

## Social security for All in Asia: Mongolia

### Extending old-age pensions and improving social protection and employability of youth



#### Key country indicators

Population = 2.76 million (2012)  
Public social protection expenditure (including health) = 18.61% of GDP (2011)

Social insurance coverage = 60.6% of the working age (2012)

National poverty rate = 27.4% (2012)

Sources: SSI, SIGO, NSO

#### Social protection system in Mongolia

Before the economic transition, the prevailing system was based on secured jobs, and universal social services and benefits. In the 1990s, the government introduced a new social protection system comprised of: (i) social health insurance, (ii) social insurance, (iii) social welfare services and social assistance benefits, and (iv) active labour market policies. However such reforms could not mitigate the adverse effects of the economic transition which led to an increase in poverty and a lowering of living standards for certain groups of the population.



Enacted in 1994, the Social Insurance Law cover benefits for old-age, survivor, working injury, unemployment, maternity, and sickness.

Additionally, in 1994, Mongolia established a mandatory Social Health Insurance Fund (SHIF) subsidized for specific groups: children, students, pregnant women, parents with young children, and pensioners. In 2010, 94.0% of the population was covered by the SHIF. Out-of-pocket expenses are low compared to other transition countries (41.4% in 2009).

Mongolia has also 14 social welfare programmes targeted towards vulnerable groups and a universal Child Money Programme (CMP) established in June 2012 which at present covers virtually every child aged 0 to 18 years old.

In 2013, the Government launched eight Employment Promotion Programmes to enhance the employability of vulnerable workers and young people.

#### Economic and social trends that may challenge social protection progress and policies

Recent transfers provided by the Human Development Fund (HDF), including the CMP, have contributed to reduce poverty and income disparities between rural and urban areas; nevertheless...

- The current economic development is overly dependent on resources generated by the mining sector. This risks weakening other industries' development, and may pose a threat to Mongolia's sustainable economic growth and the continuity of its social policies, in particular those funded by the HDF;
- Herding activity (which still employs nearly one third of its labour force) has notably declined over the last 10 years due to inflation (16% in August 2012), poor social services in rural areas, and a concentration of economic activity and development efforts in the mining sector. Harsh winters (*dzuds*) in 2009 and 2010 had brought to light the vulnerability of herders in the face of environmental factors.
- The registered unemployment rate in 2011 was 9.9%, but actual levels are significantly higher. The youth (15-24 years), especially those in rural areas, constitute 24.6% of the unemployed. Approximately 75% of the unemployed youth do not have vocational skills;
- At present, herders, self-employed and informal economy workers can participate in the social insurance system on a voluntary basis. Only 9.4% per cent in 2012 contributed to the scheme, leaving 40% of the working-age population without old-age protection. The contribution rate among young people is alarmingly low.
- The administration and delivery of social security benefits and employment services across a very sparsely populated country is challenging and costly. This suggests promoting integrated delivery mechanisms at the local level that will also require solid coordination and linkages across ministries. The social security and employment portfolios have recently been split between two ministries (in June 2012).



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## Mongolia's recent steps towards a more comprehensive social protection

- The Government is committed to transforming Mongolia from a natural-resource-based economy to a human-resource-based one by pursuing “policy actions to provide support for employment and entrepreneurship of Mongolian citizens, increase job places, strengthen families, develop capacities to improve their livelihood, and enhance social security and social welfare system”. To this aim, Mongolia is currently revising its Labour Law and Social Insurance Law. The Government is also contemplating the ratification of the Social Security (minimum standards) Convention, 1952 (No.102).
- Extension of social protection is a top priority of the current Government. In September 2013, the Government, led by the Ministry of Population Development and Social Protection, together with the UN agencies embarked on the Assessment based national dialogue (ABND) on social protection and employment support to define and estimate the cost of a social protection floor for Mongolia.
- As a priority, the government is considering reforming the old-age pension system to extend coverage and secure financial sustainability. A tripartite consensus on the development of a multi-tier structure for old-age pension was achieved in April 2011. The consensus comprises a social pension floor, financed through the government budget that will eventually provide for all elderly residents above the prescribed age; social insurance benefits; as well as a supplementary pension that tops up the (non-)contributory pension.
- To address uncertainty of funds for financing social policies, the Government is also exploring the establishment of proxy-means-tested targeting methods for a number of non-contributory benefits, including pre-school meals programme and CMP.



However, piloting experiences have shown the complexity and cost implications of implementing such an approach as compared to the present norm of universal coverage.

## UNDAF and UN joint collaboration

In early 2012, a UN Social Protection Working Group was set up with the ILO designated as the lead agency of this Working Group. The UN Working Group is currently supporting the Government in the ABND exercise.

## Current ILO intervention

(funded by ILO/Japan Project)



Assessment based national dialogue on social protection and employment support policies:

Recommendations are endorsed; preliminary results of the costing were shared in May 2014. The launch of the report is expected by December 2014.

Design and piloting of youth social protection and employment support programmes, in two provinces:

Local assessment in June 2014, designed to be completed by December 2014 with piloting in 2015.

Old age pension reform and its extension to herders, self-employed and informal economy workers:

Broad scenarios are being discussed among social partners; the consensus is to be presented in a National Workshop in September 2014. The actuarial feasibility and draft of the law will take place between September 2014 and April 2015. The proposed reform is to be presented to the Parliament in fall 2015.

Improvement of the existing single-window-services for the social protection and employment support policies:

ASEAN experts' mission in September 2014, assessment and recommendations in 2015.

Assistance for the possible ratification of the Social Security (minimum standards) Convention, 1952 (No.102):

Dissemination of the findings of the comparative review between the national law and C.102.

Visit Mongolia's assessment based national dialogue page on GESS



<http://www.social-protection.org/gimi/gess/ShowProjectPage.do?pid=2287>

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## Preliminary results of the Assessment Based National Dialogue on Social Protection and Employment Support

### A Social Protection Floor for Mongolia

The different line Ministries, together with social partners and the civil society, reached a consensus on the following definition of a social protection floor for Mongolia:

#### Low scenario for a SPF in Mongolia

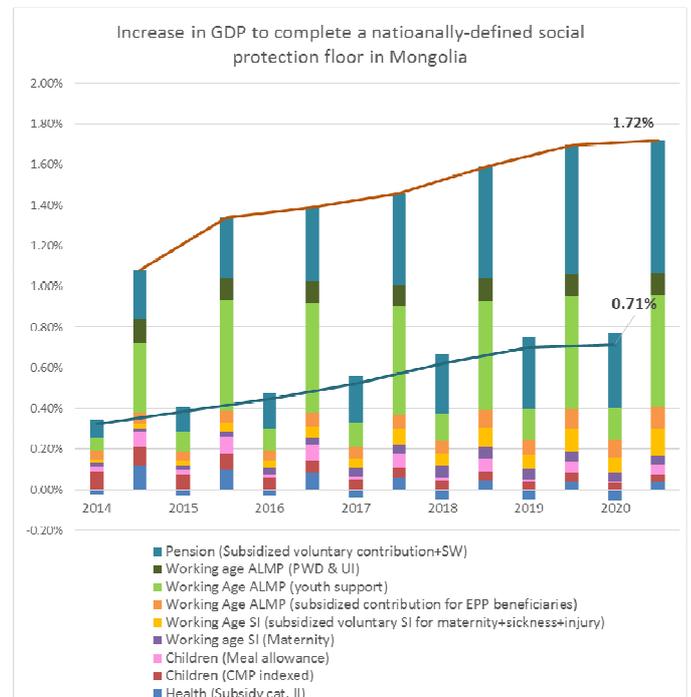
<b>Health</b>	- Increase the SHI contribution of herders, self-employed and vocational students to 1% of minimum wage
<b>Children</b>	- Index the child allowance - Index the pre-school meal allowance
<b>Working Age</b>	- Increase the replacement rate during maternity leave to 100% for herders, self-employed and informal economy workers - Subsidize the voluntary contribution to the maternity, sickness, injury insurance fund by 50% - Subsidize the voluntary social insurance contribution for beneficiaries of Employment Promotion Programmes by 50% or 100% (depending on the programme) - Implement new entrepreneurship and vocational training programmes for young herders, with SI contribution fully subsidized
<b>Elderly</b>	- Subsidize the voluntary contribution to the old-age pension and extension of the social welfare pension by 50%

#### High scenario for a SPF in Mongolia

<b>Health</b>	- Fully subsidize the SHI contribution of herders, self-employed and vocational students
<b>Children</b>	- Index the child allowance - Increase and index the pre-school meal allowance
<b>Working Age</b>	- Increase the replacement rate during maternity leave to 100% for herders, self-employed and informal economy workers - Subsidize the voluntary contribution to the maternity, sickness, injury insurance fund by 70% - Fully subsidize the voluntary social insurance contribution for beneficiaries of Employment Promotion - Implement new entrepreneurship and vocational training programmes for young herders, with SI contribution fully subsidized - Implement a new EPP for persons under the SI disability pension
<b>Elderly</b>	- Subsidize the voluntary contribution to the old-age pension by 70% and extension of the social welfare pension

### Costing of policy options for completing a SPF in Mongolia

A social protection floor in Mongolia can be realized in several ways depending on the nationally defined priorities and the government's fiscal capacity. Policy recommendations across the various social protection branches can be packaged into 'baskets' of policy options based on the policies' combined cost and scope. The cost of completing the SPF in Mongolia could range from a low-cost scenario (0.71% of the GDP) to a high-cost scenario (1.71% of the GDP), in complement to the 18,6% of GDP already spent on health and social security expenditures, as depicted in the graph below.



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