



# PRACTICAL OPTIONS FOR THE **EXTENSION** OF SOCIAL PROTECTION TO WORKERS IN THE INFORMAL ECONOMY IN CAMBODIA

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THEWISSEN AND BETINA RAMÍREZ LÓPEZ  
JULY 16<sup>TH</sup> 2018





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# Acronyms

<b>CSES</b>	Cambodian Socio-Economic Survey
<b>EII</b>	Employment Injury Insurance
<b>EU</b>	European Union
<b>EU SPS</b>	European Union Social Protection Systems Programme
<b>HEF</b>	Health Equity Fund
<b>ILO</b>	International Labour Organisation
<b>MoC</b>	Ministry of Commerce
<b>MoI</b>	Ministry of the Interior
<b>MLMUPC</b>	Ministry of Land Management, Urban Planning and Construction
<b>MLVT</b>	Ministry of Labour and Vocational Training
<b>NSPC</b>	National Social Protection Council
<b>NSSF</b>	National Social Security Fund
<b>NSSF-C</b>	National Social Security Fund for Civil Service
<b>CSES</b>	Cambodian Socio-Economic Survey
<b>SHI</b>	Social Health Insurance
<b>SME</b>	Small and Medium Enterprises
<b>SP-IW</b>	Social Protection for Informal Workers

# Executive Summary

Social protection for the private sector in Cambodia has a relatively brief history. The National Social Security Fund (NSSF) – the government agency vested with the responsibility of providing social security to workers in the private sector – was only established in 2008. Since then, it has made great strides in extending social protection coverage to wage employees in the labour force, and currently provides access to employment injury insurance, social health insurance, and maternity and sickness benefits to roughly 1.4 million workers.

However, over seven million Cambodian workers do not have access to the contributory social protection system. Within this context, the ILO and the EU-SPS/Finland have implemented the ‘Social Protection for Informal Workers (SP-IW)’ project, which assists the NSSF to expand social protection to informal workers. The first phase of the project sought to build evidence on the key characteristics of three groups of workers: construction sector workers, tuk-tuk drivers, and domestic workers. Building on that evidence, this report aims to identify the main challenges to extending social protection to informal workers and outline practical options for addressing these, based on international experience.

**Overall, the report highlights that existing legislative provisions, as well as administrative and operational procedures implemented by the NSSF, present key challenges to expanding social protection coverage to informal workers. These are based on a “formal employment” model which does not account for the great diversity in the labour force. Some of the resulting key challenges of extending social insurance include:**

- 1| Eligibility for the NSSF is currently limited to wage employees, which together account for 49% of the labour force. Self-employed workers – many of which have expressed an interest in joining the scheme – are currently ineligible, while domestic workers are excluded both from labour law protection and social insurance.
- 2| Registration procedures are not amenable to the realities of self-employed and domestic workers, as they currently require ‘employers’ as separate legal entities to register workers. These procedures are also understood as being relatively burdensome for small- and medium-enterprises which may not have the administrative capacity to undertake registration procedures. Limited ownership of identification documents is also identified as a challenge.



- 3| Contribution arrangements currently impose a significant financial cost on firms, who are liable to pay the full contribution amount. The upcoming rollout of the pension will increase this burden further. This may present a disincentive for smaller firms to register. In turn, such arrangements may not be suitable for a majority of self-employed workers.
- 4| The NSSF lacks the ability to enforce compliance. NSSF inspectors do not have the authority to impose sanctions for non-compliance.
- 5| There is no clear definition of informal workers. The current definition used in the context of the expansion of coverage of the Health Equity Fund is confusing and may be leading to overlaps with regards to eligibility of workers to different schemes. Without a clear definition, it is very difficult to guide and monitor expansion or to regulate precisely, and the groups of workers who fit current working definitions may be very small.
- 6| The lack of integration of social protection policies with other policy areas limits collaboration across government agencies. Expanding social protection coverage to informal workers requires government ministries to work in a coordinated and collaborative fashion – both to identify firms and workers and to monitor and enforce compliance.

Based on these overarching challenges, the report outlines the following practical options for the extension of NSSF social protection coverage:

- 1| The Royal Government of Cambodia will need to establish a common and consistent definition of “informal workers” to better enable coordination across ministries and provide a basis upon which the NSSF can undertake the expansion agenda. We suggest that this be the international definition that is based on the ‘registration status’ of workers and their employers.
- 2| The NSSF will need to adopt a work plan to review and implement reforms which fall within their remit. This plan should lay out how extending eligibility to informal employees will be rolled out and expanded to self-employed and domestic workers, who represent over 50% of Cambodia’s workforce. This would ideally build on the inter-ministerial formalization policy (see policy recommendations below).
- 3| Considering the scale of the informal workforce, criteria for prioritizing categories of workers will need to be defined, to adopt a gradual and manageable approach towards social protection coverage expansion.
- 4| Communication strategies – both for existing NSSF members, but also non-registered firms and workers – will need to be significantly enhanced, but also tailored. This is a crucial activity for firms and workers to understand the benefits of social protection coverage, based on a strengthened contributory culture and financial education.

- 5| To identify non-registered firms, employees, self-employed workers and domestic workers, the NSPC will have to establish a framework for coordination between the NSSF and other relevant ministries, including the MoC, the MoI, the General Department of Taxation, etc... The NSSF itself will also need to take a much more proactive approach towards reaching out to – and identifying – non-registered firms and workers.
- 6| Registration procedures will need to be streamlined – to facilitate access to small enterprises which may not have the administrative capacity to meet all the current procedures – but also significantly reformed if self-employed workers and domestic workers' employers (private-households) are to be able to register to access benefits.
- 7| Contribution arrangements – both in terms of schedules but also liabilities - will need to be reviewed to encourage participation among firms and improve compliance. Special contributory categories with lower and/or subsidized contribution rates should also be considered for self-employed workers and domestic workers, in recognition of their specific characteristics.
- 8| The NSSF's ability to enforce compliance among covered firms that repeatedly circumvent their responsibilities should be significantly strengthened – either through coordination with other ministries, or through revamped authority for NSSF inspectors. Similarly, social protection policies – in coordination with other sectors - should ensure that the formal workforce do not become informalized.
- 9| However, incentives are widely acknowledged as being more effective in improving overall levels of compliance compared to sanctions. The role of incentives for small employers and for the self-employed need careful consideration. Reformed contribution arrangements (noted above) can play a key role in setting incentive structures that are shared across government, employers and the workforce. Incentives to 'opt out' of social insurance to other programmes should be carefully addressed: for instance, access to healthcare from other social protection programmes should not compete with social insurance and the quality of healthcare provided to NSSF beneficiaries should be consistent with that from other funding policies.



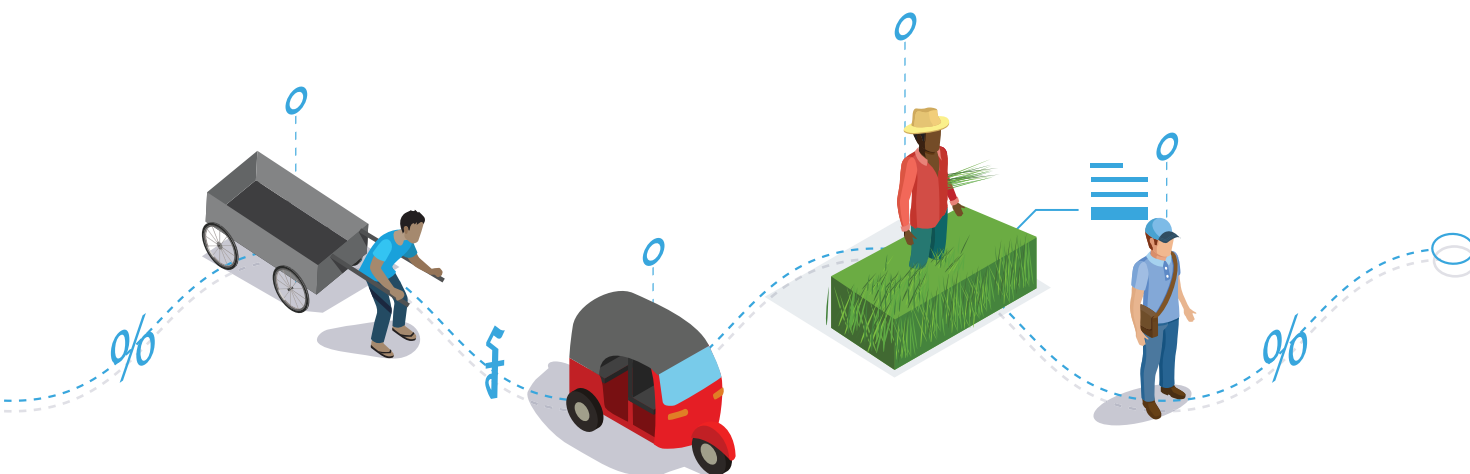
**The report also provides some overarching policy recommendations relevant not only for the NSSF, but for the social protection – and formalization agenda – more broadly. These include:**

- 1| The diversity of the informal economy must be recognized, and tailored approaches will need to be adopted to ensure effective coverage for all workers. The size of the informal economy also requires the adoption of a gradual expansion strategy based on a concrete action plan.
- 2| Investment in better data on informal workers would aid planning of social protection expansion. The data that informs this report is a starting point, but points out large gaps in knowledge about workers, their conditions, incomes and poverty status in the informal sector that could come from improved use of survey data. Better and more consistent administrative data will also improve implementation, monitoring and evaluation of social insurance and allied programmes.

Extending social protection to informal workers will require an inter-ministerial, integrated and holistic strategy towards formalization more generally. In this sense, concerted efforts from all stakeholders involved will be important, as will be the need to ensure that social protection reforms do not lead to the informalization of the formal economy.

- 3| In turn, policy reforms will benefit from the input from a broader range of stakeholders and should therefore be grounded in a dialogue with representatives from informal business membership organisations and informal worker trade unions.

Finally, to measure the success of extension strategies, effective coverage - in terms of the number of contributors – should be the target, rather than the number of registered NSSF members.





# 1.

# Introduction



Social protection for Cambodia's private sector is relatively recent. The National Social Security Fund (NSSF) – the government agency vested with the responsibility of providing social security to workers in the private sector – was established in 2007. It has made great strides in extending social protection coverage to wage employees in the labour force, and currently reaches roughly 1.4 million workers.

Extending NSSF coverage to a greater share of the workforce currently has significant political impetus. Recent legislative reforms have extended social protection coverage to workers in small firms, extended access to the non-contributory Health Equity Fund (HEF) to self-employed workers, and the National Social Protection Framework for 2017-2025 was published in 2017 by the Ministry of Economy and Finance. This framework includes a number of objectives on the expansion of coverage of and provisions for social protection. It sets out to improve coordination of social insurance and social assistance transfers with social health protection in an integrated social protection system. The aims also are to achieve universal health coverage; to develop options for a pension system for private sector workers; and to improve citizen awareness of social protection in the country. However, informal

labour dominates much of the labour force and presents a significant challenge to extending social protection benefits provided by the NSSF, which to this point in time was established on a “formal employment” model that assumes members are employees with regular income and clear contractual employment relations with registered employers and firms, for example.



The International Labour Organisation's Office for Thailand, Cambodia and Lao People's Democratic Republic, partnered with the European Union Social Protection Systems Programme (EU-SPS/Finland) launched the Social Protection for Informal Workers (SP-IW) project in 2016 to:

- Deepen the understanding of the implication of different working arrangements and income patterns on social protection coverage
- Support evidence-based design of scalable coverage mechanisms
- Demonstrate the benefits of a practical gradual approach to expansion
- And promote a government-led approach to deliver social protection to informal economy workers.

The first phase of this project generated baseline studies on three sectors of informal employment, selected to exemplify different types of informal employment:

- Informal wage employees, exemplified by those in the construction sector, (ILO-EU SPS, 2018a);
- Own account workers: exemplified by self-employed tuk tuk drivers, (ILO-EU SPS, 2018b); and
- Domestic workers (ILO-EU SPS, 2018c).

This report summarises research for the second phase of the project. Building on the evidence and lessons learned in the first phase, as well as on National Social Security Fund (NSSF) regulations and operational processes, this research aims to identify gaps in provisions which are currently preventing coverage of contributory social protection for informal sector workers. Based on this analysis, and drawing on international experience and best practice, the study aims to identify practical options – at the legal, administrative, and operational level - for the expansion of coverage of social protection to informal sector workers. The primary research questions this study aims to answer are:

- What are the main challenges to extending social protection coverage to informal workers stemming from their labour market characteristics?
- How do these characteristics interact with the current legislative, administrative and operational procedures of the NSSF?
- What options can be presented to the Government and Development Partners to achieve a gradual expansion of contributory social protection coverage to informal workers?

# 1.1

## Definitions, Analytical Framework and Methodology<sup>1</sup>

Social protection is defined as “nationally defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion” (ILO, 2012). Inclusion or exclusion from contributory social security depends on how legal provisions (such as eligibility) and administrative/operational procedure (including contribution rates, for example) interact with key characteristics of the workers they aim to protect – in this case, informal workers.

Informal employment itself is defined in ways that we consider later. But any definition will result in a very heterogeneous population. It includes various types of employers and contracts: informal employment in formal firms, employment in informal firms, and employment in households, as well as self-employment. ‘Job status’ can be either formal and informal across these types of employment relations, and workers’ characteristics vary considerably across the different ‘job types’ and sectors: with differing income levels, differing hours for employment and seasonal patterns of employment.

Our analytical approach is to systematically consider the interaction between these characteristics and the legal provisions and administrative/operational procedures of the

NSSF social protection schemes to assess the challenges to extending social protection to informal workers and to identify practical options.

Our methodology is largely desk-based. We review the literature on social protection in Cambodia, on labour market characteristics and we undertake some initial scoping analysis of micro-data from the Cambodian Socio-Economic Surveys (CSES) of 2015 and 2016 to profile groups of informal workers and to update and supplement data from the 2012 Labour Force Survey. Desk-based research was supplemented with qualitative research in Cambodia: we undertook Key Informant Interviews with policy stakeholders in Phnom Penh and ran a consultation workshop with a range of stakeholders.

We face one considerable constraint in discussing practical options to reform social insurance: We are not able to make any assessment of or predictions on the fiscal implications of any of the reforms outlined below, as these are beyond the scope of this review. However, such questions will need to be seriously considered when adopting and implementing any reforms. Thus, This makes for significant uncertainties when discussing options for reform and we outline uncertainties in those instances.

<sup>1</sup> More detail about the analytical framework and methodology can be found in Annex A and Annex B respectively.



## 1.2 The Cambodian Labour Force

Cambodia is a lower-middle income country experiencing strong economic growth, stemming mainly from manufacturing in the garment industry as well as tourism and construction (OECD, 2017). There are approximately 8.4 million individuals in the labour force, 41% of which are employed in the agricultural sector<sup>2</sup> (NIS, 2015). However, strong economic growth has led to a shift of labour away from agriculture towards services (ILO-IPEC and NIS 2013; ADB, 2015). For example, tourism is a growing sector in the economy, which directly and indirectly employs 1 million workers (World Bank, 2017). Shifts into the manufacturing sector have been hampered by skills-mismatch, which have been highlighted in several surveys as a significant challenge to growth (ADB, 2015).

Unemployment rates in Cambodia are low, but the poor quality of employment leads much of the labour force to live just above the poverty line (OECD, 2017). And while rates of unpaid family work have been falling, the share of own-account work is increasing (ADB, 2015). Looking solely at ‘employed’ rather than ‘self-employed’ workers, the most recent Labour Force Survey (LFS) data from 2012 suggests that 81% (aged 15 and over) work in informal sector enterprises, while 17.7% work in formal

firms or the public sector, and just 1% work in household enterprises (ILO-IPEC and NIS, 2013). Overall, 60% of all employed workers are in ‘informal employment’<sup>3</sup>. This means that even across ‘formal firms’, a majority (63%) of workers may have informal contracts.

We use the 2012 LFS as the baseline profile of informal employment by occupation and industry. Tables 1 and 2 describe those profiles.

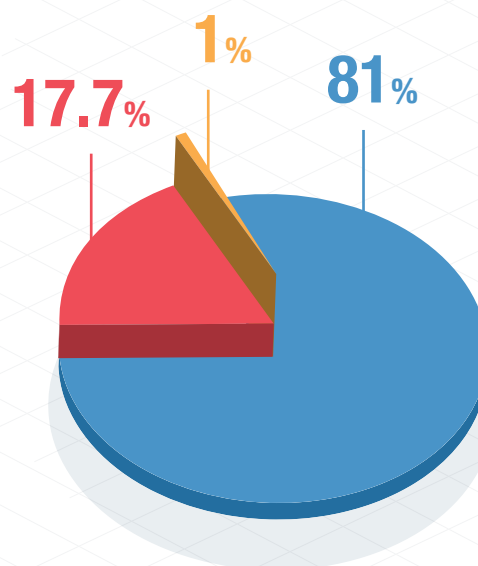


FIGURE 1  
Employment by type

● Informal Sector ● Formal Sector ● Households

<sup>2</sup> Following convention, we exclude agricultural sector workers from consideration in our analysis of the informal sector.

<sup>3</sup> The definition of “informal employment” used by the LFS relates to both the informal character of an employment position (i.e. that which has no social protection), as well as employment in informal sector firms. It does not include employment in the agricultural sector, which accounts for 33.3% of employment.

TABLE 1  
Rates and Shares of Informal Employment by Occupation, 2012

Occupation	% in informal employment	Share of all informally employed
Managers	68.4%	2.4%
Professionals	49.1%	3.6%
Technicians	84.9%	5.2%
Clerks	69.3%	2.3%
Services & sales	94.4%	34.3%
Skilled Agricultural Work	40.0%	0.2%
Craft & related trades	98.3%	19.4%
Machine operators	95.7%	19.5%
Elementary occupations	44.7%	12.9%
Armed forces	15.1%	0.2%

Source: Original data and authors' calculations from ILO-IPEC and NIS, 2013 Tables 7.4 & 7.5

We see that the informal workforce is concentrated in several occupational groups in which very high rates of informality are found (94 per cent and over): in Services and Sales occupations that make up 34 percent; and in Craft and Related Trades and Machine Operators, that each make up 19 percent of the informal workforce. Together these three occupational groups make up 73 percent of all informal workers. Unskilled elementary occupations provide a further 13 percent.



TABLE 2  
Rates and Shares of Informal Employment by Industry, 2012

	% in informal employment	Share of all informally employed
<b>Industry</b>	<b>97.3%</b>	<b>0.6%</b>
Mining & Quarrying	97.7%	
Manufacturing	97.7%	13.8%
Wearing Apparel	97.7%	13.8%
Other	97.7%	14.4%
Electricity, gas, steam, etc	74.7%	0.4%
Water supply, sewerage	80.0%	0.4%
Construction	99.1%	11.1%
<b>Services</b>	<b>85.9%</b>	<b>59.2%</b>
Wholesale & retail trade	96.8%	28.1%
Transportation & storage	98.9%	8.8%
Accommodation & food	98.9%	7.4%
Information & communications	95.8%	0.5%
Financial & insurance	91.5%	1.0%
Real estate activities	87.3%	0.4%
Professional & scientific	70.5%	0.4%
Administrative & support	97.5%	2.1%
Public administration	34.4%	2.3%
Education	32.1%	1.3%
Health & social work	56.2%	0.9%
Arts & entertainment	96.9%	2.6%
Other service activities	96.9%	2.6%
Households as employers	96.2%	1.0%
International agencies	83.0%	0.5%

Source: original data and authors' calculations from ILO-IPEC and NIS, 2013 Tables 7.4 & 7.5

Similar concentrations of informal employment are seen in industries with large proportions, over 95 percent, of workforce that is informal. The wholesale and retail trade have 28 percent; the garment manufacturing and other manufacturing industries 14 percent each and construction 11 percent of the informal workforce; together making up 67 percent of all informally employed. At this early point in discussion it is worth noting that the construction industry, while having 99 percent of its workforce informal, is completely overshadowed by representation in manufacturing and service industries, and in particular, wholesale and retail trades.

Employment in the informal sector is largely driven by the low levels of registration of enterprises in the country. The 2011 Economic Census of Cambodia showed that small and medium sized enterprises (SMEs) account for 73% of all non-agricultural employment and are characterized by informality, irregular working opportunities, and poor working conditions. Indeed, only 4% of SMEs were formally registered with relevant authorities. This is due in large part to burdensome registration processes and non-negligible financial cost. The Asian Development Bank (ADB) finds that firms only register when hoping to engage in import/export activities, or to do business with foreign or large enterprises (ADB, 2015).

We considered more recent data on employment contained in the Cambodian Socio-Economic Surveys of 2015 and 2016 (CSES) to try and better understand the characteristics of these informal workers and their self-employed peers. We report on this work more fully in Annex C, but the over-riding finding was that we were not able to match definitions to identify ‘informal waged employees’ in the CSES. Self-employed

workers were more consistently defined, and we give profiles below. However, the CSES does provide data on employees by ‘industry’ that enables us to crudely match informal employees in construction, one of the core studies feeding into this report, and we report these findings in the appropriate section below.

## 1.3 Social Protection in Cambodia

The Constitution of Cambodia states that “Every Khmer citizen shall have the right to obtain social security and other social benefits as determined by law” (Article 36). Legislation in place is currently limited but there are a number of social assistance programmes to alleviate poverty: the IDPoor system grants access to a variety of schemes, including cash-for-work and food-for-work programmes, as well as the non-contributory Health Equity Fund (HEF) which provides poor and vulnerable households with access to healthcare.

Turning to contributory social protection, two social security funds exist for public sector workers. The NSSF-C manages benefits for civil servants for disability, sickness and maternity, old-age, as well as survivor benefits (ADB, 2015)<sup>4</sup>. Military and armed officials are covered by a separate fund – the National Fund for Veterans (NFV) which was established in 2010 and provides the same types of benefits as the NSSF-C.

<sup>4</sup> As of January 01, 2018, the NSSF was given the mandate to manage Employment Injury and Health Insurance benefits for NSSF-C members. There is no official information on the specific administrative and financial arrangements of this move. Old age pensions are currently being discussed and will be launched in an integrated system for both public and private sector workers next year.

Social protection for private sector workers has been rolled out more recently and is in the process of expanding coverage, as the NSSF has grown since 2007. Until 2017, only firms employing eight or more workers were eligible to enrol, but this was reformed last year to expand coverage to workers in firms employing one worker or more. Self-employed workers and household workers continue to be excluded from the scheme, however.

Members of the NSSF have access to two main benefits.

Employment Injury Insurance (EII) provides coverage for

- medical care;
- nursing cash allowance;
- temporary disability cash benefit (TDB) (70 % of total monthly income);
- funeral (death) benefit;
- permanent disability benefit and caretaker benefit, survivor benefit pension;
- and in-kind rehabilitation benefit (ILO, 2018).

This benefit is financed by contributions set at 0.8% of worker wages, paid solely by the employer. There are no minimum qualifying conditions to access these benefits.

Social Health Insurance (SHI) provides coverage for

- healthcare;
- maternity; and
- sickness benefits (ILO, 2018).

Launched in 2016, SHI has recently been rolled out nationwide. While contributions to the SHI were initially financed equally by the employer and the employee, as of January 2018 the employer pays the whole contribution, which amounts to 2.6% of the employee's wages. Originally, workers were entitled to healthcare and sickness benefits after a qualifying period of two months of contributions, but these requirements were removed in January 2018<sup>5</sup>. Members still need at least nine months of continuous contributions to access the maternity benefits.

The NSSF is also in the process of establishing a pensions system, which is set to be rolled out in 2019. While there is not much detail, it is understood that the pension system will be multi-tiered with a targeted non-contributory pension, a mandatory defined-benefit pension, and a supplementary private pension (ILO, 2018a). The system is expected to include an old-age pension, disability pension, and a survivor's pension.

While 1 million workers contributed to the NSSF in December 2015, about 1.6 million workers did so over the course of the whole year. A large number of workers therefore contributed in 2015 but not for the full year, highlighting the difference between members and contributors and pointing to the latter as a more appropriate proxy for effective coverage extension, instead of a focus on pure registration numbers. Similarly, in March 2018 the NSSF had 1'348'818 members and 1'048'979 contributors, dominated in large part by the garment industry, as initial efforts to expand coverage were focused in that sector (OECD, 2017). Some 77 percent of these members are women and about 85 percent is under 35.

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<sup>5</sup> This decision was not based in any actuarial analysis.



# 2.

## Challenges to Extending Social Protection to Informal Workers



In this chapter we outline the challenges to extending social protection coverage to informal workers. In the first part we outline the challenges that result from the interaction between the worker characteristics (as identified in the SP-IW reports, but also through the KIIs and CSES survey data) and the NSSF implementation procedures. The resulting challenges relate for the most part to the operational procedures and legislative instruments of the NSSF schemes. Here, we aim not only to outline the challenges in extending legislative coverage – with regards to the eligibility to social protection – but also extending effective coverage, focusing in particular on people’s ability to meet the qualifying criteria that lead to entitlement to social protection benefits. Challenges are also identified as stemming from structural factors: both in the Cambodian labour force more generally, and in institutional structures and capacities.



## 2.1 Informal Wage Employees

Of the 8.4 million workers in Cambodia, 4.1 million (or 49%) are wage employees in formal and informal firms (NIS, 2016). Our latest information suggests that roughly 1.4 million wage employees are currently registered with the NSSF, which means that a further 2.7 million are currently not enrolled with the social security scheme and are therefore informal. This represents approximately 38% of the total informal workforce in Cambodia.

Below we outline some of the key challenges to extending social protection to wage employees as identified during the KIIs and in the literature on NSSF policy and implementation. A summary of the challenges present in the construction sector are presented separately in Box 1.

*Eligibility:* While employers have a legal obligation to register their employees with the NSSF and are liable to make contributions, Prakas 404 which extends healthcare coverage through the HEF to informal workers has led to confusion over eligibility. As noted above, this has led some employers to register under the HEF, which provides a much more limited range of benefits at no cost, rather than the NSSF.

*Communication and outreach:* The ILO conducted a survey of firms and workers as part of their review of the operational procedures of the NSSF which found that while 87% of non-registered firms had heard of the NSSF, there is limited awareness of the Fund among workers, which was noted as a key challenge to social protection extension in the KIIs (ILO, 2017b). In turn, even among registered firms, knowledge of all the benefits provided by the Fund is limited, especially in small enterprises, and while the NSSF has encouraged firms to disseminate information about social protection internally, some refuse or are unable to do so.

*Identification:* The NSSF relies on firms to register themselves. Except for the door-to-door campaign launched to identify new firms and raise awareness there are no systematic mechanisms for identifying firms or workers. Institutional coordination on this issue is also limited.

*Registration:* The length of the registration procedure may be prohibitive for small enterprises, as firms are required to register themselves at





NSSF branches as well as present all workers to validate documents – many of whom do not own the necessary documentation. Firms are also required to present a business licence, but 96.6% of enterprises were not registered with the Ministry of Commerce (MOC)<sup>6</sup>. Finally, there may also be high staff turnover, and this may also represent a disincentive to undertaking the necessary procedures.

*Entitlement:* On average, among registered enterprises, contributions were paid for 7.2 months in 2016, which means that most workers are not entitled to EII and SHI benefits for 40% of the year. This poses a challenge for entitlement to benefits that require contributory histories, such as maternity and, soon, pensions. In turn, some workers are not aware if their employers are up-to-date on their contribution payments, and often only find out when seeking treatment at health facilities. The NSSF is addressing this issue by setting up a hotline through which workers can verify this information.

*Contributions:* Among non-registered firms surveyed in the ILO study, 47% cited the cost of contributions as the main reason for not registering. In turn, employers are liable to make the full contribution payment to the NSSF which, while appropriate for the EII scheme, is unusual practice with regards to healthcare and pension contributions which are normally shared between employers and employees.

*Incentives/Enforcement:* Fear of scrutiny by other government authorities – and the General Department of Taxation in particular – was identified as a disincentive for firms to register with the NSSF. This means that existing incentives – including the fact that NSSF contributions are tax deductible – are unlikely to have an impact on promoting enrolment. KII respondents and workshop participants additionally reported the perception that the quality of healthcare received by NSSF cardholders is considered poorer than that provided to patients paying out of pocket, which may discourage firms from registering.

<sup>6</sup> According to the Economic Census of 2011

### Box 1. Challenges to extending social protection coverage to workers in the construction sector

The first phase of ILO/EU-SPS research provided insights into the characteristics of construction sector workers as one group of informal wage employees. Here, we briefly summarize their findings and supplement this information with an analysis of CSES data from 2015 and 2016<sup>7</sup>, in which we compare the characteristics of construction sector workers with those of workers in industries in which 95% of wage employees are informal according to LFS data. This enables us to assess how far construction workers are representative of informal wage employees more generally.

The construction sector in Cambodia is reported to employ between 200'000 and 250'000 workers, although exact figures are not available, but data suggests that these may be underestimates. Data from the LFS suggests that roughly 9% of the overall workforce is in construction and data from CSES in 2015 and 2016 suggests that 13% of all adults (aged 15 and over) identify 'construction' as their main industry of employment. The differences arise from the use of different definitions of industry and different measures of the adult workforce and we recommend that a reconciliation of data and definitions be undertaken to clarify this question. But what is clear that this industry is dominated by men, who account for 89% of the workforce (whereas men make up 47% of all wage employees) and 79% live in rural areas (while 67% of wage employees live in rural areas on average) (see Figure 1 in Annex C). In terms of gender and location, construction workers are clearly not very representative.

The sector is characterised by complex sub-contracting arrangements, wherein main contracting firms are likely to be formalised, but smaller sub-contractors work both in the formal and informal sector. Workers themselves tend to be informally employed, as data from the 2015 and 2016 CSES finds that 99% of workers in the sector are informal. In turn, most workers are wage employees, as only 12% are identified as own account or 'other'.

There is also a significant range of occupations and wage levels. Indeed, data from the CSES 2015 and 2016 finds that only 26% of workers in this sector are employed on construction of buildings while 72% work in other specialised construction activities: of these, 65% are 'building frame and related trade' workers, while just 24% are in the elementary occupations of 'mining and construction labourers'. While this is consistent with the ILO study which found that a large number of workers in the sector work offsite, the occupations of workers in the larger 'value chain' for construction will include workers who are not directly attributed to the construction industry using the conventional industry classification. The ILO study found that low- and medium-skilled workers employed by sub-contractors to work onsite are often employed on a casual basis without written contracts, which leads to low and irregular incomes. This is confirmed by the data from the CSES 2015 and 2016 which finds that while gross wages in the sector average KHR607'000 a month, there is great variation, with lower wage levels found in rural areas and among low-skilled labourers. No significant differences were found with wages among wage employees in other sectors.

The ILO study found that employment in construction is often seasonal, as only 30% of workers are employed in the sector all year round with wide inter-sectoral mobility as many construction workers engage in seasonal agricultural work part of the year. However, data from the 2015 and 2016 CSES finds that two-thirds (or 60%) work year-round in the sector (compared to 90% on average) while 22% are seasonal. In turn, the survey finds that most report construction as their main form of economic activity, and only 15% say that it is one of two or more activities (compared to 7% of all wage employees). Rural workers are more likely to have another employment and more likely not to work the whole year in construction.

Finally, construction sector employment is characterised by high risk of work-related injury, and the ILO estimates that for every 10 incidents reported, four are not. Extending social protection coverage to workers in the sector is therefore an urgent priority.

As we can see, many of the characteristics of the construction sector differ in many ways to those of the wider workforce, and more research is needed to understand how informal employees in other industries can be best represented in plans to extend social insurance. The NSSF therefore faces unique challenges to extending social protection coverage to them. For this reason, options for extending social protection to workers in the construction sector are outlined in a separate Box 2 below.



## 2.2 Self-Employed and Own-Account Workers

Around 47% of the labour force in Cambodia is self-employed according to the CSES of 2015. Self-employed workers represent approximately 57% of the informal workforce in Cambodia. Data from the CSES of 2015 shows that the self-employed work-force is predominantly based in three occupations:

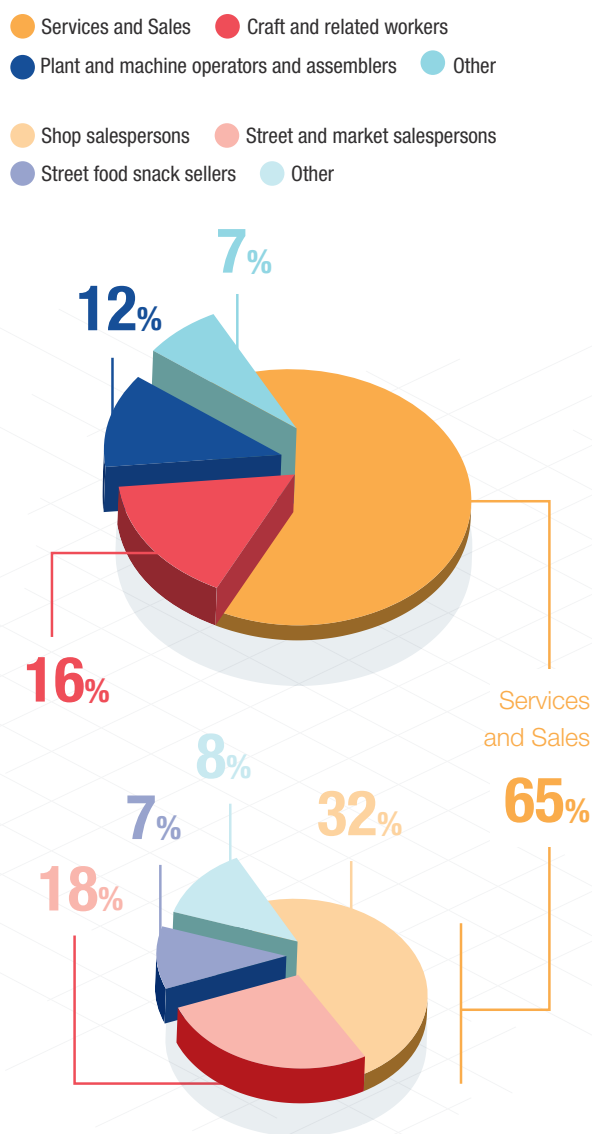
- 65% of the self-employed work in ‘Service and Sales’ occupations, of which:
  - 32% are ‘shop salespersons’
  - 18% are ‘street and market salespersons’
  - 7% are ‘street food snack sellers’
- 16% of the self-employed work as ‘craft and related workers’
- 12% of the self-employed work as ‘plant and machine operators and assemblers’.

When we turn to consider the industry of employment, the service sector dominates self-employment (only 14.6% are in Industry, of which the majority (13%) work in manufacturing). The self-employed service sector is dominated by two main industries:

- Wholesale and Retail Trade: 59% of self-employed workers;
- Transportation and Storage: 11% of self-employed workers.

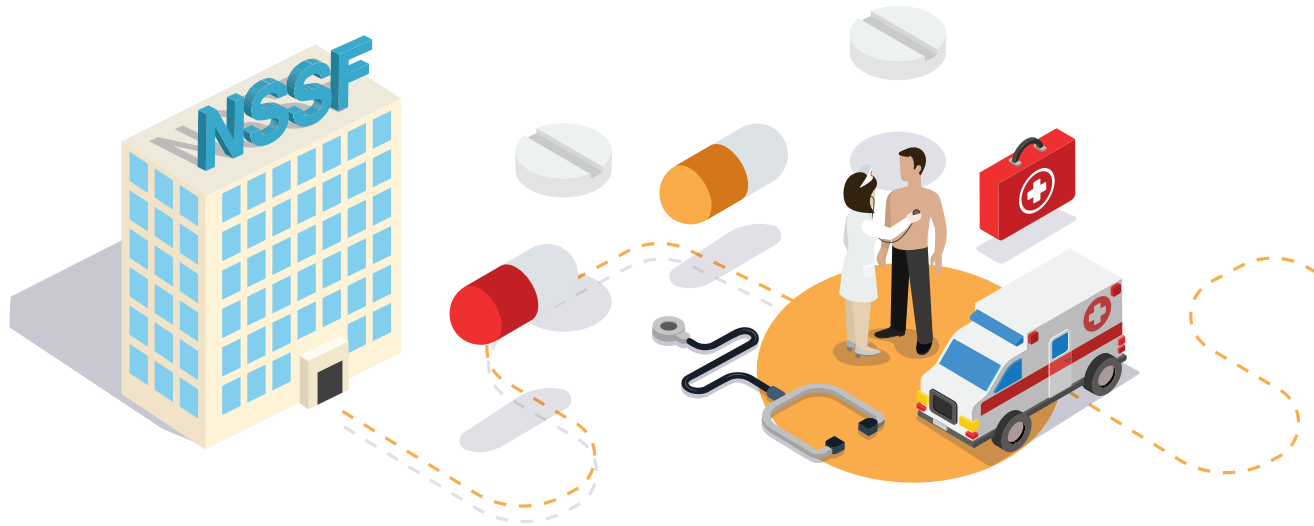
Self-employment is majority female (53%) and rural (59%). The typical self-employed worker works 54 hours a week and 30 days a month. However, analysis suggests that, controlling for other factors, self-employed men work longer hours but fewer days than women. The rural self-employed also tend to work fewer hours than their urban counterparts.

FIGURE 2  
Self-Employed Workers by Occupation



Source: Author’s calculations based on data from the CSES, 2015

<sup>7</sup> For these comparisons we report significant multivariate associations and then illustrate them with a comparison of the raw averages in brackets.



Four fifths of self-employed (81%) have one main 'job activity' and 91% work the whole year in that main activity, with low levels of 'seasonality' – found at just 5%. Men are less likely to work the whole year in one activity, but differences are at the margins of statistical difference, while rural self-employed are more likely to work on other activities over the year. Unfortunately, we have no understanding of incomes from self-employment as data on their consumption level and poverty status are not available.

compared to the overall self-employed population (41% of whom work in urban areas) (See Figure 2 in Annex C). Finally, tuk-tuk drivers tend to work longer hours than other self-employed workers. In short, tuk-tuk drivers are not entirely representative of self-employed informal workers and more research will be needed, particularly of self-employed women in wholesale and retail industries, to assess the issues of extending social insurance to this group of workers. To address such limitations, the challenges outlined below therefore also draw from CSES data and information collected during the KIIs.

Below we outline briefly some of the key challenges to extending social protection to self-employed workers, building on the findings from the SP-IW study on tuk tuk drivers. It must be noted, however, that tuk tuk drivers present some key differences to self-employed workers more broadly (as identified in our analysis of the CSES data from 2015 and 2016, which allowed us to construct large enough samples to profile tuk-tuk drivers using the 3-digit occupation codes). Firstly, the occupation is almost exclusively male (99%), while men only account for 47% of the self-employed workforce. Tuk-tuk drivers are more likely to work in urban areas (at 61%)

*Eligibility:* This category of workers is currently not eligible for NSSF schemes, but have become eligible for the HEF following Notice No. 336 of December 2017 if they register with the NSSF.

*Vulnerabilities:* The ILO study of tuk-tuk drivers did not identify specific work-related vulnerabilities to injury or disease, but the high prevalence of traffic-related accidents and injury would need to be considered for that particular occupation. There is no information about other sectors of self-employed workers.



*Identification and outreach:* There is great variety in the location of the business in which self-employed workers engage, including along roadsides or in markets. In turn, many self-employed workers do not work in one fixed location – for example, tuk-tuk drivers and waste pickers are highly mobile. These characteristics present a challenge for identifying such workers and reaching out to them.

*Registration & Claims-procedures:* The current procedures for registering with the NSSF relies on employers registering their employees and this would have to change to self-registration for self-employed workers. Documentation to support registration would also have to be reconsidered to reflect different assumptions and differing characteristics of the self-employed compared to firms – especially the large firms that currently predominate NSSF work. In turn, employees are currently required to present a note from their employer to validate their benefit claim, a setup which is unsuitable for self-employed workers.

*Entitlement:* Employment injury insurance may require rethinking if coverage moves from an employer/firm environment. Many self-employed workers will not have company status or limited

liability and distinguishing employment related injury or illness from other contexts will be difficult.

*Contributions:* While the ILO study found that tuk-tuk drivers do have the capacity to contribute to the NSSF schemes based on current contribution rates, and that they would make significant savings on medical expenditures if they were members of the NSSF schemes, this may not be the case for all self-employed workers. The LFS and CSES do not collect data on the gross income and expenditure of self-employed workers. This is a clear data gap. But it is not just income level, often calculated as an annual average, that potentially matters. International experience indicates that self-employed workers are often more vulnerable than wage-employees, often due to the fluctuating and precarious nature of their income, which limits their ability to make full contributory payments constantly. We saw earlier that current contribution density is 0.7 for registered employees, and thus any plans to extend social insurance to self-employed workers needs to clearly consider similar constraints on payment that may be much higher for this group. Ultimately, when relying on either compulsory or voluntary registration for coverage extension, it could be the most vulnerable who are left behind.

Any new proposal on special contribution rates for particular groups must be based in the appropriate actuarial valuation to account for the true costs and ensure the sustainability of the wider pool.

*Benefit disbursement:* Cash benefits disbursed by the NSSF are either paid through employers or into the beneficiary's bank account (in the case of survivor benefits). Both processes may be problematic for self-employed workers who lack employers, while only 13% of the population has an account with a financial institution<sup>8</sup>.

## 2.3 Domestic and Household Workers



The president of the Cambodia Domestic Workers Network (CDWN) noted in 2011 that there may be as many as 240'000 workers in this sector of employment<sup>9</sup>, which accounts for approximately 0.5% of total informal workforce in Cambodia. However, there is a complete absence of data on this category of workers in the CSES<sup>10</sup>. There is also limited available information about the condition of domestic workers in Cambodia. The ILO SP-IW study on this category of workers provides some first insights in this respect, but the sample of the study was dominated by workers in foreign NGOs or organisations, which may not be representative of the situation of domestic workers in private Cambodian households.

The challenges identified below draw therefore from the ILO study but also from international literature on domestic workers.

*Eligibility:* Domestic workers are currently ineligible to NSSF schemes because they are specifically excluded from the Labour Law of 1997. There also appears to be some lack of clarity over the employment status of domestic workers who, internationally, are considered wage employees in private households, but some workers representatives interviewed in the context of this study considered them to be self-employed. If coverage is extended to this group of workers, their employment status would need to be clarified as it has implications for contribution liabilities.

*Vulnerabilities:* The study on domestic workers identified the main work-related risks to be minor injuries and damage to property.

*Identification and outreach:* Domestic workers are recognized as a “hard-to-reach” group since they are employed in private households and rarely declared to the authorities. In Cambodia, domestic workers include those working in office buildings as well as private household. Since domestic workers in office buildings are easier to identify, they represent most members to domestic worker representation organisations.

*Registration:* Registering domestic workers to the NSSF is a challenge because their employers are themselves not economic entities, but households. As such, while the employers themselves may be registered with the NSSF, this will be as an employee or a self-

<sup>8</sup> According to World Bank data from 2014

<sup>9</sup> See for example <https://www.cambodiadaily.com/news/domestic-workers-march-on-ministry-61588/>

<sup>10</sup> See Annex D for more information about domestic workers in the CSES data.

employed worker. The employer will also likely lack a business licence from the MOC, which is required upon registration. In turn, that domestic workers often lack an employment contract to prove their employment status.

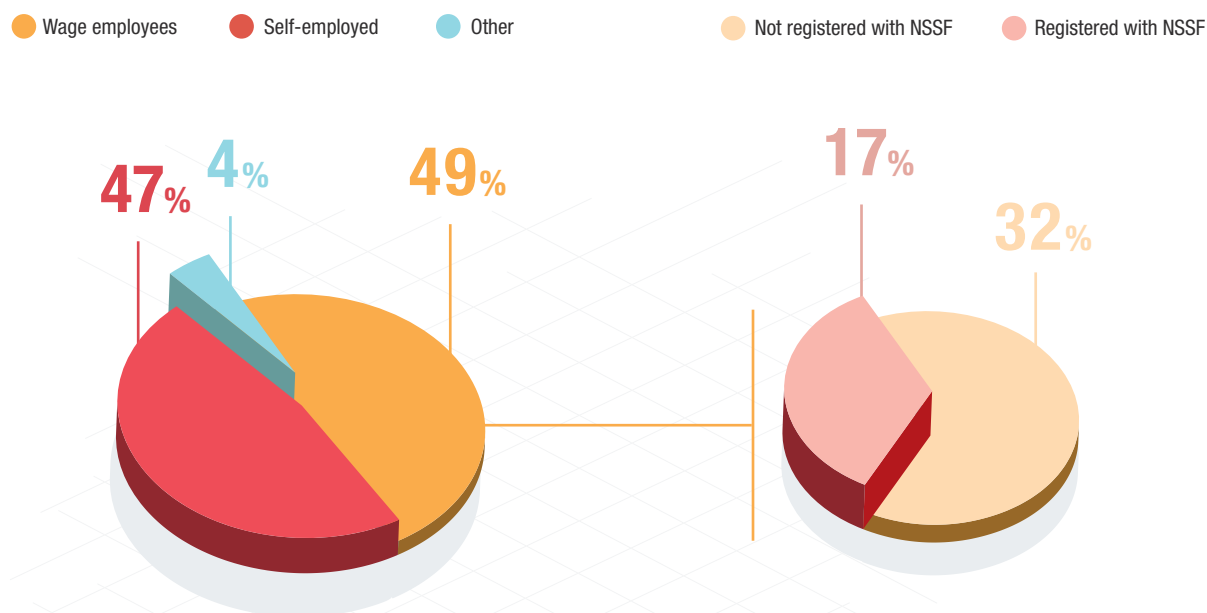
*Entitlement:* The ILO study outlined that short-duration contracts are prevalent among foreign NGO offices, which has implications for entitlement to benefits that require a contributory history, including maternity and upcoming pensions, and may leave domestic workers ineligible during parts of the year.

*Contributions:* As noted above, the employment status of domestic workers will need to be clarified to establish liability for contribution payments. Most countries that have extended social protection coverage to domestic workers have categorized them as wage employees and employers are therefore liable to pay contributions.

## 2.4 Structural and Institutional Challenges

In addition to the specific challenges outlined above, the evidence thus far also points to some important structural challenges to extending social protection programmes to informal workers which are not specific to the employment status outlined above or their characteristics. These include structural challenges – relating to the informal workforce – and institutional challenges to extending social protection. These factors must also be taken into account when drafting strategies and policies aimed at social protection expansion.

FIGURE 3  
Structure of the Labour Market in Cambodia and Enrolment with the NSSF



Source: NIS, 2015; NSSF data

## 2.4.1 Size of the Informal Workforce

The first structural challenge is the sheer size of the informal workforce. Indeed, while 1.4 million workers are covered by the NSSF, 7 million are not, which means that over 83% of the workforce in Cambodia is not covered by NSSF schemes.

Extending coverage of social protection to informal workers will therefore require the elaboration of a gradual and systematic approach towards identifying groups of firms and workers to be enrolled. The NSSF has always adopted a gradual approach based on three key criteria:



- Employment status: only wage employees are currently eligible for coverage;
- Firm size: coverage was initially extended only to firms with eight or more workers, but has now been expanded to include firms with one or more workers after all larger firms had been covered; and
- Geography: the NSSF has heretofore targeted economic zones dominated by the garment sector as this was the first sector to whom coverage was proactively extended. Geographical targeting has also been brought forward with the door-to-door campaign launched in Phnom Penh to identify SMEs when the threshold for eligibility was lowered to firms with one or more workers.

However, these approaches face a large problem of scale if they are to be used for the informal labour force. For example, of the 505'000

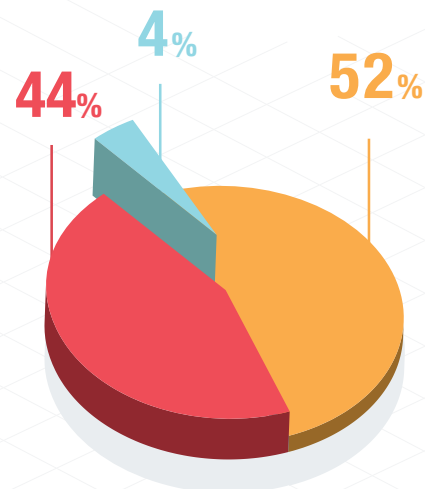
enterprises identified in the Economic Census of 2011, only 3.6% (or 18'000 firms) engaged over eight workers. Therefore, if the NSSF is to extend coverage to all wage employees, it will have to identify and register 487'000 enterprises engaging less than 8 persons, including 43.9% (222'000) enterprises engaging only one person.

In turn, self-employed workers account for 47% of all employed persons in Cambodia (or 3.9 million workers), and while they are currently not eligible to register and contribute to NSSF schemes, this may/should become a priority in the medium- to long-term.

Similarly, while geographical targeting may have been an effective solution when targeting a specific sector of employment (here the garment sector), this will need to be adapted with regards to SMEs or self-employed businesses which are not geographically concentrated in economic or urban zones but are, instead, highly dispersed or even mobile.

FIGURE 4  
Firm Sizes in Cambodia According to Number of Employees

● Employ two to eight workers ● Employ one worker  
● Employ over eight workers



Source: *Economic Census 2011*



Within these currently adopted approaches, firms, workers and geographical locations will need to be divided into smaller and more manageable categories and prioritization criteria will have to be developed and adopted to effectively and comprehensively extend social protection coverage to all informal workers.

## 2.4.2 Diversity of the Informal Workforce

A second overarching challenge is the huge diversity in the characteristics and needs of informal workers in Cambodia. Diversity is found not only between the employment status of workers – as outlined in the SP-IW studies – but also within these. Indeed, the above sections have showed that even the occupations that were described in the SP-IW studies may present great divergence from other occupations within the same employment status. And even within occupational sectors there is also great diversity, including in the construction and sales sectors. However, there is also a dearth of information about many such sectors of employment. The lack of information about both self-employed workers and domestic workers in the CSES for example prevents an analysis of the contributory capacity of these workers, their numbers in many instances, their needs, and their vulnerabilities. Therefore, while this heterogeneity itself must be acknowledge as it bears significantly on the ability of any strategy for social protection expansion to achieve both legal and effective coverage for all workers in the Cambodian labour force, more evidence is also required to better understand this diversity.

## 2.4.3 Lack of Definition of “Informal Workers”

Moving to institutional level challenges, the first relates to the fact that there is currently no coherent definition of “informal workers”. Indeed, in the Cambodian statute law, the only explicit definition is currently found in the Inter-Ministerial Prakas No. 404 of late 2017, wherein “informal workers” are those working no more than eight hours a week, part-time workers, casual workers, or seasonal workers, who have been registered with the NSSF. There are many issues with this definition:

- Prakas No. 404 was issued exclusively to allow for the temporary expansion of HEF coverage to additional workers in the context of the 2018 presidential campaign election and this definition is thus not the working definition that most stakeholders use<sup>11</sup>.
- It is inconsistent with international definitions of informal workers.
- It provides insufficient clarity on the workers – and firms – to whom coverage is to be extended<sup>ii</sup>.
- It may create perverse incentives, as firms who are technically covered by the Social Security Law and who are thus liable to make contributions to the NSSF may identify themselves as “informal” in order to benefit from free coverage.
- If implemented precisely, it would extend coverage to very few workers.

- It entrenches exclusion of workers who may be willing to join NSSF-administered schemes, including self-employed workers.
- The definition is only used in the specific context of healthcare coverage extension, as there is no common definition of “informality” applied across the sectors and relevant line ministries.

Beyond its original intention, the promulgation of Prakas No. 404 reflects the lack of a coherent definition for “informal workers”, and the possible negative outcomes of ad hoc definitions. Such errors might easily be repeated by stakeholders seeking to seize the current momentum for expansion.



## 2.4.4 Institutional Coordination

Another factor that limits the ability of the Royal Government of Cambodia to expand social protection coverage is limited institutional coordination. Indeed, there are a number of ministries and governmental agencies<sup>12</sup> operating alongside NSSF that have complementary and, at times, overlapping responsibilities. But there is an obvious and significant lack of coordination between these actors. Until the establishment of the National Social Protection Council (NSPC), one of the main challenges to improved coordination was the lack of an overarching executive agency to direct and co-ordinate processes that cut across agencies. However, a clear delegation of cross agency executive authority to the NSPC

in some form and a clear focus in its terms of reference to cover implementation, monitoring and evaluation issues would assist in co-ordination of the extension of social insurance to the informal sector. Another challenge identified in the KILs and consultation workshop was the lack of enabling legislation. However, even where such instruments are currently in place, they are often not implemented in practice.

There is great efficiency to be achieved from improved coordination, and a more logical division of tasks and responsibilities could also alleviate some of the capacity constraints faced by the NSSF (as discussed in the next section).

Priority areas for coordination activities are:

- *Identification and registration of firms and workers:* This is one of the main challenges to extending social protection coverage. Other ministries are responsible for registering firms, yet these activities are currently undertaken in an un-coordinated fashion which results in duplication of activities.
- *Data collection and management:* Each ministry also holds individual databases containing information about each of their respective constituents. These are not currently interoperable, which means that information cannot be shared or used across ministries.
- *Inspections of workplaces and worksites:* Inspection of workplaces and worksites to investigate and enforce compliance with relevant legislation is undertaken by a number of line ministries, including the Ministry of Land Management, Urban Planning and Construction (MLMUPC) and the Ministry of Labour and Vocational Training (MLVT). While

<sup>11</sup> Through these provision self-identified informal workers who registered themselves with the NSSF received a special yellow card which entitled them to access HEF benefits for one calendar year. It is unclear whether the benefit will be renewed.

there have been some efforts to improve joint-inspection (between the MLVT and the NSSF for occupational health and safety, for instance), greater coordination and division of tasks could be achieved.

- *Knowledge sharing and trust:* There appears to be limited awareness of social protection programmes and procedures across ministries, and this may, in part, link to poor levels of trust that were mentioned during the KIs and in the workshop. Improvements in communication and coordination should be put in place to enable ministries with similar/overlapping responsibilities to share knowledge and experience about their approaches.

Secondly, the delegated status of the NSSF as an agency of the MLVT constrains its ability to engage directly with other ministries, as decisions must be referred upwards through MLVT hierarchy before many can be implemented. Moving forward, this institutional arrangement may need to be reconsidered.

## 2.4.5 Institutional Capacity

A final challenge to extending social protection to all informal workers relates to the NSSF's own capacity. Firstly, due to its status as an Institution of Public Administration, the NSSF is unable to recruit new permanent staff which means that most of the 1'300 current employees are contractual rather than permanent<sup>13</sup>. Reliance on contract staff with relatively short-term contracts limits efficiency and continuity. Moreover, NSSF staff are already working at full capacity to manage current responsibilities and workload. Changes will be required if the NSSF is to expand social protection coverage to informal workers, as the stock of registered workers and firms - as well as the flow of new registrations - will both increase.

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<sup>12</sup> Including the Ministry of Commerce, the General Department of Taxation, the Ministry of Land Management, Urban Planning and Construction, the IDPoor programme, and the Ministry of Interior.

<sup>13</sup> For instance, 76.7% of staff were contractual in 2016 (ILO, 2018).



# 3. Practical Options and Policy Recommendations



Drawing on the above discussions, we here outline practical options for reforming operational procedures and legislative instruments required to extend social protection to informal workers in each of the employment status, as well as options for addressing some of the structural and institutional challenges identified in the previous chapter. We then briefly outline some overarching policy recommendations.

We must point out, however, that we do not have the ability to consider the costs and financing mechanisms for these reform options, although the scale of any expansion of coverage will meet considerable pressures to subsidise contributions for vulnerable and low-income populations in the informal sector. There are considerable issues to consider in the overall financing of social insurance alongside social assistance and healthcare for the poor. How far high-risk groups are included through ‘pooling’ of risks in the insurance fund, through their own contributions or through subsidies from ‘outside’ of the social insurance funds will need serious consideration. How far these groups are covered by social insurance or through social assistance will be a key element of financial and policy planning.

## 3.1 Practical Options for Informal Workers

### 3.1.1 Wage Employees

#### STRENGTHEN COMMUNICATION

**Establish a Communication Unit within the NSSF Policy Division with specialised expertise and adopt targeted communication strategies for employers and workers focusing on small enterprises**

As noted in the ILO’s review of NSSF Operations, the NSSF itself should establish a Communication Unit within the Policy Division, responsible for developing communication strategies and engaging with LMIs<sup>iii</sup>. In turn, the NSSF Communication Campaign Strategy 2018 notes that communication campaigns should not only focus on the benefits provided by the NSSF, but also to improve social security culture and financial literacy<sup>iv</sup>. A more targeted approach towards communication would also require the NSSF to adapt strategies and content to specific audiences. Firms and workers could be divided according to a variety of categories, including their location or sector of employment, their awareness of NSSF



schemes, and/or their willingness to contribute and participate (Atkinson, 2012). Different communication content and strategies would be adopted for each category. For example:

- Coordinating with worker and employer organisations, which have already been playing a key role in disseminating information about the NSSF. Cooperation could be strengthened by organising joint training sessions for the constituents of such organisations, as was suggested during the KIIs. The NSSF could also coordinate with other relevant ministries in their communication campaigns<sup>v</sup>, by establishing a working group to undertake joint communication campaigns for example.
- Launching a “Social Security Day”, an approach adopted in Zambia and Colombia, where an annual “Social Security Week” is held during which dissemination campaigns across the country are intensified.
- Testimonial marketing: existing beneficiaries of NSSF schemes could provide testimonials to raise awareness of the benefits of registering with the NSSF through TV spots or social media outputs.

## REVIEW REGISTRATION PROCEDURES

### Adopt a proactive registration approach

Despite the roll out of online registration procedures, the KIIs suggest that employers and workers are still required to present themselves to the NSSF branches to validate documents and undertake the biometric identification. The NSSF could decentralize such procedures to local agencies or have “mobile units” in place to be closer to the firms and workers. NSSF inspectors

could also be enabled to register firms and workers during their inspection visits, using tablets, smart-phones or other devices<sup>14</sup> to access the NSSF database remotely for example<sup>vi</sup>.

### Establish joint registration procedures with the Ministry of Commerce and/or the Department of General Taxation

In the long term, once formalisation has become more widespread, registration to the MOC and/or the Department of General Taxation could be combined with the registration to the NSSF to facilitate registration procedures for firms and reduce the administrative burden. This could be operationalized either through a joint online registration system, or through the integration of local NSSF branches and MOC/Department of General Taxation offices. Alternatively, firms registering with other ministries could be automatically enrolled into the NSSF scheme<sup>15</sup>.

## REVIEW CONTRIBUTION ARRANGEMENTS

### Establish shared contributions

The roll-out of the pensions scheme will require a substantial review of contribution sharing arrangements as well as contribution levels. This review would need to take the financial burden for small enterprises (many of which operate at low levels of productivity and profitability) into account, as this was identified as a key barrier to registration for such firms. In particular, sharing of contributions between the employer, the worker and the government itself should be established, based on a more in-depth review of the income levels of various categories of informal workers and the fiscal space for the government to make such contributions, to ensure such arrangements are sustainable yet affordable for each actor.

<sup>14</sup> This approach was implemented in Jordan for example (ISSA, 2009).

<sup>15</sup> In Uruguay, for example, small enterprises benefit from a simplified tax regime in which they undertake one single registration for both the tax authorities and the social security scheme (Duran Valverde et al, 2013).

### Establish contribution phasing

In addition to contribution sharing, contribution phasing could also be envisioned, involving an incremental and phased approach to introducing contributions for SMEs. Here, entitlement to benefits and services would be secured from the date of registration, but contributions would be phased in progressively.

This would represent a form of incentive for firms to register, as it would allow businesses to adapt to the liability to pay contributions over a reasonable period and lower the marginal costs at the point of registration. It is very important to note that such an approach must be carefully designed so as to make appropriate provisions for the contributions forgone. The source of funding of what would effectively constitute a subsidy should be clarified well in advance. This extra cost could either be transferred to other contributors and reflected in the overall contribution rate (something similar to what the NSSF is considering in terms of a Grandfather provision in the new pension scheme), or the Government could commit to paying the

difference directly to the NSSF. The second approach would be riskier for the sustainability of the fund given the current governance context<sup>16</sup>. Such an approach is adopted in Argentina, for example, where social security contributions are reduced by 50% for the first year of registration, and by 25% the second year (ILO, 2014). This could take the following shape:

- Upon registration, employers and workers could be granted an initial grace period (of one year for example) during which they share the burden of contributions for the EII with the government, and the government covers the contributions for the SHI and the pension system;
- During the second phase, employers, workers and the government would then share liability for contributions to EII and SHI, and the government continues to cover contributions for the pension; and
- During the third phase, pension contributions would be introduced for SMEs.

This approach is illustrated in the below table.

TABLE 3  
Example of a phased approach towards contribution sharing arrangements

	Phase 1	Phase 2	Phase 3
EII contributions	Shared between Employer, Employee, and Government	Shared between Employer, Employee, and Government	Shared between Employer, Employee, and Government
SHI contributions	Government covers whole contribution	Shared between Employer, Employee, and Government	Shared between Employer, Employee, and Government
Pensions contributions	Government covers whole contribution	Government covers whole contribution	Shared between Employer, Employee, and Government

<sup>16</sup> Since the NSSF launched EII and SHI benefits for civil servants in January 2018, the Ministry of Economy and Finance has not transferred any funds corresponding to their contributions. This constitutes a very high risk for the sustainability of the scheme.



The exact schedule for such an approach would require a thorough actuarial evaluation of the Government's capacity and firm commitment to cover contributions in the initial phases.

### Introduce contribution credits

Contribution credits consists of crediting a worker's contributory history during periods in which the worker is unable work due to unemployment, temporary disability, maternity and/or childcare responsibilities. This approach is widely used (including in Laos and many Western African countries) and is important in the context of the roll-out of pension systems, as such arrangements help workers build up their contributory history (and thereby their entitlement to pensions) by covering short periods (of maternity, short-term disability, unemployment, etc...) during which they are out of the labour force. This is particularly important for women, as providing contribution credits during periods of maternity and childrearing is an approach adopted throughout the world to ensure that social security schemes are gender-sensitive (Holmes and Scott, 2016).

All three of the above options - shared contributions, contribution credits, and a phased approach to introducing contributions - bear significant budgetary implications for the government. Indeed, introducing government contributions will necessarily lead to an increase in government expenditure on social protection. This would need to be financed either through increased government revenue (financed through taxes or government assets, for example), or a redirection of funds from other areas towards social protection. In turn, ensuring that the approach used to finance such schemes is not

regressive will also be a crucial consideration if the schemes are to effectively protect their members from poverty. As these decisions are heavily political, however, we do not propose to advise on such questions. What must be noted, however, is that each suggestion will require careful financial modelling and comparison to understand the costs, while revenue and expenditure trade-offs within and between each option will need to be undertaken.

## STRENGTHEN ENFORCEMENT AND INCENTIVES TO IMPROVE COMPLIANCE

### Establish an anonymised complaints mechanism

Empowering workers to monitor compliance with registration and contribution payments could be a useful enforcement mechanism, but workers may fear dismissal in case of dispute as there is 'no place to hide' in an SME with one or two employees. This could be addressed through an anonymized mechanism to report non-compliance.

### Coordinate with Ministry of Commerce to make proof of registration to NSSF a requirement for the renewal of business licenses

Establishing bilateral agreements with other government institutions issuing business licenses is an approach adopted in Zambia and Jordan and is also (in theory) the case in Cambodia with the MLMUPC (see Box 1). This approach could be extended to the MOC and other line ministries. Such an approach should be considered in the longer term, once formalisation rates have increased.

## Box 2. Options for extending social protection coverage to construction-sector workers

### Medium- to long-term option: Impose higher contribution costs on main contractor if sub-contractors are unregistered with the NSSF

In this approach, the main contractor is liable to make NSSF contributions on behalf of all sub-contracted workers. The main contractor would be required to provide details of sub-contracted firms to the NSSF, which would then verify the registration status of sub-contractors and their workers. The NSSF would impose a higher contribution cost for the main contractor if any of the sub-contracting firms are not registered with the NSSF. The incentives in any scheme should ensure that costs are based on assumptions of gross cost of the scheme and thus a fee that is higher than any implied contribution rate for an under-documented workforce.

This is the approach adopted in the UK for the deduction of tax and social security contributions. While this approach does not provide for immediate social protection coverage for workers in unregistered firms, it does create fiscal incentives for main contractors to ensure that all sub-contracting enterprises and their workers are registered with the NSSF and that they establish the proper processes to monitor employment on their construction site. This can, in the longer term, promote formalisation. In turn, the surcharge could potentially finance joint inspection procedures between the NSSF and the MOLMUPC, which has more authority to enforce compliance by, for example, closing construction sites in case of non-compliance

### Short-term option: Impose a levy on the sector

A short-term option towards extending social protection coverage to workers in the construction sector would be to impose a general levy on the cost of construction projects to finance a sector-specific social security scheme. Calculation of the levy could be based on a formula that estimated the size of the workforce based on the cost and type of project and size of sites, but this would require data that may not be available. The levy would be borne by the main contractor, to be deducted upon application for a construction permit at the MLMUPC. However, this approach works best for EI benefits, where the contribution requirement lies unambiguously with the employer. The levy charge should be determined based on a thorough actuarial review of industry specific risk. But for the other social insurance schemes, there is a greater need to have worker-level data. Currently, with the employer-only contributions, SHI could also be covered through a general levy, but as soon as pension contributions become payable and collectible from workers, the levy becomes less attractive and may add complexity to any plan to expand social insurance to cover pensions.

Under a levy-based scheme, workers would be required to register themselves to the NSSF, potentially through relevant trade unions which would be responsible for validating workers' status. Eligibility could be determined based on a minimum annual employment period. For example, in India, eligible workers must have been employed in the construction sector for a minimum of 90 days over the course of the previous year.

This approach is probably a short-term solution because it provides for social protection coverage for workers in the construction sector in the immediate term, but it does not contribute to addressing formalisation in the sector, which should be a policy priority in the medium term.



### Improve quality of healthcare provided to NSSF cardholders

The NSSF has recently launched an innovative approach towards monitoring the services provided to NSSF members and assessing the quality of care in one hospital in Phnom Penh wherein a checklist completed by the patient is cross-referenced with invoices sent by the health facility to the NSSF for reimbursement. The NSSF should accelerate the roll-out of this approach to other hospitals. Alternatively, a random audit approach could be adopted whereby 5% of healthcare claims are randomly picked for audit and institutions identified as poor-quality providers could be targeted for more direct and non-random audit and attention.

## 3.1.2 Self-Employed and Own-Account workers

It is our understanding that extending coverage of NSSF schemes to self-employed workers is not the immediate priority of the Royal Government of Cambodia. This will be a medium- to long-term objective if the NSSF is to cover all workers, particularly in the absence of broader formalization policies. Delaying extension of coverage does provide an opportunity to collect more data on the key characteristics of self-employed workers, and their income levels and poverty risk. However, as previously mentioned, there is an attendant danger of creating perverse incentives if the self-employed are clearly put to the back of the queue: more employment will

be created to fit 'self-employed' status to avoid contributions that are due from 'employees'.

### EXTEND ELIGIBILITY IN A GRADUAL MANNER

#### Establish the prerequisites for extending social protection coverage to self-employed workers based on Article 4 of the Law on Social Security

Preparing the underlying provisions to enable expansion can be put in place before priority is given to this group in any implementation plan for expansion. This would include implementing Article 4 of the Law on Social Security for Workers Defined in the Labour Law through the adoption of a Prakas by the MLVT. A broad commitment to expanding and including self-employed workers in social insurance can thus be put in place alongside any current arrangements for alternative social protection for this group.

#### Enable voluntary participation in NSSF schemes for self-employed workers as part of a phased expansion

Allowing and encouraging voluntary participation and contribution should be considered. Indeed, the willingness of certain groups of self-employed workers to contribute to the NSSF has already been demonstrated in Cambodia. Thailand has adopted this approach and self-employed workers can voluntarily participate in the contributory social security system, while maintaining eligibility to the non-contributory scheme. Co-ordination with HEF for healthcare coverage should be considered, but voluntary coverage by SHI and EII and to pensions could play a key role in the first steps of social protection coverage expansion. This approach

would rely heavily on effective communication about the advantages of participating in the NSSF schemes over the HEF to provide incentives for self-employed workers to make the transition towards the contributory scheme. This could, in turn, be a short-term approach to extending coverage to self-employed workers, replaced in the medium- to long-term by a non-voluntary approach. It must be noted, however, that voluntary participation may lead to adverse selection, whereby the majority of participants may be from professions presenting high risks of work-related injury and illness which may present an issue for the financial stability of the scheme. However, it is important to note that a voluntary approach should only be conceptualized as a supplementary measure for groups who have the capacity to contribute and have no alternative path to registration - and not as a way to expand theoretical eligibility. International experience, as in Vietnam's voluntary pension, has shown the limited effectiveness of voluntary schemes in expanding effective protection.



### Strengthen communication and outreach

This would require the NSSF to diversify and adapt outreach and communication strategies and content to the diversity of employment locations of self-employed workers. The elements outlined for wage employees apply here too, however, we also suggest establishing “meet the people sessions”, wherein NSSF stalls could be established in locations with heavy flows of self-employed workers (including traditional markets for street vendors, near tourist sites for tuk tuk drivers, etc...) to raise awareness of NSSF schemes.

## DESIGN REGISTRATION PROCEDURES FOR SELF-EMPLOYED WORKERS

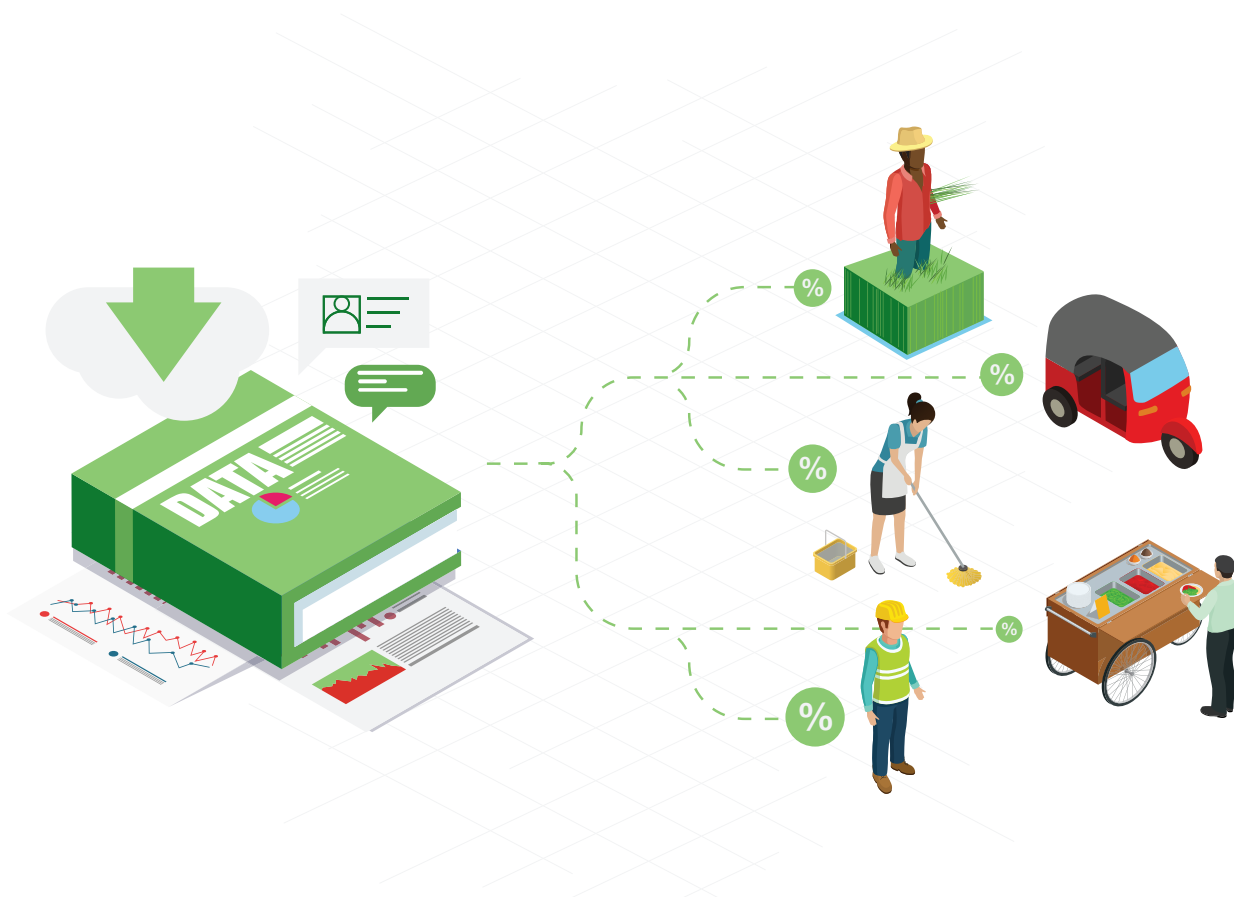
As noted above, registration procedures, which currently require employers to register their workers, will need to be amended if self-employed persons are to be able to register. We have noted some options in the “prioritization criteria” section. Diversified and decentralized registration points discussed in the earlier section can also assist self-employed workers. Specific approaches that recognise the absence of ‘employers’ could include:

- Enabling banks and other institutions prevalent in all regions to carry out procedures for the NSSF, as is the case in India for the National Pension System;
- Including NSSF services into the One Window Service Office (OWSO) managed by the Ministry of Interior (Mol) or setting up “social protection centres” as outlined above, capable not only of communication but also registration, as in Cabo Verde for example;
- Enabling online registration for both enterprises and workers. This is currently being developed. Such a mechanism should be in place before extending coverage to self-employed workers.

## REFORM CONTRIBUTION AND FINANCING ARRANGEMENTS

### Establish a separate contributory category for the self-employed

To promote enrolment, the NSSF could establish a separate contributory category with lower or different rates for self-employed workers, an approach adopted widely throughout the world. There are various options here:



- Contributions for self-employed workers could be cross-subsidized by wage employee contributions. This could be facilitated by increasing the ceiling of insurable wage used to calculate contributions<sup>17</sup>.
- The Government could match contributions made by self-employed workers, financed through earmarked sin taxes for example (as is the case for social health insurance contributions in Viet Nam and Thailand).
- The self-employed could pay flat-rate contributions as in Thailand - a useful solution for workers in seasonal or casual employment facing changes in income throughout the month (ISSA-SSA, 2017).

#### Enable flexible or lump-sum contributions

While there was limited evidence of seasonal employment among the occupations reviewed in the SP-IW research, these studies did not review the characteristics of workers in agricultural occupations – which account for about a third of the workforce and which tend, based on international experience, to work largely on a seasonal basis. One means of ensuring that such workers maintain entitlement to NSSF benefits could be to enable up-front annual or semi-annual contributions. Alternatively, greater flexibility in contribution payment schedules could be introduced to adapt to income volatility resulting from seasonal employment, as in Tanzania for example (Van Ginneken, 2009).

<sup>17</sup> For example, in Viet Nam, the maximum income used to calculate contributions is equivalent to 20 times the minimum income used to calculate contributions, compared to six times in Cambodia (ISSA-SSA, 2017).

### Diversify contribution payment methods

Different contribution payment options could be introduced to facilitate contribution payments, including through mobile money platforms such as Wing, or through LMIs who would act as aggregators for self-employed workers, similar to approaches undertaken in India (Holmes and Scott, 2016).

### Diversify Benefit Disbursement Mechanisms

Already, the NSSF has established agreements with a number of mobile money platforms to make disbursements of maternity benefits. Such an approach could be extended to other benefits as well.

### Develop legislation to protect domestic workers' rights

The Royal Government of Cambodia could establish a social dialogue with domestic worker organisations and relevant NGOs to discuss options for aligning national labour and social security legislation to the ILO Convention 189. The aim would be to ensure that any new legislation would meet the specific needs and vulnerabilities faced by domestic workers. This approach was adopted in the Philippines and Tanzania, for example (D’Cunha and Lewis, 2013).

### STRENGTHEN COMMUNICATION AND ADOPT A PROACTIVE APPROACH TOWARDS IDENTIFICATION

#### Coordinate with ministries including the Ministry of Women’s Affairs, and worker organisations for joint communication campaigns

See Practical Options for Institutional Coordination below.

#### Adopt a proactive approach towards reaching out to domestic workers and their employers

The NSSF could adapt communication strategies to the hidden nature of domestic work and the lack of a visible “workplace”. Such approaches have been adopted in the Philippines, where outreach strategies included engaging domestic workers in parks, schools, while in Jamaica leaflets were distributed along popular transportation routes (D’Cunha and Lewis, 2013). In Paraguay, leaflets targeted at domestic workers’ employers informing them of their responsibilities were attached to electricity bills of potential and existing employers (ILO, nd).



## 3.1.3 Domestic and Household Workers

### CLARIFY STATUS OF DOMESTIC WORKERS

#### Clarify the legal status of domestic workers by potentially ratifying the ILO Convention 189

The ILO Convention 189 Concerning Decent Work for Domestic Workers has been an important instrument for ensuring the rights of domestic workers, including the right to social security. Most nations that have made advances in extending social protection coverage to domestic workers have ratified the Convention and aimed to align national laws with the Recommendation, including South Africa, Brazil and Argentina for example (Holmes and Scott, 2016).

### Establish dedicated units within the NSSF for hard-to-reach groups, including domestic workers

The dedicated units should have specialised knowledge of the key characteristics of such hard to reach groups and identify options for communication, identification, registration, and contribution collection. For example, this is an approach adopted by the State Social Protection Fund in Azerbaijan (Enoff and McKinnon, 2011)

### Reform and diversify registration procedures to allow private households to register their domestic workers

For private households to register as employers of domestic workers, existing procedures will need to be reformed. One option would be to enable private households to register using their Tax Identification Number, an approach adopted in Argentina, for example (ISSA, 2013). In turn, enabling private households to register as employers online would facilitate the process and make compliance easier. Providing a diverse range of registration options – including online, via telephone, or at local authorities, is an approach that has been adopted in Argentina to facilitate registration (ibid).

### Establish a separate contribution category for domestic workers with lower rates

This approach is a widely adopted strategy across the world<sup>18</sup>. Here, both employers and workers make contributions (as in normal social insurance settings), but contribution rates are adapted to recognize that domestic workers' employers are not economic entities, but private households.

### ESTABLISH INCENTIVES AND ENFORCEMENT MECHANISMS

#### Develop incentives for employers to register and ensure compliance in the short-term

The most widely adopted incentive is in the form of a tax reductions for employers of full time domestic workers (ILO, 2016). For example, in Argentina, employers of full-time domestic workers can deduct the amounts paid in wages and social security contributions to domestic workers from their tax declaration.

#### In the longer-term, make declaration of domestic workers by employers to the NSSF a legal requirement

This is an approach adopted in Namibia, for example (Holmes and Scott, 2016). Imposing sanctions for non-compliance may not be a feasible approach in the short term considering the preliminary challenge of identifying households in which domestic workers are employed. It is not recommended to impose sanctions until a thorough and comprehensive identification system is established.



<sup>18</sup> Including in Argentina, Cabo Verde, Costa Rica, France, Germany, Israel, Italy, the Philippines, Spain and Uruguay (ILO, 2016).

## 3.2 Practical Options for Addressing the Structural and Institutional Challenges

### ESTABLISH A DEFINITION OF “INFORMAL WORKERS”

The Royal Government of Cambodia should consider adopting and implementing a coherent, and commonly acceptable definition of “informality” and “informally employed workers”. This is required to enable the NSSF to define the task of extending social protection coverage, and to clearly communicate on any strategy. Clarity and transparency will also help workers and firms understand their rights and responsibilities<sup>vii</sup>. A clear working definition, whether defined by statute or not, is a clear and immediate priority. One option would be to adopt the international definition of informal workers.



#### International Definition of Informal Workers

The criteria used to define a formal worker is if they are ‘registered’ with the relevant ministry or government agency. In the context of social protection, this means that all workers not registered with the NSSF are considered informal<sup>viii</sup>.

Unlike the definition adopted in the LFS, this definition encompasses all workers, including those whose primary occupation is in the agricultural sector. The advantage of such a definition is that it would, in the context of social protection expansion, recognize the need to expand social

protection coverage to workers in the agricultural sector who account for a third of the workforce<sup>19</sup>.

Once the definition of informal workers is established, it will also be crucial to ensure that such definitions are observable in data collected on employment and informal work through existing surveys (included the CSES, for example) to develop a more comprehensive picture of the key characteristics of informal workers and to monitor progress over time.

### ESTABLISH PRIORITISATION CRITERIA

In order to achieve a sustainable yet comprehensive expansion of social protection coverage in a context in which 83% of the workforce is unprotected, a gradual approach must be adopted. Here, we suggest adopting criteria to categorise workers into smaller and manageable groups which would be prioritized for social protection expansion. Below we present and discuss five potential options to prioritising firms and workers along different criteria. These approaches are not mutually exclusive, and some could be combined and implemented in parallel. We suggest that the NSSF consider testing and piloting different approaches to identify which may be most successful. This could potentially open avenues for external funding if implemented in an evaluation-based approach using experimental or quasi-experimental implementation approaches.



## Vulnerability

The first criteria could be vulnerability of the specific population group. Prioritisation using this approach would first target firms and workers in occupations and industries that have the highest risk of work injury and occupational disease. Such an approach would require clearly established criteria for determining vulnerability as well as in-depth assessment of the risks associated with each sector of employment<sup>20</sup>. For example, preliminary information from the LFS finds that 2.5% of workers had suffered a work injury in the preceding year, with the largest proportion of reported work-related injuries or illness found in the skilled agricultural sector, elementary occupations, and craft and related trades. This approach could ensure that workers most in need of coverage by some of the NSSF schemes are given priority. This approach is also relatively uncontroversial and would be most likely to achieve consensus among key stakeholders. However, there may be some ambiguity in defining “vulnerability” criteria in the absence of clear evidence of risk. An additional concern is that including high risk workers first reduces the overall pooling of risk between low- and high-risk occupations, which may undermine the actuarial assumptions and financial stability of the NSSF schemes. This could, in turn, lead to the fragmentation of the NSSF if this leads to the establishment of sector-specific funds based on the vulnerabilities that these face, as is the case in India. Finally, while such an approach matches the current portfolio EII and SHI schemes, it would not be suitable for the planned roll out of the pension system in 2019.

## Labour-Market Institutions and/or local partners

In this approach, workers and firms represented by labour market institutions (LMIs), including worker representatives, business associations, and/or local organisations would be prioritized for social protection coverage extension. The LMIs would act as “quasi-enterprises” responsible for registering workers to the NSSF. This approach has successfully been implemented in a range of countries with a vast array of partners, including micro-finance organisations in Kenya (Ron, 2010), civil society associations in the Philippines (ibid), rural organisations in Ecuador (Van Ginneken, 2009), and local authorities in Ghana (ILO, 2013). Such an approach would ease the workload of the NSSF by creating a division of labour between the Fund and partnering organisations in the identification and registration of workers and enterprises, while also providing for a gradual and measured extension of coverage. This could be an approach particularly well suited for the inclusion of (some) self-employed workers in the short-term, and it is indeed the approach that tuk-tuk driver unions have expressed an interest in adopting. However, not all sectors and occupations are unionized or represented by LMIs and/or grassroots organisations, so adopting such an approach may have exclusionary effects. The inherent selection of workers and employers by such an approach could also undermine a systematic and transparent process<sup>xiv</sup>.

## Geography/Business location

As noted in the previous chapter, the NSSF has already adopted a geographical approach in that previous rounds of coverage expansion have focused on economic zones with a high

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<sup>19</sup> However, it does still not account for people outside of the labour force such as children and the elderly, who have sometimes also been classified as informal by agents promoting universal coverage in Cambodia, specifically of health protection. In this case it is important to acknowledge the fact that informality is a labour-based concept and thus other vocabulary might be more appropriate for residency or citizenship-based discussions of eligibility.

prevalence of garment factories. Moving forward, a geographical approach could prioritize enterprises based on their type of location – e.g. street businesses, businesses in markets, or areas known for their tourist-oriented businesses in accommodation, restaurants and leisure services. Specific approaches to registration and enrolment could be adapted to reflect the characteristics of each location type, and a time-limited ‘campaign’ could be put in place for intensified action in one type of location until achieving a predetermined level of registration<sup>21</sup>, after which more routine follow-up could occur.

This approach could provide for a more systematic means of identifying and registering firms and workers and has potential to define clear timelines and targets. This approach could also be combined with a sectoral approach with regards to employment around agriculture or tourism or other economic activities with clear geographical concentrations and could be tailored to specific categories of workers. The main challenge with such an approach is that it may not be aligned with the key characteristics of each type of employment.

## Cohort

Such an approach could focus on identifying workers (rather than firms) at specific ages or stages of the lifecycle. In the Cambodian context, one option would be to identify and register persons before they enter the labour market, either at a specific age, or at the end of their schooling/education. For example, the NSSF could coordinate with the Mol to provide NSSF ID cards to all persons reaching a specific age<sup>22</sup>, or to all students graduating from vocational training programmes in coordination with the MLVT<sup>xv</sup>. Such an approach would incrementally “future-proof” the scheme as it would ensure that all (or certain categories of) new labour market entrants are registered with the NSSF. This would also present benefits to employers, who would not be required themselves to register new workers<sup>xvi</sup>. However, it does not address the issue of registering firms themselves or address the problem of the large stock of informal employees that currently exists, as registration does not equal contribution, and only contribution leads to protection. Additionally, this approach relies on coordination between the NSSF and other government agencies, which may take time to establish.



<sup>20</sup> Some studies have already included an assessment of risk, including the ILO’s studies on the construction sector, tuk-tuk drivers and domestic workers, as well as the studies conducted by Worker Health on the garment sector.

<sup>21</sup> In Cabo Verde for example, in recognition of the mobility of many enterprises, the National Social Insurance Institute established dedicated “social protection centres” capable of undertaking most administrative procedures in locations with heavy flows of independent workers, such as popular markets (Duran-Valverde et al., 2013).



### Employment status

This is the current approach adopted by the NSSF, whereby workers in one employment status are prioritized – here wage employees – with the expectation that coverage will be extended to other employment status at a later stage. This approach is advantageous in that broadly similar procedures are possible for workers in the same employment status. However, and as mentioned above, different employment status need themselves to be broken down into smaller categories. Within employment status there is also a variety of characteristics that could help more granular prioritization: for instance, to higher waged occupations, seasonal employment, or to issues of vulnerability mentioned earlier. Any current approach may therefore require finetuning and refining to achieve systematic and measurable progress. But a transparent focus on ‘employees’ may also send signals that result in perverse incentives: employees and employers may opt for self-employed status to avoid the liability for contributions – a problem that potentially worsens with the advent of higher contribution rates for both parties when pensions are introduced. Thus, while this is the

current approach, coverage should be prioritized for other employment status as well.

### STRENGTHEN INSTITUTIONAL COORDINATION

#### Establish dedicated task forces within the NSPC

As discussed in the ILO-HP+ report on the NSPC (De Quiros, 2017), the NSPC could establish dedicated task forces responsible for developing coordination strategies across the activities identified above. This would generate the necessary momentum to drive improved coordination, identify opportunities, and present options to address existing challenges. In turn, such task forces could also serve as venues for knowledge sharing<sup>xvii</sup>.

#### Enact a coordination and implementation strategy

In the medium-term, the NSPC could establish a clear strategy and roadmap for coordination activities which outlines clear targets, the responsibilities of key stakeholders, and a monitoring strategy to follow-up on progress.

<sup>22</sup> This approach is taken for example in the UK, where the National Insurance Card is sent to all persons aged 16.

This could be reinforced by enabling regulation in the longer term. The NSPC should have the delegated administrative authority to approve and pass enabling administrative guidance and procedures, and its broad representation would ensure that all relevant actors are involved in the process of forming and approving these. The aim should be framed in enabling terms to promote buy-in and improve compliance. However, we suggest that early efforts to improve coordination be initiated between agencies who can more easily cooperate even in the absence of such guidance and procedures, which may require some time to be promulgated.

### Establish integrated and/or inter-operable databases based on a common identifier

Based on the findings and recommendations from the task forces, the NSPC should facilitate shared databases across ministries and government agencies or promote inter-operable databases of enterprises and workers. This is recognized as being fundamental to the extension of social protection, as many countries<sup>23</sup> have implemented measures to share data between tax authorities and social institutions to cross-validate information provided by employers and prevent fraud for instance.

Shared databases could also improve the ability of the NSSF to identify firms and workers. The Ministries of interest in the identification and registration of firms are the Ministry of Commerce (which shares similar objectives in terms of formalisation), the MLVT, the MLMUPC, Ministry of Tourism, the Ministry of Industry, the Ministry of Culture and Religion. Co-ordinating registries with the Mol and the IDPoor team and with local authorities for the identification of workers is also crucial<sup>24</sup>. Collaboration on registration of firms

would require significant communication with employers to promote the benefits of formalisation and address the fear of scrutiny.

The shared databases themselves could be based on a single identification number used across ministries and programmes. This is also a requirement if databases across ministries are to be inter-operable. One of the existing identifiers (i.e. NSSF, IDPoor, or civil registry) could be used. This approach was adopted in Turkey, where an ID number assigned at birth is used by social services, health, education, and social security (DFAT, 2017). Similarly, in the Philippines, the Social Security System signed an MoU with the Philippine Health Insurance Corporation and the National Statistics Office to adopt a “common reference number”, which enables inter-operability of these institutions’ databases (ISSA Best Practice).

### Strengthen joint inspections or authority of NSSF inspectors

Joint inspections – or coordination on inspection roles - could create efficiencies and increase the authority of NSSF inspectors. For example, in China a unified information system enables labour inspectors to verify registration status with the social security scheme while in Turkey, labour inspectors also verify whether workers are insured, and send information about non-registered workers to the social security institution (ILO, 2017a; ILO, 2014). Alternatively, the authority of NSSF inspectors could be harmonized with that of inspectors from other ministries who have a greater ability to impose sanctions for non-compliance.



<sup>23</sup> Including Argentina, Austria, Barbados, Belgium, Cameroon, Canada, Estonia, France, Germany, Italy, Jordan, Kyrgyz Republic, Mexico, Morocco, the Netherlands, Panama, Saudi Arabia, Uganda and the United Kingdom (Enoff and McKinnon, 2011).

## 3.3 Policy Recommendations

### RECOGNIZE THE DIVERSITY IN THE INFORMAL ECONOMY

The SP-IW project has demonstrated that there is a diversity of characteristics, circumstances and needs of workers and economic units in the Cambodian informal economy. Workers in the informal economy may be self-employed, contributing family members, subcontracted, or employers themselves. Moreover, the project has shown that informal work may be found across all sectors of the economy, including formal enterprises and private households. It is necessary to address such diversity with tailored approaches that ensure appropriate coverage and protection of all categories of workers. At the same time, it is critical for the government to adopt a common definition of informality.

### STRENGTHEN THE EVIDENCE BASE ON THE CHARACTERISTICS OF INFORMAL WORKERS AND BARRIERS TO FORMALIZATION

There are large evidence gaps that mean we do not know much about the characteristics of many groups of workers in the informal sector, or their employers, if they have one. A big part of the gap is currently gender based – the groups of informal workers we know most about are in male dominated occupations or industries. In turn, our knowledge of non-agricultural sources of self-employed household income is currently lacking, and improved survey

data is needed to expand knowledge of a much wider range of self-employment.

Consistent data to allow a consistent analysis of the informal sector across surveys is also missing. We can match data between LFS and CSES in part, and a better exploration of how to do so robustly would be a temporary patch on inconsistent data and a priority. But having some clear and consistent survey data on informality requires a cross-survey review and funds to implement it. Similarly, having data on poverty and the ability to match IDPoor scores across surveys would help plan co-ordinated expansion of social assistance and social insurance.

A priority for improved evidence should be the analysis of formalisation across businesses and workers, rather than seeing enterprises and their workforces as separate areas of data and research. The drivers of informality in such micro-economic terms can then be assessed alongside larger macro drivers of Cambodia's changing economy, as agriculture slowly recedes, and tourism, manufacturing and services expand.

But the current uncertainty about how to proceed is also an opportunity for research that explores pilots or other approaches to implementing incremental change and evaluates them robustly. A commitment to rigorous evaluation of policy changes and their implementation will attract funds from other funders and should be considered.

<sup>24</sup> It was noted that the IDPoor includes information about people who are gainfully employed, for example.

### DEVELOP AN INTEGRATED, HOLISTIC POLICY TOWARDS FORMALIZATION

It is essential to recognize that informality is the result of a combination of economic, social and political factors and thus cannot be addressed through a single policy area. Over the past year in Cambodia formalization has been discussed exclusively through the lens of social protection but there is a limit to what the NSSF can achieve through their mandate as an operator. Formalization will require coherence and coordination across a broad range of policy areas such as business registration and licensing, taxation policy and administration, labour regulations, etc. It is recommended that the government adopt an integrated policy framework to facilitate the transition to the formal economy, and that it be included in national development strategies and budgets. Adopting such a holistic approach would also need to ensure that social protection policies do not create perverse incentives for formal firms or workers to move to the informal sector or establish “bogus self-employment” jobs.



### ENACT GRADUAL EXPANSION STRATEGIES IN LINE WITH NATIONAL PRIORITIES

Any policy response must be followed by a concrete Strategy and Action Plan which identifies roles and responsibilities of different actors. The NSPC, as the policy coordination body for social protection issues, should ensure that expansion strategies (i) seek to close gaps in protection through effectively coordinated schemes, whether contributory or not, (ii) specify financial requirements and resources as well as the time frame and sequencing for the gradual achievement of objectives, and (iii) identify roles and responsibilities to ensure coordination

across different levels of government and cooperation between the relevant bodies and authorities, such as tax authorities, social security operators, labour inspectorates, employment and identification services, among others.

### REDEFINE EXTENSION OF NSSF COVERAGE AS EXTENSION OF EFFECTIVE PROTECTION

Finally, the success of extension efforts has so far been measured by the number of newly registered members. However, the recent actuarial review showed that the average member only contributes for 7 out of 12 months and, as a consequence, the number of contributors is considerably lower than that of members. This means that the average NSSF member struggles to meet eligibility criteria and thus qualifying for protection. A better measure for effective expansion of coverage is the number of NSSF contributors and the frequency of their contributions. Keeping this goal in mind will help the Government develop more effective expansion responses aimed at making the NSSF more inclusive all around, and not just at the first point of registration.

### BROADEN THE DIALOGUE FOR REFORM

One of the defining features of groups in the informal economy is their lack of formal representation. Consequently, formal actors often dominate the dialogue for reforms. To address this, policy reforms need to extend their reach beyond the traditional structures to connect with informal business membership organizations and informal worker unions and associations whenever available. As highlighted in the report, these actors could even play a role assisting workers in the informal economy to participate in the system.

## 4.

# Conclusion

This report has aimed to synthesize the main challenges to extending social protection coverage to informal workers; to identify the manner in which worker characteristics interact with the current legislative, administrative and operational procedures of the NSSF; and to outline options to achieve a gradual expansion of contributory social protection coverage to informal workers. We have considered these questions without regard to questions of public expenditure and financing. This is a major limitation, and our suggestions should only be explored alongside a clear modelling of costs, revenues and expenditures – both within the NSSF, and including general subsidies from public funds outside of the fund.

The challenges to extending social protection to informal workers – identified in the SP-IW studies, but also from broader literature - stem from the characteristics of the informally employed and from ‘structural’ sources, both economic and institutional. We have also found a key challenge in the extent and depth of evidence gaps. Taken together, these suggest that an understanding of the implication of different working arrangements and income patterns on social protection coverage needs to be deepened. We have outlined some specific recommendations, but the overall lack of clear data is problematic because it allows a crucial fact to remain underappreciated: that doing more of the same will probably not work well. The current population that is covered is highly selective and expanding to others requires a clear appreciation of how policies and procedures should change to incrementally include more vulnerable and less documented populations.

Our review and our discussions with Key Informants were important to open the issue of real and pressing constraints on institutional capacity and operational approaches. Part of these constraints relate back to lack of clear diagnostic evidence and the path dependency of continuing what has been done before. But policy makers have raised the ante with recent and ambitious plans to extend coverage to new populations and for new schemes such as pensions. Do such plans come with expenditure allocations and clear organisational allocations of budgets and responsibilities? The answer to that is beyond the scope of this study but is crucial as we cannot expect current structures, accountabilities and capacities to cope with the scale and complexity that stems from fairly ‘simple’ policy promises. Our suggestions on how to move forward to overcome these constraints are varied and provide a set of choices rather than a prescription, but they are all founded in research and in documented practice elsewhere in the world.

We will not discuss those options more here but conclude that they can in part be considered as a suite of potential paths forward. Policy making and implementation in such a complex area can often be messy and drawn out when political considerations and political economy come into play. But there is a clear path through complexity and political trade-offs: a scheme based on a combination of incentives; clear rules and entitlements; and a clear incremental plan to identify populations to be included. These are all essential along with financing and expenditure plans to bring together the detail of specific options. Beyond the scope of our remit is the broader social protection system in Cambodia and the continued economic growth and transformation of the Cambodian economy and labour market. These should support and help fuel - rather than frustrate - further expansion of social insurance to informal workers. A more comprehensive plan is needed to ensure that they do.

# 5.

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## Annex A: Analytical framework

Extending social protection to informal workers requires firstly an identification of the barriers to extension, based on an analysis of the interaction between the legislative provisions and administrative and operational procedures of the existing social protection system and the characteristics of informal workers.

The ILO defines social protection as “nationally defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion” (ILO, 2012). The Social Protection Floors Initiative launched in 2012 aims to ensure access to essential healthcare and basic income security throughout the lifecycle for all those in need. National social protection systems vary depending on the risks they address, the types of benefits they offer, and the criteria set in place to determine coverage and eligibility. Exclusion from social protection can result from ‘design’, the legal provisions which determine eligibility and entitlement, and from the administrative and operational procedures used in the implementation of the schemes. We outline these in Table 1.

The table demonstrates that the drivers of exclusion depend on how the legal provisions and administrative/operational procedure interact with key characteristics of the workers they aim to protect. For example, an evaluation of the distribution of sectoral / occupational wages will be required to determine whether or not a minimum contribution rate may be exclusionary in practice.

Informal employment is understood as being highly heterogeneous, and the ILO framework includes informal employment in formal firms, employment in informal firms, and employment in households. It holds that the ‘job status’ of workers itself can be either formal and informal across types of employment relations. It covers and categorises several different job types, including own-account workers (self-employed), contributing family workers, and wage employees. Overall, this ILO framework illustrates the diversity of employment statuses, job types, and firm statuses which together make up informal employment. We discuss the incorporation of these categories into our methodology below.

TABLE 1  
Legal provisions and potential drivers of exclusion

Legal provisions	Potential drivers of exclusion
Eligibility criteria	May cover only limited categories of workers
Income used to calculate contributions	May exclude workers with low-incomes who do not meet the minimum requirements
Contribution rates	May exclude workers who cannot afford to make contributions
Contribution schedule	Workers may be unable to meet the contribution payment schedules where their own income is received irregularly or along different periodicity
Qualifying conditions	Within contributory systems, covered workers' entitlement to benefits is dependent on the accumulation of a contribution history, which may be unachievable where employment is seasonal or irregular.
Benefit calculation	May disincentivise workers from contributing where benefit levels are expected to be low.
Communication strategies	Strategies and channels employed to disseminate information about social security may not be accessible to all workers
Registration procedures	Location for registration may lead isolated and potentially rural workers from being isolated Individual/entity expected to undertake registration (employers, workers themselves) may be unable/unwilling Workers may be lacking the documentation required for registration
Contribution collection method	Location and mechanisms of contribution payments may present a barrier or burden on workers.
Procedures for making claims	Required documentation may be unavailable to workers.

TABLE 2  
ILO Framework of Informal Employment

Production Units by type	Job Status in employment									
	Own-account workers/Self-employed		Employers		Contributing family worker		Employees		Members of producers' cooperatives	
	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal	Informal	Formal
Formal Sector enterprises										
Informal Sector enterprises	■		■		■		■	■	■	
Households	■						■			

Source: ILO, 2018. Note: Informal employment is highlighted in red in the table.

The red cells in Table 2 are used by ILO to develop a “typology of workers in informal employment”:

- Workers in unregistered/unincorporated enterprises
- Undeclared/unregistered workers in formal firms
- Domestic workers (employees or self-employed)
- Home-based workers
- Own-account workers – either alone or with help from unpaid family workers
- Skilled workers

We use this typology of workers as a starting point in the analysis of eligibility to social security in Cambodia. Eligibility itself is also often defined according to sectors of employment, as labour laws and social security legislation may limit coverage to workers in certain sectors and not others, and some sectors may be dominated by one type of job status. Thus, a sectoral approach is therefore also required.

Worker characteristics also change across the different ‘job types’ and sectors. Table 3 shows our refined list of characteristics, including in income levels, working hours, etc... The importance of these characteristics should not be understated as they are clear constraints on the design of legislative provisions and administrative/operational procedures and will affect worker’s access to social protection and their entitlement to benefits. This analysis enables the elaboration of concrete, practical options for the extension of coverage of social protection to informal workers.

TABLE 3  
Characteristics of Workers in Informal Employment

Level of analysis	Key characteristics	Questions
Individual level	Intensive margins of work participation	How many hours do workers work in a day?
		How many days do workers work in a month?
	Temporal nature of informal work	Are workers employed throughout the year in the same employment?
		If not,
		How many months per year do they work in this type of employment?
		Is their job status the same across all jobs?
	Earnings	Are their various jobs located in the same geographical area?
		What is their income level? Does this vary throughout the year? Ability to save?
		How often is their salary paid? Does this change over the course of the year?
	Possession of relevant documentation	Do workers have national ID cards? Marriage certificates?
Are workers provided with regular salary slips		
Financial inclusion	Do workers have a bank account? Or digital money?	
Place of work and social networks	What is the place of work? Is the worker isolated from others?	
	Are there worker organisations?	
Sector level	Sector regulation	What are the regulatory requirements for working in this sector?
	Sector risks	What are the main risks to workers engaged in this sector?
	Sector organisations	What trade unions or worker organisations exist in this sector?

To identify practical options for the extension of coverage, a “gradual approach to extension” is developed, based on a process of ‘prioritisation’ of groups and benefits for inclusion. These can be empirically and/or normatively framed: prioritisation can be based on the progress of existing policy priorities in combatting exclusion at scale for the largest groups; or this could be based on the identification of particular types of workers which face fewer barriers to inclusion.

# Annex B: Methodology

Below we briefly outline the methodology adopted to undertake this research and develop the practical options. The primary methodology was a desk-based documentary and literature review, complemented by key informant interviews and a consultation workshop.

## LITERATURE REVIEW

We reviewed included three types of literature. First, to develop our understanding of the social protection system in Cambodia, the review of the literature and documentation included legislation and regulations for relevant social protection, as well as any secondary literature that provided clarity on the administrative and operational processes adopted in the social protection sphere in Cambodia.

Secondly, the reports from Phase I of the SP-IW project on sectoral profiles of the Domestic Worker Sector and Self-Employed (Tuk-Tuk drivers) and the “Rapid Market and Value Chain Assessment of the building construction sector in Cambodia” were reviewed to generate a picture of the characteristics of informal workers in Cambodia. This was complemented by broader literature on the labour market in Cambodia, including the Labour Force Survey and the Economic Census, among other documents.

Finally, literature on international experience in the expansion of coverage of social protection to informal workers was reviewed to identify practical options.

The data collected through the literature and document reviews were systematically entered into a database to allow an alignment of characteristics of groups of informal workers with social protection programmes, as well as implementation and regulatory information. The database was developed based on three linked matrices, discussed below.

### *Matrices of Types of Workers and Characteristics*

A separate matrix for each of the types of workers covered by the research in Phase I of the project was created. Within the typology developed by the ILO, we reviewed the characteristics of the following types of informal workers:

- Workers in unincorporated/unregistered firms (based on the study of the construction sector);
- Non-declared/non-registered workers in formal-sector firms (based on the study of the construction sector);
- Own-account workers (based on the study of tuk tuk drivers); and
- Domestic workers.

Each matrix sought to identify key characteristics at the individual/informal worker level as well as the sectoral level. These matrices were used to clearly report on findings from the review in a systematically themed way – answering a consistent set of questions across all groups.

#### *A Matrix of Social Protection Instruments and their Implementation, Regulatory, and Administrative Procedures*

A matrix on existing social protection instruments – including legislative provisions, regulations, but also administrative and operational procedures - was developed based on the review of the documentation and literature. This allowed for social protection instruments to be linked to the groups of informal workers from the matrices of characteristics. This level of the database considered mainly contributory programmes implemented by the NSSF.

#### *A Summary Matrix of gaps and challenges to expansion of social protection to informal workers*

Each of the matrices of characteristics were then combined with the matrix of social protection instruments to form a summary matrix that consistently and systematically identified the particular bottlenecks and challenges to expansion of social protection to each group. A consistent mapping of gaps and challenges identified in the database have provided the basis upon which relevant and successful approaches to the expansion of social protection to informal-sector workers were identified from international experience. Matrices were formed using Excel software using consistent templates. They are available from the authors on request, but do not lend themselves to be incorporated in printed report format.

### **KEY INFORMANT INTERVIEWS**

Our original proposal was expanded to additionally include a set of Key Informant Interviews (KIIs), held in Phnom Penh during a 5-day mission in March 2018. A list of Key Informants interviewed is included in Table 4. The KIIs aimed to gather the input from key stakeholders on the emerging findings and collect information about possible challenges to expanding social protection coverage to informal sector workers.

TABLE 4  
Key Informant Interviews

<b>NSSF officers from the following divisions</b>	Policy
	Registration
	IT
	Finance
	Contribution collection
	Inspections
	Health
	Pensions
	Benefits Administration
<b>Secretariat of the National Social Protection Council Framework</b>	
<b>Trade unions/workers organisations</b>	Independent democracy of informal economy association (IDEA)
	Cambodian Domestic Worker Network (CDWN) Association of Domestic Workers (ADW)
	Building and Wood Workers Trade Union Federation of Cambodia (BWTUC)
<b>Employer organisation</b>	CAMFEBA
<b>Development Partners</b>	GIZ JICA

The consultation workshop included the participation of all the above-mentioned informants, excluding the development partners. In addition, representatives from other government authorities also participated.

<b>Officers from non-social protection government authorities</b>	Ministry of Land Management, Urban Planning and Construction
	IT
	Ministry of Commerce
	General Department of Taxation
	Ministry of Planning – ID Poor team

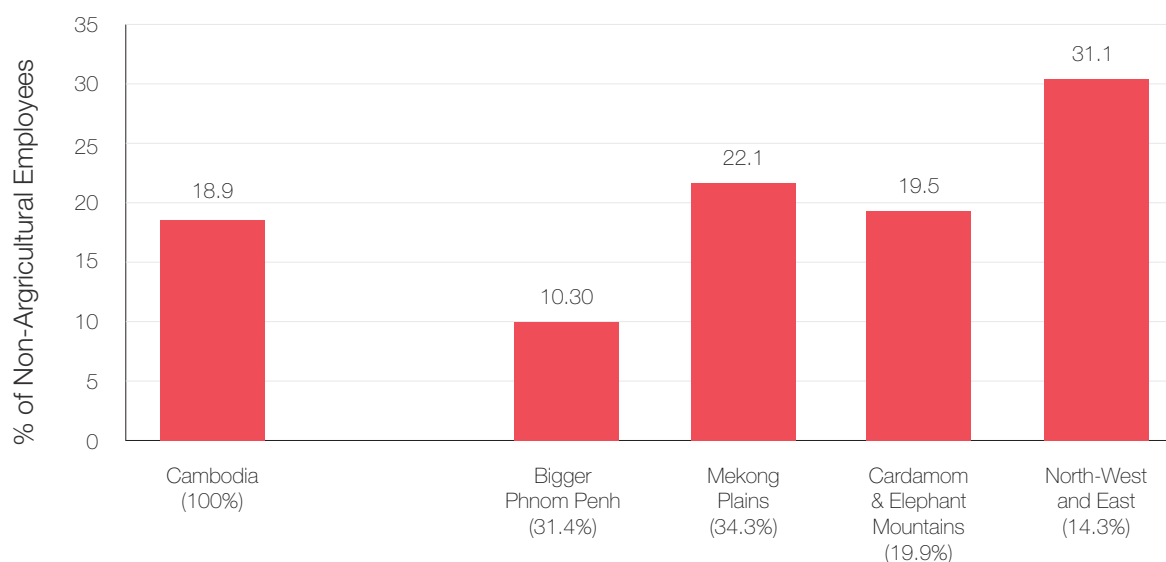


## CONSULTATION WORKSHOP

The KIIs were followed by a consultation workshop during which participative discussions about the emerging findings and potential options for expanding coverage were conducted.

# Annex C: Tables

FIGURE 1  
Rates of Employment in Construction by Region

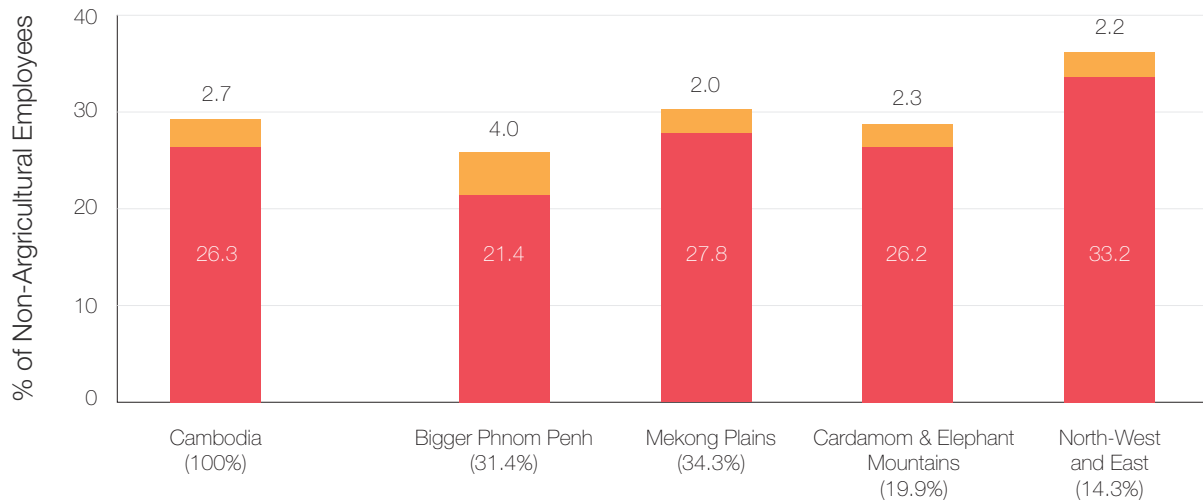


Region and Population Share of Workforce (not in Agricultural Sector)

Source: Authors' calculations from CSES 2015&2016

Regional profiles of construction workers are not available at a very fine grain from CSES (even when we join 2015 and 2016 data together) and we report profiles according to four larger regional aggregates. Figure 1 confirms that informal construction is more prevalent in rural areas but also suggests that higher rates of employment in construction are seen in the North-West and East, and Mekong Plains compared to the Cambodian average

FIGURE 2  
Rates of Self Employment and Tuk Tuk Drivers by Region



Region and Population Share of Workforce (not in Agricultural Sector)

Source: Authors' calculations from CSES 2015&2016

Other Self Employed Tuk Tuk Drivers

Regional profiles of tuk tuk drivers are not available at a very fine grain from CSES (even when we join 2015 and 2016 data together) and we report profiles according to four larger regional aggregates. Figure 2 confirms that tuk tuk drivers are overrepresented in the Bigger Phnom Penh area where overall rates of self-employment are lower than the national average. The prevalence of self-employment is highest in the North-West and East.

## Annex D: Data on Domestic Workers

The CSES surveys for 2015 and 2016 were explored to find data domestic workers. The following was found.

- 0.6% of all households have non-zero spending on domestic salaries. Leaving out those with household heads working solely in agriculture, this number becomes 0.8%.
- 0.1% of all individuals are classified as “servants” or as “other non-relatives including boarders”. Leaving out those with agriculture in main activity, this number rises to 0.2%.
- Occupational information on “Domestic cleaners and helpers” had zero observations. None of the observed individuals aged 15 and above work in this occupation as their main activity, nor does any as their second activity. Occupation codes for wider set of related occupations ISOC codes 911-916. 0.8% of all workers aged 15 and above work in these occupations as their main activity, and 0.3% as their second activity.

# Endnotes

- <sup>i</sup> Indeed, Article 4 of the Law on Social Security Schemes for Persons Defined by the Provisions of the Labour Law does identify “workers in self-employed professions” as covered by the law, but no Prakas established the provisions of this article.
- <sup>ii</sup> Indeed, workers employed more than eight hours a week have been registering with the NSSF to access healthcare through the HEF, and some small firms were also noted to have registered with NSSF as “informal” enterprises based on the argument that: 1) their workforces had low earnings; and/or 2) they themselves were not registered with the Department of Taxation or the Ministry of Commerce.
- <sup>iii</sup> During the KIs it was noted that labour market institutions – including employer organisations and worker representatives – play a key role in disseminating information about the NSSF schemes. However, it was also noted that while worker representatives often aim to undertake communication campaigns with their constituents, they lack the necessary “curriculum” or communication tools to engage in such activities.
- <sup>iv</sup> The ILO survey of firms and workers identified that awareness of the NSSF and NSSF benefits was lower among small enterprises (Pisey, 2017). In turn, awareness of the NSSF was also lower in specific economic sectors, including the hospitality sector. This is not surprising, as NSSF communication campaigns have focused on undertaking training sessions with large to medium firms, which were the only firms eligible to register until recently. However, as eligibility has now been extended to enterprises with one or more workers, new strategies will need to be adopted to raise awareness among this specific category of firms. The ILO survey noted that small enterprises favoured social media over other mediums, and the NSSF could aim to disseminate communications more tailored to this category through their social media presence (Pisey, 2017).
- <sup>v</sup> During the KIs it was noted that the NSSF is a member of two cross-ministerial working groups which aim to raise awareness about road safety and the prevention of mass fainting. There is, therefore, a precedent in Cambodia for ministerial collaboration for communication efforts.
- <sup>vi</sup> During the KIs it was noted that a web-based app is being developed to enable workers to better verify contributions made on their behalf, but NSSF inspectors themselves continue to work with paper-based forms.
- <sup>vii</sup> Ideally the definition should be elaborated and discussed in an inter-ministerial forum such as the NSPC to ensure that all relevant ministries are able to provide input. In turn, it would be important for the definition to be set in law, to ensure continuity and consistency.

<sup>viii</sup> This can include wage employees in formal firms, if the firm itself has not registered the worker with the NSSF. It also includes wage employees in informal firms – that is, firms which are themselves not registered with the NSSF. Self-employed workers and domestic workers not registered with the NSSF are also included in this definition. In the Cambodian context, self-employed workers and domestic workers are currently ineligible for the NSSF, as domestic workers are not protected by the labour law, and because of the lack of a Prakas defining the provisions for enabling self-employed workers to register. Adopting the international definition would, however, require that eligibility to social security be made available to these groups of workers as well, either through the existing scheme, or through the creation of specialised systems. In the long-term, this definition implies that the NSSF should aim to extend coverage to all workers in Cambodia.

<sup>ix</sup> This was the prioritisation criteria endorsed by participants in the consultation workshop.

<sup>x</sup> During the consultation workshop itself it became apparent that there is no single characteristic that determines vulnerability. For instance, while the ILO study identified that domestic workers have limited risk of work injury, this group of workers were identified by participants in KIs and the consultation workshop as among the most vulnerable solely on the basis that they work in private households. Here, poor working conditions – as opposed to risk to injury or disease – was identified as a measure of vulnerability, which is not likely to be addressed by social protection coverage. This prioritization approach should therefore be based on an actuarial assessment of risk of injury or disease, or a normative decision on work quality.

<sup>xi</sup> Here, the NSSF could establish partnerships with such institutions in the form of an MoU, similar to those between the NSSF and health facilities for example, which would set out the practicalities of the relation between the NSSF and the organisations.

- <sup>xii</sup> The NSSF could potentially provide LMIs with incentives in the form of a small “commission” for each worker/firm registered for example. Such a commission would ensure that the LMIs have the capacity to undertake such responsibilities, as the capacity of worker representatives to undertake such activities was identified as a potential limitation during the KIIs. A commission would also provide LMIs with an incentive to broaden their constituent base.
- <sup>xiii</sup> In the first instance the NSSF could identify specific sectors (those presenting the most vulnerability to work injury say, by combining with option 1), and then gradually moving towards lower-risk groups. Alternatively, the NSSF could partner with organisations with broad constituent bases, to extend coverage to larger groups of workers faster.
- <sup>xiv</sup> In turn, depending on the way partners are identified and selected, this may present a rather ad-hoc means of prioritizing groups of workers.
- <sup>xv</sup> The latter option may be more manageable, as it would register fewer individuals, but it risks excluding workers entering the labour market earlier, who are often more vulnerable. A sequenced approach – rolling out such a scheme for school leavers before adopting an age-based registration - could also be an option.
- <sup>xvi</sup> This may, potentially, remove barriers to employing young workers by reducing administrative procedures related to the registration of workers.
- <sup>xvii</sup> The task forces themselves would need to be composed of a broad range of actors, including representatives from the relevant line ministries with the pertinent knowledge and experience in each of the areas identified above, as well as employer and worker representatives from a broader range of sectors than are currently represented. Development partners and international agencies could be given observatory or advisory roles. This option was presented during the consultation workshop by several participants.







# PRACTICAL OPTIONS FOR THE **EXTENSION** OF SOCIAL PROTECTION TO WORKERS IN THE INFORMAL ECONOMY IN CAMBODIA

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