail to register. Generally, the NSSF needs to be empowered to take legal action against non-compliant enterprises.

A more efficient way for the Division to function would be to establish a link with the relevant Department of the Ministry of Commerce (MoC) which handles all new business licenses. Ideally, new businesses would not be able to obtain or renew their licenses unless they provided proof of NSSF registration and up to date contribution payments. This would require a high-level agreement between the two ministries but is common practice in countries with well-developed social security and taxation systems.

Likewise, update mechanisms need to be strengthened. Currently, companies are under no obligation to report to the NSSF when they close, move, or make any other relevant changes. In maintaining the integrity of the database, there should be a directive to all registered enterprises to provide updates within a specified period of time, ideally online. This would require establishing the appropriate security checks at the company and NSSF levels. In addition, all inspectors visiting sites should always take the opportunity to perform random checks on information accuracy. A well-managed database is essential to obtain accurate data on the total number of active employers and workers.

Figure 13. Means of registration by enterprise size (2017)

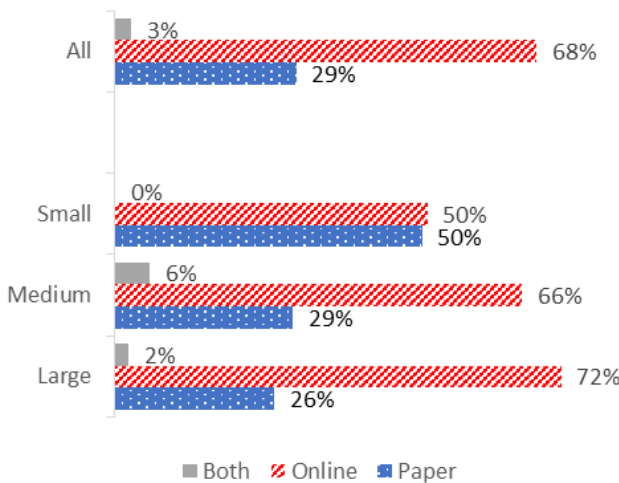
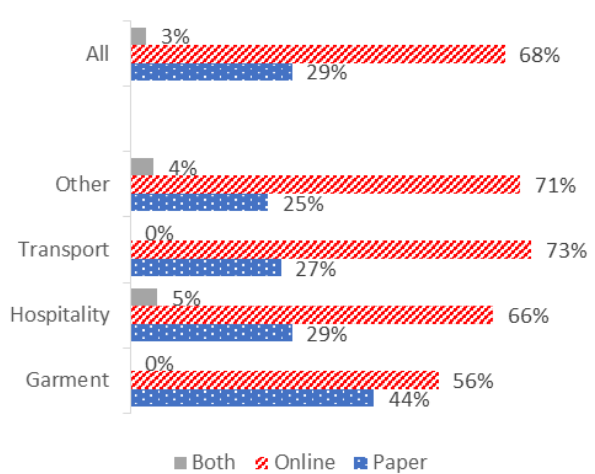


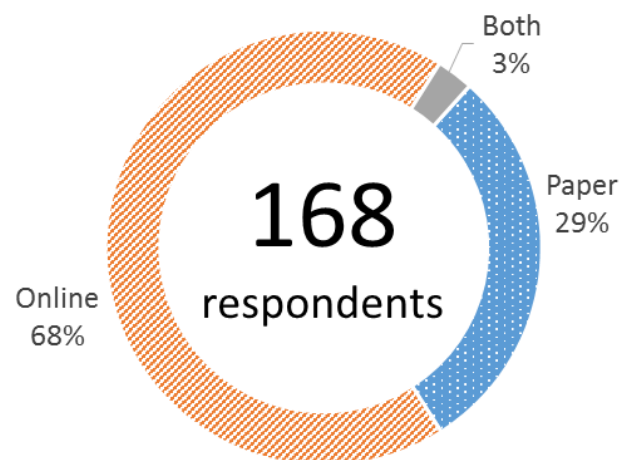
Figure 14. Means of registration by industry (2017)



Source: ILO survey

As discussed earlier in this report, the NSSF has focused its efforts on companies with 8 or more workers, following a practical but unofficial interpretation of the provisions of the 1999 Labour Law. This decision was also made for practical reasons, as it was assumed at the time of launch of the EII, that smaller enterprises would not have digital payroll systems. The survey conducted under this study, however, found that 95% of enterprises surveyed use digital payroll systems, including 74% of small companies and 90% of medium enterprises. This suggests that this is no longer a barrier on the demand side.

Figure 15. Means of registration of new workers used by enterprises (2017)



Source: ILO survey

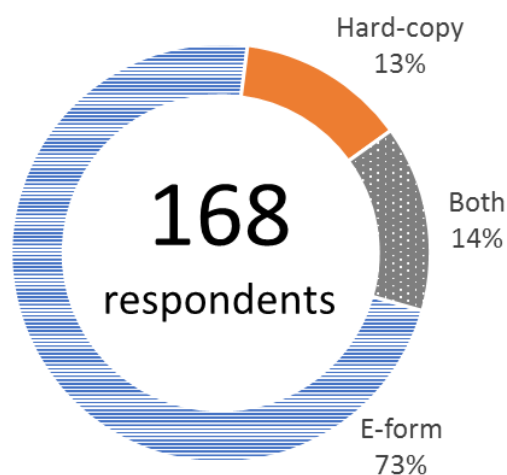
Despite of the almost universal availability of digital payroll system across company sizes, there is room for improvement in translating this to online registration and reporting mechanisms. Out of the

enterprises surveyed, 26% and 29% of large and medium sized companies, respectively, use paper registration only. Small businesses use online registration significantly less, at 50% of total. This likely reflects a combination of capacity and information limitations. Still, it is encouraging to see that around half of all small companies are using online registration tools, but there is significant room for improvement. Further, garment sector companies used paper-based registration much more than other sectors (44%). Considering that these are large businesses and unlikely to be lacking basic computer facilities, it could be an information gap.

Overall, 85% of respondents suggested they have no challenges completing the NSSF registration. It is notable, however, that 67% of those who did experience challenges point to the lack of worker IDs. This is likely to be largely facilitated by the NSSF's new ID system, although it will continue to be an issue for workers entering the labour force for the first time. If no significant efforts are made on the side of the Ministry of Interior (MoI) to roll out identification documents to minors, employers will continue experiencing this challenge. On the side of the NSSF, it would be worthwhile considering making on-demand identification services available at all their branches.

The numbers are similar when it comes to the submission of monthly reports to the NSSF. The survey found that 73% of companies are using the E-Form, including 77% and 79% of large and medium companies, respectively. Again, it's small companies that lag behind with only 36% using this facility.

Figure 16. Means of submission of monthly reports (2017)



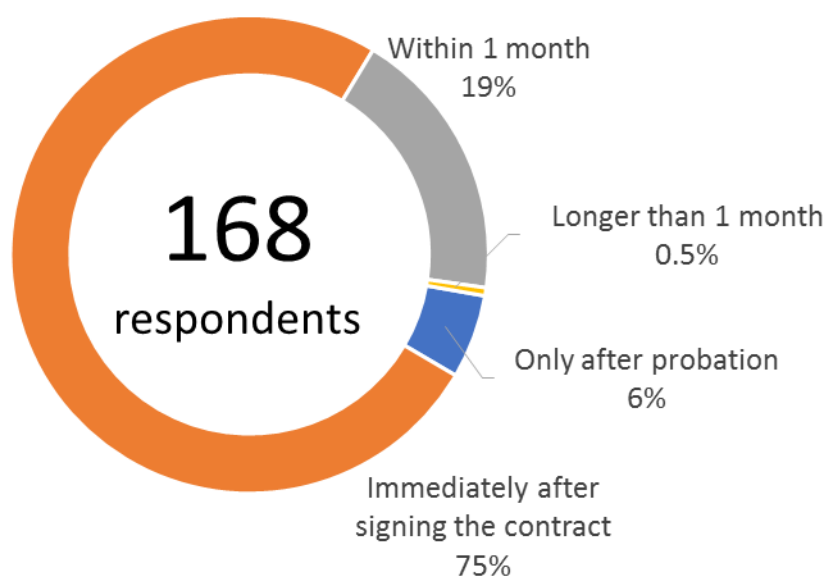
Source: ILO survey

When it comes to the submission of monthly reports, 88% of respondents again report no challenges. Within those that do face some difficulties, the comments were mostly related to the disparity between the NSSF calendar and the internal one used by the enterprise. No differences are observed across geographical areas, which probably suggests the concentration of enterprises around urban towns where the NSSF has branches.

4.5.2 Registration of Workers

The registration of workers faces its particular challenges. The initial registration of workers is done through information provided by employers. The survey performed under this assessment revealed that 75% of these new enterprises register workers immediately after signing the contract, which is key in the case of the EII as the employers' liability and workers' risk starts on the first day of work; 19% of employers perform the registration within the month of contract signature, opening themselves up to unnecessary liabilities. The remaining 6% only perform the registration after receiving a warning from the NSSF inspectors. This issue was most prominent within the hospitality sector with 10% of enterprises surveyed having failed to comply within the month. Large enterprises performed considerably better than medium and small enterprises in this respect, a fact possibly connected to the availability of admin staff.

Figure 17. Timing of registration of new workers (2017)



Source: ILO survey

As already mentioned, employers perform the registration of workers with the NSSF and the lack of capacity to verify this information with a national civil registry leads to a large amount of errors in the data entry. The complexity of the Khmer language, and the lack of standardization across the spelling of names leads to a lot of inaccuracies. Given the high mobility of workers in the Cambodian labour market, it was common for workers to be registered with the NSSF more than once under slightly different versions of their names as spelled by their employers. An approximate 300,000 such cases are found in the NSSF database. This has a direct implication for the capacity of the NSSF to update the individual records of workers and could have a major effect on the ability of workers to enjoy the benefits of the SHI as eligibility to benefits is contribution based. A worker's record must show that she has contributed for two and nine consecutive months, respectively, in order to be eligible for health insurance and maternity leave benefits. There is an obvious implication for other long term benefits like disability and old age pensions.

The NSSF has engaged with the MoI on these issues for the past 10 years, and due to the lack of progress, in 2016 it finally decided to establish its own identification system as a stop gap measure. With the launch

of the SHI in late 2016, the NSSF also started the re-registration of all workers into a new biometric identification system. Biometric data solves the duplication issue mentioned above and also aids to prevent identity fraud as it is not unusual in Cambodia for people to lack basic identification documents, and to borrow them from friends or family in order to work.

The introduction of biometric information also prevents underage workers from being unwittingly employed. The system is being rolled out relatively quickly, with almost 900,000 workers obtaining their new ID to date. The link with the Mol's database will still be important in the future. Some progress on this front has been made in the past year, as preparatory measures for the NSSF to launch a SHI scheme for civil servants have required it to install a server directly at the Mol. This could be a building block for the rest of the population to benefit from a more integrated system.

4.6 Inspections and Legal Affairs Division

The Inspections Divisions has three main functions, namely, contribution collection, inspection and compliance enforcement. The Division currently has 66 staff, 42 of which are civil servants seconded to the NSSF and the remainder 24 are contractual staff. In 2016, 12 new contract staff were recruited and 3 resignations took place. In addition, 63 Civil servant staff, posted to provincial branch offices, can act as inspectors, although these same branch staff members often have multiple roles including managerial roles and registration service responsibilities. In total, the NSSF thus has 129 inspectors around the country.

Contribution collection and compliance constitute a core function within social security systems. It plays a key role in attaining the financial sustainability of the overall system. The timely and full payment of contributions by and on behalf of insured persons is necessary if they are to achieve the benefits to which they are legally entitled. Thus, implementing rigorous contribution collection and compliance processes strengthens the legitimacy of social security as a social institution and the financial sustainability of the scheme. Therefore, compliance and a high collection rate must be key objectives for social security institutions administering contributory schemes. Where compliance gaps are identified, social security institutions administering contributory schemes like the NSSF.

Compliance regarding the payment of contributions is important for all types of contributory schemes, as it provides the evidence of eligibility and ensures the financing for the accrued benefits. Usually, contribution collection and compliance involve multiple institutions, making process integration a key issue of implementation. As per the ISSA Guidelines on Contribution Collection and Compliance, governance of contribution collection may comprise three levels:

- The national level, which includes general laws and regulations concerning national contribution collection and compliance. This legislation defines which institutions will be involved in these functions, and their general responsibilities.
- Inter-institutional coordination, which includes agreements and procedures established among the institutions involved in contribution collection and compliance.
- The individual institution's jurisdiction, which corresponds to the governance of each participant institution and involves their specific responsibilities within the national system.

In Cambodia, the 2002 Social Security Law, Article 6, determines that employers and workers covered by the law are liable to pay contributions to the NSSF. Further, Article 23 establishes that the terms and procedures of payments should be issued by a Prakas proposed by the Governing Body of the NSSF to the Minister in charge of social security schemes. Article 36 states that the violation of the provisions of Articles 6 and 23 are liable to a fine of 10 to 30 days of the base daily wage¹⁴ of all the company's employees, or in case of subsequent offences liable to a fine of 30 to 90 days of the base daily wage. This does not include any contributions due, which should be borne by employers. These fines may be applied as many times as there are contraventions.

In the case of the EII, Prakas No. 108 LV/PrK, dated May 16, 2008, determines the contribution rate and procedures of contribution payment. Employers of enterprises with 8 or more workers are liable to pay for the contribution, while workers are not. The contribution is paid monthly; the first contribution is due within 30 days of registration with the NSSF and thereafter by the 15th of the following month. In terms of penalties for non-compliance, the Prakas refers back to the provisions of the Social Security Law. For the SHI, Prakas No. 220 LV/PrK., dated June 13, 2016, makes it compulsory for employers and workers under the provisions of the Labour Law to pay contributions to the NSSF. Employers are responsible for deducting worker's contributions from their wages and making the combined contribution to the NSSF by the 15th of every month. Violations of these provisions are penalized according to the provisions of the Labour Law which is even vaguer than the Social Security Law, in the case of the EII.

Collecting social security contributions and performing compliance controls involves a number of functions (e.g. registration of contributions, collection of declarations and contributions, calculation of contribution amounts, matching expected and paid contributions, fraud control). As several of these functions are the same as, or very similar to, those involved in general tax administration, a number of countries perform them jointly, involving tax administration agencies in social security contribution collection. However, in the Cambodian legislation above, it is notable that no other institution but the NSSF is named, meaning that they carry the full responsibility for enforcing compliance. At the same time, however, no specific authority is vested in the institution to implement this enforcement.

Internally, the institution defines its mandate on contribution collection and compliance through Prakas No. 081/09, dated April 23, 2009, on the determination of duties of NSSF inspectors. Inspectors are to be appointed by the MoLVT upon request of the Board, consequently, only civil servants may be appointed. The mission and roles of the inspectors include:

- Ensuring compliance with the Social Security Law and other regulations related to the social security sector.
- Notify and advise employers on effective ways to comply with these regulations.
- Inform the competent authorities of any violations related to hygiene and worker's safety.
- Investigate work injuries and occupational diseases.
- Investigate dependents' and survivors' status.
- Manage and resolve any conflicts related to compliance.
- Submit minutes of conflict resolutions to the NSSF's Conflict Resolution Committee.
- Report any violations to the NSSF Director.
- Submit reports on penalties to the NSSF Director for review and approval.

¹⁴ This base daily wage was raised from KHR 8,000 to KHR 40,000 (USD \$2 to \$10) by a joint Prakas of the Ministry of Labour and Vocational Training and the Ministry of Justice in September, 2015

- Forward cases to the courts, when necessary.
- Provide the Director with legal advice on law enforcement.

This is a wide scope of responsibilities for 129 staff to cover the country. Moreover, the Management of the NSSF has no power to increase recruitment of inspectors as civil servant staff are only seconded through the MOLVT. NSSF inspectors collaborate with MoLVT labour and occupational health and safety (OSH) inspectors through the One Inspection teams set up in 2016. These teams carry out joint visits but each inspector continues to play their individual role. MoLVT inspectors review working conditions including wage, contracts, working hours, freedom of association and OSH, while compliance with the Social Security Law, as stated above, is left to NSSF inspectors.

There is room to build on this collaboration by including social security compliance in the regular scope of MoLVT labour inspectors, allowing the NSSF inspectors to focus on the registration of new enterprises, particularly given the expansion to SMEs. In China, a critical innovation which allowed for the fast expansion of the pensions system was the use of labour inspection to increase compliance and therefore extend effective coverage. Based on unified information systems for labour inspection and social security, labour inspection services were able to ensure that companies, whatever their size, have their workers registered in the social security system (International Labour Office 2017).

The remainder of this section looks at how the NSSF is performing under this ambitious mandate, with no other institution playing an official role in the process of collecting contributions and enforcing compliance.

4.6.1 Determining contribution amounts and billing

Currently under the EII employers pay the full contribution to the NSSF at the rate of 0.8% of the wages, up to a ceiling currently fixed at KHR 1 million (~ USD 250) per month. The ceiling has not been revised since the launch of the scheme in 2007 nor is it indexed, despite of the robust wage growth experienced in the private sector over the past decade. The most recent actuarial review of the scheme revealed that in the wage distribution as of December 2015, 23.2% of insured workers have earnings at or above the ceiling amount of KHR 1 million. The review has thus recommended increasing this ceiling to KHR 2 million and the establishment of regulate update mechanisms. It is recommended the automatic indexation of wage ceilings in line with the average wage increase, not in line with the minimum wage which is subject to politics, and the ceiling level assessed at least once every time an actuarial valuation takes place. Failure to adjust the ceiling in line with wage increases of workers leads to an erosion of real benefit levels in terms of purchasing power and reduced protection against income loss due to work-related injuries, occupational diseases, or most recently, maternity and sickness contingencies.

Due to the limited availability of digital payroll systems in 2008, it was decided that in order to ease company's burden, the contribution rate would be applied to wage categories rather than the exact individual wage. These categories range from KHR 200,000 to KHR 1,000,000 Riels. The mid-point of each category is used as the relevant wage to calculate the contributions as well as the benefits to be paid. The survey undertaken under the context of this study asked all respondent enterprises about their availability of digital payroll systems. An overwhelming 95% of them responded positively, including 74% of small enterprises. It is thus advised that the use of wage categories is reconsidered.

Table 7. Availability of digital payroll systems in enterprises by size (2017)

Firm size	Yes	No	Obs.
Large	100%	0%	107
Medium	90%	10%	41
Small	74%	26%	19
All	95%	5%	168

Source: ILO survey

Furthermore, it is noted that income replacement benefits payable under the EII branch are calculated based on insured wages as reported by employers and not on the basis of contributions made for individual workers (which are based on the respective income brackets). In light of the planned launch of the pension branch, it is relevant to establish a clear relationship between contributions paid by individual workers and the benefits they receive in order to ensure equity among individual workers. Adopting the real wage up to the ceiling as the basis for both contribution and benefit calculation would prevent such continued issues.

4.6.2 Registration and collection of contributions

The NSSF annual report for 2015 shows that the team performed short of 7,000 inspections, including follow ups. The majority of inspections were intended to register new enterprises. As outlined earlier in the report, the NSSF has so far only covered a fraction of all workers who are legally eligible to social security benefits. Enforcement of these regulations usually begins with educating employers regarding the benefits of the protection afforded both to them and their employees, this is an important function of the division. Yet, too often employers regard social security as an additional financial burden adding to the cost of production. In fact, employers can claim tax reliefs as the amount paid in contributions to the NSSF can be deducted as an expense, lowering the taxable income.

Still, according to the NSSF annual report, within those enterprises selected for random general inspection, 14% were found to be underreporting their number of employees, 10% excluded allowances or overtime from the wage reported, and 6% declared incorrect wages. The annual report does not clarify if given enterprises were responsible of more than one type of contravention, but at a minimum it can be established that 14% of random inspections found lack of compliance. Many of these cases may be due to misunderstanding of the regulations and processes, which is why inspectors also disseminate this information. It is encouraging to see that in the contravention cases above, after the inspectors had issued a warning letter to rectify within 30 days, 91% of enterprises complied. For the remaining ones, inspectors issue a second warning to comply within 15 days but can do little else to collect.

Table 8. Number of enterprises inspected by the NSSF Inspection Division (2015)¹⁵

Inspection type	Number of Enterprises
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¹⁵ In addition to these inspections, the Division also performed 31,072 work injury inspections. Finally, the Director of the division reported that in 2017, the inspectors have been mostly focused on explaining the requirements of the new SHI, as well as the benefits of coverage.

Registration	3,384
General Monitoring	1,422
Follow-up monitoring	132
Special inspections	143
Contribution payment monitoring	311
Others (suspected closed or re-opened)	1,160
TOTAL	6,552

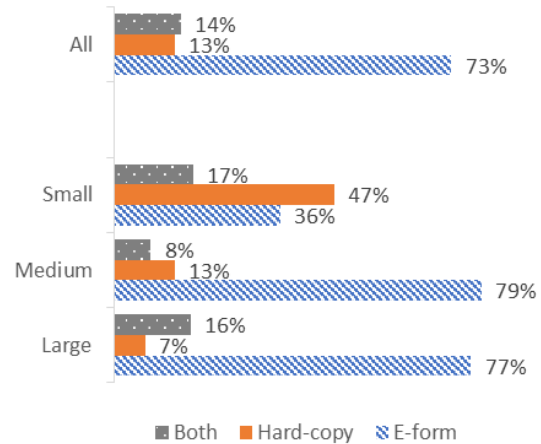
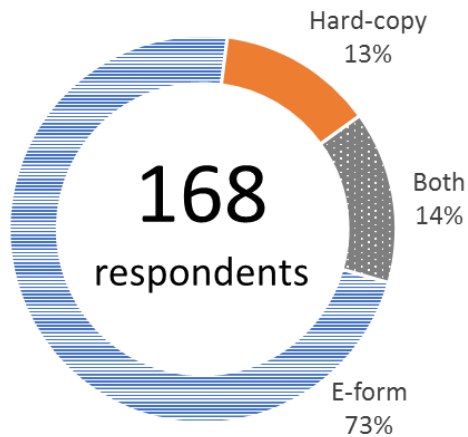
In terms of 311 enterprises which were inspected for failure to comply with contributions, only 12% made the payment after the visit. The numbers for compliance following inspection are consistently lower across the branches than in the central office, suggesting that NSSF inspectors in the provinces have a harder time asserting their authority. Staff at the Siem Riep office volunteered that this might be related to the fact that the NSSF rents private offices, which might provide the impression that they are not a statutory institution.

There is thus an apparent need to provide legal powers to inspectors, so that they may take action on defaulting employers. The power to enforce the Social Security Law should be provided to the NSSF inspectorate, as delegating it to a third party such as labour officers is not likely to be effective. This will require coordination with the General Labour Directorate of the MOLVT, as well as with the Ministry of Justice, who themselves experience challenges with regards to enforcement. On the NSSF, there is a relationship between early intervention and successful recovery. A consistent process makes enterprises vigilant to the need to pay, avoiding a reminder from the authorities. In turn, the NSSF's ability to react early to non-compliance by sending timely warnings is dependent on the efficient collection and recording of contribution payments.

Finally, an added measure of accountability that could be introduced is the requirement that employers should inform workers of the contributions made on their behalf on a monthly basis, together with their salaries. In Cambodia, salary slips are still not the norm, but pushing for their implementation could provide the evidence that contributions have been paid on behalf of the employee and make it harder to underreport workers and salaries. The NSSF actually has a mobile application available to workers where they can check the status of their membership and contributions, however, the survey revealed that 95% of workers are not familiar with this facility. It is imperative for the NSSF to socialize the existing tools available for workers to remain vigilant themselves and report any irregularity to the NSSF.

With respect to the method of payment contribution, at the moment the NSSF requires that all payments are made directly at any of the branches of their bank. This has been an extremely effective anti-corruption measure as it removes all cash from direct transactions with the institution. All enterprises surveyed responded that this is their method of payment, and no comments were made with regards to additional payments required as is common in many other institutions. This is a credit to the reputation and trust that the NSSF has managed to establish with its clients.

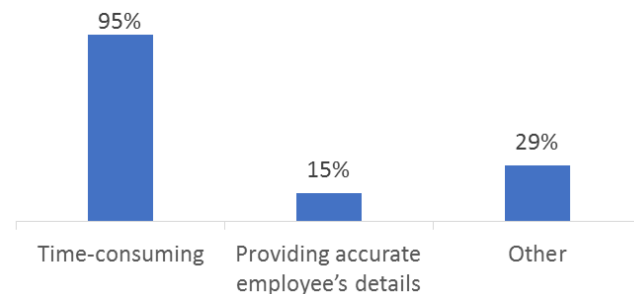
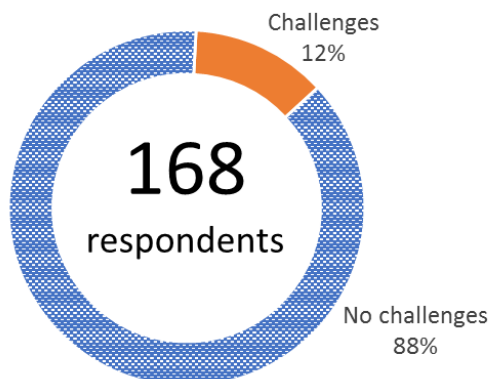
Figure 18. Means of submitting monthly reports by enterprise size (2017)



Source: ILO survey

Along with the contributions, enterprises are also required to submit monthly reports to the NSSF, with up to date information on the workers being covered. Enterprises may submit these reports in hard or soft copies (E-Form). The NSSF encourages the use of the E-Form, and 73% of companies have adopted this option. Small companies lag behind, with 47% of them still using paper. Since they all have digital payroll methods, this cannot be attributed to a lack of computer facilities. What is more likely is that small companies are not yet aware about the online submission. It is important that more efforts are made to share this kind of information, particularly with small companies who stand to gain the most from such facilities.

Figure 19. Challenges when submitting monthly reports (2017)



Source: ILO survey

4.6.3 Managing debts owed by contributors and employers

It is noted that the amount of contributions in arrears is increasing rapidly every year. This again points to the need for the NSSF to have more power to enforce compliance with the law, as at the moment there is little consequence for failing to pay contributions on time.

Table 9. Contributions received in arrears in million KHR (2013-2016)

Item	2013	2014	2015	2016
Total amount of contributions received	43,589	58,258	75,078	108,141
Total amount of contribution not paid for the year	22	153	387	1,316

Source: IT Division

As a stop-gap measure, the NSSF could consider collaborating with other organizations to collect contributions and enforce compliance. In the long-term, however, these administrative solutions to enforce compliance will necessarily have to be combined with cross-cutting, ex-ante policies to foster voluntary compliance and formalization. In simple terms, formality must be made more attractive. This will include increasing the benefits of schemes (in particular the quality of public healthcare) and reducing the costs of formality (taxes).

Neither of the two Prakas on contribution collection provide details on the procedures to follow in order to collect debt and levy fines. These processes play a fundamental role in promoting compliance by contributors and obtaining the payments necessary to the system's sustainability. Currently, inspectors have to rely on persuasion and warnings to enforce compliance, but with no legal mechanism to act, offending enterprises have little incentive to respond.

Efficient identification and settlement of debts also adds to the credibility of the collecting agent and helps to build a culture of social security. It is recommended that operational processes for carrying out the key functions of contributor registration, collection of declarations, contribution calculation and billing, collection of payment and debt management be formalized. Specifically, that the NSSF seek cooperation with other institutions such as the General Department of Taxation and the Ministry of Commerce, in order to adopt a systematic, workflow-based approach to managing prosecutions. This will enable the development of common processes among all institutions involved in prosecution in order to coordinate actions and make them more consistent. Transparent systematization adds value to the system since it gives a predictable character to the institution's behavior.

4.7 Benefits Division

When it comes to implementation, an important criterion for measuring the effectiveness of employment injury schemes is the ability of the system to ensure that injured workers have access to health-care facilities, goods and services and that cash benefits reach injured workers and survivors of deceased workers without delay. Gaps in the timely provision of benefits explain the low levels of coverage and public awareness of compensation health benefits where health systems are insufficiently developed in the first place, such as Cambodia. Timely delivery of benefits requires effective reporting systems of occupational accidents and diseases, as well as any other contingency, and simple and efficient claim procedures for injured workers and survivors of deceased workers. Online reporting systems help to facilitate the access to benefits.

The Benefits Division of the NSSF had 16 civil servant and 49 full-time contractual staff at the end of 2016. During that year, the Division saw 35 new recruitments, with a total turnover of 25 and all staff changes made through contractual staff. The Director of the Division is assisted by two Deputy Directors. As the name implies, the responsibility of this division is to process all claims for benefits under the EII, as well as the sickness and maternity leave schemes.

4.7.1 Benefit level

Benefits are provided under the EII Scheme in the event of an accident at the work place, during commute accident or an occupational disease. As per Prakas No.109 LV/PrK, the benefits of the EII scheme include:

- *Emergency services* in the case the accident occurs at the workplace, employers are required to facilitate emergency services in the nearest health facilities which can later refer the patient to an NSSF contracted centre. The expense of the emergency service as well as the transportation is fully reimbursable by the NSSF.
- *Non-emergency medical care* treatment for work injuries is covered in NSSF-contracted facilities.
- *Temporary disability benefits (TDB)* for the period the claimant is hospitalized or convalescent at home under doctors' orders. The benefit is paid from the second day of absence and only for injuries which require hospitalization for over 4 days. The benefit amount is equal to 70% of the patient's daily average wage for the past 6 months. The benefit is paid for a maximum of 180 days.
- *Caretaker allowance* for a nurse or family member to accompany the patient during hospitalization and convalescence at 50% of the patient's daily average wage for the past 6 months.
- *Permanent disability benefits (PDB)*. If the medical board of the NSSF deems the disability to be less than 20%, a lump sum is paid to the claimant. If the disability is assessed above 20%, then the claimant receives rehabilitation¹⁶ services and a lifetime pension. If the disability resulting from a work injury is assessed at 100%, in addition to the pension, the family is entitled to an additional allowance for a caretaker at 50% of that pension. At the time of death, the recipient of PDB also is granted with a funeral allowance of KHR 4,000,000 and a survivor's pension for recognized dependents (dependent spouse, children, parents and other elderly dependents). The NSSF follows up with this cases every year.

At the moment, NSSF long-term benefits are not indexed to inflation or wage growth, despite the rapid wage growth context of the country. This is an urgent issue to address in order to avoid the erosion of benefits which might contribute to an erosion of trust placed in the scheme.

4.7.2 Claims

Employers are required to inform the NSSF about a work accident no later than a qualified period of 48 (forty-eight) hours of a working day. In the case of the EII, all claims are made at the branch offices where the employer submits the relevant form, also signed by the claimant. Supporting documents such as medical certificates, police reports, birth, marriage and death certificates are attached. Once the claim is registered in the system, the Prakas on the EII benefits requires the NSSF to investigate cases. The NSSF

¹⁶ There is room to improve the rehabilitation benefits. At the moment, the NSSF does not have clear guidelines to establish the level of continued medical benefit. Rehabilitation benefits are contracted from the People with Disabilities Fund (PWDF) at the Ministry of Social Affairs, Veterans and Youth (MoSAVY) but private contractors with more supply capacity and national presence could be considered, particularly for physiotherapy and prosthetics services.

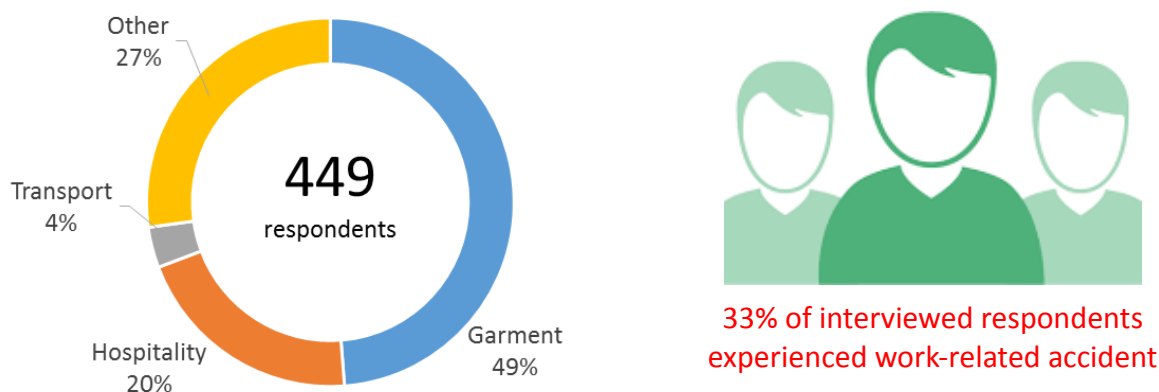
investigates approximately 80% of all claims. This is a very high rate of investigation which is time and resource consuming for the institution and leads to delays in payments. Being cautious is important, but being overly cautious may hamper efficiency. It is thus recommended that the NSSF scale back inspections to random spot checks and particularly difficult cases, such as mass fainting events.

Figure 20. Administrative process for EII claims



Amongst the workers surveyed, 1 out of 3 reported to have suffered a work injury in their current workplace and half of this within the garment sector. The total number of work injury cases experienced by this group was 768, out of which 411, or 53.5 per cent were not reported to the NSSF. From those that were reported, however, 99% received compensation.

Figure 21. Prevalence of work-related accidents by industry (2017)¹⁷



When looking at the NSSF database, it is notable that the number of occupational incidences reported to NSSF by registered enterprises has been increasing year-by-year since the launch of the scheme in 2008. In the year 2015 a total of 27,226 occupational incidences were recorded and confirmed through investigation by NSSF, including 20,238 workplace accidents, 6,985 commuting accidents, and three cases of occupational diseases.

¹⁷ This is as reported by the sample of workers within the survey.

Table 10. Employment injuries reported to the NSSF by type (2010-2016)

	2010	2011	2012	2013	2014	2015
<u>Occupational accidents (total)*</u>	<u>6,068</u>	<u>9,461</u>	<u>12,126</u>	<u>14,560</u>	<u>15,804</u>	<u>27,226</u>
<i>of which:</i>						
Workplace accidents	4,438	6,712	8,963	10,720	11,516	20,238
Commuting accidents	1,630	2,749	3,145	3,836	4,105	6,985
Occupational diseases	-	-	18	4	3	3
*Cases confirmed after investigation by NSSF						

The total number of persons who reported an injury as a result of an occupational accident totaled 7,611 in the year 2010, compared to 30,281 in the year 2015. It is noteworthy to see the extremely low level of occupational diseases being reported. Among the injuries sustained, the majority were minor ones totaling 7,214 in 2010 and 27,804 in the 2015. Temporary and permanent disability cases are not growing at the same rate, and their proportion continues to be relatively small. In 2015, only 1% of reported employment injuries resulted in a temporary or permanent disability, although the majority of these were permanent.

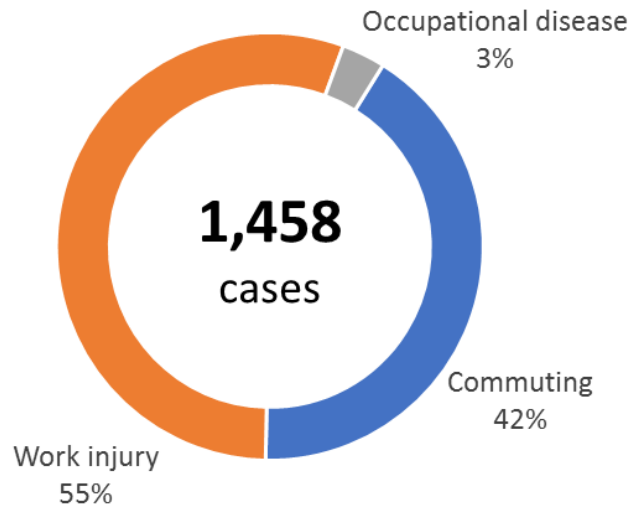
Table 11. Number of TDB and PDB (2013-2015)

Item /Year	2013	2014	2015	2016
Number paid Lump Sum	53	34	67	95
Number Paid Monthly Benefit	129	110	215	264

At the same time the number of injuries qualified as severe reached 2,296 in the year 2015 compared to only 358 in 2010. It is unclear what criteria are used to distinguish severe cases from permanent disability cases, as no official classification of disability degrees has been adopted in the country. This is something that could be developed further in the future, as other social protection initiatives seek to identify people living with disabilities too. In the case of the NSSF, it is important that rehabilitation benefits are being made available to all who can benefit from them.

The number of fatal cases increased during the period from 39 cases in 2010 to 181 cases in 2015, among which 114 cases were males and 67 females.

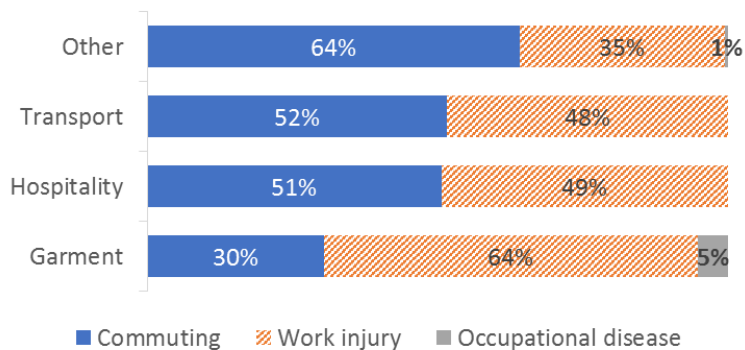
Figure 22. Survey sample of EII claims reported by employers (2016)



Source: ILO survey

Employers surveyed for this assessment reported to have filed 1,458 employment injury claims in 2016. A slight majority related to work injuries and the remainder mostly for commuting injuries. The number of claims for occupational diseases is very low, but in absolute terms it is substantially higher than the one recorded by NSSF in previous years. This suggests that the vast number of occupational disease cases are not being reported to the NSSF. On the one hand, this may reflect the low degree of awareness about this benefit discussed earlier in the report, however, further investigation on this issue would be advisable. To begin with, the NSSF could review and update the occupational disease list, strengthen inspections and continue raising awareness among employer and workers of this risk.

Figure 23. Sample EII cases reported by industry (2016)



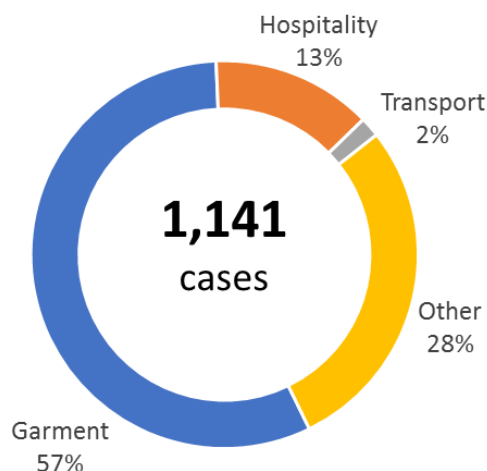
Source: ILO survey

The garment sector sees the largest proportion of work injuries and the lowest of commuting accidents. This is an important fact for the Road Traffic Safety Team and any other actor working on the transportation of garment workers, which are usually assumed to be the most vulnerable to commuting injuries. The survey, however, shows that it is workers in general service industries (others) who see the most commuting accidents. This would suggest that investing in general road safety and prevention strategies for the whole population, would be a more effective strategy to reduce the number of commuting accidents.

Since there has been no major deterioration in working conditions over this period, and indeed, OSH standards have become more commonplace, this increase in reports is a positive sign, as it shows not only that the membership base of the NSSF has grown, but that workers and employers are more and more aware of their duty and rights under the scheme and are reporting accidents to the NSSF. This is consistent with the low number of claims that continues to be received for occupational diseases which, as discussed earlier in this report, continues to have little awareness amongst these groups.

However, there continues to be room for improvement. The survey also showed that for every 10 employment injury cases in 2016, 4 were not reported to the NSSF.

Figure 24. Survey sample of EII cases not reported to the NSSF by industry (2016)



Source: ILO survey

The majority of these cases were in the garment industry. When asked about the reason for failure to report, 84% of respondents pointed at the fact that the injuries were very small. It is important to clarify to employers that all accidents, regardless of severity must be reported to the NSSF who will decide if any benefit is due and will keep for statistical records. The second most quoted reason (23%) was that workers themselves did not want to report, which means the employers allowed the workers to make that decision and workers themselves are probably not aware of their rights and obligations.

As mentioned earlier, employers should report any accident within 48 hours of a working day. Most employers do not comply with these requirements. The information could not be extracted exactly for 2 days, but even at the 7 day mark, only approximately 20% of cases comply. Another 20% report within 2

weeks but the bulk of all cases take longer than this, with some 10% taking more than 3 months. It is also noticeable that these patterns have been constant for the observable years, meaning that there is no improvement in employers' and workers' awareness about the 48 hours requirement. The fact that there is no penalty for late reporting may have allowed for late reporting to become commonplace. Information campaigns should address this issue, but ultimately the NSSF should consider levying penalties on extreme or recurring cases of non-compliance, although such measure should be designed carefully so that penalties do not impact reporting levels negatively.

Table 12. Timeliness of accident reporting (2013-2016)

	2103	2014	2015	2016
< 7 Days	3772 (21%)	3452 (16%)	3491 (11%)	7179 (20%)
<14 Days	3468 (19%)	2650 (12%)	4552 (14%)	7346 (20%)
<1 month	3231 (18%)	5081 (23%)	9152 (28%)	9029 (25%)
One to 3 Months	5660 (31%)	8218 (38%)	10206 (32%)	10347 (28%)
>3 Months	1924 (11%)	2240 (10%)	4809 (15%)	2756 (8%)
Total	18,055	21,641	32,210	36,657

**Source: NSSF database*

Delayed reporting is a significant problem as delayed reporting leads to delayed payment of benefits, both to members and to health facilities and it is ultimately the reputation of the NSSF which is affected. Moreover, in the case of income replacement benefits, the income smoothening goal of the benefits is not achieved.

4.7.3 Payments

In the case of a straightforward EI case which verified by inspectors, the wage and contribution records of a claimant are verified to calculate the correct benefit amount. The file is then sent to headquarters for final payment approval by the Director General. All payments, even the smallest claim for Employment Injury, must currently be approved by the Director General and then forwarded to the Finance and Accounting Division for processing. The efficiency of this system is questionable, as the cost of transport of these documents can sometimes outweigh the cost of the claims and the time of the Director General is overstretched. As the number of claims continues to increase year by year, particularly with the introduction of new branches, a delegation of this particular authority could be pertinent in cases of regular employment injuries or under a certain value. Such a reform should of course be accompanied by electronic claims processing so that fiduciary oversight and monitoring can be maintained by the central Benefits and Finance and Accounting divisions.

Payment of beneficiaries

On the side of the NSSF, payment of cash benefits are affected by late reporting, but face internal challenges too. When it comes to employment injury cases which have resulted in disabilities, the claim must be approved by a medical committee who determines the degree of the disability, and thus whether

the claimant receives a temporary or permanent disability benefit. The committee meets on an ad hoc basis but at least once a month, this means some claims are processed faster than others. When it comes to the transfer of disability benefits we find that while 1 out of 3 claims is solved within 14 days, most of them can take more than 3 months.

Table 13. Time between date of report and date of first payment (in %)

Days	2013	2014	2015	2016
< 7 days	3	3	5	2
< 14 days	31	37	37	27
1 month	1	1	1	2
1 month to 3 months	22	18	18	27
More than 3 months	43	42	40	43

Once the committee makes its decision, however, most payments are processed within 15 days. The irregularity of the committee's meetings is thus the main bottleneck in the predictability of income-replacement payments. Currently, the committee seems to meet at least once per month so establishing a fixed monthly date for the meetings could allow the institution to inform claimants when they could expect results. Likewise, it would allow branch offices to better plan the shipment of claims to the headquarters.

In the case of long-term income replacement benefits, specifically survivors' pensions, the NSSF is able to make the first transfer of 70% of cases within 3 months of the time of death. However, for the remaining 30% of claimants this period can stretch up to one year.

Table 14. Time from death to first transfer of survivor pension (2013-2016)

Time/Year	2013	2014	2015	2016
< the 1 month	41 (35%)	36 (32%)	68 (33%)	60 (32%)
1 to 3 months	44 (38%)	36 (32%)	66 (32%)	72 (38%)
3 to 6 months	19 (16%)	27 (24%)	55 (27%)	39 (21%)
6 to 12 months	5 (4%)	6 (5%)	14 (7%)	12 (6%)
More than 1 year	7 (6%)	6 (5%)	4 (2%)	7 (4%)
Total	116	111	207	190

This pattern is also consistent over the years and the NSSF noted that a continued challenge with improving is the difficulty in reaching dependents. It starts again from the general awareness on benefits; if NSSF members themselves are not familiar with the survivor pension, it is highly unlikely that their survivors will know about their right and how to access it. This is compounded by the fact that employers themselves have low awareness of this benefit, so are not likely to facilitate. Ultimately, however, this is

again an issue with the NSSF's lack of access to a functioning and comprehensive civil registry that could independently register important life events like deaths and validate family connections. This is also the reason why key NSSF benefits like the new health insurance, cannot currently be extended to worker's families even though this would be a very efficient way to expand coverage. Currently the NSSF is piloting their new ID system for workers, and does not collect information on family members. This is because it falls outside of their current scope of responsibilities, but practically as well, in most cases family members will not have identifications of their own making it difficult to validate the information provided. It is not recommended that the NSSF extend their ID system to family members, as this would represent a significant burden, but it would be advisable that the institution devised means to allow and motivate workers to register their emergency contacts and/or dependents. They can then be notified in the event of a death and asked to provide proof of dependency.

Long-term benefits such as PDB and survivor pensions are paid quarterly. The NSSF indicates that this is because the benefit amount is low compared to the transfer and administration costs involved in payment. At the moment, benefits are paid through appointed banks where the NSSF credits the account of the recipient. There are two issues here. First, disbursing pensions quarterly diminishes the transfers' capacity to smooth the consumption of households, and there is vast evidence that people spend lump sums in very different ways than more regular, smaller installments. The case of the new maternity benefits exemplifies this perfectly as there are daily expenses associated with a new baby. Since the purpose of the benefit is to replace the income that the mother would have otherwise received monthly, it makes little sense to pay the benefit at the end of the 90 days of maternity leave. Second, many people, particularly the dependents receiving survivors' pensions, might not have a bank account. Travelling to the branch of an NSSF appointed bank may very well constitute a great burden which in some cases, could outweigh the benefits of the pension. It is highly recommended that the NSSF start exploring and innovating in terms of their payment mechanisms. Mobile payments may not be as popular as in Africa yet, but they are constantly growing and the awareness and trust of users is increasing.

As the level of claims rise year by year, particularly in relation to the new schemes, it would be advisable for the Benefits Division to establish a dedicated Payments Unit. While this unit provides overall supervision and strategic planning on payments and bottlenecks, the authority to pay small amounts could be delegated to branch office managers who could process claims more quickly and reduce the burden of the central office. The experience gained by branch offices in this respect would benefit the implementation of other schemes when claims levels increase.

In terms of rejected claims, only 1.8% of claims reported by the sample of employers was rejected, and 1% of the claims in the worker's sample. In terms of the reason of rejection, both groups of respondents mostly attributed the fact that the injury did not take place during work hours, which is a legitimate reason for declining a claim. Still, 28% of claims were rejected due to a lack of proper documentation, which means employers should be better informed about the requirements so that administrative errors do not prevent workers from claiming their benefits.

In terms of the payment to service providers, the EII payment mechanism is fee for service.

4.8 Healthcare Division

The healthcare Division was recently established to manage the expansion of the new Social Health Insurance scheme. The division had been allocated 6 civil servant staff by the end of 2016, as well as a number of contractual staff. Contractual staff numbers increased rapidly, going from 66 in January 2016, to 199 by the end of the year. 143 staff members were recruited, with 10 resignations through the year.

While a review of the SHI specific processes lies outside the scope of the present assessment, it is important to note the place of this new Division within the broader institutional structure. There is no dedicated Division for the Employment Injury scheme, because all Divisions play a role in its implementation. The establishment of a dedicated Health Insurance Division reflects the increased complexity of this scheme and need for specialized staff with an understanding of the full supply chain. However, it can also obscure the fact that the scheme continues to rely on the existing divisions to be implemented. It has been observed that the Health Care Division has received dedicated investments – mainly from development partners - in areas ranging from prevention to customer service and IT which have not been extended to other supporting Divisions, creating incoherence in the overall capacity to deliver.

The ultimate success of the SHI depends on its ability to function through the structures set up for the EII, thus, promoting synergies and strengthening the institution in a holistic manner is essential to avoid bottlenecks in supporting functions. From registration to payments, these divisions require equal attention and investment in order to cope with their new burden. This is key to ensure that the NSSF is able to provide coherent support to its users as well. For example, if members call the hotline established to support the new health insurance scheme, they should be able to get information on all the NSSF schemes. It is recommended that the management streamline all external support with this in mind.

Moreover, the NSPP provision for a health insurance branch for public sector was recently mandated to the NSSF. As the policy states, it will be important to ensure that the provisions of this scheme are consistent with the ones in the private sector and thus that no new division is created for this scheme.

4.9 IT

The IT Division had 16 staff members at the end of 2016, 7 civil servants and 9 contractual staff. Aside from acting as the IT support for all other divisions, the IT Division has the major responsibility of managing and updating the NSSF member database. The Division has been proactive in this duty, innovating technological solutions to ease the submission of reports which can now be submitted on paper, online and even through a mobile app. However, the lack of strategic planning from the Policy Unit limits the effectiveness of such efforts, as employers and workers continue to be unaware of such facilities and the IT Division is not fed data as to where the bottlenecks for uptake lay.

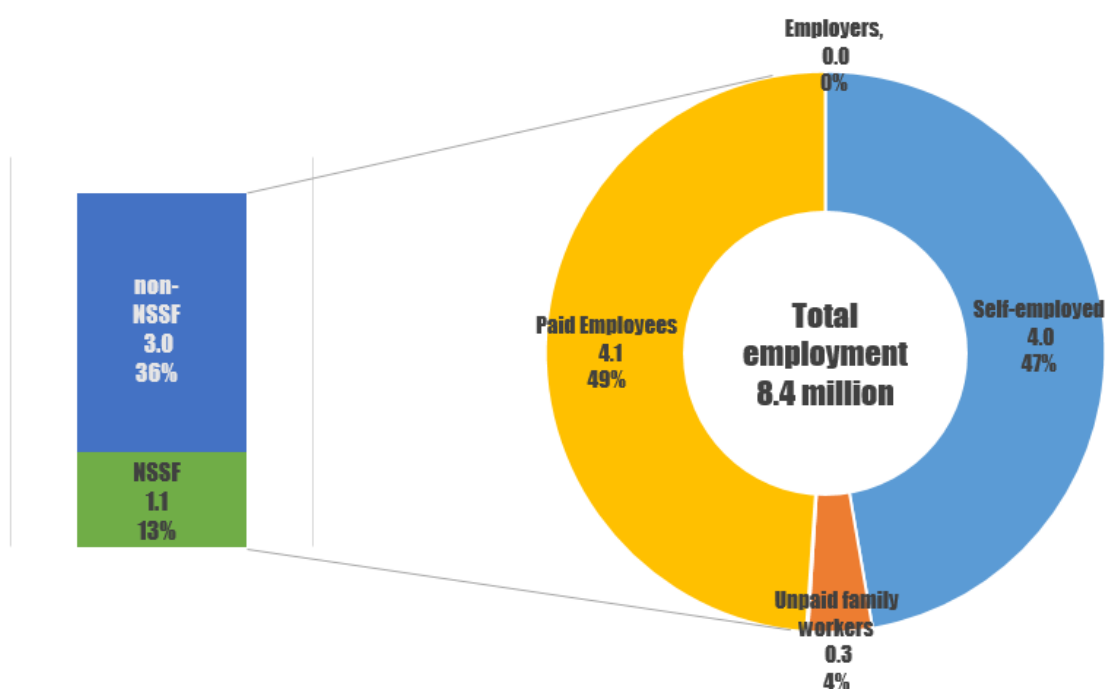
5 Administrative solutions for coverage extension

Around the world, countries introduce and extend contributory social security programs gradually, by first providing access to selected groups of workers and employers. In the first instance, prioritized selected groups are typically those who are most readily capable of being formally registered by administrators and who have the capacity to pay regular contributions. Thereafter, countries move progressively to improving the comprehensiveness – in scope and depth – of national social security coverage in line with labour market developments and social and economic advancement.

According to the CSES 2015, the total employed population in Cambodia is 8.4 million. Thus, currently, the total coverage of the NSSF represents about 13% of all persons employed in Cambodia. Within this, the number of paid employees is estimated at 4.1 million, which yields an effective coverage rate of about 27% of all paid employees in the country. This means that there are around 3 million workers who are entitled to NSSF coverage, but are not accessing it. Although there are no reliable statistics on the proportion of the workforce employed in SMEs, it is highly probable that this is where the bulk of these workers are engaged, making it an obvious direction for expansion for the NSSF.

This is in line with the newest regulations announced by the MoLVT, which lower the previous threshold of 8 employees or more for an enterprise to be eligible, to one employee or more. This measure has effectively expanded legal coverage to an additional 3 million workers in Cambodia. Of course, the enforcement of this regulation will be a challenge of its own.

Figure 25. Employment in Cambodia in millions (2014)



Source: authors' compilation of CSES 2015 and NSSF 2017 data.

Still, the fact remains that over 50% of workers are not in a traditional employment relationship, the bulk of the self-employed are in small-scale agriculture. In principle, however, global experience shows that it is difficult to extend compulsory coverage of EII benefits to the self-employed. Even in more advanced and regulated labour markets, EII is usually offered to own-account workers on a voluntary basis. This is not the case for all social security branches, in particular for health insurance where the participation of all workers is more regulated.

Box 6. A note on challenges to extending contributory programmes

To better extend coverage and support the formalization of work, the administration and design of contributory programmes has to take into account the characteristics and special circumstances of those groups that are difficult to cover, which typically include those who have:

Frequent changes in jobs and place of work. For social security operators, such frequent changes result in difficulties in registration, record-keeping and collection of contributions. An ILO recent actuarial study revealed that, on average, workers registered in the NSSF were only contributing 7 out of 12 months of the year. This points to very high levels of labour mobility, which in turn results in a higher administrative burden for employers and the NSSF. As mentioned previously, the introduction of the new ID system will aid in this respect, but there continues to be a challenge in terms of worker's accumulation of rights. Currently, the average NSSF worker would find it very hard to qualify for maternity benefits which require 10 months of continuous contributions.

Low and fluctuating contributory capacity. Such a condition makes it difficult to determine the appropriate bases for calculating contributions and benefits, and presents challenges for the full and regular payment of contributions. This is particularly pronounced for self-employed workers who work casually and seasonally. Contribution levels and benefit structures should seek to accommodate the contributory capacity of such workers.

No formal employer-employee relationship. Employers provide a formal interface with the social security institution, often with legal obligation regarding the registration of employees and the timely payment of contributions on their behalf. However, in Cambodia 51% of workers are self-employed or in unpaid family work. The challenge for the NSSF will be to develop appropriate administrative solutions to support workers who are not active in the regulated formal economy or who are self-employed workers, to simplify administrative processes and reduce bureaucratic obstacles to the payment of contributions. The NSSF is beginning this work, piloting through the construction sector.

Low levels of literacy. The hard-to-reach population is often pre-literate and may also not have the skills to use, or have access to, modern web-based tools.

With the aim of ensuring that all members of society have effective access to at least a basic level of social security throughout their lives, the ILO Recommendation concerning National Floors or Social Protection, 2012 (No. 202), has reinforced the existing social security standards. It provides guidance on ensuring

coverage for all, thus including workers in the informal economy and their families. In addition, the ILO Recommendation concerning the Transition from the Informal to the Formal Economy, 2015 (No. 204), recognizes the lack of protection of workers in the informal economy, and provides guidance for facilitating their transition to work in the formal economy. The ISSA Guidelines on Administrative Solutions for Coverage Extension are useful in the implementation of both recommendations.

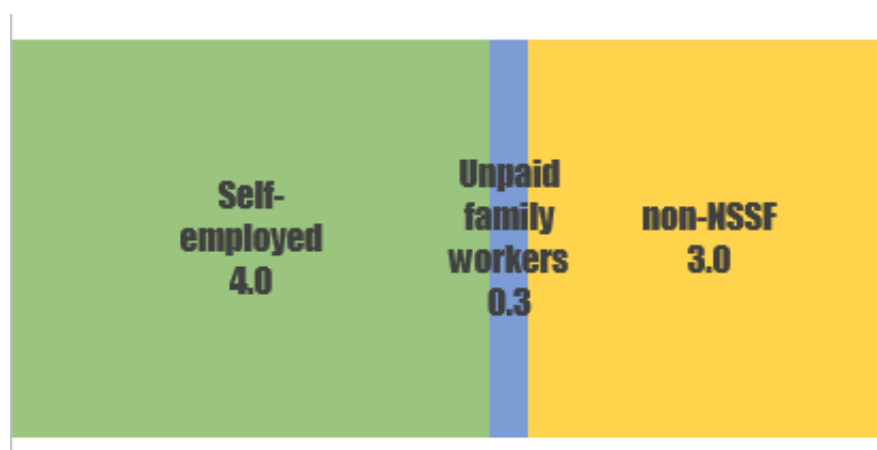
5.1 An Enabling Environment

In terms of expanding coverage beyond paid employees, the first step for the NSSF would be to assess how enabling is the environment to support a further extension of coverage to more difficult-to-cover populations. Part of the objectives of this report is to help identify the elements that the institution could leverage and the gaps that should be mitigated. Moreover, a primary consideration is whether the NSSF has the required authority to pursue this coverage extension to workers in informal work.

The term ‘informal economy’ encompasses all economic activities by workers that are, in law or practice, not covered by formal arrangements. In law, the NSSF is mandated to serve the persons covered by the Labour Law. The Labour Law itself governs relations between employers and workers (Article 1). All natural persons or legal entities, public or private, are considered to be employers, provided that they employ one or more persons, even discontinuously (Article 2). Legally, thus, the NSSF has a mandate over the 3 million people in salaried employment, but this is less clear in the case of the remaining 4.3 million people in other types of employment status.

In practice, the NSSF has restricted its operations to target companies with 8 or more workers, which means only a portion of paid employees. Effectively, this means that the informal economy includes salaried workers in micro and small companies, as well as the self-employed and unpaid family workers which means there is a total of 7.1 million workers in the informal economy.

Figure 26. Workers in the informal economy by employment type (2017)



Source: authors' compilation of CSES 2015 and NSSF 2017 data

This has been recently addressed by the MoLVT notification No. 307 (see section 2.4), which effectively expands the NSSF mandate to cover all enterprises in Cambodia, regardless of the number of workers they employ. This is a welcome development as the conditions that prompted the original limitation might

not be as prohibitive as when the scheme first launched. As outlined earlier in this report, when the EII launched in 2008 the lack of automatic accounting processes in small companies was identified as a major obstacle to include them in the scheme. This assessment could be revised in view of the fast adoption of technology in Cambodia over the past decade, and the NSSF's own efforts to provide online registration and payment channels which constitute a lower burden to enterprises. Targeting workers in micro and small companies is indeed the most natural direction for the NSSF to commence expansion to cover informal workers.

Now that the required regulations are in place, the real challenge will be in adapting the existing NSSF mechanisms which have been developed largely on the experience of the garment sector, to the realities of MSMEs. The construction industry, formed by a myriad of subcontractors of various sizes, has already been identified by the NSSF as a priority in this regard. The ILO's technical support to these efforts is detailed in Box 7 below. Once the NSSF is ready to handle the increased demand for its services, systematic legal enforcement will be key to close the remaining coverage gaps.

Box 7. Value chain development for decent work

The NSSF's existing mechanisms have been developed on a "formal employment" model, with predictable monthly earnings, stable and clear employment relationships. However, there is a wide diversity of employment arrangements in the informal economy which vary according to industries and employment type (wage employees, the self-employed, casual workers, household employees and unpaid family members). Thus any intervention that aims at expanding statutory coverage can benefit from a specific look within and across industries.

Almost all these types of employment are represented in the current construction industry in Cambodia, which has recently become the most dynamic engine of growth in the country. As a labour-intensive industry, it is providing landless and unskilled workers with an important entry point into the labour market. However, these workers are amongst the most vulnerable to ill-health and poverty in case of maternity, disease, unemployment, disability or old age. In particular, the construction sector is associated with a disproportionally high share of serious work-related accidents and fatalities. The MOLVT has thus requested the ILO for support in expanding the benefits of the NSSF to this sector, starting with the EII and building on that to expand to other branches such as the new SHI, maternity and sick leave benefits.

The goal is to deepen the understanding about the implications of different employment arrangements and income patterns on social protection coverage so as to design practical mechanisms for expansion. Employing the *Value Chains for Decent Work* methodology of the ILO, Phase I begun by conducting a baseline Rapid Market Assessment of the construction market system to understand *who is who* in the value chain. The construction sector is not a homogeneous group and differences between actors can be of particular importance when it comes to accessing statutory benefits.

Value chains are part of wider market systems which include a number of actors providing 'supporting functions' to businesses in the core value chain, as well as actors who set and enforce 'rules' about how value chain actors operate. Other key components of the market system are the 'rules of the game', which govern the way that actors in the value chain operate. These include labour legislation, regulations at all levels of government, quality standards and government policies and the degree to which these are enforced.



Phase II will seek to generate evidence on the needs among workers and employers, identifying the specific patterns of deficits and vulnerabilities. Social risks will be assessed by type of occupation and employment relationship along the value chain and across the formal and informal economies. The aim is to gain deeper understanding of the underlying factors – including incentives and capacities – that have led to the current conditions of high vulnerability and low social security coverage.

Finally, by identifying gaps in the enabling environment (operational, administrative and legal provisions) and comparing them to the dynamics of the sector, specific recommendations will be made on how to deal with collecting contributions from workers with uncertain, low and variable income. The ILO will extend this base research to self-employed workers, starting with Tuk Tuk drivers. All activities will be carried out together with tripartite constituents in order to ensure that decision-making is inclusive and reflects the needs and views of beneficiaries, financiers and administrators of the scheme in the long run.

5.2 Ensuring Institutional Readiness

Expanding further to other groups in the informal economy, such as the self-employed, will be much more challenging as this group is also not homogeneous. Own account operators, casual wage workers, homeworkers and unpaid family workers all operate under distinct employment relationships. Their income is generally low, irregular and unpredictable and their employment situation is intermittent with no formal contract and multiple employers. Key capacities - some internal to the institution, some external – enable social security institutions to work towards the extension of coverage. In most cases, the extension of coverage is horizontal endeavor requiring the collaboration of a variety of institutional players.

Externally, in order to guide its efforts to accommodate extended populations in the future, the NSSF's tripartite Governing Board should lead the formulation of a strategic coverage extension plan, while the Management leverages partnerships with other organizations, both statutory and not, which can assist in reaching potential beneficiaries at reduced administrative costs and higher service quality. On the government side, this will include stronger coordination with the Ministries of Interior and Commerce to register enterprises and workers. If an independent and efficient Payments Certification Agency (PCA) is established, which has the capacity to manage claims for the NSSF schemes, this possibility should also be carefully considered. Finally, partnerships with microfinance institutions and mobile companies could be advantageous in facilitating contribution payment on the side of members, and benefit payment on the side of the NSSF.¹⁸ Ultimately, as highlighted throughout this report, it will be necessary for the NSSF to establish an efficient organizational structure, one that adapts to the needs and circumstances of workers in the informal economy too.

Internally, the very first prerequisite for institutional readiness will be having an adequate working space. The current NSSF building reached its maximum capacity years ago meaning that the current workspace at headquarters and rented premises is rather congested. Staff is crammed into offices which double as storage facilities, creating uncomfortable and potentially hazardous working conditions. The present

¹⁸ The NSSF has recently signed an MoU with a mobile provider in Cambodia to allow for the payment of the government-financed maternity allowance. This experience could be leveraged to extend this payment modality to regular NSSF operations.

limited and crowded offices of the Fund are hindering the administrative efficiency of the organization. Staff being housed in different premises affects inter-departmental coordination, monitoring and management, and the problem becomes more severe as the new SHI continues to expand. With plans to integrate civil servants into the scheme, there is a need to secure proper premises which comply with occupational health and safety standards, as established by local regulations.

The Board of the NSSF had approved this expenditure in the past, only for it to be blocked by the MEF, highlighting the current dysfunctionality of the Governance system. However, on August this year the MEF finally approved the use of EII reserves to construct a new headquarter building in Phnom Penh. By looking at the current asset level and the relation between the annual benefit expenditure and the estimated liabilities of permanent disability pensions and survivors' pensions, it is observed that the free reserve level exceeds the current planned spending for the building and land acquisition of the order of 10 million USD and that the sustainability of funds will not be threatened by an acquisition of the building and the land for the NSSF administration. In principle, contributions from employers should be primarily used for compensations for work-related accidents and occupational diseases. The tripartite NSSF Board holds authority over the use of free reserves based on existing laws and regulations. As the land and buildings to be purchased is not supposed to be liquidated for payments of future benefits, it is recommended to consider the purchase of a new building and land as an administrative expense. The value of buildings and land should thus be accounted as a book value at the time of purchase, with depreciation of buildings over an adequate future period. In case the new building will also serve the operations of the new SHI branch, the EII branch may request a partial refund of the purchase from this scheme.

5.3 Increasing Awareness

Communication is key to effective outreach of targeted populations, to provide information on the schemes available and to raise awareness of the employers' and workers' duties and rights regarding benefits of social security for them and their families. Providing adequate benefits which are relevant for workers and employers is always the first step as this builds trust in the NSSF and has its own effect on extending coverage. Second, the mechanisms for communication and feedback should be in place and all relevant information for each party should be readily accessible. For example, at the moment few employers realize that NSSF contributions are tax-deductible, a fact that could considerably impact their decision to register in particular following the increase in their share of contributions. In parallel with developing the mechanisms to allow access to these populations, the NSSF should consider devising a communication strategy tailored to the specific needs and characteristics of informal workers, aimed at making contact and building trust.

5.4 Developing Effective Registration Systems

Reaching out to workers in the informal economy involves identifying and registering populations who may be unfamiliar with government processes. The NSSF has first-hand knowledge of this as it was a major challenge for the implementation and roll out of the EII over the last decade. Following the continued lack of strong and prevalent civil registration identifications, the institution decided to implement an in-house solution in the form of biometric social security IDs. Even within the formal sector, the ILO survey showed that 71% of employers who reported challenges in registering workers with the NSSF, pointed to the lack of workers' IDs. This is most likely related to workers entering formal work from the informal economy. Due to the large mobility between these two sectors, we can expect that eventually many more workers

than those actually contributing to the NSSF at any given point in time will have received an NSSF ID. However, this will continue to be a challenge for the large numbers of people entering the labour market for the first time every year, particularly since the Mol currently does not cover minors. The burden for this process will continue to rest mostly with employers, and of course, increased administrative costs for the NSSF.

In trying to expand their coverage, the NSSF will have to consider facilitating the registration process by allowing workers to apply for IDs independently from their employers. This will be key not only for people entering the labour force for the first time, but eventually also for the self-employed. However, without a strong civil registry to validate information, implementing quality assurance mechanisms will continue to be a challenge to guaranteeing the integrity of relevant administrative processes. This should be a high level priority for the Ministry of Interior and indeed for the new National Social Protection Council.

5.5 Identifying Proper Solutions to Collect Contributions and Improve Compliance

Compliance with contribution payment is crucial to provide the evidence of eligibility, and is particularly challenging when it comes to workers with irregular incomes. The first thing for the NSSF to note when planning expansion to such workers, will be to formulate appropriate bases for the establishment of contribution rates, which covers the actuarial risks of the populations and adapt to their needs. The frequency and method of payment should be analyzed carefully. The use of electronic payments could play a big role in this sense, but the NSSF might also need to collaborate with other organizations, such as mobile services providers, to collect contributions and enforce compliance.

6 Summary of Recommendations

The progress made by the NSSF in the past 10 years is remarkable. The transition from a department of the MoLVT to a full blown institution with 600 staff serving over one million workers around the country through various provincial branches is unprecedented in Cambodia. Workers and employers representatives agree that the tripartite governance which led the establishment and expansion of the EII over these years was productive and should be maintained as the institution grows. It is this success which has now placed the institution at the center of a high-level reform to harmonize and expand the country's social protection system, as expressed through the new SPPF 2016-2025.

However, there is room for improvement and for the NSSF to successfully take up this new mandate, it is important for all stakeholders to understand these challenges, the history of the institution and the administrative structure that derives from it. Until one year ago, the NSSF exclusively managed the EII branch, and its entire organizational structure and processes are thus designed to deliver this particular benefit. The introduction of the SHI in late 2016 has challenged this arrangement as new and more complex processes add to the workload of staff. The creating of a new Health Care division, and the focus placed on it particularly by development partners, has contributed to obscuring the fact that this division does not work in isolation, but depends heavily on the existing structure. A more integrated approach to technical assistance is required to ensure that the institution grows in an even and sustainable fashion.

This report is the first attempt to gain a comprehensive understanding of the operational capacities and challenges of the NSSF and can thus serve government as a key input to develop an evidence-based implementation plan for the policy goals identified in the SPPF. The NSSF is an institution full of potential, in the past months it has shown its ability to rapidly adapt and implement provisional measures to reach new targets. However, it is advisable that further expansion is planned in a more strategic manner and not before the foundations of the institution are further strengthened. In some respects, the NSSF continues to function as the department of the NSSF it once was.

The new NSPPF 2016-2025 set out a broad vision of the country's social protection system, but remains vague on how to accomplish it. Ideally, the new policy should be accompanied by a mid-term Strategic Plan that would set-out priorities and timelines for the contributory system. This responsibility to provide policy direction lays with the new governance structure under the National Social Protection Council, and it will be a prerequisite for the NSSF's ability to play its operator role effectively. Taking into account the challenges identified throughout this report, and the new role and responsibilities that the NSSF is expected to assume following the launch of the NSPPF, the successful implementation of the recommendations presented below will require a systematic approach. It is thus recommended that the institution develop a 3 years Organizational Development Strategy. This strategy should be in line with the Strategic Plan for the implementation of the NSPPF prepared by the new Technical Secretariat.

Based on the findings of this assessment, the following recommendations are made:

6.1 To the National Social Protection Council

Recommendation No. 1

A more systematic approach to expansion should be adopted. The NSSF would benefit from a Strategic Plan for the implementation of the NSPPF. Based on this framework, the NSSF should develop its own Three Years Organizational Development Strategy to help it transition from an institution set-up to deliver an Employment Injury Insurance scheme, to increasingly more complex branches for an expanded population.

Responsible Unit	Priority	Time Implication	Resource Implication
Governing Body	High	Medium	Low

Recommendation No. 2

It is recommended that the critical issue of staff recruitment and salary levels be addressed immediately. The Governing Body has authority over these issues by Sub-Decree, this is thus ultimately an issue of the NSSF's de-facto function as an independent institution and its relationship to the MEF and MOLVT be clarified. This Governance structure should be clarified, with a clear division of decision-making powers based on good governance guidelines. Ultimately, it is advised that the independent status of the NSSF be upheld and effected.

Responsible Unit	Priority	Time Implication	Resource Implication
Governing Body	High	Medium	Low

Recommendation No. 3

The National Social Protection Council is advised to facilitate the collaboration between NSSF and the General Department of Taxation and the Ministry of Commerce, in order to adopt a systematic, workflow-based approach to managing registration and prosecutions. As well as between the NSSF and the Ministries of Interior and Planning, on the issue of identification.

Responsible Unit	Priority	Time Implication	Resource Implication
Management	Medium	Low	Low

Recommendation No. 4

Make formality more attractive by increasing the benefits of schemes (in particular the quality of healthcare services) and reducing the cost of formality. At the policy level, promote cross-cutting, ex-ante policies to foster voluntary compliance and formalization.

Responsible Unit	Priority	Time Implication	Resource Implication
Policy Unit	Medium	High	Medium

Recommendation No. 5

A high-level intervention takes place to request the National Audit Authority to allow the NSSF to switch to an electronic filing system in order to reduce the cumbersome and expensive storage of paper files.

Responsible Unit	Priority	Time Implication	Resource Implication
Management	Medium	Low	Low

6.2 To the Governing Body

Recommendation No. 6

A specialized management consulting firm should be engaged to recommend a new organizational structure that is more suitable to the expanded mandate of the NSSF, along with an organizational reform strategy to guide the transition. The ultimate reform should be approved by the Governing Body.

Responsible Unit	Priority	Time Implication	Resource Implication
Administration Division	High	High	High

Recommendation No. 7

Prior to any transition in Management, the Governing Body should establish policy guidelines on the suitability of candidates and fit-and-proper standards for the position, including disqualification through conflict of interests and provisions on how standards may be reviewed and updated. The new National Social Protection Council could be asked to apply the fit-and-proper test to candidates nominated by the Governing Body.

Responsible Unit	Priority	Time Implication	Resource Implication
Policy Unit	High	Low	Low

Recommendation No. 8

Management to lead the development of a funding policy. After defining funding goals, a clear funding policy should be submitted for the Governing Body's approval. The policy should formalize the long-term funding objectives of the branch and clearly set out the risk and advantages of the different financing options.

Responsible Unit	Priority	Time Implication	Resource Implication
Management	High	Medium	Low

Recommendation No. 9

Management perform a thorough investment feasibility study to assess all strategies available. After defining investment goals, a clear investment policy should be submitted for the Governing Body's approval. The policy should clearly define the investment governance structure and competencies required to perform these functions. The policy should be specific to the EII reserves, as upcoming schemes such as pensions will have different investment goals. It is further recommended that the NSSF establish an Investment Unit, either internally, or appointing an external manager.

Responsible Unit	Priority	Time Implication	Resource Implication
Management	High	Medium	Low

Recommendation No. 10

The NSSF start exploring delegation and decentralization of functions from the central level to the branches, specifically in the case of payments approval under a certain amount.

Responsible Unit	Priority	Time Implication	Resource Implication
Management	Medium	Low	Low

6.3 To the Management

Recommendation No. 11

The Management review its planning, budget and monitoring process. Prescribing standards and benchmarks for key areas of operations, including efficiency in coverage and collection, operating expenses, adequacy and quality of service to members, investment returns, prevention of fraud and others.

Responsible Unit	Priority	Time Implication	Resource Implication
Management	High	Medium	Medium

Recommendation No. 12

The continued relevance of the various Committees and Working Groups of the NSSF is reviewed. The functions of the Investment and Dispute Settlement Committees are permanent and thus the establishment of dedicated units should be considered. For ad-hoc tasks, time-bound working groups with well-defined targets should be established as needed.

Responsible Unit	Priority	Time Implication	Resource Implication
Management	Medium	Medium	Low

Recommendation No. 13

The Policy Division establish a Legal Unit. The Legal Unit is necessary to support the interpretation of laws and prepare draft legislation on coverage as well as new benefits. Legal advice is also important in order to strengthen the prosecution of non-compliant enterprises.

Responsible Unit	Priority	Time Implication	Resource Implication
Policy Division	Medium	Low	Medium

Recommendation No. 14

It is recommended that the NSSF take a more proactive approach in fostering a culture of awareness of social security and contribution responsibility, instilling confidence in their schemes and management by constant public education campaigns. Any reforms undertaken should also be communicated through specific information campaigns. Establishing a permanent Communications Unit under the Policy Division would be a first step towards this goal.

Responsible Unit	Priority	Time Implication	Resource Implication
Policy Division	Medium	High	High

Recommendation No. 15

The institution put in place both a Succession and Training plans and more carefully extends learning opportunities. As a measure to address the high-turnover of staff, training materials are developed to allow new recruits to have a proper induction into the institution and the specific processes of the relevant division. These materials could also be adapted to assist NSSF staff in trainings of employers and workers.

Responsible Unit	Priority	Time Implication	Resource Implication
Policy Unit	Medium	Low	Low

Recommendation No. 16

Operational processes for carrying out the key functions of contributor registration, collection of declarations, contribution calculation and billing, collection of payment and debt management be formalized in standard operating procedures.

Responsible Unit	Priority	Time Implication	Resource Implication
Management	High	Medium	Medium

Recommendation No. 17

In order to improve the timely delivery of benefits, effective reporting systems must be improved. It is recommended that claims procedures are simplified with a focus on developing user-friendly and customer-centric systems available. Online reporting and payments should be encouraged wherever appropriate.

Responsible Unit	Priority	Time Implication	Resource Implication
Management	Medium	Medium	Medium

Recommendation No. 18

It is recommended that the NSSF start exploring and innovating in terms of their payment mechanisms. Modalities that do not place a higher burden on the most vulnerable and that allow for adequate consumption smoothening should be prioritized.

Responsible Unit	Priority	Time Implication	Resource Implication
Benefits Division	Medium	Medium	Medium

Recommendation No. 19

Methodically develop appropriate administrative solutions to support workers who are not active in the regulated formal economy or who are self-employed. Targeting workers in SMEs would be the most natural direction for the NSSF to commence expansion to cover informal workers. With the issuance of Prakas 404/2017 and Notification 307 now in place, the real challenge will be in adapting the existing NSSF mechanisms which have been developed largely on the experience of the garment sector, to the realities of SMEs. Detailed monitoring of emerging challenges should be carefully observed and collected for the formulation of responses.

Responsible Unit	Priority	Time Implication	Resource Implication
All Divisions	High	High	High

Recommendation No. 20

Formulate a Coverage Extension Strategy in order to guide its efforts to accommodate extended populations, while at the same time leveraging partnerships with other organizations, both statutory and not, which can assist in reaching potential beneficiaries at reduced administrative costs and higher service quality.

Responsible Unit	Priority	Time Implication	Resource Implication
Policy Unit	Medium	High	Medium

7 Annex I – Survey Methodology

The study were carried on through two approaches. First, the quantitative survey was conducted with administrative staff, representing employers, and employees. Second, the key informant interview (KII) were conducted with relevant stakeholders including long term beneficiaries and union federation.

7.1 Quantitative survey

Quantitative survey consisted of two parts; the survey with firms which are currently registered with NSSF and with firms which are not registered. For those registered firms, the respondents were administrative staff – who is in charge of administrative work dealing with contribution, employee registration, accident reporting and other matter promoting of safety measures – and employees including those who had claims-experience and those who had no claims-experience. For those non-registered firms, the respondents were the administrative staff or manager or owner of the firms.

Sample frame

Registered enterprises were selected under three framework:

- **Sector:** Garment (G), Hospitality (H), Transport (T);
- **Location:** Phnom Penh (PNH), Siem Reap (SRP), Svay Rieng (SVR), Preah Sihanouk (SHV);
- **Size:** Large (>100 employees), Medium (31-100 employees), Small (8-30 employees).

With the limited population in pre-determined sectors provided by NSSF, Other sectors were selected to replace the unavailable pre-determined sectors in each province. The additional sectors were selected with the consent of the ILO team.

Table 15. Population size

Sector	PNH	SHV	SRP	SVR	Grand Total
Garment	642	29	1	28	700
Large	470	27	0	25	522
Medium	115	1	1	3	120
Small	57	1	0	0	58
Hospitality	147	59	191	21	418
Large	22	14	35	16	87
Medium	33	16	57	2	108
Small	92	29	99	3	223
Transportation	408	2	4	7	421
Large	43	0	4	3	50
Medium	121	0	0	2	123
Small	244	2	0	2	248

Source: National Social Security Fund.

Number of workers from each enterprise were determined based on enterprise size:

- Ten employees from Large size enterprise
- Six employees from Medium size enterprise
- Two employees from Small size enterprise

For non-registered enterprises, the sample were randomly selected from the enterprise list of the Ministry of Industry and Handicraft (MIH).

Table 16: Target sample size by location

Registered

(#enterprise)	PNP	SRP	SVR	SHV	ALL
L	56	23	12	12	102
M	24	8	4	4	40
S	10	4	2	2	18
Total	90	35	18	18	160

(#respondent)	PNP	SRP	SVR	SHV	ALL
L	559	230	115	115	1,020
M	144	48	24	24	240
S	20	8	4	4	36
Total	723	286	143	143	1,296

Non-registered

(#enterprise)	PNP	SRP	SVR	SHV	ALL
L					
M	9	3	2	2	15
S	4	2	1		7
Total	12	5	3	2	22

Table 17. Target sample size distribution by enterprise size and sector (Registered)

LARGE >=101

(#enterprise)	PNP	SRP	SVR	SHV	ALL
G	34	14	7	7	61
H	11	5	2	2	20
T	11	5	2	2	20
Total	56	23	12	12	102

LARGE @ 10 respondents per enterprise

(#respondent)	PNP	SRP	SVR	SHV	ALL
G	336	138	69	69	612
H	112	46	23	23	204
T	112	46	23	23	204
Total	559	230	115	115	1,020

MEDIUM = 31-100

(#enterprise)	PNP	SRP	SVR	SHV	ALL
G	14	4	2	2	22
H	5	2	1	1	9
T	5	2	1	1	9
Total	24	8	4	4	40

MEDIUM @ 6 respondents per enterprise

(#respondent)	PNP	SRP	SVR	SHV	ALL
G	84	24	12	12	132
H	30	12	6	6	54
T	30	12	6	6	54
Total	144	48	24	24	240

SMALL = 8-30

(#enterprise)	PNP	SRP	SVR	SHV	ALL
G	5	2	1	1	9
H	3	1	1	1	6
T	2	1	-	-	3
Total	10	4	2	2	18

SMALL @ 2 respondents per enterprise

(#respondent)	PNP	SRP	SVR	SHV	ALL
G	10	4	2	2	18
H	6	2	2	2	12
T	4	2	-	-	6
Total	20	8	4	4	36

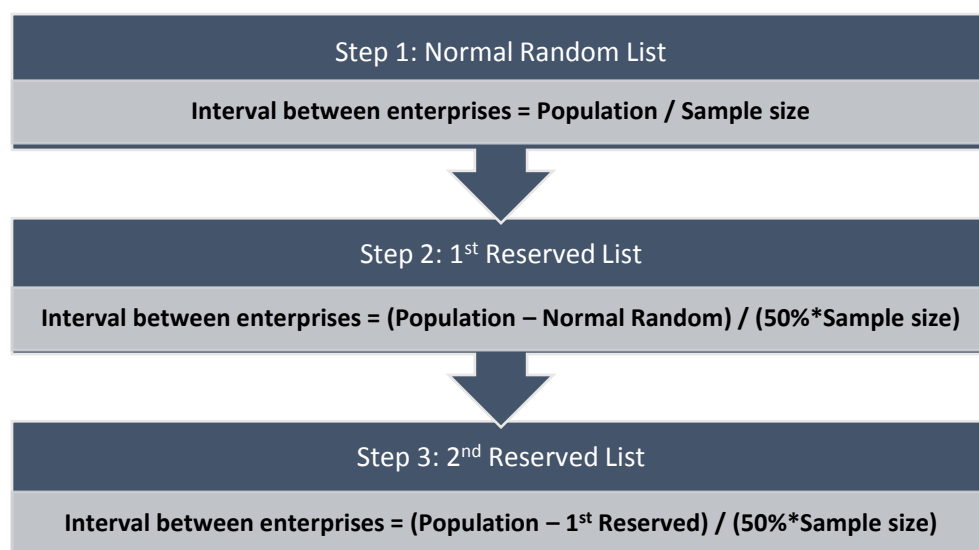
Note: G = Garment; H = Hospitality; T = Transport.

PHN = Phnom Penh; SRP = Siem Reap; SVR = Svay Rieng; SHV = Preah Sihanouk.

7.2 Sampling procedure

The sample are randomly selected using three step procedures with the assumption of 50% response rate. Figure 27 illustrates the initial sampling procedure consisting of a normal random list and two reserved lists. The reserved lists have been expended due to the challenges that the contact list provided by the NSSF is not up to date¹⁹.

Figure 27. Sampling procedure



7.3 Target sector and ISIC Rev.3 code

The survey covers three main sectors, namely garment, hospitality, and transport. The sectors were categorized based on International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 3 employed by NSSF. The agreed ISIC of each sector are shown in Table 18.

Table 18. Sector and ISIC Rev. 4

Nº	Sector	ISIC (Rev. 3): Description
1	Garment	- 1711: Preparation and spinning of textile fibers; waving of textiles - 1712: Finishing of textile - 1920: Manufacturing of footwear - 2222: Service activities of related to printing - 9310: Washing, and (dry-) cleaning of textile and fur product (This code is given by NSSF, but it cannot be found in Rev. 3 of the United Nation Statistic Division)

¹⁹ The primary lists provided by NSSF is Working Injury Insurance Scheme. Contact of some selected firms are not available or error, some of which were complemented by the list of Health Insurance Scheme. Yet, the reserved list still needed to be expended to achieve the target sample size.

2	Hospitality	- 5510: Hotels; camping sites and other provision of short-stay accommodation
3	Transport	- 6010: Transport via railways - 6110: Sea and Coastal water transport - 6309: Activities of other transport agency
4	Other	- To be defined

The sample were agreed to include **other** sectors due to two challenges encountered during the implementation of sampling:

1. The ISIC 6309 covers a broad business activities including transport, trading, logistic, shipping, etc. Thus, any random selected enterprise categorized in the enterprise list provided by NSSF under ISIC 6309 is count as Transportation. However, if the actual business activity initially under 6309 is not transport, they will be classified as **Other sector**.
2. The limitation of enterprises in the provinces requires to include several extra sectors. The extra sectors are depended on the availability in each province, and they will be notified to ILO team for approval. The extra sector will be classified as **Other sector** as well.

7.4 Key informant interview

To complement missing information that could not be captured by the quantitative survey, key informant interviews (KII) were conducted. There were 10 recipients who are receiving long term pension for permanent disablement exceeding 50% loss of earning capacity and 10 families receiving a monthly pension due to the death of an employee were interviewed face to face. In addition, to gauge the response on the system and process adopted by NSSF involvement, 10 service providers and Union Federation representative were also interviewed; those includes 2 from the hospital, 2 from the bank, and 6 from Union Federation. Interview with Hospital and Bank were separately undertaken by ILO team. Table 19 illustrates the sample allocation by location.

Table 19. Respondent categories for KII

(#respondent)	PNP	SRP	SVR	SHV	ALL
Disablement	6	2	1	1	10
Death	6	2	1	1	10
Hospital	2	-	-	-	2
Bank	2	-	-	-	2
Union	3	1	1	1	6
Total	19	5	3	3	30

7.5 Survey instruments

There were five sets of questionnaires:

1. Questionnaire for Workers
2. Questionnaire for Admin/HR (registered)
3. Questionnaire for Admin/HR (non-registered)
4. Questionnaire for Long term beneficiary, e.g. death and disablement
5. Questionnaire for Union Federation

7.6 Data entry and processing

Two data entry templates developed on CSPro were used for workers and administrative staff (registered), considering large sample size and small number of open-ended questions contained in the questionnaire contents.

For data cleaning, STATA were used. The cleaning mainly focused on logical error and data inconsistency. STATA do-files have been developed during the process of data cleaning so as to allow ILO team to see how the data were cleaned.

Three other data entry templates were developed on Excel – e.g. administrative staff (non-registered), long term beneficiary, and union federation. In addition, extra comments or requests were entered in a separated Excel file.