Chapter 8

Social Protection in the Philippines: Current State and Challenges

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CHAPTER 08

Social Protection in the Philippines: Current State and Challenges

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This paper reviews the current state of and challenges facing, social protection in the Philippines. It describes the social protection institutions and the schemes that have been developed throughout the years. It also provides an assessment focusing on coverage, administration and management. The paper then lists several reform themes for the country's social protection system.

The paper finds a continuing low coverage of the main bulk of workers - formal private sector wage-workers - even if the system expanded statutory coverage to own-account, overseas, domestic workers and even housewives. The lack of coverage of informal-sector workers persists. There is a continuing threat to sustainability because contributions and benefits are not strongly linked, particularly for the SSS. The funds are also subjected to continuous political pressure to finance social programs that are of doubtful return and which may not be in line with the long-term nature of the fund's obligations. There is also a need to continuously improve the investment earnings of the reserve funds. This may include terminating programs which are unlikely to meet the earning requirements for actuarial viability. Finally, there is a need to examine the increasing operating costs, considering that these are among the highest in the region.

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1. Introduction

The recent financial crisis highlighted the many challenges that social protection systems in different countries face. These challenges are often not new, but in fact have long been recognized yet were largely ignored, leading to threats to sustainability. They range from non-coverage of large proportions of the statutory eligible population to weaknesses in the administration and management of the different schemes. Social protection reform has thus become an important and continuing development concern. Reform, however, requires a good understanding of what schemes are in place and what challenges are being faced. This paper attempts to address this need in the case of the Philippines[2].

This paper reviews the current state of, and challenges facing, social protection in the Philippines. The coverage of social protection is potentially broad. To provide a comprehensive view of the extent of social protection in the country, the paper is thorough in terms of describing institutions and schemes. However, it is much more selective in its assessment of the schemes, focusing only on old age security, disability, and health care.

The paper is organized as follows: First, the state of, and challenges facing, social protection in the country, the underlying labor market conditions and poverty are described. A review of the institutions and schemes that have been developed throughout the years follows. Next, the country's social protection system is assessed in three areas, namely, coverage, level of benefits and administration and management. The final section presents recommendations for reforms that are mainly based on existing studies.

2. Developments in the Labor Market and Poverty

Population and Labor Supply. The working-age population defined as those who are 15 years and above, is estimated to be about 59 million in 2009. The number of

[2] Manasan (2009a) also provides a recent review of social security institutions in the country.

those in the labor force is estimated to be approximately 38 million, giving an average labor force participation rate of 64% (Table 1). It is well known that female participation in the labor force in the Philippines is around half that of men (Orbeta, 2003).

Table 1. Developments in the Philippine Labor Market

	2009 October	2008 October	2007 October	2006 October
Household population 15 years and above (000)	**59704 \1**	**58,283**	**56,845**	**55,638**
Labor Force (000)	**38,188**	**37,126**	**35,918**	**35,497**
Labor force participant rate (%)	64.0	63.7	63.2	63.8
Employed (000)	**35,477**	**34,533**	**33,672**	**32,886**
Employment Rate	92.9	93.0	93.7	92.6
Unemployed (000)	**2,711**	**2,593**	**2,246**	**2,611**
Unemployment Rate	7.1	7.0	6.3	7.4
Underemployed (000)	**7,409**	**6,028**	**6,109**	**6,762**
Underemployed Rate	19.4	17.5	18.1	20.6
By Sector				
Total	**100.0**	**100.0**	**100.0**	**100.0**
Agriculture	**34.0**	**35.7**	**36.1**	**36.6**
Industry	**14.5**	**14.7**	**15.1**	**14.9**
Services	**51.5**	**49.6**	**48.7**	**48.4**

Source: NSO, LFS.

Employment, Unemployment and Underemployment. The number of employed people in 2009 is 35.5 million and the number of unemployed is 2.7 million. This gives employment and unemployment rates of 92.9% and 7.1%, respectively. The country has one of the highest unemployment rates in Asia (e.g., Felipe and Lanzona, 2006). It is also noteworthy that a large proportion of the employed are actually not fully employed. Underemployment rate is estimated at 19.4% in 2009.

Sectoral Dis-aggregation. The current (2009) sectoral composition of employment shows that the service sector accounts for the largest share in employment at 51.5%. It has been pointed out that (e.g., Orbeta 2003) agriculture used to have the largest share until the later part of the 1990s. Since then the agricultural sector has been surpassed by services, accounting for only 34% of employment in 2009. The share of the industrial sector has not changed much over the decades implying that it is the services sector, rather than the industrial sector, that is absorbing the surplus workers from the agriculture sector (Table 1).

Distribution by Class of Worker. The distribution of workers shows that a little over 50% are wage and salaried workers, a little over a third are self-employed workers and the rest are unpaid family workers (Table 2). Almost three decades ago the share of salaried workers was just 45%. It has been pointed out that the increase in the percentage is mostly due to a decline in unpaid family workers, while the share of the self-employed has been stable (Orbeta, 2003). The share of government workers among the salaried is stable at around 8% or around 2.9 million workers which mean that there has been a rise in the proportion of salaried workers in the private sector.

Table 2. Labor Force By Class of Worker (thousands)

	2009		2008		2007		2006	
	October Round		October Round		October Round		October Round	
	%	Number	%	Number	%	Number	%	Number
Labor Force (000)		**38,188**		**37,126**		**35,918**		**35,497**
Total Employed	**100.0**	**35,477**	**100.0**	**34,533**	**100.0**	**33,672**	**100.0**	**32,886**
Wage and Salary Workers	**53.6**	**19,016**	**51.9**	**17,923**	**51.1**	**17,206**	**50,6**	**16,640**
Private	**53.2**	**18,874**	**43.9**	**15,160**	**43.3**	**14,580**	**43.0**	**14,141**
Private Household	5.4	1,916	5.0	1,727	5.2	1,751	5.0	1,644
Private Establishment	39.7	14,084	38.7	13,364	37.7	12,694	37.7	12,398
with Pay (family owned business)	0.4	142	0.2	69	0.4	135	0.3	99
Government/ Government corporation	**8.1**	**2,874**	**8.0**	**2,763**	**7.8**	**2,626**	**7.6**	**2,499**
Own Account	**34.5**	**12,240**	**35.5**	**12,259**	**36.5**	**12,290**	**36.3**	**11,938**
Self Employed	30.5	10,820	31.4	10,843	32.3	10,876	31.9	10,491
Employer	4.0	1,419	4.1	1,416	4.2	1,414	4.5	1,480
Unpaid Family Workers	**11.9**	**4,222**	**12.5**	**4,317**	**12.4**	**4,175**	**13.1**	**4,308**
Unemployed		**2,711**		**2,593**		**2,246**		**2,611**

Source: NSO, LFS.

Distribution of Firms by Employment Size. The distribution of firms by the size of their workforce in 2006 shows that about 92 percent of the firms have less than 10 employees (Table 3). These small firms account for 33% of the total workforce. This is not expected to change in the foreseeable future as the growth of employment is expected to be in this category (Asher, 2009).

Table 3. Number of Establishments by Employment Size, 2006.

Employment Size	Number of Establishments		Employment	Share in Employment
	Number	%	Number	%
Total	**783,065**	**100.00**	**4,984,883**	100.0
1 – 4	640,254	**81.76**	1,162,830	23.3
5 – 9	79,937	**10.21**	504,994	10.1
10 – 19	37,098	**4.74**	476,812	9.6
20 – 49	15,100	**1.93**	448,455	9.0
50 – 99	5,241	**0.67**	353,751	7.1
100 – 199	2,839	**0.36**	381,013	7.6
200 – 499	1,689	**0.22**	504,874	10.1
500 – 999	567	**0.07**	384,628	7.7
1000 – 1999	224	**0.03**	306,973	6.2
2000 and Over	116	**0.01**	460,553	9.2

Source of data: National Statistics Office, Industry and Trade Department, 2006. List of Establishments.

Notes:

1. Details may not add up to total because some data were suppressed.
2. The 2006 List of Establishments was based on feedback from surveys conducted supplemented by lists from different secondary sources after field updating was done in 2004 and 2005.

Poverty. Poverty incidence has not gone down as fast as expected (Table 4). There is even an indication of a resurgence of poverty in recent years, which is expected to worsen given the financial crisis and the typhoons that severely affected the economy last year. This trend is largely the result of an inconsistent (boom and bust cycle) growth record and a population growth rate that has not gone down as fast as that of our ASEAN neighbors.

Table 4. Poverty Incidence, Gap and Severity, 1985-2006

	1985	1994	1997	2000	2003	2006
Incidence	44.2	35.5	28.1	27.5	24.4	26.9
Gap	14.7	11.3	8.4	8.0	7.0	7.7
Severity	6.6	5.0	3.5	3.2	2.8	3.1

Source: Author's calculation using NSO Family Income and Expenditure Surveys 1985-1994 used regional thresholds; 1997-2006 used provincial thresholds.

3. The Social Protection System

We describe the social security system in the country in two ways. First, as a multi-pillar system following Holzman and Hinz (2005). Second, by institution and the schemes it has developed throughout the years.

3.1. Social Protection as a Multi-Pillar System

Following Holzmann and Hinz (2005), the social security system in the Philippines can be described as a five-pillar system. This is summarized in Table 5.

Table 5. Social Security as a Five-Pillar System

Pillar	Description of institutions and programs
Pillar 0 – Universal or residual social assistance, poverty-targeted, general tax-financed	Social assistance and poverty-targeted programs of government departments such as social welfare, health and labor
Pillar 1 – Mandated public pension, defined benefit (DB) schemes	Pension schemes of the SSS for private sector wage workers, of the GSIS for civilian public sector, and the AFP-RSBS for the military; Work-related accident insurance programs of the Employment Compensation Commission (ECC); health insurance program of the Philippine Health Insurance Corporation (PHIC); Overseas Workers Welfare Administration (OWWA) schemes on worker repatriation and work-related risks
Pillar 2 – Mandated occupational or personal pension plans, defined contribution (DC) schemes	HDMF (Pag-IBIG) compulsory savings schemes, AFP-RSBS compulsory saving schemes, GSIS life-insurance, OWWA life-insurance
Pillar 3 – Voluntary, occupational or personal pension plans and supplementary schemes	Company-based provident fund / pension schemes of large private corporations and public finance and autonomous corporations; GSIS mutual fund
Pilar 4 – Voluntary, informal support (family), formal social programs (healthcare), other individual financial and nonfinancial assets (homeownership)	Private pension, insurance and pre-need schemes, tax-deductible investment to personal accounts (PERA), community-based health insurance schemes

Source: Author's summary from relevant documents.

The zero pillar includes social assistance and other poverty-targeted programs. This pillar would include programs from different governmental departments, notably the Department of Social Welfare and Development (DSWD), the Department of Health

(DOH) and the Department of Labor and Employment (DOLE) to address the needs of the poor. These programs are financed by general taxes. For the DOH, this pillar would include the free primary medical care services at government health facilities and charity beds mandated in public and private hospitals (Banzon, 2008). Manasan (2009b) describes many of the programs of the DSWD and DOLE.

The first pillar includes mandatory defined benefit (DB) schemes. This pillar would include the social security schemes of the Social Security System (SSS) for the private sector, the Government Service Insurance System (GSIS) for the civilian employees of the public sector, and the Armed Forces of the Philippines-Retirement Benefit System (AFP-RSBS) for the military. This pillar also includes work-related accident insurance by the Employment Compensation Commission (ECC), which is administered by the SSS for private sector workers and by the GSIS for public sector workers.

The second pillar includes the defined contribution (DC) schemes. This pillar would include the savings programs of the Home Development Mutual Fund (HDMF) or Pag-IBIG Fund and the compulsory savings of the AFP-RSBS. Included here are also the mandatory life-insurance of the GSIS for public sector workers and the OWWA life insurance for overseas workers.

The third pillar includes voluntary occupational or personal pension schemes. This pillar would include the company provident/ pension schemes of large private corporations and publicly financed and autonomous corporations. The GSIS also has a mutual fund for voluntary investments by its members.

The fourth pillar includes voluntary supplementary schemes. This pillar would include individuals buying additional pension plans or pre-need products for many contingencies in life, usually from the private sector. A new law (RA 5051) officially called the Personal Equity and Retirement System (PERA) was passed in 2008 for implementation starting 2010. PERA allows individuals to make tax-deductible investments in a personal account. If employers make a contribution to it, this is tax deductible as well. Finally, there are nascent community-based health care systems.

3.2. Social Protection Institutions and Programs

The major social protection institutions of the country consist of seven institutions, namely: (a) the Government Service Insurance System (GSIS), (b) the Social Security System (SSS), (c) the Employee's Compensation Commission (ECC), (d) the Philippine Health Insurance Corporation (PHIC) or PhilHealth, (e) the Home Development Mutual Fund (HDMF) or Pag-IBIG, (f) the Armed Forces of the Philippines Retirement and Benefit System (AFP-RSBS) and (g) the Overseas Workers Welfare Administration (OWWA). Not mentioned here are the line departments that operate social assistance programs and private sector providers of social security schemes. The schemes these institutions developed and the contingencies that they address are summarized in Table 6. Backgrounds of the social protection institutions and the main features of the schemes are described below.

Table 6. Social Security Institutions/Programs and Risks/ Contingencies Covered

Risks/ Contingencies	Formal Sector workers				Unemployed, Housewives, Dependent children
	Government		Private (domestic)	OFW	
	Civilian	Military			
Old age/ Retirement	GSIS	AFP-RSBS	SSS		
Death / Survivorship	GSIS, ECC, HDMF (Pag-IBIG)	AFP-RSBS	SSS, ECC	OWWA	
Disability	GSIS, ECC		SSS, ECC	OWWA	
Separation/ Unemployment	GSIS	AFP-RSBS			
Sickness / Health	PhilHealth	PhilHealth	PhilHealth, SSS, ECC	PhilHealth, OWWA	Private insurers (voluntary)
Life insurance	GSIS (compulsory plus optional), Private insurers (voluntary)	Private insurers (voluntary)	Private insurers (voluntary)	OWWA, Private insurers (voluntary)	Private insurers (voluntary)
Mutual Fund / Provident fund	GSIS(optional), institution-based, HDMF (Pag-IBIG)	AFP-RSBS, HDMF (Pag-IBIG)	HDMF(Pag-IBIG), institution-based	HDMF (Pag-IBIG)	HDMF (Pag-IBIG) (voluntary)
Lending program	GSIS (salary, emergency, policy, housing), HDMF(Pag-IBIG)		SSS (salary, emergency, housing), HDMF (Pag-IBIG)	OWWA	

Source: Author's summary from relevant documents.

3.2.1. Government Service Insurance System

The GSIS was created through Commonwealth Act No. 186 in November 1936 to promote the efficiency and welfare of the employees of the Philippine government and to replace the pension systems established in Acts 1638, 3050 and 3173.

PD 1146, otherwise known as the Revised Government Insurance Act of 1977, expanded, increased, integrated and facilitated the payment of the social security and insurance benefits of government employees under Commonwealth Act No. 186. PD 1146 was amended by the current GSIS law, RA 8291 otherwise known as the GSIS Act of 1997, to further expand and increase the coverage and benefits of the GSIS.

Coverage. The GSIS covers all government employees irrespective of their employment status, except for the following: employees who have separate retirement laws such as the members of the Judiciary and Constitutional Commissions; contractual employees who have no employee-employer relationship with their agencies; and members of the Armed Forces of the Philippines (AFP) and the Philippine National Police (PNP), including the Bureau of Jail Management and Penology and the Bureau of Fire Protection (BFP).

Contribution. The monthly contribution rate is equal to 21% of the member's monthly compensation, with 9% payable by the employee and the remaining 12% by the employer. The employer's share includes a 4% premium for life insurance. Members of the judiciary and constitutional commissioners contribute 3% of their monthly compensation while the government pays a corresponding 3% share for their life insurance coverage.

Social Security Benefits. The GSIS provides the following social security benefits to all its members to provide coverage for contingencies such as retirement, death/ survivorship, disability benefits, separation and unemployment. The fulfillment of its obligations to its members is guaranteed by the government of the Republic of the Philippines (RA 1891, Sec. 8).

Old-age/ Retirement Benefits. The retirement benefits of government employees depend on the mode of retirement chosen. Although the compulsory retirement age from government service is 65, a government employee may apply for any of the following four retirement modes as soon as he/ she meets the corresponding eligibility criteria, which include length of service, age and date of entry into the service:

1) RA 1616 (Gratuity/ Optional Retirement) – The retirement benefits include a refund of the retiree's personal contributions with 3% interest and the corresponding government share without interest and a gratuity benefit equivalent to one month's salary for every year of service, based on the highest rate received, but not to exceed 24 months. To be eligible, a member must have at least 20 years of service regardless of age, must be in service on or before May 31, 1977 and must have no previous record of retirement under RA 1616 or RA 660.
2) RA 660 (Annuity/ Pension Retirement) – Under this mode, the GSIS grants a maximum monthly pension equivalent to 75% of the average monthly salary (AMS) received during the last 3 years immediately preceding retirement for retirees aged 57 and below and 80% of the AMS for those above 57 years old. The benefits can be taken in the form of a) an automatic pension or b) a three-year or five-year lump sum (60 months x basic monthly pension (BMP[3])). For a member to be eligible, he/ she must pass the "Magic 87" criteria, i.e., when the length of service and age of retirement are summed up, the total is at least "87"; he/ she must have been in the service on or before May 31, 1977; and he/ she must have a continuous last three years of service, except in cases of death, disability, abolition and phase-out of position due to reorganization.
3) RA 8291 - A retiree may choose from any of two retirement benefit options: (1) a 5-year lump sum (60 x basic monthly pension (BMP)) payable at the time of retirement plus an old age pension benefit payable monthly for life after the 5-year guaranteed period or (2) a cash payment (18 x BMP) plus a monthly pension for life payable immediately, without the 5-year guarantee. The BMP is subject to periodic adjustment as may be recommended by the GSIS's actuary and approved by the Board. The BMP has been increased by 10% every year. To be eligible, the retiree must have been in government service on or after June 1, 1977, have rendered at least 15 years of service, be at least 60 years of age, and not be receiving a monthly pension benefit due to permanent total disability (PTD) (RA 8291, Sec. 13).

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[3] The basic monthly compensation (BMP) is computed as follows: 37.5% of the revalued average monthly compensation (AMC) in the last three years plus 2.5% of the AMC in the last three years for each year of service in excess of 15 years. The BMP shall not exceed 90% of the AMC nor shall it be less than PhP1,300 for those who have served at least 15 years or PhP2,400 for those who have rendered 20 years of service after RA 8291 (Sec. 9) took effect.

4) PD 1146 – The retirement benefit options include a BMP for life guaranteed for 5 years or a 5-year lump sum (60 x BMP) and BMP after 5 years or a cash payment equivalent to 100% of the average monthly compensation for every year of service payable upon reaching age 60 or upon separation after age 60. If a pensioner is re-employed, payment of the pension shall be suspended and the retiree shall refund the GSIS an amount corresponding to the unexpired period.

A new law RA 9946 signed in January 2010 sets the pension of the members of the Judiciary who have rendered at least 15 years of service equal to their basic pay plus the highest transportation and representation allowance.

RA 7699 (Portability Law) applies for workers covered by GSIS or SSS who transfer employment from one sector to another or are employed in both sectors but do not satisfy the required years of service under PD 1146 and RA 8291 without "totalization". This is the process of combining the periods of creditable services or contributions in the private sector, represented by contributions to the SSS with government services or contributions to the GSIS for purposes of eligibility and computation of benefits for retirement, disability, survivorship, and other benefits under either PD 1146 or RA 8291. The amount of benefits that will be received from one System shall be in proportion to the number of contributions remitted to that System.

Survivorship Benefits. Beneficiaries of a member or pensioner who is in the service or has at least rendered 3 years of service at the time of his/ her death (RA 8291, Sec. 20-22) are eligible for survivorship benefits. The benefits include: a) a survivorship pension which consists of the basic survivorship pension which is 50% of the BMP payable to the spouse for life or until he/ she remarries and a dependent children's pension not exceeding 50% of the BMP to be paid until the age of majority, marriage, employment or death of the child; or b) survivorship pension plus a cash payment equivalent to 100% of his Average Monthly Compensation (AMC) for every year of service if the deceased was in the service at the time of his death with at least 3 years of service; or c) cash payment equivalent to 100% of his AMC for each year of service but not less than PhP12,000. RA 8291 also provides for a funeral benefit of at least PhP12,000 (RA 8291, Sec. 23). The amount has been increased to PhP20,000 as of January 2000.

Disability Benefits. Members who suffer disability for reasons not due to any of the following conditions, namely, grave misconduct, notorious negligence, habitual intoxication, or willful intention to kill oneself or another, and who meet the other eligibility requirements of the GSIS are entitled to disability benefits. The disability benefits may include a monthly income benefit for life, an additional cash payment or a cash payment to be determined by the GSIS. The benefits vary according to the schedule of disabilities prescribed by the GSIS as follows: 1) for permanent total disability (PTD)[4], a monthly income benefit for life equal to the BMP effective from the date of disability plus an additional cash payment equivalent to 18 times his/ her BMP or a cash payment equivalent to 100% of his/ her AMC for each year of service he paid contributions, but not less than PhP12,000; 2) for permanent partial disability (PPD)[5], a cash payment in accordance with the prescribed schedule of disabilities; 3) for temporary total disability (TTD)[6], 75% of a member's current daily compensation but not less than PhP70 per day for a maximum of 120 days in a year after exhausting all leave credits and an extension not to exceed a total of 240 days if more extensive treatment is required beyond 120 days; and 4) for non-scheduled disability or injuries or illnesses resulting in a disability not listed in the schedule of partial/total disability, the benefits are to be determined by the GSIS based on the nature of the disability (RA 8291, Sec. 15-19).

Separation Benefits. Members of the GSIS who separated from government service before the retirement age but have rendered at least 3 years of service and are below 60 years of age are entitled to separation benefits in the form of cash payments. For members who have rendered at least 3 years but less than 15 years of service, the cash payment is equivalent to 100% of the AMC for every year of service but not less than PhP12,000 payable upon reaching the age of 60 or upon resignation or separation,

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[4] PTD arises when the likelihood of recovery from impairment is medically remote. Injuries resulting in any of the following are deemed as PTD: complete loss of both eyes; loss of two limbs at or above the ankle or wrist; permanent complete paralysis of two limbs; brain injury resulting in incurable imbecility or insanity; and such other cases as may be determined by the GSIS (RA 8291, Sec.16)

[5] PPD arises when there is functional loss of any part of the body, despite which gainful occupation can still be pursued. The following are disabilities deemed as PPD: complete and permanent loss of the use of any finger, any toe, one arm, one hand, one foot, one leg, one or both ears, hearing of one or both ears, or sight of one eye and such other cases as may be determined by the GSIS (RA 8291, Sec. 17).

[6] TTD arises when mental/ physical impairment can be rehabilitated or restored to normal function.

which ever comes later. For members who have served the government for at least 15 years, the cash payment is equivalent to 18 times the BMP payable upon separation plus an old age benefit pension for life starting at age 60. An unemployment or involuntary separation benefit, also in the form of a cash payment, is granted to permanent employees who have rendered less than 15 years of government service and have been paying contributions for at least one year but separated involuntarily due to the abolition of his/ her office or position, usually arising from reorganization. The cash payment is equivalent to 50% of AMC payable for a period of 2 to 6 months depending on the length of contribution, which ranges from one year to less than 15 years prior to unemployment or involuntary separation.

Life Insurance. All government employees except for members of the AFP and PNP are automatically covered by compulsory life insurance, in particular, a Life Endowment Policy (LEP) for those who entered the service prior to August 1, 2003 and an Enhanced Life Policy (ELP) for those who entered the service after July 31, 2003 and members whose policies have matured. The life insurance benefits include, among others, policy loans and annual dividends. The GSIS also offers its members an optional insurance and/ or pre-need coverage for life, health, hospitalization, education, memorial plans and such other plans as may be designed by the system with premiums payable by the insured or his employer and/or any person acceptable to GSIS.

Lending Program. The GSIS also provides service loans to its members and pension loans for retirees.

GSIS Mutual Fund Program. The GSIS Kinabukasan Fund is a balanced fund[7] managed by the Philam Asset Management Inc. (PAMI), a member of the Philam Group of Companies, starting in 1998. It was intended to provide affordable investment options for government employees. The minimum investment requirement is PhP1,000 for members and PhP5,000 for non-members (optional). The mutual fund registered an annual return on investment as high as 21.92 percent in 2007. As of February 2010, the year to date return is 1.58% (http://www.philamfunds.com.ph).

Status. In 2005, the estimated number of membership of the GSIS is 1.5 million and it is disbursing 32.4 billion in benefits.

[7] A type of mutual fund that combines a stock component, a bond component and sometimes a money market component in a single portfolio

3.2.2. Social Security System (SSS)

The SSS was established through the Social Security Act of 1954 (RA 1161) as amended by RA 1792 in 1957 after a series of deliberations and studies following a recommendation to Congress to enact a law to establish a social security system for wage earners and low-salaried employees in 1948. In September 1, 1957, the SSS commenced operations with only 211 employees covering all employees in private business and industry with 50 or more employees. Between that time and the current governing law, the Social Security Act of 1997 (RA 8282) which amended RA 1161, the SSS has been strengthened and enabled to expand its coverage, provide substantial increases in social security benefits, extend more loan privileges, and establish a voluntary provident fund for its members, among others.

Coverage. Coverage in the Social Security System (SSS) is compulsory for employers and all private sector workers not over 60 years old including private employees whether permanent, temporary or provisional; self-employed persons[8]; household helpers with a monthly income of at least PhP1,000; Filipino seafarers; and employees of a foreign government, international organization or their wholly-owned instrumentality based in the Philippines. Voluntary coverage is extended to separated members, non-working spouses of SSS members, and overseas Filipino workers (OFWs).

Contribution. The monthly contribution rate is equivalent to 10.4% of a worker's monthly salary credit (MSC), with the employee paying 3.33% (except for self-employed and voluntary members who pay the full amount) and the employer paying the remaining 7.07% effective January 1, 2007. The rate is applied to 29 MSC brackets which ranges from PhP 1,000 to PhP15,000 resulting in a corresponding monthly contribution which ranges from PhP 104 to PhP 1,560.

Social security benefits. The SSS provides the following social security benefits: retirement benefits, death and funeral benefits, permanent disability benefits, sickness

[8] Self-employed persons are individuals with an income of at least P1,000 a month and not over 60 years old, engaging in trade or professions including but not limited to self-employed professionals; partners and single proprietors of businesses; actors and actresses, directors, scriptwriters and news correspondents who are not under an employer-employee relationship; professional athletes, coaches, trainers and jockeys; individual farmers and fishermen; and workers in the informal sector such as cigarette vendors, watch-your-car boys, and hospitality girls, among others.

benefits, and maternity benefits. Solvency of the SSS is guaranteed by the Government of the Republic of the Philippines (RA 8282, Sec. 21).

Retirement benefits. Private sector employees and self-employed persons may take cash payments, either as a monthly pension[9] or lump sum as their retirement benefit (RA 8282, Sec. 12-B). Members who have paid at least 120 monthly contributions and have reached 60 years or have reached the age of 65 at retirement are eligible for a monthly pension for life with the option of receiving the first 18 monthly pensions in a lump sum discounted at a preferential rate of interest to be determined by the SSS. A lump sum benefit equal to the total contributions paid is available to members who are 60 years old at retirement but do not qualify for a monthly pension, provided he/ she has ceased employment and is not continuing payment of SSS contributions on their own.

Death, funeral and survivorship benefits. If an SSS member, retiree or a member with permanent total disability dies, his/her primary or secondary beneficiaries[10] shall receive a monthly pension or a lump sum benefit as death benefit. For a deceased member who has made 36 monthly contributions prior to the semester of death, the primary beneficiaries shall be given a monthly pension. In the absence of primary beneficiaries, a lump sum benefit is granted to the secondary beneficiaries. For a member who has not paid the required 36 months contributions, his primary or secondary beneficiaries shall receive a lump sum benefit. Aside from the death benefit, beneficiaries of the deceased are also entitled to other benefits such as the 13th month pension payable every December. A funeral benefit of PhP20,000 is also paid to the one who shouldered the funeral expenses of the deceased member or pensioner, regardless of whether he/ she has paid any contribution. Hospitalization benefits under PhilHealth are provided to survivorship pensioners prior to the effectivity of RA7875 on March 4,

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[9] The monthly pension is based on the number of paid contributions and the years of membership with the amount set at PhP1,000 for members with less than 10 credit years of service (CYS), PhP1,200 for those with at least 10 CYS, and PhP2,400 for those with 20 CYS (RA 8282, Sec. 12 (a)). It is the highest of the following amounts: 1) PhP300 plus 20% of the average monthly salary credit (AMSC) plus 2% of AMSC for each CYS in excess of 10 years; 2) 40% of AMSC; or 3) PhP1,000 provided that the monthly pension shall in no case be paid for an aggregate amount less than 60 months. See also Templo (2002) for the pension formula.

[10] The primary beneficiaries are the legitimate dependent spouse until the person remarries and the dependent legitimate, legitimated, or legally adopted, and illegitimate children of the member who are not yet 21 years old. The dependent parents shall be the secondary beneficiaries, in the absence of primary beneficiaries. Any person designated by the member as beneficiary in the member’s record shall be the secondary beneficiary, in the absence of all the foregoing. (RA 8282, Sec. 8-k)

1995. The minor children of a deceased member, up to a maximum of five children are also entitled to a dependents' pension, which is equivalent to 10% of the monthly pension or PhP250, whichever is higher. The dependent's pension is granted until age 21 and will terminate when he/ she is employed, married or dies.

Disability Benefits. An SSS member who suffers partial or total disability is granted either a monthly pension if he/ she has paid 36 monthly contributions prior to the semester of disability or a lump sum amount if the required 36 monthly contributions are not paid. A minimum of one monthly contribution paid qualifies a disabled member to receive a disability benefit. The monthly pension is granted for life to members with permanent total disability (PTD) and primary beneficiaries of a deceased PTD pensioner. The monthly pension is granted for a designated period only or may be given in a lump sum if it is payable for less than 12 months to members with permanent partial disability (PPD). Dependents of members with PTD, limited to five minor children, are also entitled to a dependents' pension. The monthly pension and dependents' pension are suspended when the member is re-employed or resumes self-employment, recovers from disability, or fails to present himself/ herself for examination at least once a year upon notice by the SSS. Aside from the cash benefit, a supplemental allowance of PhP500 is given to total or partial disability pensioners. Hospitalization benefits under PhilHealth are provided to total disability pensioners and their legal dependents prior to the effectivity of RA 7875. The SSS is currently implementing a new re-designed disability program, which aims to ensure the payment of the right cash benefit to deserving members. The new disability program adopts the World Health Organization's (WHO) definition[11] of disability and the International Statistical Classifications of Diseases and Related Health Problems Codes (ICD-10), includes medical and functional assessments and requires annual assessment of all pensioners except those with scheduled disabilities stated in RA8282, Sec. 13-A (f).

Sickness Benefits. A daily cash allowance is paid as sickness benefit to SSS members for the number of days that they are unable to work due to sickness or injury (RA 8282 Sec. 14 and 14-A). The sickness benefit is equivalent to 90% of a member's

[11] Disability is defined as any "restriction or lack (resulting from impairment) of ability to perform an activity in the manner or within the range considered normal for a human being" while impairment is any loss or abnormality of psychological, physiological or anatomical structure or function.

average daily salary credit and can be granted for a maximum of 120 days in a year or 240 days in a single hospitalization. This benefit is available to employed, unemployed, self-employed or voluntary paying members who have paid at least 3 monthly contributions prior to illness and whose period of stay in a hospital or elsewhere with SSS approval is more than 3 days. A member, within a period of 5 days after the start of the sickness or injury, should notify the employer who must, in turn, notify the SSS within 5 days.

Maternity Leave Benefits. A daily cash allowance equivalent to 100% of the average daily salary credit for 60 days or 78 days in case of a caesarean section delivery for the first four deliveries or miscarriages is granted as maternity benefit to female SSS members unable to work due to childbirth or miscarriage. To be eligible, at least three monthly contributions within the 12-month period immediately preceding the semester of her childbirth or miscarriage must have been paid and she must have properly notified her employer about her pregnancy, or the SSS if she is a separated, voluntary or self-employed member.

Lending Programs. The SSS also extends salary, housing and business loans to its members.

Status. In 2007, the SSS has 28 million members and disbursed some 60.7 billion in benefits.

3.2.3. Employee's Compensation Commission (ECC)

The ECC was created in November 1, 1974 by virtue of PD 442 otherwise known as the Labor Code of 1975 and became fully operational with the issuance of PD No. 626 otherwise known as the Employees' Compensation and State Insurance Fund. The ECC, a quasi-judicial corporate entity attached to the Department of Labor and Employment was created to initiate, rationalize and coordinate the policies of the Employees' Compensation Program (ECP). The ECP, established under PD 442, Art 166-208A provides employees and their dependents a package of benefits in the event of work-connected contingencies such as sickness, injury and disability.

The ECC is composed of five ex-officio members, namely, the Secretary of Labor and Employment as Chairman, the GSIS Manager, the SSS Administrator, the Chairman of the Philippine Health Insurance Corporation, and the Executive Director of the ECC, and two other members who are appointed by the President of the Republic to represent employees and employers. The GSIS Manager or the SSS Administrator is vested with the general conduct of the operations and management functions of the GSIS or the SSS under PD 626.

Coverage. Coverage in the State Insurance Fund (SIF) is compulsory for all employers and their employees, both in the public and private sectors, including Filipino employees working abroad who are not over 60 years old and paying contributions to qualify for retirement or life insurance benefit. Employers are obliged to pay monthly contributions to the SIF until such time as a covered employee dies, becomes disabled or is separated from employment. The amount is equivalent to 1% of an employee's monthly salary credit.

Benefits. The ECC is liable to pay the employee and his dependents compensation except for the following causes of disability or death: intoxication, willful intention to injure or kill himself or another, notorious negligence or otherwise provided under PD 626. The employee compensation (EC) benefits include: 1) medical benefits, 2) disability benefits, and 3) death and funeral benefits. The EC benefits are guaranteed by the Republic of the Philippines which likewise accepts general responsibility for the solvency of the SIF.

Medical Benefits. The System shall provide an employee with medical services and appliances immediately after contracting an injury or illness and during the subsequent period of disability. The medical benefits cover all fees and other charges for hospital services, medical care and appliances which shall not be higher than those prevailing in wards of hospitals for similar services to injured or sick persons in general. The medical benefits shall include payment of professional fees that are appreciably higher than those prescribed under the Philippine Medical Care Act of 1969 (RA 6111, as amended). The System also provides rehabilitation services, which consist of medical, surgical or hospital treatment, including appliances to injured and handicapped employees.

Disability Benefits. The System pays any employee with temporary total disability (TTD) an income benefit equivalent to 90% of his average daily salary credit provided the daily income benefit "shall not be less than PhP10 and not more than 20 days or more than PhP90 nor paid for a continuous period longer than 120 days, except as otherwise provided by the Rules and the System shall be notified of the injury or sickness". For an employee with permanent total disability (PTD), the System pays a disability benefit equivalent to the monthly income benefit plus 10% thereof for each dependent child but not exceeding five children, guaranteed for 5 years subject to suspension once the pensioner is gainfully employed or recovers from his PTD, or whenever he fails to present himself for examination upon notice from the System. For an employee with permanent partial disability (PPD), the income benefit is equivalent to the income benefit for PTD for each month not exceeding a designated period for such disability. The System is also liable to pay income benefits to any employee under PPD who suffers another injury which results in a greater disability.

Death and Funeral Benefits. The System pays to the primary beneficiaries of a deceased member an amount equivalent to his monthly income benefit, plus 10% thereof for each dependent child, up to a maximum of five children, guaranteed for 5 years. In the absence of primary beneficiaries, the System will grant his secondary beneficiaries the monthly income benefit but not to exceed 5 years. The minimum death benefit is PhP15,000. For deceased PTD pensioners, their primary beneficiaries shall receive 80% of the monthly income benefit while their dependents' shall receive the dependents' pension. A funeral benefit of PhP3,000 is paid to beneficiaries of a deceased covered employee or PTD pensioner.

The ECC also implements a rehabilitation program for occupationally disabled workers (ODWs) which includes the ECC-QRT Program, the KaGaBay Program, and the ODW Friendly Employer Award. It also carries out advocacy on ECP, and industrial clinic programs, and a public assistance program.

Status. Since GSIS and SSS administer the ECC programs for the public and private sector workers, respectively, performance is usually included in the administering institutions.

3.2.4. Philippine Health Insurance Corporation (PhilHealth)

The PhilHealth succeeded the Philippine Medicare Commission in 1995 with the enactment of RA 7875 and assumed the responsibility of administering the Medicare program for government and private sector employees with its transfer and the turnover of the health insurance funds from the GSIS in October 1997 and from the SSS in April

1998.

Coverage. PhilHealth is mandated to provide universal coverage including all employees in the government and private sector, including household help and sea-based OFWs, and officers and uniformed and non-uniformed personnel of the AFP, PNP, BJMP, and BFP who entered the service after the effectivity of RA 8291; individually-paying members; indigent members paid for by Local Government Units; retiree-members; and dependents.

Benefits. PhilHealth provides its members with a wide range of personal health services consisting of in-patient hospital care, out-patient care; health education packages; emergency and transfer services; and such other health care services as may be determined by the PHIC. The in-patient hospital care package include allowances for hospital room and board fees from PhP300 to PhP1,000 per day for up to 45 days per year for each member and another 45 days to be shared by their dependents; drugs and medicines from PhP2,700 to PhP40,000 and allowances for x-ray and other laboratory exams from PhP1,600 to PhP30,000 per single period of hospitalization; use of the operating room complex; and professional fees for attending physicians. The other PhilHealth benefit packages include a maternity care package, day surgery benefit, out-patient TB package, dialysis, chemotherapy and radiation therapy, and out-patient benefits for the poor.

PhilHealth benefits are granted to the following: 1) an SSS or GSIS member who has paid premium contributions for at least 3 months within the 6 months prior to the 1st day of his or his dependents' receipt of benefit; 2) retirees and pensioners of the SSS and GSIS and their dependents prior to the effectivity of this Act; 3) members who reach retirement age and have paid at least 120 monthly contributions; and 4) enrolled indigents.

Status. As of March 2009, PhilHealth estimated it has covered at least 82%[12] of the population or about 77 of the 92 million populations when dependents are counted. It granted 17.4 billion worth of benefits in 2007.

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[12] This is based on administrative reports. Other estimates show substantially lower coverage (Herrin, 2010).

3.2.5. *Home Development Mutual Fund (HDMF)*

The HMDF or Pag-IBIG[13] Fund was established in 1978 to address the need for a national savings program and an affordable source of finance for Filipino workers by virtue of PD 1530, as amended by PD1752 and RA7742. The Fund was initially administered by two agencies – the GSIS for the savings of government workers and the SSS for the savings of private employees. In 1979, administration of the mutual fund was transferred to the National Home Mortgage Finance Corporation (NHMFC). The funds from the government and private workers were also merged into what is now known as the Pag-IBIG Fund to make it more stable and viable. The signing of PD 1752 known as the HMDF Law of 1980 made the Pag-IBIG Fund independent from the NHMFC.

Coverage. Coverage was initially voluntary under PD 1530 and then made mandatory upon all GSIS and SSS members and their respective employers and voluntary only for those with a monthly compensation of less than PhP4,000 under PD 1752. The latter also extended the coverage to other working groups, with or without employer contributions. It became voluntary again in 1986 (EO 96) and back to a combination of mandatory and voluntary under RA 7742 in 1995. Under RA 9679 or the HMDF Law of 2009 membership to the Pag-IBIG Fund is mandatory for all employees covered by the GSIS and the SSS, including uniformed members of the AFP, BFP, BJMP and PNP and Filipinos employed by foreign-based employers. Voluntary membership is extended to spouses who devote themselves to managing the household and family affairs. Other working groups, with or without employer contributions may also be covered, as may be determined by the Board of Trustees. The term of membership is 20 years but may be terminated earlier for reasons of retirement, disability, insanity, death, departure from the country or other causes as may be provided by the Board of Trustees.

Contribution. The monthly contribution of employees to the provident Fund is one (1) percent for those earning below PhP1,500 per month and two (2) percent for those earning above PhP1,500 per month. All employers are required to pay the employer's counterpart of two percent (2%) of the monthly compensation of all covered employees.

[13] Pag-IBIG is an acronym for Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno

For voluntarily-paying spouses, their monthly contribution is based on one half (1/2) of the monthly compensation income of the employed spouse. Contributions to the fund shall be based on a maximum monthly compensation of PhP5,000 the amount of which may be subject to change from time to time by the Board of Trustees taking into account actuarial calculations and rates of benefits. All the personal and employer counterpart contributions are credited to each member and are transferable in case of change of employment.

Provident claims. Under RA 9679, a member may claim the total accumulated value (TAV) of his/ her contributions after the 15th year of continuous membership provided the member has no outstanding housing loans. The TAV consists of the member's accumulated personal contributions, the employer's counterpart contribution, if applicable, and dividend earnings credited to the member's account. The dividend rate is 70% of the Pag-IBIG Fund's annual net income and is tax-free. Payment is made upon maturity of membership, retirement, death, disablement or emigration.

Other benefits. Housing loans are made available to members in good standing. The HMDF also provides its members with multi-purpose loans, calamity loans and special short-term loans. The multi-purpose loan is equivalent to up to 60% of the total accumulated value of a member's contributions. As with the benefits of the GSIS, SSS and ECC, the benefits prescribed under RA 9679 are guaranteed by the Government of the Republic of the Philippines.

Shelter Financing Programs. The HMDF is mandated to invest not less than 70% of its investible funds in housing. The HMDF implements four shelter financing programs, namely, end-user financing; the Expanded Housing Loan Program (EHLP), Others (folio 1, overhang, withdrawals prior to EHLP, UHLP); and institutional financing. The latter includes direct development loans; group land acquisition and development programs; Pag-IBIG City; medium/ high rise building; housing liquidity bond window; LGU Pabahay Program; credit facility for private developers/ interim financing; purchase of housing receivables; house construction financing line; and other development financing programs.

Status. As of 2007, the HDMF has 6.8 million members and disbursed some 4 billion in benefits for the same year.

3.2.6. Armed Forces of the Philippines Retirement and Benefit System (AFP-RSBS)

The AFP-RSBS was created by PD 361 issued in December 1973. Operations, however, started only in October 1976. It was created for "payment of retirement and separation benefits provided under existing laws to military members of the Armed Forces of the Philippines". It is administered by the Chief of Staff of the AFP. It is funded through appropriations and contributions; donations, gifts, legacies, bequests and others to the System; and all earnings of the System.

Coverage. It covers all officers and enlisted personnel in the active service of the AFP.

Contribution. Contribution to the System is mandatory except for officers or enlisted personnel of the AFP who were due for retirement or were optionally retirable and actually elected to retire within one year from its approval. The contribution rate is equivalent to 4% of a member's monthly base salary and longevity pay. The rate was later raised to 5% by PD 1656 in 21 December 1979. PD 1909 issued on March 22, 1984 required retirees who had retired prior to September 10, 1979 to contribute 5% of their monthly pensions to the scheme.

Benefits. The benefits include: 1) retirement and/ or separation gratuity payments or pensions for AFP personnel who were already retired at the effective date of this law and for those who were exempted from paying contributions and 2) a refund of all contributions to the System plus 4% interest for any officer or enlisted person who is separated from the service through no fault of their own and is not eligible for either retirement or separation benefits.

The scheme suffered several problems and had been subject to several congressional investigations. A bill (HB6929) was filed in Congress seeking dissolution of the program[14]. Finally, EO 590 was issued on 15 December 2006 de-activating the AFP-RSBS effective 31 December 2006. The EO specified the return of the member's contributions plus 6% interest upon retirement. Payment of obligations is guaranteed by the national government and implemented through the Department of National Defense.

[14] Source: **Jasmin Camero, MRS-PRIB "**Abolition of AFP Retirement and Separation Benefit System Sought" 10 November 2009 http://www.congress.gov.ph/press/details.php?pressid=3884

3.2.7. Overseas Workers Welfare Administration (OWWA)

The OWWA, an attached agency of the Department of Labor and Employment (DOLE), is mandated to deliver welfare services and benefits to overseas Filipino workers (OFWs) and their dependents and to ensure the build-up of capital and viability of the OWWA fund[15]. The creation of OWWA began with the creation of a "Welfare and Training Fund for Overseas Workers" in the Department of Labor through LOI 537 in May 1997. The LOI provided social and welfare services to OFWs including insurance coverage, social work assistance, legal assistance, placement assistance, cultural services, remittance services and the like. In 1980, PD 1694, as amended by PD 1809, formalized LOI 537 into the Welfare Fund for Overseas Workers (Welfund) and ordered fund transfer from all sources to Welfund to be administered by a Board of Trustees. Welfund was renamed OWWA under EO 126 (Sec. 19f).

EO 195 in 1994 provided a Medical Care (MEDICARE) Program for OFWs and their dependents who are not covered by the Philippine Medical Care Program of the SSS. The "Migrant Workers and Overseas Filipinos Act of 1995" (RA 8042) strengthened OWWA's mandate and services for OFWs and their dependents. In particular, Sec. 15 of RA 8042 provided for the repatriation of workers in cases of war, epidemics, disasters or calamities, natural or man-made, and other similar events, subject to reimbursements by the responsible principal or recruitment agency. In cases where the principal or recruitment agency cannot be identified, OWWA shall bear all costs attendant on repatriation. For this purpose, OWWA created and established the Emergency Repatriation Fund. The Re-placement and Monitoring Center (RPMC) for returning Filipino migrant workers was also established. A Migrant Workers Loan Guarantee Fund was also established to try to prevent unscrupulous illegal recruiters and loan sharks from taking advantage of workers needing a loan to finance the costs of overseas employment.

OWWA BOT Resolution No. 038 in 2003 established the Omnibus Policies of the OWWA. The DOLE Secretary was designated through EO 446 in July 2005 to oversee

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[15] The OWWA fund is "a single trust fund pooled from the US$25.00 membership contributions of foreign employers, land-based and sea-based workers, investment and interest income, and income from other sources" (http://www.owwa.gov.ph/index.php?page=about-owwa).

and coordinate the implementation of the different initiatives for OFWs.

Contribution. A USD 25 membership contribution is collected from foreign employers and land-based and sea-based workers.

Benefits. The OWWA provides the following insurance and health-care program benefits for its members: 1) life/ accident insurance – a life insurance coverage of PhP100,000 for natural death and PhP200,000 for accidental death for the duration of employment contract; 2) disability and dismemberment benefits ranging from PhP2,000 to PhP50,000; 3) total permanent disability benefit of PhP100,000; and 4) burial benefit of PhP20,000.

OWWA also grants members, and their designated beneficiary, scholarships to education and training programs subject to a selection process and accreditation of participating institutions. It also implements social services and family welfare assistance programs such as the repatriation program, the reintegration program and the OWWA-NLSF LDPO Project. OWWA also provides loan packages such as the collateral loan window which has a loan ceiling of PhP200,000 for individual borrowers and PhP100,000 per group and a 9% interest rate per annum. The OFW Groceria Project is another loan assistance package extended to qualified OFW Family Circle beneficiaries in the form of merchandise goods worth PhP50,000 free of tax.

Status. As of 2007, the number of members of the OWWA schemes is estimated to be 1.2 million and benefits disbursed for the year amounted to 425.7 million.

4. Assessment

4.1. Coverage

Following Van Ginneken (2008), we discuss coverage in terms of three dimensions, namely (a) people, (b) contingencies, and (c) benefit levels. Assessment of the Philippine social protection system shows that coverage of people is low (under 50%) at best and while there are schemes developed for each of the contingencies, the coverage is expected to be even lower than that for pensions.

4.1.1. People

The Philippine Social Insurance programs virtually covers formal sector workers only (see of instance Manasan (2009b), ILO (1996), WB (1995)). Within the formal sectors, the public sector workers are well covered compared to the private sector workers. Table 7 shows the number of contributing SSS members by type from 2000-2009. It also shows the size of the approximate eligible population. By SSS law the eligible population includes private sector wage-workers, the self-employed and OFWs. Comparison of the number of contributing members with the eligible population shows that the coverage for the wage-workers ranges from 36 to 48 percent for 2000 to 2009. For own account workers,[16] the coverage is even lower ranging from 12 to 15 percent. Coverage of the OFWs is of similar magnitude (11 to 15 percent).

Table 7. Estimated SSS Coverage of Private Sector Workers

Year	Contributing SSS Members (000)			Workers (000)			Estimated Coverage (%)		
	Employed [a]	Voluntary [b]	OFWs [c]	Private wage & salary workers [d]	Own account [e]	OFW Deployed [f]	Private wage & salary workers [a]/[d]	Own account [b]/[e]	OFW Deployed [c]/[f]
2000	5,519	1,343	89	11,534	10,471	842	48	13	11
2005	6,054	1,463	112	16,438	12,263	989	37	12	11
2006	6,327	1,533	141	14,141	11,938	1,063	45	13	13
2007	6,592	1,573	158	14,580	12,290	1,078	45	13	15
2008	6,715	1,683	175	15,160	12,259	1,236	44	14	14
2009	6,850	1,833	197	18,874	12,240	n. a	36	15	-

Source of basic data: SSS and LFS, various years.

Even if the problem has been well recognized in the early 1990s (e.g. ILO, 1996 and WB, 1995), there is still no real progress with respect to the coverage of “irregular” workers. The current SSS law has expanded coverage to the self-employed, overseas workers and even household workers. Their enrolment, however, is expected to be low, given that enrolment of the primary eligible population - formal sector wage-workers - is low. Table 7 shows the coverage for the own account workers and OFWs is estimated to be only between 11-15%.

Another way of looking at coverage is to compare the computed number of

[16] Consisting of the self-employed and employers

pensioners and the eligible population aged 60 years and above. This also indicates low coverage. For instance, as of 2006 the recorded number of social insurance beneficiaries is 1.95 million for SSS and 0.136 million for the GSIS or a total of 2.08 million (Table 8). Relative to the estimated population of 60 years and above in 2006 (from the medium series projection of the NSO based on the 2000 Census) of 5.46 million, this implies a coverage rate of 38%.

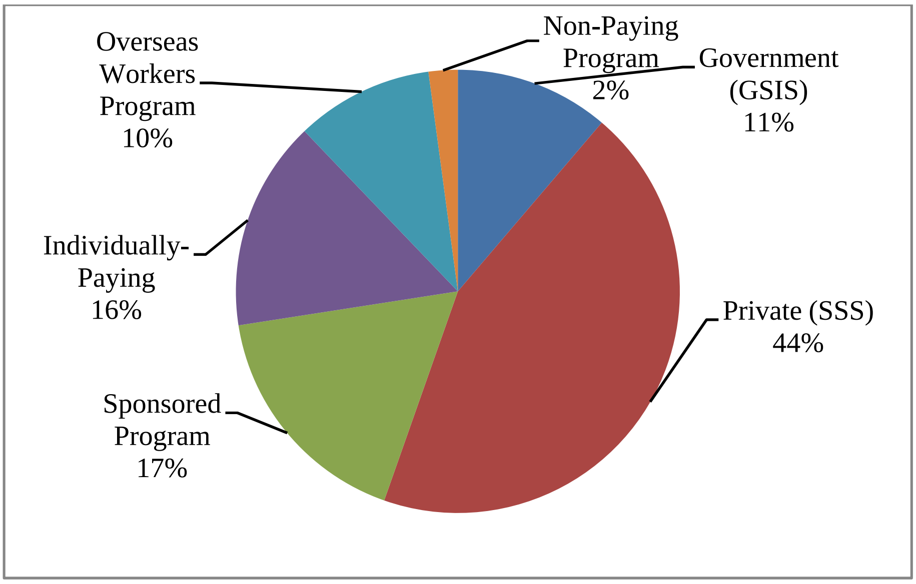
Table 8. Number of Beneficiaries, SSS and GSIS

	SSS	GSIS	Total	Estimated	Estimated
	Social Security	Social Insurance	Social Security Beneficiaries	Population 60 & above	Coverage (%)
2000	1,686,686	154,238	1,840,924	4,587,800	40
2001	1,775,995	167,749	1,943,744	4,713,081	41
2002	1,823,822	185,209	2,009,031	4,842,540	41
2003	1,858,917	127,143	1,986,060	4,976,334	40
2004	1,901,848	149,019	2,050,867	5,114,631	40
2005	2,022,110	135,633	2,157,743	5,257,600	41
2006	1,949,269	135,633	2,084,902	5,460,290	38
2007	2,036,440	n. a	-	-	-
2008	2,188,807	n. a	-	-	-

Source:
SSS : SSS Contributing Members.
NSO (LFS) : Private wage and salary workers, own account workers.
POEA : OFW Deployed

In terms of health insurance, the coverage is much better. The PHIC estimates 77 million (or 82%) of the 92 million are covered as of March 2009. There are, however, other estimates discussed below that indicate a much lower rate of coverage than what administrative reports indicate. Based on the 2007 data, the structure of its 15.8 million members is as follows: 11% government employees, 44% private sector employees, 17% sponsored programs, 15% individually paying members, 10% overseas workers, and 2% non-paying members (Figure 1). Comparing the number of members to the eligible population shows that 68% of government workers, 48% of private sector wage-workers and 20% of own-account workers are covered. The sponsored program is intended for indigents. The payment of the premium for this program is shared by the national and local governments.

Figure 1. Structure of PHIC Membership, 2007



Source: PHIC

The coverage discussed above refers to averages. It would be instructive to look at the profile of the covered population. Unfortunately, the profiles of those covered by the social security scheme are often not readily available. To give us an indication of this, we gauge the extent of the coverage using indirect measures, i.e., using data from household surveys. The Family Income and Expenditure Surveys (FIES) provide detailed data on income and expenditure of households. On the expenditure side, households paying insurance premiums can be identified. On the income side households receiving pension incomes can also be identified. The Annual Poverty Indicators Survey (APIS) also provides similar income and expenditure data. In addition, other useful information like households having at least one member who has health insurance from either the PHIC or other private health insurance is also provided.

Finally, the National Demographic Survey also provide data on health insurance coverage and the most recent round (2008) even asked for coverage information for individual members giving a more precise measure of coverage compared to the one used in APIS.

FIES expenditure data show that only 33% of households, on average, are paying an insurance premium (Table 9). What is more notable, although not very surprising, is the wide disparity of those paying insurance premiums across income groups. Only 2% for the bottom decile pay insurance premiums while this is 80% for the topmost decile. The same survey also says that only about 24% of households whose head is 60 years and above received a pension income (Table 10).

Table 9. Pay Insurance Premium by Income Deciles, 2006

Income Deciles	**Pays Insurance Premium**
First Decile	0.02
Second Decile	0.04
Third Decile	0.08
Fourth Decile	0.13
Fifth Decile	0.21
Sixth Decile	0.32
Seventh Decile	0.42
Eigth Decile	0.58
Ninth Decile	0.67
Tenth Decile	0.80
Total	0.33

Source: Author’s calculation using FIES 2006.

Table 10. Households with Heads of 60 Years and above who are receiving Pensions, 2006

Age of HH	With Pension Income	Mean Pension Income	Ratio Pen. Inc. Total Inc.	Mean Total Income	Mean per-capita Income
60 – 64	0.18	63,350	0.04	189,682	47,911
65 – 69	0.24	64,921	0.07	177,182	47,411
70 – 74	0.27	49,506	0.08	160,973	43,313
75 – 79	0.29	47,196	0.08	167,243	46,485
80 – 84	0.33	55,700	0.11	152,126	52,078
85 – 89	0.35	56,689	0.12	149,008	49,818
90 +	0.36	104,529	0.11	216,873	93,420
Total	**0.24**	**58,133**	**0.07**	**175,152**	**47,432**

Source: Author’s calculation using FIES, 2006.
Ave per inc. : 41,911
Pov. Threshold: Min 11,591
Max 20,908

In terms of health insurance, APIS 2004 data shows that about 44% of households have at least one member who has health insurance (Table 11). Most of these are from the PHIC (42%). Considering that PhilHealth coverage include dependents (namely children below 21 and parents 60 and above), the population coverage was estimated to be 52 to 62 percent (Herrin, 2010).[17] The recent survey estimate based on the 2008 National Demographic and Health Survey which asked for health insurance coverage at the individual level shows that 42% have a form of insurance plan of which 38% are covered by PhilHealth, 1.8% by GSIS and 11% by SSS.

Table 11. Health Insurance by Income Deciles, 2004

Income Decile	With any Health Insurance	With PHIC	With HMO	With Private Health insurance	With Other Health insurance
1	0.274	0.269	0.001	0.002	0.003
2	0.288	0.281	0.001	0.003	0.006
3	0.307	0.299	0.001	0.006	0.008
4	0.345	0.333	0.001	0.014	0.011
5	0.367	0.351	0.002	0.017	0.015
6	0.413	0.393	0.005	0.025	0.017
7	0.472	0.448	0.012	0.035	0.021
8	0.531	0.500	0.009	0.050	0.031
9	0.649	0.618	0.019	0.084	0.035
10	0.711	0.675	0.049	0.156	0.037
Total	0.436	0.417	0.010	0.039	0.019

Source: Author's Tabulation using APIS 2004

Across income groups, the health insurance coverage is 27% for the poorest decile and 71% for the richest (Table 11). PhilHealth coverage, being the dominant insurer has a similar distribution across income groups. Data from the 2008 NDHS show similar disparity with only 21% of the poorest wealth quintile covered while coverage for the richest quintile is 65%. Again PHIC, being the dominant provider, shows the same pattern of 20% in the bottom quintile and 57% for the richest quintile. Herrin (2010), citing the National Health Accounts estimates in Racelis et al, (2006), showed that PhilHealth benefit payments were also larger for richer households reflecting this difference in coverage. In terms of residence, there is a 14-percent coverage difference between urban and rural areas as expected.

4.1.2. Contingencies

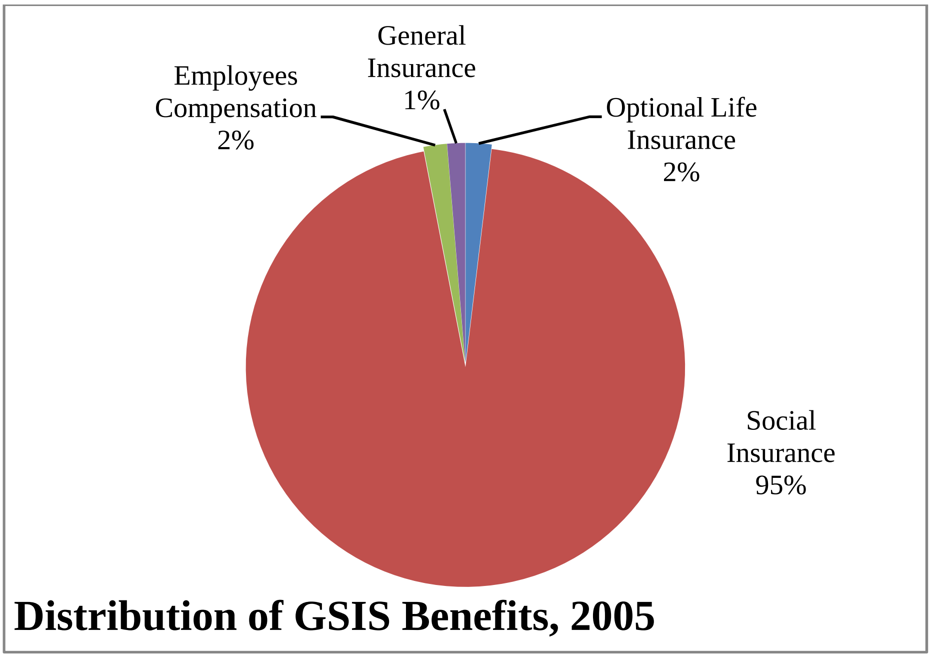
The review of programs above, summarized in Table 6 show there is at least one program that covers any conceivable contingencies, such as old age, work injuries, and

[17] Administrative reports of the PHIC claim the coverage is near universal at 85% (Herrin, 2010)

health problems. Short-term contingencies are addressed by general-purpose salary and policy loans. Even very specific risks, like calamities and economic crises, are covered with government often mandating social security institutions to provide for these specific contingences, presumably using reserves, in times of calamities and economic crises (see Manasan, 2009b). However, we already know the coverage problems.

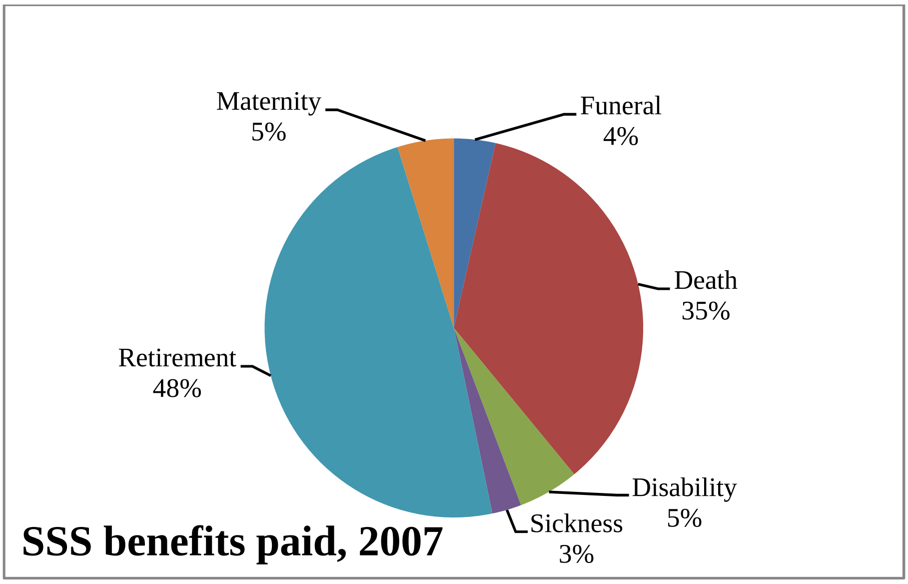
To gauge the importance of the schemes, we look at the distribution of benefits paid by the social security institutions. GSIS benefits are concentrated on social insurance, which accounts for 95% of the benefits in 2005. The other components are very small, e.g., 2% for employees compensation, 1% for general insurance, and 2% for optional life insurance (Figure 2). We have a less concentrated allocation of benefits for the SSS. While payment for pension (retirement) is still the biggest block (48%), there are considerable allocations for the other schemes: 35% for death benefits, 5% for disability, 5% for maternity, 4% for funeral and 3% for sickness (Figure 3).

Figure 2. Distribution of Benefits Paid by GSIS, 2005



Source: GSIS.

Figure 3. Distribution of Benefits Paid by SSS, 2007



Source: SSS.

4.1.3. Benefit Levels

Even if one is covered for specific contingencies in life, there is still the important question of whether the protection will be sufficient when the need arises. In this section we look at the replacement rates of pension schemes and the support value of health insurance coverage.

Using the applicable pension formulae, one can have an indication of the replacement rates of the schemes. The pension formula can be deduced from the applicable laws and has been described in earlier sections. Templo (2002) also provides the formula implied for computing SSS and GSIS pensions.[18] While eligibility is shorter for SSS (10 years) compared to GSIS (15 years), the proportion of credited salary returned is higher for GSIS (37.5%) compared to SSS (20%). In addition, a higher proportion is added for each additional year of service beyond the minimum. For GSIS this is 2.5% while for SSS this is only 2%. The pension formulas approximately will have a replacement value of 40% and 50%, respectively, for SSS and GSIS at 20

[18] For SSS, this is 300 + 0.2* AMSC +0.02 *(CYS-10) * AMSC where AMSC is the average of the last 60 monthly salary credits and CYS is the number of credit years of service. For GSIS, this is 0.375*RAMC+0.025*(YOS-15)*RAMC where RAMC is the re-valued average monthly compensation of the last three years and YOS is the number of years of service. Both are subject to a minimum which is adjusted from time to time.

years of service. The corresponding replacement rates at 30 years of service are 60% and 75%, respectively. It should be noted, however, that the fixed minimum of 300 pesos for SSS members allows for a higher replacement rate at lower salary values. This replacement rate is in line with the observation in Asher (2009) that pointed out that for the Asia-Pacific region the pension programs for government employees are, in general, more generous than those for the private sector workers.

Household income data indicates how important pensions are to households whose head is at retirement age. FIES 2006 data shows that pensions are a minor proportion of the income of households where the head of the household is 60 years and above. Table 10 shows that about 24% of the households are receiving some pension income. The average pension income for these households is 58,133. The average per capita income for these households is 47,432 which is above the population average per capita income of 41,911. It is even noteworthy that the average per capita income of these households is way above the poverty thresholds[19] (P11.6 to 20.9 thousand). However, it should be noted too that pension income is on average only 7% (from 4 to 12 percent) of household income. This implies that households whose heads are 60 and above are, on average, not really poor, although this cannot be attributed to their pension income. They have other important sources of income besides pension.

Analysis of benefits relative to medical expenditures provided in Banzon (2008) highlights the still substantial out-of-pocket costs incurred even by PhilHealth beneficiaries. An important observation is that the support value in private hospitals is quite poor. For instance, in 2006 the support value was 33% in private hospitals compared with 80% in government hospitals. This implies poor financial protection against illness even for PhilHealth members.

4.2. Governance and Management

Ross (2004) identifies the five core functions of a viable pension system to include: (1) reliable collection of revenues; (2) payment of benefits; (3) secure financial management and productive investment of assets; (4) maintaining an effective communications network including development of accurate data and record-keeping

[19] These are determined by province since 1997.

mechanisms to support collection, payment and financial management activities, and (5) production of financial statements and reports for effective governance, transparency, and accountability.

The social security institutions in the country, except perhaps for ECC, would fall under the category of full service social insurance institutions that handle all major functions including revenue collection and payment of benefits. As mentioned earlier, ECC is a policy making institution neither doing collection nor payment of benefits. Thus, any assessment on governance and management of most of the other social protection institutions would have to look at the five functions.

4.2.1. Collection of Revenues.

GSIS, in the main, has no problem collecting the contribution of its eligible population except for occasional arrearages with some government agencies. SSS, on the other hand, has an entirely different story. As mentioned earlier, the coverage of SSS has remained low up to now. One important reason is, of course, the nature of the eligible population. The employer of the GSIS is the government so there is rarely any problem with collecting contributions. The SSS, on the other hand, has to contend with almost 800,000 private firms more than 90% of which are small, having a workforce of less than 10 (Table 3). In addition, there are 12 million own-account workers to collect from, not to mention the overseas workers and housewives who have been recently considered eligible. For PhilHealth, contributions from employees are also collected via the employers as are those for GSIS and SSS. PhilHealth, a relatively young institution, however, has been able to build a membership base of about 16 million. The HDMF (Pag-IBIG) contributions are collected also in the same way as the GSIS and SSS contributions, i.e., by the employers who then remit these to HDMF. For OWWA, collection of contributions is made part of pre-departure procedures.

4.2.2. Payment of Benefits.

Most of the institutions have problems with delivering benefits on time. Like collection of contributions, efficiency in the delivery of benefits is also a function of the volume of transactions. Most of the institutions have already utilized the banking system to deliver benefits. SSS, for instance, in its latest report claims that 98.4% of the monthly pensions, catering to 1.3 million pensioners, are delivered through the banking system and only 1.6% are through mailed checks. GSIS for its part uses its own e-Card co-issued with a commercial bank where benefits are credited. The e-Card can be used in the 6,000 Automatic Telling Machines (ATMs) nationwide. PhilHealth pays claims made through accredited health facilities. Since HDMF and OWWA do not make regular monthly payments like pensions, delivery of benefits is done through their offices.

4.2.3. Secure Financial Management and Productive Investment of Assets.

Most of the security institutions have problems in managing their finance and investment assets. The problem is partly due to the relationship between the governing boards and the government. For one thing, appointments to the governing boards are always viewed with suspicion as allegedly they are not based on technical expertise but on political favors. All social security institutions have been tainted with suspicions of granting behest loans to friends of those in power. The most serious case is the AFP-RSBS where the leadership was investigated by Congress and was recommended for prosecution by the Ombudsman[20]. The program was ultimately de-activated by the end of 2006.

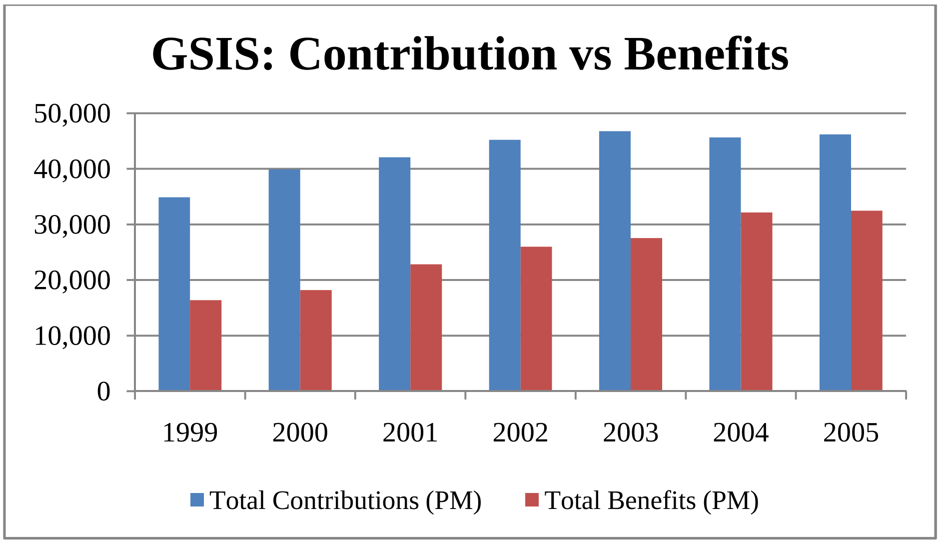
Against this backdrop, however, are promising developments. For instance, the GSIS, after being authorized in 1997 to invest in foreign assets, had engaged professional global fund managers to handle this aspect of their portfolio. The GSIS required a minimum annual US dollar return of 8% (net of fees) and a maximum portfolio volatility of 7% (GSIS 2008 Annual Report). Given the same authority in the same year, the SSS has not availed itself of this option even though this has been recommended in the actuarial valuation report released in 2007. Engaging professional fund managers with clear guidelines can increase the investment yield of the fund as well as help insulate the fund from political influence.

In a defined benefit system like that of GSIS and SSS, the key to sustainability is managing the flow of contribution and benefits. GSIS has kept contributions

[20] A court that tries graft and corruption charges for government officials.

comfortably higher than benefits (Figure 4). In recent years, the GSIS has also intensified collection of premium arrears of government agencies and improved its investment income. Consequently, the actuarial life of the GSIS reserve fund as of 2007 was up to 2055 (GSIS 2008 Annual Report), which was an improvement from the 1999 actuarial valuation that predicted the fund would be depleted by 2041 (Manasan, 2009a).

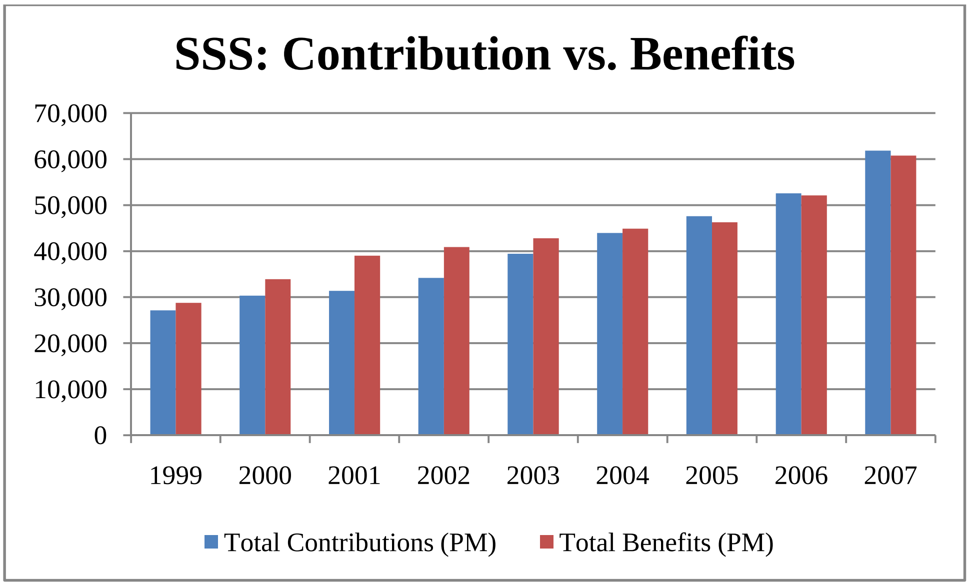
Figure 4. GSIS Contributions and Benefits, 1999-2005



Source: GSIS.

The case of the SSS is much more precarious as shown by the flow of contributions and benefits (Figure 5). From 2005-2007 contributions exceeded benefits, which compared favorably to 1999-2004 where benefits exceeded contributions. This turnaround was due to increasing contribution rates from 8.4% in 2002 to 9.4% in 2003 and 10.4% in 2007. There were also other parametric reforms introduced during the period including an increase in the maximum salary base, redefinition of credited years of service and some administrative measures. The latest actuarial report released in 2007 shows that the life of the fund is projected to last until 2031 which is an improvement compared to the 1999 actuarial valuation which projected the fund to last only until 2015.

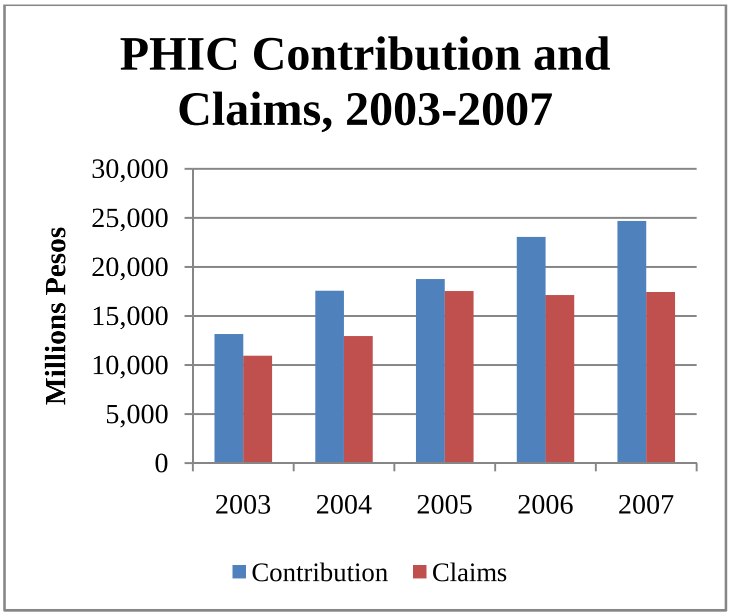
Figure 5. SSS Contribution and Benefits, 1999-2007



Source: SSS

The PhilHealth finances are far from being threatened as indicated in Figure 6. The problem is really its accumulation of surpluses. Its income and expenditure statements show a consistent and even rising net income. As a consequence, its assets have more than doubled in six years from 40.6 billion in 2002 to 90.1 billion in 2008 (Table 12).

Figure 6. PHIC Contribution and Benefits, 2003-2007



Source: PhilHealth.

Table 12. Balance Sheet and Income Statement, PHIC, 2002-2008

	2002	2004	2006	2008
Balance Sheet				
Assets	40,570,520,474	51,879,992,816	69,496,062,197	90,118,110,662
Liabilities	532,038,640	1,237,998,016	4,434,630,994	4,608,157,528
Net Worth	40,038,481,834	50,641,994,800	65,061,431,203	85,509,953,134
Income Statement				
Income	16,190,318,310	22,024,031,256	28,718,575,197	31,178,796,460
Premium Contribution	12,748,865,812	17,576,610,527	23,063,436,680	25,641,201,781
Interest and Other Income	3,441,452,498	4,447,420,729	5,655,138,517	5,537,594,679
Expenses	10,007,267,749	15,104,203,947	19,004,592,804	21,331,496,232
Benefit Payment	8,831,637,852	12,925,368,174	17,104,880,840	18,154,745,136
Personal Services	451,917,461	631,556,242	693,483,465	2,080,010,979
Maintenance and other operating expense	723,712,436	1,547,279,531	1,206,228,499	1,096,740,117
Net Income	6,183,050,561	6,919,827,309	9,713,982,393	9,847,300,228
Operating expense/ benefit	13	17	11	17
Operating expense/ contribution	9	12	8	12

Source: Commission on Audit, Annual Audit Reports.

The administration cost of both the GSIS and SSS can be lowered. Operating costs to benefit ratio for the GSIS ranges from 14% - 18% in 2002-2007 (Table 13). For SSS, on the other hand, the operating cost to benefit ratio ranges from 11% - 12% (Table 14). The corresponding operating cost to contribution ratio for the same years is 9%-14% for GSIS and 10%-13% for SSS. Holzmann and Hinz (2005) notes that these are among the highest in the region while Manasan (2009a) notes that these are very much higher than those observed in the mid-1990s.

Table 13. Balance Sheet and Income Statement, GSIS, 2002-2007

	2002	2004	2005	2006	2007
Balance Sheet					
Assets	230,417,529,880	293,732,766,405	332,607,602,100	337,187,026,533	410,502,191,637
Liabilities	26,674,048,161	4,268,798,891	9,121,762,185	7,526,917,210	6,716,107,053
Net Worth	203,743,481,719	289,463,967,514	323,485,839,915	369,660,109,323	403,786,084,584
Income Statement					
Income	57,458,840,865	68,413,687,732	74,668,162,740	70,705,105,102	77,832,254,432
Insurance	39,871,490,832	39,213,003,581	42,950,527,307	39,539,715,076	40,805,051,298
Social Insurance Contribution	*38,595,740,102*	*37,763,979,560*	*42,282,066,782*	*39,032,607,728*	*39,938,304,720*
Interest on Premium arrearages	*1,275,750,730*	*1,449,024,021*	*668,460,525*	*507,107,348*	*866,746,578*
Loans and Investment	16,529,513,023	26,299,437,745	28,900,438,393	33,201,439,154	32,614,445,334
Other Income	1,057,837,010	2,901,246,406	2,817,197,040	(2,036,049,128)	4,412,757,800
Expenditure	27,884,978,194	35,990,846,628	36,210,962,483	37,418,566,885	38,485,969,814
Claim and benefit paid	24,450,910,211	30,853,949,159	31,110,365,217	32,097,240,630	32,902,845,160
Personal Expenses	2,770,094,449	3,405,749,774	3,388,227,297	3,569,329,787	3,676,119,024
Miscellaneous and other operating expenses	663,973,534	1,731,147,695	1,712,369,969	1,751,996,468	1,907,005,630
Net Income	29,573,862,671	32,422,841,104	38,457,200,257	33,286,538,217	39,346,284,618
Operating expense/ benefits paid	14	17	16	17	17
Operating expense/ contribution	9	14	12	14	14

Source: Commission on Audit, Annual Audit Reports.

Table 14. Balance Sheet and Income Statement, SSS, 2002-2008

	2002	2004	2006	2008
Balance Sheet				
Assets	162,606,437,060	179,084,128,235	228,444,457,193	233,122,190,560
Liabilities	3,058,782,946	2,698,068,723	3,448,590,465	7,519,245,614
Net Worth	159,547,654,114	176,386,059,512	224,995,866,728	225,602,944,946
Income Statement				
Income	45,892,685,680	52,789,114,406	64,651,499,638	97,968,319,853
Member's Contribution	34,187,651,088	43,935,823,635	52,543,604,359	68,879,273,075
Investment and other income	11,705,034,592	8,853,290,771	12,107,895,279	29,089,046,778
Expenses	45,357,284,516	50,209,848,030	58,501,879,317	74,662,988,716
Benefit Payments	40,871,576,382	44,882,517,660	52,122,012,435	67,917,362,264
Operating Expenses	4,485,708,134	5,327,330,370	6,379,866,882	6,745,626,452
Personal Services	*3,008,967,965*	*3,388,881,680*	*4,138,468,608*	*4,605,567,109*
Maintenance and other operating expenses	*1,476,740,169*	*1,938,448,690*	*2,241,398,274*	*2,140,059,343*
Net Income	535,401,164	2,579,266,376	6,149,620,321	23,305,331,137
Operating expense/ benefit	11	12	12	10
Operating expense/ contribution	13	12	12	10

Source: Commission on Audit, Annual Audit Reports.

4.2.4. Maintaining Effective Communication Networks.

The large volume of transactions required to serve a large client base has made the security institutions the forerunners in computer processing applications in the bureaucracy. However, like any institution that has depended on mainframes for their computing needs, the fast shift towards more desktop and distributed processing and networking has created some problems for GSIS, particularly for some of their legacy software. In fact as this paper is being written, an advisory is still visible in the landing page of the GSIS website saying that the shift from IBM-DB2 to Oracle is currently ongoing and that this may disrupt some of its operations. The SSS has deployed the SSSNet using electronic data exchange (EDI) to automate the transfer of contributions from firms to the SSS and their respective banks.

For communicating with its clients and the public, the institutions have also used the Internet to deliver information about the institution, its programs and to provide downloadable forms and electronic copies of annual reports. GSIS has also used short-messaging technology to communicate with members particularly for alerts on payments made and even sending birthday greetings.

4.2.5. Production of Financial Statements and Reports.

Financial reports are always included in the annual report of the institutions. They are also required by law to submit audited financial reports to the Commission on Audit.

5. Recommendations

The recommendations listed here are not new. Many of these are recommendations that have been identified more recently by Manasan (2009b), Park (2009), Asher (2009), Sin (2009), Navarro (2004) and even much earlier by ILO (1996) and WB (1995). These are cast in themes as many are interrelated pieces.

Expansion of coverage. This should focus first on expanding coverage of the existing eligible population. This recommendation applies to SSS, which covers the bulk of the working population and yet continuous to have a relatively low coverage.

While this can be partly explained by the nature of its eligible population, one important question that should be answered is how was PhilHealth able to increase its membership, and collect from 16 million members - double that of SSS which only managed to collect from 8 million contributing members- when both institutions are virtually using identical methods of collection, i.e., through the employers. This is even more puzzling knowing that PhilHealth is younger than SSS. One promising model shown by PhilHealth is strong cooperation with local government units (LGUs). SSS can develop a program where LGUs can participate in expanding coverage. Once this problem is substantially solved, covering harder to reach population groups, e.g., informal sector workers, indigenous populations, can commence. The disparity in access to coverage across income groups as shown earlier should also be a cause for concern. It is the poorer segment of the population that needs more coverage.

Strengthening of the link between contributions and benefits. The SSS need to vigorously pursue the proposal of increasing their contribution rates.[21] Note that the total contribution rate for SSS members is currently at 10.4% when for GSIS members it is 17% (21% less the mandatory insurance premium of 4% which is not in the SSS scheme). While it would be understandable that private sector employers would resist paying what the government is contributing for its employees, it is difficult to understand why government employees can contribute 9% while private sector workers pay only 3.3% (Table 15). In addition, while the required number of contribution years to be eligible for a pension for GSIS is 15, it is only 10 for the SSS. The SSS actuarial valuation released in 2007 recommended a gradual rise in eligibility years to 12 years in 2011 and 18 years by 2017.

[21] The actuarial valuation report released in 2007 has proposed the increase to 11.4 in 2011 and 12.4 in 2016.

Table 15. Schedule of Contributions

Institution		Due to Institution Payable by		
		Employee	Employer	Total Contribution
Social Security System (SSS)		3.33% of salary base (see schedule)	7.07% of salary base (see schedule)	10.4% of salary base (see schedule)
Government Service Insurance Service (GSIS)		9.0% of gross basic monthly salary	12.0% of gross basic monthly salary	21.0% of gross basic monthly salary
Employee's Compensation Commission (ECC)	Public Sector		1.0% of basic salary or Php100.00 per month, whichever is lower	1.0% of basic salary or Php100.00 per month, whichever is lower
	Private Sector		0.2% of Monthly Salary Credit (MSC) for employees with MSC of at least Php15,000.00; fixed Php10.00 for employees with MSC of at most Php14,500.00	0.2% of Monthly Salary Credit (MSC) for employees with MSC of at least Php15,000.00; fixed Php10.00 for employees with MSC of at most Php14,500.00
Philippine Health Insurance Corporation (PHIC)		1.25% of salary base (see schedule)	(Same as employee contribution)	2.5% of salary base (see schedule)
Home Development Mutual Fund (HDMF or Pag-IBIG Fund)		1.5% of monthly compensation (COLA + base) if Php1,500 and less; 2.0% of monthly compensation if above Php1,500.00, or Php100.00, whichever is higher	(Same as employee contribution)	3.0 to 4.0% of monthly compensation (COLA + base) depending on amount, or Php100.00, whichever is higher
Overseas Workers Welfare Administration (OWWA)				USD25.00; effective upon payment until expiration of work contract, or up to two (2) years for voluntary members who register on-site
AFP – Retirement and Separation Benefits System (AFP-RSBS)		5.0% of basic monthly salary		5.0% of basic monthly salary

Source: Author's summary from relevant documents.

Building a stronger firewall around the social security funds. Like anywhere else, social security funds in the Philippines have been the object of political interference. This situation has often resulted in putting the fund under unnecessary stress. One specific form of political interference common in the Philippines is mandating social security institutions to use their reserves to finance emergency social programs. In the majority of cases this is not the most productive use of the resources and neither is it in line with the long-term nature of the liabilities of the fund. Social programs must be financed by general taxes rather than social security funds. A corollary issue is the relationship between government and the governing boards of social security institutions. Sin (2009) recommends developing an arms-length relationship with the government. The sovereign guarantee clause has been time and again invoked to justify government interference in the allocation of the reserves of social security institutions. It should be understood that sovereign guarantee only means eventual financing by general taxes if need be, under extra-ordinary circumstances and that it is not a license to interfere in investment allocation decisions. Some recommended measures for building a stronger firewall around pension funds include publication of investment policy statements, greater transparency in appointments, and mandating a transparent process of evaluating investment opportunities (Sin, 2009).

Improving investment incomes. Allowing the system to engage professional fund managers with clear guidelines can improve the earning potentials of the fund.[22] Investment in foreign assets can help diversify the investment portfolio. Both the SSS and GSIS were authorized in 1997 to invest in foreign assets. However, up to now, only the GSIS had engaged a fund manager to manage their overseas investments. The SSS actuarial valuation report released in 2007 has also recommended the review of investments in salary and housing loans.

Reducing administration costs. The administration cost of the GSIS and SSS are among the highest in the region (Holzmann and Hinz, 2005). For Singapore, for instance, the administrative cost is only 0.5% of total contributions while for Malaysia it is only 2% of total contributions. This implies there is still room for improving efficiency in its operation. In the case of the SSS, there might have been more justification for its high operating cost if coverage had been extended further to reach the eligible population. This is hardly the case with the current low coverage. In addition, for SSS there is also a case for cleaning up its membership records, given an inordinately large number of members (28 million) less than 30% of whom are contributing members. Maintaining those records surely adds to its operating costs.

[22] This is also recommended for equity assets in the actuarial valuation report released in 2007.

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