Sustainability of Social Insurance Schemes in Namibia

SASPEN Conference
October 21, 2015

Presented by: DA Keendjele
david.keendjele@ssc.org.na
CONTENTS

• Namibian Constitutional Provisions
• Legal Framework of SSC
• Governance and Board Structure
• Strategic Map 2012 -2017
• Key Milestones 1995 -2015
• Facts Sheets: Members, Finances & Benefits
• Sustainability issues of Short Term Funds
• Conclusions
Chapter 11, Article 95 of the Namibian Constitution: Welfare of the People

“The State shall actively promote and maintain the welfare of the people by adopting, inter alia policies aimed at the following.”

(a) Provision of maternity and related benefits for women,
(b) Ensure the health and strength of the workers,
(c) Membership of the International Labour Organisation (ILO),
(d) Ensure that senior citizens are entitled to and do receive a regular pension
Commission is tripartite and is appointed by Minister.

283 Staff members country-wide.
Independent Chairperson

- Mr Johannes !Gawaxab

- **Government**
  - (Ms L. Tjiho, Ms R. Iyambo, Dr S. Herman)

- **Employers**
  - (Adv. D. Sauls, Mr M. Ikanga, Mr. M Fabianus)

- **Employees**
  - (Mr E. Maswahu, Ms J. Justina, Ms T. Nauyoma)

*NB: Board members are appointed by MLIREC*
ESTABLISHED SSC FUNDS

Social Security Act, 34 of 1994
- Maternity Leave, Sick Leave and Death Benefit Fund (MSD)
- Development Fund (SSC-DF)
- National Pension Fund (NPF) (Inactive)
- National Medical Benefit Fund (NMBF) (Inactive)

Employees’ Compensation Act, 30 of 1941
- Accident Fund (AF)
- Reserve Fund (RF)
- Accident Pension Fund (APF)

NB: Each Fund is accounted for separately! (SSA, Sect 16)
**Mission:**
To enhance the welfare of our members and beneficiaries by providing integrated social security benefits and services.

**Vision:**
We envision a productive Namibian society enjoying comprehensive social protection.
Key Milestones

SSC operations started: March 1995

First beneficiary paid: Sept’ 1995

25,270 Employers registered: Feb’ 1996

212,000 Employees registered: Feb’ 1996

303 Bursaries granted: 2007 - Date
Key Milestones

Paid out N$1.6 billion in all benefits: (March 2015)

Paid out N$59.6 from SSC-DF: (2007 – Date)


N$244 million worth Retirement, Disability and Death benefits (1995 – 2015)
Social Security Coverage

- 2014 Namibia Labour Force: 712,752
- 2014 MSD Employees: 555,171

~ 2014 LF Coverage rate: 78.0%

- 2015 (May) MSD Employees: 575,475

~ May 2015 LF Coverage: 80.7%
Maternity Leave, Sick Leave and Death Benefits Fund (MSD Fund) EMPLOYERS

MAY 2015

Region MSD
Khomas 33,669
Hardap 2,040
Karas 4,145
Erongo 9,836
Omaheke 2,094
Kavango 2,515
Caprivi 1,119
Kunene 1,391
Omusati 1,648
Ohangwena 1,320
Oshana 6,498
Oshikoto 1,403
Otjiozondjupa 5,637
Regions outside 162
Total 73,477
MSD EMPLOYEES REGISTERED

Number of registered employees

- 2010: 348,141
- 2011: 372,969
- 2012: 417,790
- 2013: 465,047
- 2014: 512,146
EXISTING IOD FUNDS

Employees’ Compensation Fund (ECF)
(Accident Fund, Reserve Fund, Accident Pension Fund)

- Membership compulsory for all employers employing persons earning N$81,300 p.a. or less (effective 1/03/13).
- Yees earning more than N$81,300 apply for special arrangement.
- Assessments are paid by employer only – once off p.a.

• Social insurance for covering employees iro:
  – occupational diseases or injuries,
  – medical expenses,
  – transport to medical facilities,
  – temporary and permanent disability,
  – pension to dependents—if injury/disease fatal,
  – Burial/funeral expenses.
Employees' Compensation Fund (ECF)
EMPLOYERS
– MAY 2015

Region ECF
Khomas 27,917
Hardap 1,599
Karas 3,133
Erongo 7,864
Omaheke 1,672
Kavango 1,945
Caprivi 1,032
Kunene 1,235
Omusati 1,143
Oshana 4,029
Oshikoto 1,055
Otjondjupa 4,179
Regions outside 105
Total 57,931
Asset Allocation

- Cash & cash equivalents: 51%
- Equity: 28%
- Bonds: 21%
Statement of financial position

<table>
<thead>
<tr>
<th>Years</th>
<th>Assets</th>
<th>Reserves</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2,500</td>
<td>2,000</td>
<td>500</td>
</tr>
<tr>
<td>2013</td>
<td>3,000</td>
<td>2,200</td>
<td>400</td>
</tr>
</tbody>
</table>
Total Assets of SSC (All Funds)

(* - Unaudited)
BENEFITS PAID OUT

BENEFITS PAID - 2014

- EC FUND 10%
- DF SCHEMES 10%
- MSD FUND 80%
MSD BENEFITS BY TYPE - 2014

- Retirement benefit, 18,035,000
- Death benefit, 7,728,000
- Sick leave, 15,316,000
- Maternity leave, 126,983,000
**Analysis of the number of MSD Fund claims over the past five years**

- **Number of claims**
  - Authorised
  - Rejected
  - Number of claims lodged

<table>
<thead>
<tr>
<th>Year</th>
<th>Authorised</th>
<th>Rejected</th>
<th>Number of claims lodged</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## MSD FUND SUSTAINABILITY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Claims incurred ratio</strong></td>
<td>45.6%</td>
<td>53.4%</td>
<td>52.5%</td>
<td>51.6%</td>
<td>50.6%</td>
<td>49.7%</td>
<td>48.9%</td>
</tr>
<tr>
<td><strong>Loss ratio after pensions</strong></td>
<td>86.9%</td>
<td>93.1%</td>
<td>91.4%</td>
<td>89.8%</td>
<td>88.2%</td>
<td>86.6%</td>
<td>85.0%</td>
</tr>
</tbody>
</table>
MSD Fund Sustainability

• Maternity leave takes up more than 75% of MSD benefits.

• Increase of Maternity leave have more impact on the Loss Ratio.

• The MSD Fund can afford to increase the Ceiling on ML, but not without keeping the wage ceiling.

• Fulfilling the requirements of Convention 183 to increase ML period to 14 weeks is possible.

• MSD Fund is still sustainable till 2021.
ESTABLISHMENT OF SSC DEV. FUND

SSC DEVELOPMENT FUND

STUDENT ASSISTANCE
- Bursaries
- Study Loans

EMPLOYMENT CREATION
- Training Schemes
- Employment Schemes
SSC DF BURSARY SCHEME

• SSC-DF is a Non-contributory SS Fund
• Provides bursaries to students from disadvantaged backgrounds to study towards qualifications in:
  – Social Work;
  – Engineering;
  – Agriculture (new);
  – Medical and
  – Artisan related fields.
SSC DF BURSARIES...

• For the 2014 academic year, SSC-DF awarded 44 new bursaries,

• The total number of bursaries awarded to date amounts to 182.

• The spread of the bursaries is allocated per region of the country depending on the qualified applicants.

• There is cap on the amount to be committed to Bursaries. Total liability to be below N$1m.
SSC DF Study Loans

• SSC-DF assisted 25 students with study loans to facilitate their studies at institutions of higher learning in the SADC region,

• This brought the cumulative number of study loans to 74.

• The study loans were to fill the gap where Bursaries could not fund the field of study.

• Selection is based on merit and priority fields of study based on National HR plan.
DF SCHEMES SUSTAINABILITY

• Four training scheme programmes were approved for funding,

• To provide training to 1,500 unemployed Namibians and prepare them for employment or self employm.

• Twenty seven employment scheme projects were approved but only 25 were implemented.

• These are expected to create of 400 permanent jobs, most of which will be in rural areas.
Social Protection Floor
And SSC
New Initiatives: Unemployment Insurance

• UI - critical pillar of social protection around the globe. Ever-changing economic conditions, make job losses inevitable.

• Job losses can be temporary and/or permanent but adversely affect people.

• Thus the purpose of unemployment insurance is to provide short-term benefits to those who involuntarily lose jobs.
Unemployment Insurance (UI)

Skills retention
Protection = Poverty buffer

UI aims to:
Labour Mobility in secure environ.

Basket of ALM services
Flexibility to Employers
New Initiatives: Informal Economy

• Shifts in the labour force – evident of growing informal economy.

• Employees remain vulnerable and uncovered by current SS mechanisms.

• Their inclusion is key to achieving SPF.

• A study to commence, to understand size, nature and how best to extend SS to the informal economy.

• Once completed a concept paper will be developed how to address the informal sector SP coverage.
New Initiatives: Return to Work (RTW)

• Proactive process used by employer to help victims (employees) of occupational injuries/illnesses return to previous economic, social, and vocational status.

• Minimizes emotional & economic costs of workplace injury for both the employer & employee.

• Employer & employee maintain workplace ties, avoiding alienation caused by prolonged absence from workplace. An early return to work reduces chances of unemployment.
Return to Work (RTW)... Cont.

- Short-term modification of work schedule and/or job duties to accommodate restrictions imposed by the employee’s treating medical practitioner.

- Modifications vary based on type of injury, the employee’s present physical ability and limitations, skills, and pre-injury responsibilities

- Progressive return to full duty. Employer, employee, family & Dr.
Return to Work (RTW)

Justification:

- To reduce the escalating IOD claims paid by the ECF.
- Yield social benefits for both employees & employers by ensuring that workers return to work and earn incomes, whilst employers do not lose valuable experienced employees, skills, and pre-injury responsibilities.
- Contributing towards a strong Social Protection system building resilience in times of economic and environmental hardships.
SUSTAINABILITY CONCLUSIONS

• MSD Fund is sustainable in the medium term based on modelled assumptions

• ECF is fairly sustainable, without liabilities from Pension increases and RTW funding.

• Contribution of a portion (2% - 5%) of MSD Free Reserve to the DF present a funding challenge now and in future.

• More work needs to be done to secure LT sustainable funding for the DF, e.g. revolving or repayment of Study Loans.
Thank you!

Social Security Commission
20th Anniversary

www.ssc.org.na