

Social Protection Expenditure and Performance Review in the Philippines

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Contents

Executive Summary

This Social Protection Expenditure and Performance Review (SPER) report on the Philippines is an attempt to take stock of all social protection interventions employed in the country and assess their performance in terms of costs and coverage.

Thus, this report analyzes the social protection expenditure and performance of the following institutions:

Contributory schemes

1. Armed Forces of the Philippines–Retirement & Separation Benefits System (AFP-RSBS)
2. Employees’ Compensation Commission (ECC)
3. Government Service Insurance System (GSIS)
4. Home Development Mutual Fund (HDMF)
5. Overseas Workers Welfare Administration (OWWA)
6. Philippine Health Insurance Corporation (PhilHealth)
7. Social Security System (SSS)

Non-contributory schemes

8. Department of Social Welfare and Development (DSWD)
9. Philippine Amusement and Gaming Corporation (PAGCOR)
10. Philippine Charity Sweepstakes Office (PCSO)
11. Philippine Veterans Affairs Office (PVAO)

In addition to the above-mentioned schemes, the role of local government units, micro-insurance schemes, and non-government organizations are discussed.

The fact that there are at least 11 government institutions that have social protection mandates demonstrate the fragmented and uncoordinated nature of social protection provision in the Philippines. Attempts for an integrated approach to poverty alleviation have not yielded much success yet as the National Anti-Poverty Commission (NAPC) continues to struggle in coordinating social protection programs for the needy.

While poverty incidence in the Philippines exhibited a reduction in recent estimates, this reduction is eroded by population growth. Thus, while poverty incidence decreased, the magnitude of poor people continued to increase significantly. This shows the failure of social protection schemes in the Philippines.

However, there are reasons for optimism. The estimated amount of social protection expenditure in the Philippines far exceeds the estimated amount needed to bring all who are poor up to the poverty line. The estimated amount of social protection expenditure is simply the sum of social benefits paid by all social protection institutions in the Philippines. The estimated amount needed to bring the poor up to the poverty line level was taken from the product of the poverty threshold level and the income gap ratio and the number of poor people.

The problem of social protection provision in the Philippines, therefore, is not about the lack of resources. It is about the inability to re-distribute or share available resources.

Moreover, the existence of several institutions whose social protection mandates encompass Filipinos in the whole Philippine archipelago (and even abroad) shows that administration costs are being multiplied several times over. It is not difficult to imagine, for example, that regional offices of SSS, GSIS, DSWD, and PhilHealth may all be set up close to each other thereby losing opportunities for economies of scale.

Contributory schemes in the Philippines lack awareness and appreciation from the public in general. While the figures are on the rise, the number of people who register into the SSS and PhilHealth are still too few. The current SSS contribution rate of 10.4%, low by international standards, is not taken advantage of particularly by informal sector workers. Current administrative rules and procedures also hinder enrollment as the poor are also generally the ones who are unable to provide required official documentation. Comprehensive actuarial valuation studies are also limited for contributory schemes.

Non-contributory schemes, on the other hand, are ill-equipped to provide effective and efficient social protection to needy groups. Targeting mechanisms to benefit the very poor are not yet in place. Groups that do not have sufficient representation or that do not lobby for benefits suffer more.

Social insurance institutions must step up their public information drive, educating disadvantaged groups and areas as to the benefits of paying social contributions for the promise of a secured future. Scarce resources of social assistance institutions should be exclusively dedicated to social protection objectives. At the same time, government must recognize the role of other players of social protection – local government units, micro-insurance schemes, and non-government organizations – as they have a better appreciation of the local poverty situation. The role of these other players is not simply to generate funds but also for service delivery.

Comprehensive actuarial and financial studies must be performed for a true assessment of social protection funding in the Philippines. Aside from the SSS, no other contributory scheme makes public the results of actuarial valuation studies, if a study exists at all.

With regional poverty statistics now becoming available, social protection interventions can now be better targeted. Government can then identify groups who shall need funding the most. However, it is first necessary to have a more comprehensive evaluation of each social protection scheme in the Philippines – how they are financed, the amount of benefits given, the qualifying conditions for benefits, the administrative set-up, etc.

NAPC should take on a more active role in coordinating social protection programs in the Philippines. It is in the ideal position also to require various agencies to undertake necessary studies and reforms for a better social protection program. NAPC may also take a lead role in assessing the success or failure of social protection institutions, recommending possibly the merging or dissolution of some agencies for a more effective and efficient social protection program in the Philippines.

Introduction

Recently, the International Labour Organization (ILO) has initiated the conduct of social protection research on selected countries, including the Philippines. The Social Protection Expenditure and Performance Review (SPER) takes stock of the performance of social protection schemes in a country in terms of costs and coverage. Social protection is defined as a set of measures that a society employs to give its members some form of income security; these measures necessarily have a profound impact on income distribution in the country¹.

The SPER has a two-fold objective. First and foremost, it aims to provide information about the structure and level of social protection expenditure, establishing performance indicators to assess effectiveness, efficiency, coverage, and benefit levels. Second, SPERs will be used for cross-country comparisons of social protection programs.

ILO recognizes social security as a basic human right and a means to foster social cohesion, human dignity and social justice. The Social Security (Minimum Standards) Convention established nine classes of benefits including: medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors' benefit. At present, not all of these benefits are present in the social security programs in the Philippines.

The Social Security System (SSS) and the Government Security Insurance System (GSIS) provides some of these social security benefits to workers in the formal sector and all government employees, respectively. The Philippine Health Insurance Corporation (or PhilHealth) provides social health insurance for both the public and the private sector. It should be noted, however, that workers covered by these social protection schemes are those who are less vulnerable to social risks² whether idiosyncratic or covariate risks.³ Thus, detailed information on the performance of social protection schemes as well as the extent of coverage and exclusion from social protection is necessary in order to formulate relevant social protection policy that is more attuned to the needs of the population particularly the more vulnerable groups of society. Aside from the three main providers of social protection as mentioned above, this study shall also evaluate the social protection programs of other schemes.

This SPER report is structured as follows: Chapter 1 describes an overview of the country's economic development as well as demographic trends, public spending on social services, the patterns of income distribution and health status will be discussed and analyzed. Chapter 2 is a review of the existing social protection schemes in terms of benefits, financial operations, and

¹ Financing Social Protection – Quantitative Methods in Social Protection Series, a joint publication of the International Labour Office and the International Social Security Association.

² Based on the Government Finance Statistics Manual of the IMF, social risks are events or circumstances that may adversely affect the welfare of households either by imposing additional demands on their resources or by reducing their income.

³ Idiosyncratic risks affect specific individuals or households (example: health risks) while a covariant risk affects a an entire community or the whole country (example: earthquake, floods and economic crisis).

administration. Chapter 3 provides an analysis of overall and scheme-specific social protection expenditure. And finally, Chapter 4 assesses the extent of social protection coverage.

Chapter 1. Demographic, economic and social context

1.1 Demographic trends

1.1.1 Population growth

In the first few years of the 21st century, the Philippine population continues to grow at a rapid, but somehow reduced rate from that which had prevailed in the preceding decades. It is estimated that Philippine population was about 85.2 million in 2005, up from about 76.5 million in 2000. This figure represents an annual growth rate of about 2.2%, down from 2.3% in the 1990s, from 2.4% in the 1980s, from 2.7% in the 1970s, and from 3.1% in the 1960s.

Moreover, Philippine population is still relatively youthful as of 2005 with more than one-third of the population between ages 0-14. In 2005, NSO estimates indicate that males outnumber females by more than half a million. Table 1.1 summarizes the growth of the Philippine population in terms of magnitude and sex-age structure.

Table 1.1 Population by age and sex structure, 1960-2005

	1960	1970	1980	1990	2000	2005
Population	27,087,685	36,684,486	48,098,460	60,559,116	76,504,077	85,236,913
Males	13,574,881	18,250,351	24,128,755	30,443,187	38,524,267	42,874,766
Females	13,512,804	18,434,135	23,969,705	30,115,929	37,979,810	42,362,147
Age						
0 - 14	45.9%	45.3%	43.1%	39.6%	37.0%	34.8%
15 – 59	49.3%	49.8%	52.0%	55.1%	57.0%	58.9%
60 and above	4.8%	4.8%	4.9%	5.3%	6.0%	6.3%

Sources: National Statistics Office, Inter-Agency Working Group for Population Projections, and United Nations World Population Prospects

The high population pressure due to high fertility may lead to the need for more effective national population program to control fertility through a sustained population policy that can bring about significant and more suitable outcome. Table 1.2 is a list of selected population indicators from population projection data of the United Nations (UN) confirming the high growth rate of the Philippine population.

Table 1.2 Selected population indicators, 1960-2005

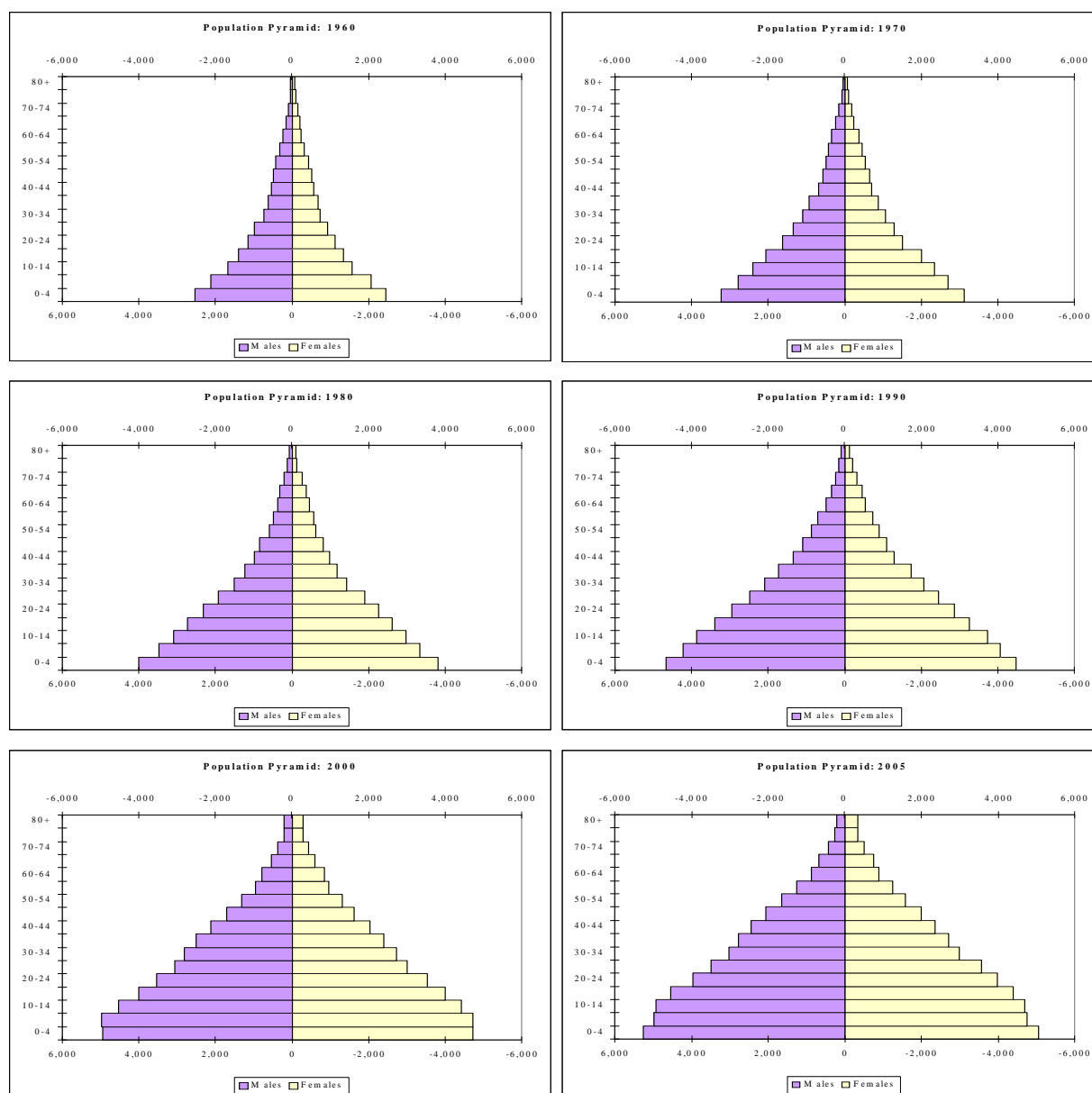
Indicator	1960-1965	1965-1970	1970-1975	1975-1980	1980-1985	1985-1990	1990-1995	1995-2000	2000-2005
Population growth rate	3.09	2.93	2.79	2.70	2.42	2.37	2.26	2.05	1.84
Crude birth rate (per 1,000)	43.5	41.5	39.3	37.8	35.5	33.8	31.6	28.4	25.7
Crude death rate (per 1,000)	12.7	11.5	10.4	9.2	8.2	7.2	6.3	5.5	5.1
Life expectancy at birth (both sexes)	54.8	56.4	58.1	60.1	62.1	64.2	66.5	68.6	70.2
Males	52.9	54.6	56.4	58.3	60.2	62.2	64.5	66.5	68.1
Females	56.7	58.3	59.9	62.0	64.2	66.4	68.7	70.7	72.4
Infant mortality per 1,000 births (both sexes)	96.2	87.9	79.7	70.3	61.2	52.2	42.5	34.4	28.1
Males	105.5	96.4	87.0	77.3	68.3	58.7	48.5	39.5	32.7
Females	86.3	78.9	72.0	62.9	53.7	45.3	36.2	29.0	23.3
Total fertility rate (children per woman)	6.9	6.5	6.0	5.5	5.0	4.6	4.1	3.6	3.2

Source: United Nations World Population Prospects

The high population growth is considered as the most urgent problem in the Philippines. In the long run, a continuous rapid population growth is expected to have a wide range of socio-economic implications such as weak per capita income growth, increase in poverty incidence, increase in income inequality, rapid urbanization, and increase in international migration in search of jobs.

As shown in Figure 1.1, the Philippine population structure has shown the typical young population pyramid for the last four decades. In 2005, about 35 percent of the population is under 15 years old, while people aged 60 years and over comprise only 6.3 percent of the population.

Figure 1.1 Population pyramids by five-year age group, 1960, 1970, 1980, 1990, 2000, & 2005 (in thousands)



1.1.2 Fertility

As can be seen from UN data in Table 1.2, total fertility rate (TFR) in the Philippines has declined from 6.9 children per woman in the early 1960s to 5.0 in the early 1980s, and 3.2 for the period 2000-2005. Though the fertility level in the Philippines has been declining gradually in the past four decades, the absolute level of fertility rate still largely exceeds the replacement level (i.e. 2.1 children per woman) and is among the highest in Southeast Asian countries⁴.

High fertility rates in the Philippines reflect both lack of access and demand for family planning services, low educational attainment, and poverty. The persistently high fertility rate, though decreasing slightly in the past 10 years, is testament to the unmet need for family planning services. From 1995-2005, total fertility rate for the Philippines averaged around 3.4 per woman. The average TFR for the National Capital Region (where family planning services and education are more accessibly) for the same period is significantly lower, only 2.1 per woman.

Table 1.3: Projected total fertility rate, Philippines & NCR, 1995-2005

Year	Total Fertility Rate	
	Philippines	National Capital Region
1995	3.76	2.32
1996	3.68	2.27
1997	3.61	2.23
1998	3.53	2.18
1999	3.46	2.14
2000	3.38	2.09
2001	3.30	2.05
2002	3.23	2.00
2003	3.15	1.96
2004	3.08	1.91
2005	3.00	1.87

Source: 2006 Philippine Statistical Yearbook, NSCB

1.1.3 Mortality

Life expectancy is a widely used indicator of the overall effect of environmental and other risk factors on health status of a population. From Table 1.2, current life expectancy at birth in the Philippines is estimated at 68.1 years for men and 72.4 years for women. This is a significant increase compared to life expectancy (at birth) in the early 1960s, 52.9 for men and 56.7 for women.

Table 1.2 also shows that crude death rate is currently at 5.1 per 1,000 persons. Throughout the years, crude death rate showed significant improvement, especially when compared to the rate in the early 1960s when it was 12.7 per 1,000 persons.

⁴ ASEAN in Figures 2003, ASEAN Secretariat, Jakarta, December 2003

Efforts by government to reduce infant and child mortality rates have begun to show success. NSCB data (Table 1.4) show that the under five mortality rate was significantly reduced from 80 per 1,000 live births in 1990 to only 42 by 2003. The infant mortality rate was reduced from 57 per 1,000 live births in 1990 to only 30 by 2003. Mortality indicators for infants and children under five years old are affected by high fertility and the socio-economic performance of the family. Most child deaths are recorded among poorer families, often those with five to six children who are most vulnerable to the high risks of communicable diseases and malnutrition. The interrelationship of poverty, high fertility and child mortality is appreciable.

Table 1.4: Mortality rates, infant and under five, 1990-1995, 1998, & 2003

Year	Mortality Rates	
	Infant Mortality	Under Five Mortality
1990	57	80
1991	55	77
1992	54	74
1993	52	72
1994	50	69
1995	49	67
1998	36	55
2003	30	42

Source: 2006 Philippine Statistical Yearbook, NSCB

The Philippines' status of the HIV/AIDS epidemic has been described as “low and slow”, however, government health experts has recently re-characterized the current situation as “hidden and growing”. Alarming signs of a possible explosion of the HIV/AIDS situation to epidemic proportions are widely present in the country. These signs include the increasing prevalence of sexually transmitted infections (STI); low rate of condom use; and the increasing number of individuals (especially the youth) practicing high-risk behavior.

In the Philippines, the cumulative number of reported HIV cases as of September 2005 stood at 2,354 cases. About 86% of these infections are from sexual intercourse. By sex, the distribution of reported cases is about 64% male and 36% female. Most cases of HIV infection among women happen at a younger age compared to men⁵.

It should be noted that one-third of HIV+ cases are among overseas Filipino workers (OFWs), of which 35 percent were seafarers and 16 percent were domestic helpers. While reports indicate an increasing number of HIV infection among OFWs over the years, the data on the proportion of the infected OFWs over the number of cases must be treated with caution as this sector is the most commonly tested due to the mandatory requirement of the receiving countries.

⁵ Although this may be due to the way tests are conducted as Social Hygiene Centers routinely test female sex workers, who tend to be in their late teens or early 20s.

1.1.4 Migration

1.1.4.1 Internal migration

Recent flows of internal migration are typically in the direction of Metro Manila or its surrounding areas, and dominated by women. The percentage of the population classified as urban has increased from 36% in the mid-1970s to 52% in the 1990s. With the growth in urban areas, there had been indications that internal migration flows are simply characterized by movement from urban-classified areas to other urban-classified areas. A trend seems to exist that migrant destinations are no longer limited to national urban centers (e.g. Metro Manila) and that smaller urban areas are becoming attractive alternatives for economic opportunities.

The phenomenon of rural-to-urban migration can be observed in the rapid growth of the urban population of key cities in the Philippines, particularly Metro Manila. Because of lack of opportunities, migration from the provinces in anticipation of formal employment has resulted in a rapid growth of slum and squatter areas, bringing with it its attendant problems.

1.1.4.1.1 Overseas migration

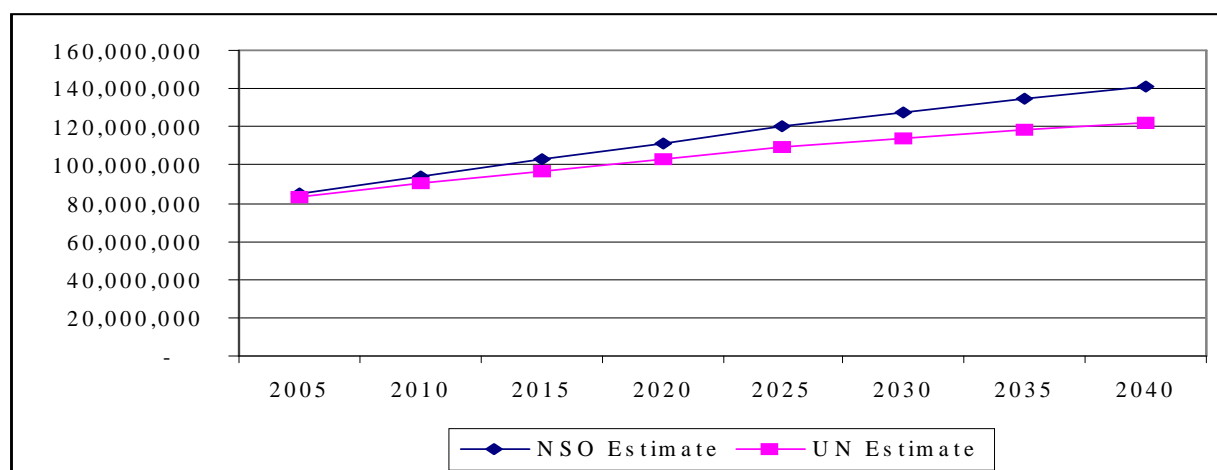
As of end-2004, it is estimated that there are more than 8 million Filipinos living abroad. The Philippines is the largest labour sending country in the Southeast Asia. As early as the 1930s, the Philippines had been sending Filipino workers abroad, predominantly composed of unskilled workers and manual laborers have gone to developed countries such as the US, Canada, and Australia. By the 1970s, migration statistics showed a high trend of influx of skilled personnel and technicians into the Middle-East countries, which peaked in the 1980s. Currently, a wide range of labor demands in about 200 countries around the world has been responded to by about eight million Filipinos, making the Philippines as one of the leading labor sending countries in the world.

Migration is an important economic strategy for millions of Filipinos. In 2004, an all-time high of about US\$ 8.6 billion were remitted to the Philippines.

1.1.5 Population projection

Population projections provide the general framework for the development of the labour force and the population to be covered by social security systems. Several institutions undertake population projections for the Philippines. The National Statistics Office (NSO), in coordination with the Inter-Agency Technical Working Group on Population Projection, prepared the population projections for 2000-2040. The United Nations and the World Bank also conduct national population projections for the Philippines. For the purpose of this study, we refer to the population projection by the NSO and make comparison with the projection by the United Nations.

Figure 1.3: Comparison of NSO and UN population projections, medium assumption 2005-2040



As can be seen from Figure 1.3 above, there is a growing disparity between NSO and UN population projections throughout 2005 to 2040. For 2005, UN projections are lower but closely approximate the NSO projections with a difference of just above 2 million. The difference, however, grows significantly, reaching almost 20 million by 2040.

Table 1.5 summarises the key assumptions for the NSO population projection under the medium assumption. The total fertility rate (TFR) for 2005-2010 is estimated to be 3.18 children per woman. A declining trend in fertility is assumed for the future. The TFR is assumed to decrease until it attains its ultimate level of 2.07 children per woman by 2035-2040. Average annual growth rate of the population for 2005-2010 is assumed to be 1.94%, decreasing gradually towards 0.92% by 2035-2040.

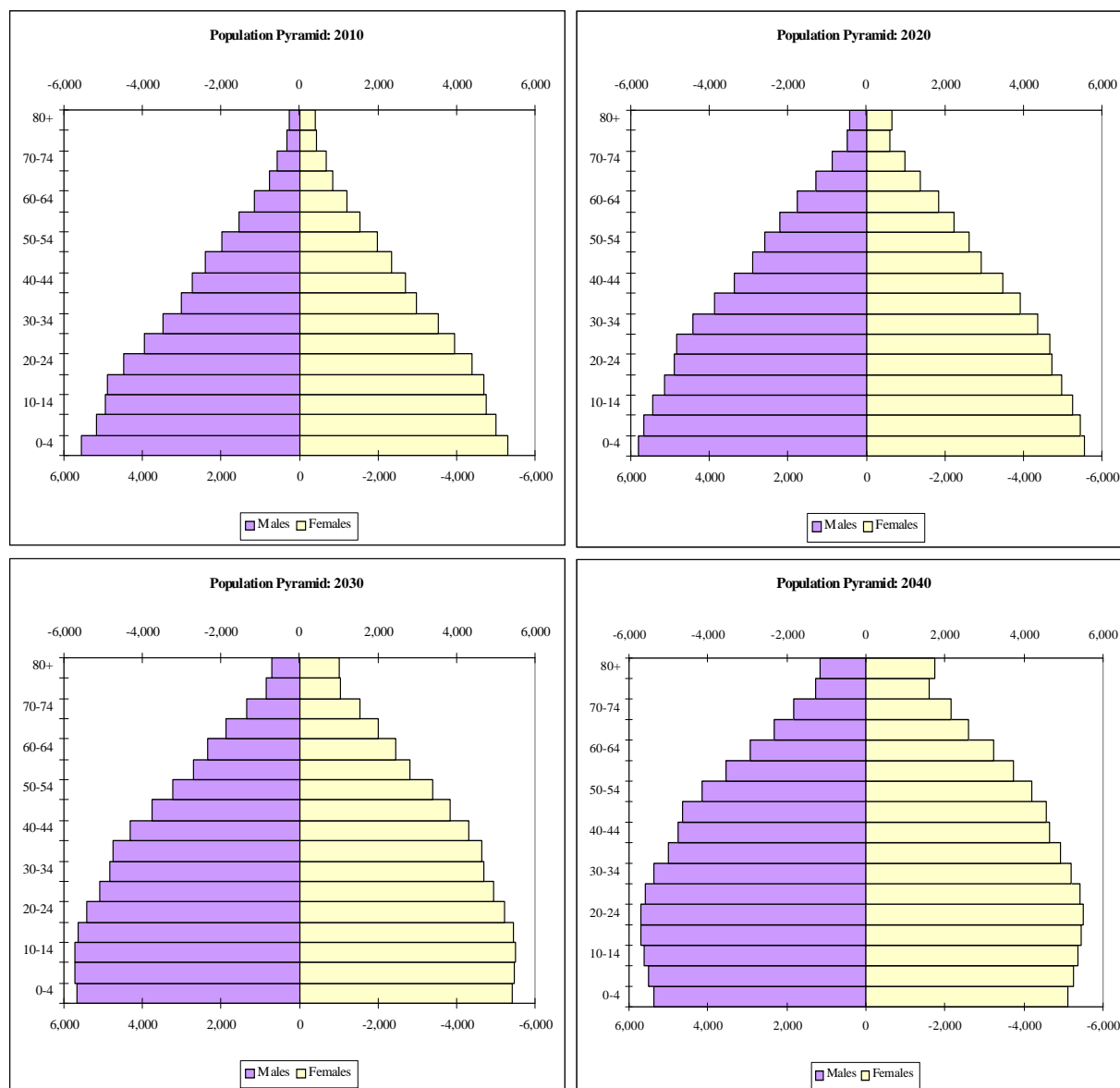
Table 1.5: NSO population projection, key assumptions, 2005-2040

Period	Total fertility rate (TFR)	Average annual geometric growth rate
2005-2010	3.18	1.94
2010-2015	2.96	1.81
2015-2020	2.76	1.63
2020-2025	2.57	1.44
2025-2030	2.39	1.26
2030-2035	2.23	1.09
2035-2040	2.07	0.92

Source: NSO in collaboration with Inter-Agency Technical Working Group on Population Projections

Figure 1.4 shows the population pyramids for the Philippines using NSO population projections for 2010-2040. Observe that in 2030, the population pyramid begins to lose its "pyramidal" appearance due to population aging. Thus, national pension schemes must be made aware of the implications of such a demographic shift.

Figure 1.4: Population pyramids by five-year age group, 2010, 2020, 2030, and 2040 (in thousands)



1.2 Labor market trends

Table 1.6 describes the Philippine labor market (by sex) from 1997-2005. Working age population in the Philippines are those aged 15 years old and over. Working age population grew by an average of 2.2%, from 45.8 million in 1997 to 54.4 million in 2005.

Table 1.6: Labor market indicators, 1997-2005 (in thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Household population, 15 yrs old & over	45,770	46,963	48,178	48,961	48,927	50,344	51,482	53,143	54,387
Males	22,766	23,292	24,006	24,394	24,394	25,107	25,673	26,464	27,111
Females	23,026	23,672	24,172	24,567	24,533	25,237	25,808	26,679	27,277
Labor force	30,355	31,056	32,081	31,830	32,808	33,936	34,399	35,845	35,381
Males	18,997	19,409	19,942	19,893	20,095	20,600	21,120	22,179	21,796
Females	11,508	11,646	12,140	11,937	12,712	13,335	13,279	13,666	13,585
<i>Labor force participation rate</i>	<i>66.3%</i>	<i>66.1%</i>	<i>66.6%</i>	<i>65.0%</i>	<i>67.1%</i>	<i>67.4%</i>	<i>66.8%</i>	<i>67.4%</i>	<i>65.1%</i>
Employed	27,715	27,912	28,980	28,287	29,155	30,062	30,480	31,600	32,312
Males	17,466	17,534	18,043	17,737	17,920	18,305	18,786	19,621	19,909
Females	10,248	10,378	10,937	10,551	11,234	11,756	11,694	11,979	12,403
<i>Employment rate</i>	<i>91.3%</i>	<i>89.9%</i>	<i>90.3%</i>	<i>88.9%</i>	<i>88.9%</i>	<i>88.6%</i>	<i>88.6%</i>	<i>88.2%</i>	<i>91.3%</i>
Unemployed	2,640	3,144	3,102	3,542	3,654	3,874	3,920	4,245	3,069
Males	1,531	1,876	1,899	2,156	2,175	2,295	2,335	2,558	1,887
Females	1,110	1,269	1,203	1,386	1,478	1,579	1,585	1,687	1,182
<i>Unemployment rate</i>	<i>8.7%</i>	<i>10.1%</i>	<i>9.7%</i>	<i>11.1%</i>	<i>11.1%</i>	<i>11.4%</i>	<i>11.4%</i>	<i>11.8%</i>	<i>8.7%</i>
Underemployed	6,138	6,082	6,461	5,955	5,006	5,031	5,221	5,571	6,788
<i>Underemployment rate</i>	<i>22.1%</i>	<i>21.8%</i>	<i>22.3%</i>	<i>21.1%</i>	<i>17.2%</i>	<i>16.7%</i>	<i>17.1%</i>	<i>17.6%</i>	<i>21.0%</i>

Source of basic data: National Statistics Office (NSO)

1.2.1 Labor force

As of 2005, the country's labor force stood at about 35.4 million, of which 61.6% (or 21.8 million) are male and 38.4% (or 13.6 million) are female. Over the period 1997-2005, labor force grew by an annual average of about 2.0%, outpaced slightly by average growth in working age population (at 2.2%). Labor force growth by sex also reveals that, over the period 1997-2005, males grew by an annual average of only 1.8% as against stronger growth for females at 2.3%.

1.2.2 Employment

When analyzing Philippine employment data, it is important to bear in mind that starting with the April 2005 round of the Labor Force Survey⁶, the new official definition of unemployment has been implemented as per Resolution No. 15 (series of 2004) of the National Statistical Coordination Board (NSCB). In essence, the new definition introduced "availability for work" as an additional criterion in defining the unemployed. With the additional criterion, unemployment incidence is lower (compared to the old definition).

⁶ The Labor Force Survey is conducted by the National Statistics Office on a quarterly basis - January, April, July, and October.

The number of employed persons in 2005 is about 32.3 million (but about 31.2 million under the old definition of unemployment), of which 61.6% are male and 38.4% are female. Over the period 1997-2005, employment grew by an annual average of about 2.0%. Employment growth by sex shows that, over the period 1997-2005, males grew by an annual average of just 1.7% as against higher growth for females at 2.5%.

The number of unemployed persons in 2005 is about 3.1 million (but about 4.2 million under the old definition of unemployment), of which 61.5% are male and 38.5% are female. Over the period 1997-2005, unemployment grew by an annual average of about 2.9%. Unemployment growth by sex shows that, over the period 1997-2005, male unemployment grew by an annual average of 3.6%, much higher than growth of female unemployment of 1.8%.

The impact of the change in the definition of unemployment is significant. By adding the "availability for work" criterion, unemployment levels significantly decreased (thereby increasing employment levels). Figure 1.5 compares unemployment data under the new and old definition.

Figure 1.5: Unemployment levels, new and old definition of unemployment, Apr, Jul, and Oct 2005 round of NSO's Labor Force Survey (in thousands)

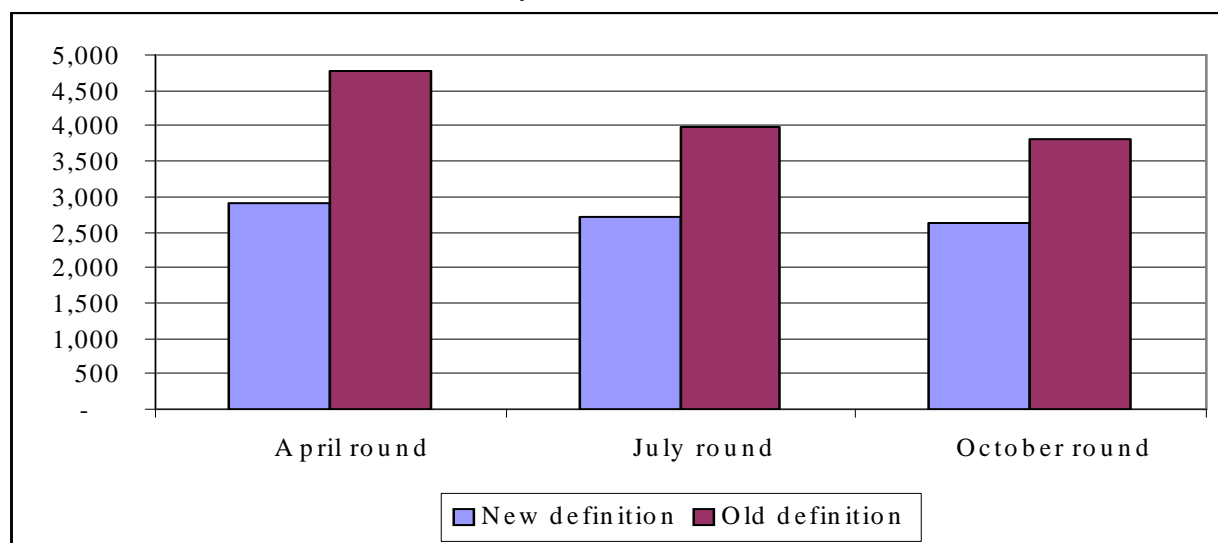


Figure 1.5 shows the impact of the change in the definition of unemployment. Since the implementation of the new definition effective on the April 2005 round of NSO's Labor Force Survey, unemployment levels have decreased significantly, averaging about 1.4 million less than what the levels would have been using the old definition.

Labor force, employment, and unemployment data from 1997-2005 all point to a growing participation of females in the labor market.

Box 1.1: Old and new definition of unemployment in the Philippines

Definition of Unemployed in the Philippines	
Old	New
<p>Include all persons 15 years old and over as of their last birthday and are reported as:</p> <ol style="list-style-type: none"> without work or had no job / business during the basic survey reference period; AND seeking work or had taken specific steps to look for a job or establish business during the basic survey reference period; OR not seeking work due to the following reasons: <ol style="list-style-type: none"> believe no work available; awaiting results of previous job application; temporary illness / disability; bad weather; and waiting for rehire / job recall. 	<p>Include all persons 15 years old and over as of their last birthday and are reported as:</p> <ol style="list-style-type: none"> without work, i.e., had no job or business during the basic survey reference period; AND currently available for work, i.e., were available and willing to take up work in paid employment or self-employment during the basic survey reference period, and/or would be available and willing to take up work in paid employment or self-employment within two weeks after the interview date; AND seeking work, i.e., had taken specific steps to look for a job or establish business during the basic survey reference period; OR not seeking work due to the following reasons: <ol style="list-style-type: none"> tired / believe no work available, i.e., the discouraged workers who looked for work within the last six months prior to the interview date; awaiting results of previous job application; temporary illness / disability; bad weather; and waiting for rehire / job recall.

In 2005, there are about 6.8 million workers who are underemployed (i.e. employed persons expressing desire for additional hours of work or additional job). This is the highest level of underemployment since 1997. Underemployment levels have fluctuated over the period 1997-2005, averaging about 19.7% of total number of employed persons.

1.2.3 Migrant workers

1.2.3.1 Land-based

Deployment data covering the period 1997-2005 show that starting 2001 (up to 2005), deployment to Middle Eastern countries takes top spot showing a resurgence of labor demand similar to the 1970s and 1980s. Deployment to Asian countries takes second place. Deployment to Asia and the Middle East takes up a huge share of total overseas deployment, ranging between 81.6% to 92.0%.

Table 1.8: Number of deployed OFWs by continent (land-based), 1996-2005

Area	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
TOTAL	484,653	559,227	638,343	640,331	643,304	662,648	682,315	651,938	704,586	740,632
Africa	2,494	3,517	5,538	4,936	4,298	4,943	6,919	8,750	8,485	9,103
Americas	8,378	7,058	9,152	9,045	7,624	10,679	11,532	11,049	11,692	14,886
Asia	174,308	235,129	307,261	299,521	292,067	285,051	288,481	255,287	266,609	255,084
Europe	11,409	12,626	26,422	30,707	39,296	43,019	45,363	37,981	55,116	52,146
Middle East	221,224	221,047	279,767	287,076	283,291	297,533	306,939	285,564	352,314	394,419
Oceania	1,577	1,970	2,524	2,424	2,386	2,061	1,917	1,698	3,023	2,866
Trust Territories	4,869	5,280	7,677	6,622	7,421	6,823	6,075	5,023	7,177	7,596
Not Reported	-	4	2	-	6,921	11,530	10,882	46,279	1	135

Source: 2006 Philippine Statistical Yearbook, NSCB

1.2.3.2 Sea-based

The number of OFW deployment for sea-based work for the period 1996-2005 takes up a generally consistent share of total deployment, accounting for about one-fourth of deployment.

Table 1.9: Number of deployed OFWs (sea-based), 1996-2005

Land-based or Sea-based	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
TOTAL	660,122	747,696	831,643	837,020	841,628	867,599	891,908	867,969	933,588	988,615
Sea-based	175,469	188,469	193,300	196,689	198,324	204,951	209,593	216,031	229,002	247,983
Land-based	484,653	559,227	638,343	640,331	643,304	662,648	682,315	651,938	704,586	740,632

Source: 2006 Philippine Statistical Yearbook, NSCB

1.2.4 Informal sector

In the context of globalization, there has been increasing informalization of employment especially in developing countries. Contrary to earlier anticipation that the formal employment sector would absorb most workers as a result of economic growth and development, the informal economy has been growing rapidly and this trend is likely to continue in the foreseeable future. Hence, there is an urgent need for the focused interventions in providing social security for workers in the informal economy.

The term “informal economy” refers to all economic activities by workers and economic units that are, in law or in practice, not covered or insufficiently covered by formal arrangements. Workers in the informal economy include own-account workers in survival-type activities, such as street vendors, shoeshiners, garbage collectors and scrap- and rag-pickers; paid domestic workers employed by households; homeworkers and workers in sweatshops who are “disguised wage workers” in production chains; and the self-employed in micro-enterprises operating on their own or with contributing family workers or sometimes apprentices/employees.

Many countries in Asia and the Pacific have developed own definitions of what is understood to be the informal economy in the respective national context.

- According to the proposed definition for the Philippines, the informal sector consists of “units engaged in the production of goods and services with the primary objective of generating employment and incomes to the persons concerned. It consists of household unincorporated enterprises that are market and non-market producers of goods as well as market producers of services. These enterprises are operated by own account workers, which may employ unpaid family workers as well as occasional/seasonally-hired workers. These enterprises may also be owned and operated by employers, which may employ less than 10 employees on a continuous basis. Particular cases that are excluded: 1) Corporations, 2) Quasi-corporations, 3) Household helpers, 4) Units engaged in professional services, 5) Units with ten or more employees, 6) Units owned by a household member who is also employed in a corporation, quasi-corporation, government or non-profit institution, 7) Corporate farms, 8) Farms managed by cooperatives, 9) Farms with an area of three hectares or more, 10) Commercial livestock raising, 11) Commercial fishing.
- The Reserve Bank of Fiji defines the informal economy consisting of “all small scaled activities that are normally semi-organised, unregulated, use simple labour intensive technology undertaken by artisans, traders, and operators at work sites such as open yards, market stalls, undeveloped plots, residential houses and on street pavements. Additionally they may or may not be registered with the Registrar of Companies or have licences from local authorities. They may also lack necessary skills and qualifications to obtain employment in the formal economy”. While, the basic classification of the formal sector is the Legal Entity, described as: “Legal status of a company/unit of economic activity based on the requirement to register with the appropriate government agencies; usually the Ministry of Labour and Provident fund”.
- In Indonesia, the basic criterion used for the classification of formal and informal (sector) enterprises by the National Statistics Agency (BPS Badan Pusat Statistik) is the Legal Entity, described as “Legal status of a company/unit of economic activity based on the legal document issued by a solicitor when the company was established”. The key definition of informal (sector) enterprises in Indonesia is that of unregistered enterprises or enterprises without legal status. By this definition, the formal sector enterprises are comprised of employers and workers that are registered with various authorities and are legal entities.

At the statistical level, the informal economy can be defined in terms of type of enterprises (production units) and type of employment status. Many countries adopt an enterprise-based approach. It should be noted that since an enterprise-based definition would not be able to capture all dimensions of informal employment an alternative approach is suggested that classifies workers in formal and informal economies by their status of employment and other job-related characteristics (by referring to the International Classification of Status in Employment or ICSE-93). Currently, however, there is no internationally agreed set of categories of employment status referring to informal employment.

A proposed definition of *informal sector* for the Philippines⁷ is as follows:

"Units engaged in the production of goods and services with the primary objective of generating employment and incomes to the persons concerned. It consists of household unincorporated enterprises that are market and non-market producers of goods as well as market producers of services. These enterprises are operated by own-account workers, which may employ unpaid family workers as well as occasional/seasonally-hired workers. These enterprises may also be owned and operated by employers, which may employ less than 10 employees on a continuing basis."

There are clear indications that many Filipinos belong to the informal sector. Employment statistics from the October 2000 round of the Labor Force Survey (LFS) and the 2000 Census of Establishments (CE) show that 70 to 78 percent of total employment did not come from establishments or government institutions. The table below tells the story:

2000 Estimates of Employment from the Labor Force Survey and Census of Establishment

Estimate 1

Total employment (LFS)	27,775,000
Less Establishment Based employment (CE)	5,902,000
Less government employment (LFS)	2,293,000
Estimate of total employment outside of establishments and government	19,580,000
Estimate of total employment outside of establishments and government as % of total	70 %

Estimate 2

Total employment (LFS)	27,775,000
Less Establishment Based employment (CE)	5,902,000
Less government employment (LFS)	2,293,000
Plus Establishment Based employment in micro enterprises i.e., those with employment size of less than ten (CE)	2,165,000
Estimate of total employment outside of non-micro establishments and government	21,745,000
Estimate of total employment outside of non-micro establishments and government as % of total	78 %

The above statistics indicate that informal sector employment could make up the majority of employment in the country.

While there is no official count on the number of informal sector workers in the country, there had also been some estimates by the Department of Labor and Employment (DOLE) and by the Social Weather Stations (SWS) that the magnitude is about 52% or 53% of total employment. When combining the number of own-account and unpaid family workers (as proxy indicators of the magnitude of informal sector workers), the resulting number approximates the DOLE and

⁷ By Teresita Bascos-Deveza, Consultant for Statistics and Definition, ILO-UNDP Project on the Development of Policy, legislative and Institutional Reforms for the Promotion and Protection of Workers in the Informal Sector.

SWS estimates - just about 50% to 52% for the years 1997-2000. These figures have to be interpreted with caution as movement between formal and informal sector employment is likely.

1.3 Economic development

1.3.1 National accounts

Data on the country's productivity from 1996-2005 show an obvious trend as to how productivity from the three main sectors shifted.

Table 1.10: National accounts by industrial origin (current prices, in million pesos), 1996-2005

Indicator	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Agriculture, Fishery, and Forestry	447,803	457,983	451,645	510,494	528,868	549,113	598,849	631,970	733,068	777,064
Industry	696,881	779,786	838,367	911,074	1,082,431	1,149,120	1,261,635	1,378,870	1,536,507	1,747,495
Service	1,027,238	1,188,974	1,375,048	1,555,337	1,743,428	1,933,241	2,103,388	2,305,562	2,589,261	2,894,280
Gross Domestic Product (GDP)	2,171,922	2,426,743	2,665,060	2,976,905	3,354,727	3,631,474	3,963,873	4,316,402	4,858,835	5,418,839

Source: 2006 Philippine Statistical Yearbook, NSCB

Figure 1.6: Productivity by industrial origin (percent of GDP), 1996-2005



It should be noted from the above data and graph, and despite the Philippines being mainly an agricultural economy, share-to-GDP productivity from the agriculture, fishery, and forestry (AFF) sector even decreased from 20.6% in 1996 to only 14.3% in 2005. The service sector made up for the weak production from AFF, increasing its share-to-GDP productivity from 47.3% in 1996 to 53.4% in 2005.

1.3.2 Growth in Gross Domestic Product

The Philippine economy grew modestly in the past decade. Economic growth has not been strong and equitable enough to contribute to the government's poverty alleviation objectives.

Regional and global developments have also shown the Philippines' susceptibility to external shocks. Most noteworthy among these external shocks is the Asian financial crisis of 1997, resulting in negative economic growth in 1998. Other external developments that adversely affected the country include the US-led war in Iraq and the El Niño phenomenon. These shocks hampered global demand, strained domestic production, and reduced investment confidence in the country.

Economic reforms implemented in the past few years, however, can be credited for the country's modest growth levels. These growth figures may be attributed to: (1) Broad-based growth (services sector in particular where communication industry continues double-digit growth); (2) Private-led demand; and (3) Realization of various structural reforms over the years. Some of these reforms include liberalizing trade, privatizing state-owned enterprises, deregulating telecommunications and banking, and rehabilitation of ailing government financial institutions.

Table 1.11: Real GDP growth (constant 1985 prices, in million pesos), 1996-2005

Indicator	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Real GDP (constant 1985 prices)	849,121	893,151	888,000	918,160	972,960	990,042	1,034,094	1,085,072	1,152,174	1,209,473
Year-on-Year Growth	5.8%	5.2%	-0.6%	3.4%	6.0%	1.8%	4.4%	4.9%	6.2%	5.0%

Source: 2006 Philippine Statistical Yearbook, NSCB

Still, analysts of the country's economic performance offer several reasons for the Philippines' weak economic growth: (1) Political instability and problems with peace and order; (2) Uncertainties in the banking and financial markets; (3) Institutional and governance issues; (4) Inadequate infrastructure; and (5) High cost to engage in business activities.

1.3.3 Prices

Inflationary pressures were pronounced in 2004. Consumer Price Index (CPI) increased by about 6%. This was a result of higher food and oil prices. Adding to domestic price pressures, the Philippine peso continued to depreciate against the US dollar.

Table 1.12: Consumer Price Index and Exchange Rate to US dollar, 1996-2005

Indicator	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Consumer Price Index (all items)	78.7	83.1	90.8	96.2	100.0	106.8	110.0	113.8	120.6	129.8
Year-on-Year increase in CPI (%)	7.5	5.6	9.3	5.9	4.0	6.8	3.0	3.5	6.0	7.6%
Exchange Rate to 1US\$ (end-of-year)	26.29	39.98	39.06	40.31	50.00	51.40	53.10	55.57	56.27	53.07

Source: 2006 Philippine Statistical Yearbook, NSCB

1.3.4 Wage growth

1.3.4.1 Average wage

Taking average daily wage rates of farm workers as proxy indicator for average wage growth, it may be noted that double-digit growth could not be maintained at the turn of the century. In fact,

double-digit wage growth in the 1990s was maintained only until 1997, averaging more than 12% from 1991-1997. The slowdown in wage growth for the period 2000-2003 may be the result of declining real wages, static productivity, high population growth, and degradation of the natural environment.

Table 1.13: Average daily wage rates of farm workers, Philippines, 1990-2003

Year	Average Daily Wage (pesos)	Annual Growth Rate (%)
1990	50.53	-
1991	57.74	14.3%
1992	65.16	12.9%
1993	72.51	11.3%
1994	80.55	11.1%
1995	92.27	14.5%
1996	101.16	9.6%
1997	112.76	11.5%
1998	122.17	8.3%
1999	131.25	7.4%
2000	132.50	1.0%
2001	132.55	0.0%
2002	136.87	3.3%
2003	141.52	3.4%

Source: 2004 Yearbook of Labor Statistics, Bureau of Labor and Employment Statistics

1.3.4.2 Minimum wage

Historically, adjustment of nominal minimum wage in the Philippines has kept in pace with price adjustments. For the period 1991-2004, nominal minimum wage rates⁸ have increased by an annual average of 7.8%, slightly better than average increase in prices (year-on-year increase in CPI) of 7.4% for the same period. Operationally, it is the National Wages and Productivity Commission which decides on the minimum wage for every region in the Philippines.

However, it may be observed that minimum wage rates are not enough to bring Filipino families up to the poverty line. In 2002 for instance, annual per capita poverty threshold was PhP 15,975⁹, which means that a family of five (5) members¹⁰ should have a monthly income of PhP 6,657 to meet its food and non-food basic needs. Minimum wage at the end of 2002 was PhP 280/day, multiplied by 22 working days in a month yields only PhP 6,160, almost PhP 500 less than the required income to bring a family up to the poverty line. This scenario brings about the following possibilities: (1) The income earner in the family has to work more days in a month; or (2) Another household member has to find employment. The situation was actually worse in 2001 and 2000 when the minimum wage was PhP 908 and PhP 1,032 below the required monthly income, respectively.

⁸ Based on Daily Minimum Wage Rates, National Capital Region, non-agriculture – National Wages and Productivity Commission – www.nwpc.dole.gov.ph

⁹ National Capital Region per capita poverty threshold based on press release of the National Statistical Coordination Board posted 30 January 2004

¹⁰ The national average family size based on the 2000 Family Income and Expenditure Survey. The 2000 Census of Population and Housing also showed the same average size.

1.4 Poverty and income inequality

1.4.1 Extent of poverty

International comparisons of poverty data entail both conceptual and practical problems since different countries have different definitions of poverty thereby making consistent comparisons between countries difficult.¹¹ The commonly used poverty indicators of **population below \$1 a day** and **population below \$2 a day** may provide a more meaningful cross country comparison since it is measured in constant international prices and adjusted to local currency using purchasing power parities (PPP). Furthermore, the **poverty gap** indicator defined as the average shortfall from the poverty line expressed as a percentage of the poverty line provides a good indicator of the depth of poverty.

Based on the 2003 World Development Indicators, 14.6% of the Filipino population lives below \$1 a day while 46.4% are living below \$2 a day for the year 2002. The percentage of the population living with less than a dollar a day in the country is among the highest in selected Asian countries, just slightly lower than the 17.7 recorded in Vietnam.

Table 1.5.1. International poverty line, selected Asian countries

	Survey year	Population below \$1 a day	Poverty gap at \$1 a day	Population below \$2 a day	Poverty gap at \$2 a day
China	2000	16.1	3.7	47.3	18.3
Indonesia	2000	7.2	1.0	55.4	16.4
Malaysia	1997	<2	<0.5	9.3	2.0
Philippines	2000	14.6	2.7	46.4	17.2
Thailand	2000	<2	<0.5	32.5	9.0
Vietnam	1998	17.7	3.3	63.7	22.9

Source: 2003 World Development Indicators, World Bank

Compared to selected countries in the region with roughly similar levels of development, the Philippines fared better than Indonesia, China and Vietnam with respect to the percentage of the population below \$2 a day but performed much worse than Indonesia in terms of population below \$1 a day (14.6 versus 7.2). This implies that the country has a higher proportion of the population that is most vulnerable to risk exposure. These people should specifically be the targeted beneficiaries of public social protection interventions.

The National Statistical Coordination Board (NSCB) defines **poverty threshold** or **poverty line** in terms of the cost of basic food and non-food requirements valued in peso. In the Philippine official methodology, the poverty line may be viewed as the minimum income required in meeting the food requirements and other non-food basic needs. Another poverty indicator, the **poverty incidence** refers to the proportion of families (or population) with per capita income less than the per capita poverty threshold to the total number of families (population).

¹¹ 2003 World Development Indicators, The World Bank

Based on the FIES, the poverty incidence increased from 28.1% in 1997 to 28.4% in 2000. This means that in 2000, 4.3 million families or 26.5 million Filipinos – more than one-third (34%) of the country's population – were living below the poverty line. The annual per capita poverty threshold or the amount required to satisfy food and non-food basic needs reached P11,605 in 2000, an 18% increase over the 1997 threshold of P9,843. Thus, a family of five members should have a monthly income of P4,835 to meet their food and non-food basic needs. In urban areas, poverty incidence remained the same at 15% in 1997 and 2000 while in rural areas, poverty worsened by 1.5 percentage points from 39.9% to 41.4%¹²

Aside from urban and rural disaggregation, the FIES also generates regional and provincial estimates of poverty incidence. Among the 16 political regions and 81 provinces in the country, the top ten with the highest incidences of poverty are: ARMM (57.0), Region V (49.0), Region XII (48.4), Caraga (42.9), Region IX (38.3), Region VI (37.8), Region VIII (37.8), Region X (32.9), Region VII (32.3), and Region XI (31.5). The Autonomous Region for Muslim Mindanao (ARMM) and Region V (Bicol) are among the top poorest regions in the country. Among the provinces, all four provinces of ARMM and 2 out of 6 provinces of Bicol region are among the top poorest provinces in the country. The ten poorest provinces based on the results of the 2000 FIES are: Sulu (63.2), Masbate (62.8), Tawi-tawi (56.5), Ifugao (55.6), Romblon (55.2), Maguindanao (55.1), Lanao del Sur (55.0), Sultan Kudarat (54.3), Camiguin (53.1), and Camarines Norte (52.7).

One important implication of such statistics on the magnitude and depth of poverty is that given the scarcity of public funds in financing social protection programs, there is a strong argument for targeting social programs towards those households or population living in the lowest income group or towards those region or provinces with the highest incidence of poverty.

1.4.2 Degree of income inequality

The National Statistics Office (NSO) conducts the Family Income and Expenditures Survey (FIES) every three years in order to provide data on family income and expenditure. It is the principal source of information concerning income distribution, levels of living and spending patterns and the degree of inequality among families in the Philippines.

The latest survey was conducted in 2000 with the final results being released in December of 2001. The survey indicates that the total family income increased from P1.7 trillion posted in the 1997 survey year to P2.2 trillion in 2000 at current prices. In real terms (adjusted for inflation) total family income increased from P1.7 trillion to P1.8 trillion or an annual average increase of 1.1%. Total family expenditures on the other hand also increased in real terms with a growth rate of 1.8% annually.

Table 1.5.2. Total Family Income and Expenditure: 1997 and 2000

	Current Prices		Constant Prices (1997)	
	1997	2000	1997	2000
Income	1.7	2.2	1.7	1.8

¹² These results are drawn mainly from the National Statistical Coordination Board (NSCB), Highlights of the Poverty Statistics: 1997 and 2000. Accessible from <http://www.nscb.gov.ph/poverty/2000/00povin1.asp>

Expenditure	1.4	1.4	1.4	1.5
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Source: FIES (2000) National Statistics Office

Although the income estimates at the national level increased, only 9 out of 16 regions experienced growth in real terms including Southern Tagalog (17.5%), Southern Mindanao (16.6%), Cordillera Administrative Region (10.6%), Eastern Visayas (9.0%), Central Mindanao (8.7%), Bicol (5.5%), Western Visayas (3.5%), the National Capital Region (0.5%) and Ilocos (0.01%). Real incomes of families in 7 regions declined with Autonomous Region for Muslim Mindanao, Western Mindanao, Northern Mindanao, Caraga, Central Visayas, Cagayan Valley and Central Luzon.¹³ This suggests that despite increases in real income at the national level, there is a disparity between the growth of incomes at the regional level and that the distribution of income is largely unequal.

One measure of inequality in income distribution is the **Gini coefficient**, which is computed by dividing the area above the Lorenz curve (and below the straight diagonal line) with the area below it. A Gini coefficient of 0 indicates perfect equality while a Gini coefficient of 1 indicates perfect inequality. Based on the 2000 FIES, the computed Gini coefficient for the Philippines was 0.45, lower than the 0.49 posted in 1997 or a decrease of 7.5 percent. This indicates that a movement towards a less unequal distribution of income has accompanied the growth in the Philippine economy from 1997 to 2000. In terms of **income by decile**, the results also indicate that there are modest increases (0.1%) in income towards the fourth, fifth, seventh, eighth and ninth income decile.

¹³ 2000 Family Income and Expenditure Survey, Preliminary Results. Accessible at <http://www.census.gov.ph/data/pressrelease/2001/ie00ftx.html>

Chapter 2 Review of existing social protection schemes

The Philippines has a comprehensive but fragmented social protection framework, consisting of both formal and informal arrangements, implemented by various government agencies and private institutions. Formal public systems, however, are subject to demands to take on the role of providing an acceptable standard of protection.

Insurance-based, contributory social security programs, among the oldest and with the widest coverage in Asia, include old-age (or retirement), disability, death (or survivorship) and funeral, sickness, maternity, unemployment, medical care and work-related benefits. Two major public institutions administer the social insurance schemes for the private and public sectors: the **Social Security System (SSS)** and the **Government Service Insurance System (GSIS)**, respectively. For work-related benefits, there is the **Employees' Compensation Commission (ECC)** responsible for the formulation of policies and guidelines, while the SSS and GSIS are tasked to implement the program for their respective members.

The medical care program for the employed sector and the indigents is administered by the **Philippine Health Insurance Corporation (PhilHealth)**. Other institutions cater to specific needs of target groups. For the pension needs of military personnel, there is the **Armed Forces of the Philippines Retirement and Separation Benefits System (AFP-RSBS)**. The **Home Development Mutual Fund (HDMF or Pag-IBIG)** manages a provident fund or savings scheme, which is also designed to address housing objectives. The **Overseas Workers Welfare Administration (OWWA)** is in charge of the general welfare of Filipino migrant workers and complements their social security coverage abroad.

These social security institutions are autonomous bodies that operate in accordance with their respective charters. They are controlled and directed by their respective boards, members of which are appointed by the President of the Philippines, either directly or in an ex-officio capacity.

Social assistance programs covering medical and disability benefits also exist, but only for those who cannot afford to provide themselves the necessities in life. The **Department of Social Welfare and Development (DSWD)** is the lead agency that executes broad-based general welfare programs for the fulfillment of government's poverty alleviation objectives. There is also the **Philippine Charity Sweepstakes Office (PCSO)**, a lottery office which generates funds for specific welfare activities of government and charities of national character. Similarly, the **Philippine Amusement and Gaming Corporation (PAGCOR)** allocates proceeds from its gaming operations to help finance public infrastructures and socio-civic development projects. The **Philippine Veterans Affairs Office (PVAO)** is a specialized government agency responsible for administering social security benefits to veterans and their families, financing of which comes from the national budget. These support systems, however, barely improve the general welfare of the poor due to inadequate funding and the sizeable number comprising the impoverished sector. Thus, non-government organizations and community-based associations assist in encouraging self-reliance through capability-building and livelihood loan projects.

Family and kinship support systems in times of economic and social difficulties also remain strong especially within the informal sector of society.

There are also private company-sponsored plans, usually under trust arrangements with banks or insurance and pre-need companies, as stipulated in the Labor Code of the Philippines or as part of collective bargaining agreements. This is mainly in the form of retirement and separation pay, on top of the vested benefit rights under publicly managed schemes. Individual pension schemes, which are subject to usual tax regulations, are also available from privately managed companies for those who need additional coverage and can afford additional premiums.

2.1 Contributory schemes

2.1.1 Armed Forces of the Philippines Retirement and Separation Benefits System (AFP-RSBS)

(i) Legislation

Republic Act No. 340 was signed on 26 July 1948 to create a uniform retirement system for the Armed Forces of the Philippines (AFP). The AFP Retirement and Separation Benefits System (AFP-RSBS) began operations on 8 October 1976, following the passage of Presidential Decree No. 361 on 30 December 1973.

Under P.D. 656 dated 1 January 1980, the AFP-RSBS Fund is allowed to grow to a point of self-sufficiency, and thereafter, assumes the provision of military retirement and separation benefits, taking over responsibility from the government¹⁴.

(ii) Coverage

Membership in the AFP-RSBS Fund is automatic for all active military personnel (i.e., commissioned officers and enlisted personnel) of the AFP.

(iii) Benefits

Military personnel may avail of compulsory retirement benefits upon reaching 56 years of age or completion of 30 years of service, whichever comes later, but not beyond 60 years old. To qualify for early retirement, as well as death and disability benefits, he/she must have actively served in the military for at least 20 years. Eligibility to separation benefits requires payment of at least one-month contribution.

The old-age benefit under the AFP-RSBS is a gratuity payable in either of the two following options: (1) one-time lump sum equal to one month of base and longevity pay of the next grade higher than the permanent grade last held by the military personnel multiplied by the number of service years; or (2) monthly income equal to 2.5% of monthly base and longevity pay of next

¹⁴ This financing methodology was originally prescribed to counteract the risk that the government may default in benefit payments.

higher grade for each year of active service, but not more than 85% of the compensation considered.

Benefits for permanent total physical disability are computed as in old-age, but not exceeding 50% of the monthly retirement pay unless the rank last held was colonel or captain and higher¹⁵. When a military officer or enlisted personnel dies, his/her spouse will receive survivorship benefits equal to 75% of his/her monthly retirement income. Upon death of the spouse or if he/she remarries, the pension will be passed on to the children who are 21 years of age or below, at 50% of the pension. Benefits are disbursed only if the contingency was incurred in the line of duty.

Members get a full refund of their contributions to the AFP-RSBS Fund with interest, accruing up to the last month of contribution remittance, upon separation and retirement from military service. Interest is computed monthly and compounded yearly at a rate of 4% per year from 1992 to 1995, and 6% per year from 1996 to present. This is granted on top of old-age benefits that military personnel are entitled to by law.

(iv) Financing and Financial Operations

The AFP-RSBS is designed as a defined-benefit social insurance program financed using the pay-as-you-go system. Military personnel remit 5% of their monthly basic pay, collected through salary deduction, with no counterpart contributions from the employer, which is the government.

Effective 1984 under P.D. 1909, those who retired from active service prior to September 1979 and are receiving retirement pensions are considered additional members of the AFP-RSBS Fund. Thus, these retirees are also required to contribute 5% of their gross monthly pension, but only until the age of 65 years. Accumulated contributions may be refunded in one lump-sum payment upon termination of their entitlement to retirement pension from the government.

In order to build up its funds as mandated by law, the AFP-RSBS invests in the following: (1) short-term securities, 25%; (2) equities, 18%; (3) real estate, 32%; (4) lending portfolio, 13%; and (5) others, 12%.

Pensions and other benefits of military personnel are provided directly by the government through AFP's annual appropriations, until the AFP-RSBS Fund, comprising of seed capital from the government¹⁶, contributions from members and earnings from investment operations, becomes viable enough to account for benefit payouts to all current and future pensioners on a perpetual or continuing basis¹⁷. Automatic indexation of benefits to current active military remuneration (i.e., dubbed as the pension equalization feature decreed under P.D. 1909),

¹⁵ For disabilities other than permanent total, benefits are also paid monthly depending on the extent of disability.

¹⁶ Initial funding requirement as per valuation in 1970 was placed at ₱712 million for both the normal cost and past service liability. However, only ₱200 million in government donation was infused, as stipulated in P.D. 361. This came in five tranches over a span of four years, with the first installment in 1976 and the last one in 1980.

¹⁷ As required by law, the AFP-RSBS periodically commissions an independent actuary to conduct valuation studies to determine the capability of the Fund to reasonably cover all future retirement benefits

although inherent in the AFP-RSBS benefit structure, still largely depends on the availability of cash as determined by the Department of Budget and Management¹⁸.

(v) Administration

The AFP-RSBS is governed by a Board of Trustees, with the AFP Chief of Staff as the Chairman. Major service commanders sit in the Board as members, together with one representative each from the enlisted personnel, the retired military sector, and from the Office of the Deputy of Staff for Personnel and Comptrollership. Subject to confirmation of the Secretary of National Defense, the Chief of Staff appoints the AFP-RSBS President, who in turn, selects all other management officers and personnel.

Major activities of the AFP-RSBS are with regard to investment management and member-related operations. Supporting these are internal management undertakings, which include organizational and human resource development, planning and control, liquidity management and custodial services, legal and other administrative functions, systems and methods, information technology, and maintenance functions.

2.1.2 Employees' Compensation Commission (ECC)

(i) Legislation

The Employees' Compensation (EC) Program was created on 1 November 1974 by virtue of Presidential Decree No. 442 or the Labor Code of the Philippines, as amended. However, the Employees Compensation Commission (ECC) became fully operational only following the ratification of P.D. 626 on 1 January 1975. The EC Law, as amended, conferred powers and duties to the ECC in order to implement the EC Program.

The EC Program is aimed at providing benefits to employees in the private and public sectors and their dependents in the event of work-connected contingencies such as injury, sickness, disability or death. The ECC is mandated to initiate, rationalize and coordinate policies, and to review appealed cases from the SSS and GSIS, which are responsible for administering the EC Program for their respective members.

(ii) Coverage

Covered under the EC Program are all salaried employees in the private sector covered by the SSS, including casual, temporary and emergency workers, and all public-sector employees, including those of government-owned corporations and local government units.

¹⁸ Release of lump-sum payments is also subject to availability of cash. On the other hand, benefits of military personnel opting for early retirement are not part of annual appropriations of the AFP, but are filed for separate funding through the Department of Budget and Management.

(iii) Benefits

Qualifying conditions. An employee-member may qualify for EC benefits if he/she: (1) has been reported for coverage to the SSS or GSIS; (2) sustains a work-connected injury or contracts a work-connected sickness, and later suffers from disability or dies; and (3) has given the required notification to his/her employer¹⁹.

For an injury or sickness and the resulting disability or death to be compensable under the EC Program, it must be caused by an accident arising out of and in the course of employment²⁰, or a result of an occupational disease. Proof must be shown that the risk of contracting the disease is heightened by the working conditions and environment to which the employee-member is exposed.

There will be no granting of compensation if the injury, sickness, disability or death is due to the employee's drunkenness, willful intention to injure or kill himself/herself or another, or notorious negligence.

Benefit package. The benefits for employee-members or their dependents under the EC Program, which may be enjoyed simultaneously with those under the social security program of the SSS and GSIS, include the following:

Medical services, appliances and supplies. These are provided to the afflicted employee beginning on the first day of injury or sickness, during the subsequent period of disability, and as the progress of recovery may require. However, benefit availability is limited only to the ward services of an accredited hospital and accredited physician.

Rehabilitation services. This consists of medical-surgical management, hospital treatment, appliances and supplies, vocational training, and placement assistance for an employee who has not been placed in a suitable work environment.

Disability benefits. A daily cash income benefit, equal to 90% of the employee's average daily salary credit or average daily compensation (i.e., not less than ₱10, or more than ₱200 and ₱90 for SSS and GSIS members, respectively), is granted for temporary total disability or sickness, payable for a period not longer than 120 consecutive days. If the injury calls for extensive treatment, the period may be extended up to 240 days. If it persists beyond this period, the injury will be considered as permanent total disability. Disbursement of benefits will be suspended if the employee fails to submit a monthly medical report certified by the attending physician.

For permanent total disability, the income benefit is in the form of monthly pension, equal to 115% and 120% of SSS' and GSIS' monthly retirement pension, respectively (i.e., with the guaranteed minimum at ₱2,000 for SSS members). This is provided for as long as the injured

¹⁹ The employer must be notified within five days from the occurrence of sickness, injury, disability or death. Notice is not necessary if the contingency happened during working hours, at the location of work, and/or with the knowledge of the employer or his/her representative.

²⁰ This means that the employee is: (1) at the place required by his/her work; (2) performing official functions; and/or (3) executing an order for the employer elsewhere.

employee lives, plus 10% for each of his/her five dependent children, beginning with the youngest and without substitution. A supplemental allowance of ₱575 per month is also given to SSS members.

Employees with permanent partial disability are entitled to monthly pension similar to permanent total disability, except that the duration of benefit payment is proportionate to the degree of disability. If the period of disability is less than a year, the benefit will be released in lump sum.

The monthly pension for EC disability is guaranteed for five years, subject to suspension if the employee is gainfully re-employed, recovers from disability, fails to appear for regular examination, or fails to present a medical report. Upon death of an EC disability pensioner, his/her beneficiaries will receive benefits in accordance with the established rules under the respective disability programs of the SSS and GSIS.

Death benefits. A monthly cash income benefit for life, including dependents' pension, is granted to the primary beneficiaries of a deceased employee. In their absence, secondary beneficiaries will also be eligible to a monthly pension, but only for a period not exceeding 60 months.

For beneficiaries of SSS members, the EC death benefit is determined in the same manner as in EC permanent total disability. On the other hand, the monthly pension is not less than ₱15,000 for primary beneficiaries of GSIS members, but not more than the monthly salary of the latter.

A funeral cash benefit, worth ₱10,000 and ₱3,000 for the SSS and GSIS, respectively, is also paid to any person who actually shouldered the burial expenses of a deceased member or permanent total disability pensioner.

(iv) Financing and Financial Operations

The EC Law created a State Insurance Fund for financing benefits under the EC Program, mainly from employers' contributions, on a pay-as-you-go basis. As administering agencies, the SSS and GSIS are tasked to: (1) evaluate all EC claims²¹ and pay corresponding EC benefits; (2) collect EC contributions; and (3) manage the State Insurance Fund.

Contributions. On top of contributions mandated under the SSS and GSIS social insurance schemes, employers are obliged to remit EC contributions. Public sector employers are mandated to pay 1% of an employee's monthly salary as EC contributions or ₱100, whichever is lower²². Private sector employers, on the other hand, are mandated to pay ₱10 per month for employees whose Monthly Salary Credit (MSC) is ₱14,500 or below and ₱30 per month for employees whose MSC is ₱15,000²³.

Only the employer is accountable for the remittance of EC contributions on behalf of his/her employees. This ceases upon worker's separation from employment or death. In case a covered

²¹ The decision to either deny or award compensation for the claimed contingency lies with the SSS and GSIS.

²² This is effective January 2003.

²³ This is effective January 2007.

member becomes disabled during employment, his/her employer's contribution obligation will be suspended for the applicable months that he/she is not receiving any salary.

Investments. The SSS and GSIS invest a portion of EC contributions, in excess of current benefit outlays, in profitable ventures to generate earnings, which are cumulated as part of the State Insurance Fund. Whereas these are co-mingled with the respective social security funds managed by the SSS and GSIS, the conduct of investment activities must adhere to relevant provisions of their charters. The investment income to be applied is determined by the SSS and GSIS in proportion to consolidated investments.

Operating expenses. The SSS and GSIS allocate operating expenses to be charged to the State Insurance Fund for the cost of administering the EC Program. This is carried out in consideration of mandated budgetary limits for disbursements²⁴.

(v) Administration

The ECC is a quasi-judicial corporate entity attached to the Department of Labor and Employment for policy coordination and guidance. The Commission is chaired by the Secretary of Labor and Employment and has the following as ex-officio members: (1) the SSS President and CEO; (2) the GSIS President and General Manager; (3) the PhilHealth Chairman; and (4) the ECC Executive Director. There are also two members representing the employers' and employees' sectors.

The main function of the ECC is to formulate policies and guidelines for the improvement of the EC Program, and initiate activities toward adequate occupational health and safety and accident prevention in the working environment. Inasmuch as the SSS and GSIS handle administration and fund management functions, it also primarily deals with appealed cases under the EC Program. These comprise of claim applications disapproved by either the SSS or GSIS but which claimants believe are compensable because it is work-related. Entire records of the case are forwarded to the ECC for its expeditious review of and ruling on said cases. Should it affirm SSS' or GSIS' decision, the claimant, as a last resort, may elevate his/her petition to the Supreme Court²⁵.

Aside from the Commission Proper as a functional body, there is an ECC Secretariat, headed by an Executive Director and assisted by a Deputy Executive Director, both appointed by the President of the Philippines.

Operations of the ECC are clustered under four major result areas: (1) work contingency prevention services to workers, which include, among others, conduct of forums and seminars promoting occupational safety and health standards and practices; (2) curative services and compensatory benefits to workers, which involve review of the existing benefit program and claims evaluation procedures; (3) rehabilitation services to occupationally disabled workers, such

²⁴ The ECC requires the SSS and GSIS to submit their yearly operational budgets to ensure that expenses do not exceed 12% of the annual loading fund as provided for by law.

²⁵ In contrast to other jurisdictions, an EC claimant does not have to hire a lawyer in appealing his/her case to the ECC. Only when he/she goes to the Supreme Court will legal services be needed.

as counseling and re-skilling for placement or entrepreneurship; and (4) other support services, like the accreditation of hospitals and physicians.

2.1.3 Government Service Insurance System (GSIS)

(i) Legislation

The Government Service Insurance System (GSIS) was constituted by virtue of Commonwealth Act No. 186, which took effect on 14 November 1936. The GSIS Charter is considered the first significant legislation in Philippine social security. Before the establishment of the GSIS, there were several retirement plans for select groups, like the Philippine Constabulary under Act No. 1638, public school teachers under Act No. 3050, and health service employees under Act No. 3173.

The law initially provided for life insurance protection to all government workers. However, on 16 June 1951, Republic Act No. 660 was passed, amending C.A. 186. Retirement insurance was added to the program, granting annuity and pension benefits to all government employees. This also extended life insurance coverage to all non-permanent employees of the government through term policy insurance renewable yearly.

Various amendments to the GSIS Charter were ratified. The most recent legislation was passed on 24 June 1997, under R.A. 8291, which expanded the scope of coverage and benefits, to include pre-need insurance, unemployment and separation, and enhanced GSIS' powers and functions to better respond to the needs of its members.

While these laws cover all government workers, others were designed for special groups only, entrusting the GSIS with the following functions: (1) administration of the General Insurance Fund, and provision of insurance protection to assets and properties having government insurable interests, in view of R.A. 656 (16 June 1951) or the Property Insurance Fund; (2) enforcement of R.A. 910 (20 June 1953), which provided for a separate retirement plan for the judiciary; and (3) administration of the Barrio Officials Insurance Fund (17 June 1967), extending life, disability and accident insurance benefits to officials of local government units.

(ii) Coverage

The GSIS compulsorily covers all government workers below 65 years old, regardless of employment status. These include appointive or elective officials receiving fixed compensation, permanent, substitute, temporary, casual or contractual employees with employee-employer relationship, and those receiving basic salary but not per diem, honoraria or allowances. Exception is provided for contractual employees who have no employee-employer relationship with their agencies, and members of the Armed Forces of the Philippines and the Philippine National Police, including the Bureau of Jail Management and Penology and the Bureau of Fire Protection.

The GSIS now has a total of 1,424,845 active members categorized as follows: (1) national agencies (400,018); (2) local government units (390,463); (3) Department of Education, Culture and Sports (534,773); and (4) government-owned and controlled corporations (99,591).

(iii) Benefits

All GSIS members are provided with life insurance, retirement and other social security protection such as disability, death, separation and unemployment benefits, except for members of the judiciary and constitutional commissions who are only provided with life insurance.

Old age. GSIS' retirement benefits vary depending on the applicable legislation at the date of entry as GSIS member.

Retirement under R.A. 8291. To be eligible for retirement benefits under R.A. 8291, a member must have rendered at least 15 years of service and must be at least 60 years of age at the time of retirement. Moreover, he/she must not be a permanent total disability pensioner.

The retiree has the two lump-sum options, as follows: (1) equivalent to 60 months of the Basic Monthly Pension (BMP) payable at the time of retirement, and monthly pension for life if he/she is still living after the five-year guaranteed period covered by the lump sum; or (2) equivalent to 18 times the BMP plus BMP for life payable immediately, but with no five-year guarantee.

The BMP is equal to 37.5% of the revalued average monthly compensation (RAMC)²⁶ for each year of service, plus 2.5% of RAMC for each year of service in excess of 15 years, but not exceeding 90% of the average monthly compensation (AMC)²⁷.

Retirement under P.D. 1146. This is the retirement mode applicable to a member who has been in service after 31 May 1977 but before 24 June 1997.

Under this mode, a retiree aged 60 years who has rendered at least 15 years of service is entitled to a five-year guaranteed BMP and a lifetime monthly BMP thereafter. A retiree may request for the payment in lump sum of the BMP for the five-year guaranteed period, at a discounted rate of not less than 6%.

The BMP is computed the same way as in retirement under R.A. 8291, but the RAMC is equal to AMC plus ₱140 and the maximum RAMC is set at ₱3,140. A retiree aged 60 years, who has rendered at least three but less than 15 years of service, is given a lump-sum amount equal to 100% of AMC for every year of service.

Retirement under R.A. 660. This retirement mode, which is otherwise known as the Annuity or Pension Plan, is applicable to a member who has been in service on or before 31 May 1977.

²⁶ This is equal to the average monthly compensation (AMC) plus ₱700, where AMC is computed by dividing total compensation received during the last three years prior to contingency by 36, if length of service is 36 months or more, or by the number of months during which compensation was received, if less than 36 months.

²⁷ The amount of AMC is subject to Board Approval. In 2005, the maximum AMC limit of ₱16,000 was removed to allow retiring government employees to receive a pension equivalent to 90% of AMC without the cap.

Conditions for entitlement of retirement benefits under this mode are as follows: (1) the retiree's last three years of service prior to retirement must be continuous, except in cases of disability, abolition, and phase-out of position due to reorganization; (2) appointment status must be permanent in nature; and (3) the age and service requirements under the "Magic 87" formula²⁸ is satisfied.

The maximum monthly pension for those above 57 years old is 80% of the AMC received during the last three years immediately preceding retirement. The maximum pension for those aged 57 years and below is 75% of the AMC.

Retirees below 60 years old are qualified for a monthly pension guaranteed for five years with the option to request for a one-year lump sum every six months. If still living after the five-year guaranteed period, he/she will be entitled to a monthly pension for life. For those who are at least 60 years old but less than 63 years of age on the date of retirement, the benefit is a three-year lump sum. The subsequent two-year lump sum will be paid to the retiree on his/her 63rd birthday. If still living at the end of the guaranteed period, he/she will be entitled to a monthly pension for life. Available to those who are at least 63 years of age or over on the date of retirement and still living past the guaranteed period is a monthly pension for life.

Retirement under R.A. 1616. This retirement mode, which is also known as the Gratuity Retirement Benefit, is applicable to members who were in the service on or before 31 May 1977. To avail of the benefits under this mode, a retiree must have rendered at least 20 years of service regardless of age and employment status. Moreover, his/her last three years of service prior to retirement must be continuous, except in cases of disability, abolition or phase out of position due to reorganization.

The gratuity is payable by the last employer based on the total creditable service converted into gratuity months multiplied by the highest compensation received. The gratuity months is computed as follows: (1) one-month salary for the first 20 years of service; (2) 1.5 months salary for the next 10 years up to 30 years; and (3) two months salary in excess of 30 years of service. There is no limit as to the amount of gratuity benefit.

Alternatively, the retiree may opt to receive a refund of contributions consisting of personal contributions plus interest, and government share without interest.

Disability. Disability benefits are granted to a member due to the loss or reduction in earning capacity caused by a loss or impairment of the normal functions of the employee's physical and/or mental faculties as a result of an injury or disease. The loss in earning capacity is determined based on the employee's actual loss of income from usual occupation and his/her capacity to engage in any other gainful occupation due to impairment.

²⁸ The age and service years of a member aged 57 years or below must sum up to 87 (e.g., 52 years old with 35 service years, 57 with 30). For members aged 57 years and above, the following formula will apply: 58 years old with 28 service years; 59 with 26; 60 with 24; 61 with 22; 62 with 20; 63 with 18; 64 with 16; and 65 with 15.

Permanent Total Disability²⁹. A member who satisfies any of the following conditions is entitled to monthly pension and carer's allowance of ₱1,500: (1) in active service with at least 180 monthly contributions; (2) separated from service but with 36 monthly contributions within the five-year period immediately preceding the disability; or (3) separated from service but with 180 monthly contributions prior to disability.

If a member is in active service with at least 180 monthly contributions, he/she will receive the BMP, carer's allowance, and a lump-sum payment equal to 18 times the computed BMP. If with at least three years of service with contributions and the contingency occurs five years after the separation from service, he/she will be entitled to a lump-sum payment equal to 100% of AMC multiplied by the number of years wherein contributions were paid but not less than ₱12,000. No more separation benefit will be paid in the future.

The disability benefit will be suspended if a member has not reached the minimum retirement age and is re-employed, recovers from disability, or fails to present himself/herself for medical examination as required by the GSIS.

Permanent Partial Disability³⁰. Eligibility for benefit in terms of contributions is as provided for under permanent total disability. The benefit is a lump-sum payment equal to the BMP times a specified number of months depending on the degree of disability, as prescribed by the GSIS.

Temporary Total Disability³¹. Temporary Total Disability (TTD) arises when there is complete but temporary incapacity to continue with a member's present employment or engage in any gainful occupation due to the loss or impairment of the normal function of the physical and/or mental faculties of the member.

Eligible for TTD benefits are members who are in active service at the time of disability, and if separated, has rendered at least three years of service and paid at least six monthly contributions in the 12-month period immediately preceding the disability. The benefit is equal to 75% of the member's daily compensation, from a minimum of ₱165 to a maximum of ₱475, for each day of TTD. However, the duration of benefit payment must not exceed 120 days, but may be extended to a maximum of 240 days for intensive cases.

Death. If a member was in the service at the time of death and rendered at least three years of service, his/her primary beneficiaries are entitled to the following: (1) 50% of the BMP; (2) dependent children's pension for each dependent child, but not exceeding 50% of the BMP and only as long as they are qualified; and (3) lump sum equal to 100% of the AMC for each year the member has paid contributions but not less than ₱12,000.

²⁹ These are injuries resulting in complete loss of sight 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, insanity or other irreversible conditions, and such other cases as may be determined by the System.

³⁰ These are injuries resulting in complete and permanent loss of the use of any finger, toe, arm, hand, foot, leg, ear, sight of one eye, hearing of one ear, or such other cases as may be determined by the GSIS.

³¹ This is also called sickness income benefit.

However, if a member was in the service at the time of death but rendered less than three years of service, his/her primary beneficiaries receive the same benefit except for the lump-sum payment. The same is true with primary beneficiaries of a member who was separated from service but rendered at least three years of service at the time of death and paid 36 monthly contributions within the five-year period immediately preceding his/her death, or paid at least 180 monthly contributions prior to death.

In the absence of primary beneficiaries, the secondary beneficiaries will receive a lump-sum payment equal to 100% of the AMC for each year that the member has paid contributions but not less than ₱12,000. If there are no primary and secondary beneficiaries, the legal heirs will receive the benefit.

If an old-age or disability pensioner dies after the five-year guaranteed period, his/her primary beneficiaries will be granted the survivorship pension for as long as they are qualified. Secondary beneficiaries are not entitled to the benefits. However, if an old-age pensioner dies before the guaranteed period, his/her primary beneficiaries will receive the BMP up to the end of the said period, convertible to lump sum, and thereafter, the basic survivorship pension for as long as they are qualified.

Primary beneficiaries are the legitimate spouse, until he/she remarries, and the dependent children. Secondary beneficiaries include parents and legitimate descendants.

Separation. The separation benefit is given to employees who have not reached the retirement age of 60 and are separated from service.

The benefit is in the form of lump-sum payment, or lump sum and pension. If a member has rendered at least three years but less than 15 years of service and is below 60 years of age, he/she will be entitled to a lump-sum payment equal to 100% of the AMC for every year of service, payable upon reaching age 60 or separation, whichever comes later. However, if with at least 15 years of service and below 60 years of age, he/she will be given a lump-sum amount equal to 18 times the BMP, payable upon separation, plus BMP for life starting at age 60.

Unemployment. The unemployment benefit is paid to a permanent government employee who is involuntarily separated from the service as a result of the abolition of his/her office or position usually resulting from reorganization.

For benefit eligibility, a member must have paid 12 months of contributions under R.A. 8291 prior to separation. The benefit amount consists of monthly payments equal to 50% of AMC, with the duration based on the number of contributions paid, as follows:

Table 2.1.3: GSIS Unemployment Benefit Schedule

Contributions	Duration
1 year to less than 3 years	2 months
3 years to less than 6 years	3 months
6 years to less than 9 years	4 months
9 years to less than 11 years	5 months
11 years to less than 15 years	6 months

Other benefits. All old-age and death pensioners, as well as dependents under R.A. 660, P.D. 1146 and R.A. 8291, are granted a Christmas Cash Gift, equivalent to one-month pension. Old-age and disability pensioners aged 100 years and over are provided an Anniversary Benefit equivalent to one-month basic pension. Moreover, beneficiaries of deceased pensioners are given a Funeral Benefit of ₱20,000.

(iv) Financing and Financial Operations

Contributions and investment earnings constitute the GSIS Social Insurance Fund, which is used to finance all benefits administered by the GSIS.

Contributions. The employer and employee share the payment of GSIS contributions, at the rate of 12% and 9% of the basic monthly salary, respectively, with no ceiling³². Of the 9% employee-contributions, 2% is used to finance life insurance benefits and 7% for retirement and other social security benefits. Members of the judiciary and constitutional commissions pay 3% of their monthly salary as their personal share, and their employers contribute the corresponding 3% share for their life insurance coverage.

Investments. Funds, which are not needed to meet GSIS' current obligations, are invested in accordance with rules and regulations prescribed by the Board. Requirements of liquidity, safety, security and yield must be satisfied in order to ensure actuarial solvency. The GSIS is required to submit an annual report on all investments made to the Senate and Congress of the Philippines.

Within prescribed limits, the GSIS Charter allows investments in the following: (1) interest-bearing bonds and securities of the national government, domestic banks in the Philippines designated as a depository by the Central Bank of the Philippines, educational or medical institutions; (2) common and preferred stocks of solvent corporations with at least three-year track record of profitability; (3) domestic and foreign mutual funds; (4) real estate properties; (5) short- and medium-term loans to members; and (6) foreign currency-deposits and denominated debts.

Operating Expenses. For operational and administrative expenses, the GSIS is allowed to disburse a maximum of 12% of yearly revenues from all sources. On the basis of actuarial and management studies, this limit may however be adjusted subject to the approval of the President of the Philippines.

(v) Administration

The governing and policy-making body of the GSIS is the Board of Trustees. It is composed of the GSIS President and General Manager (PGM) and eight other members appointed by the President of the Philippines as follows: (1) one represents public school teachers; (2) two are from organizations or associations of government employees or retirees; (3) four represent the banking, finance, investments and insurance sectors; and (4) one is a GSIS member with a legal

³² In 2004, the salary ceiling of ₱16,000 for the employee share was removed.

profession. The Trustees elect the Chairman from among themselves, while the GSIS PGM serves as Vice Chairman. Members have fixed terms of six years without reappointment.

The GSIS workforce consists of 3,104 employees, 52% of whom are in the head office and the rest are in the branches. To date, there are 40 branches and 78 satellite offices nationwide. It is envisioned that the System's service network will continue to increase, as the institution is committed to provide branch offices in every province where there exists a minimum of 15,000 active members.

2.1.4 Home Development and Mutual Fund (HDMF or Pag-IBIG)

(i) Legislation

The Home Development and Mutual Fund (HDMF) Law or Presidential Decree No. 1530 was enacted on 11 June 1978, creating a voluntary provident fund primarily for savings generation and mobilization, as well as for financing decent and affordable housing to Filipino workers.

The SSS and GSIS initially administered the provident fund scheme for their respective members. In 1979, fund administration was transferred to the National Home Mortgage Finance Corporation (NHMFC) through Executive Order No. 527. In the same year, E.O. 538 was issued to merge the funds administered by the SSS and GSIS into what is now known as the Pag-IBIG³³ Fund.

Membership to the Pag-IBIG Fund became compulsory on 1 July 1981 under P.D. 1752 of 1980, making the HDMF a corporation independent of the NHMFC. Contributions to the scheme were suspended from May to July 1986, but resumed in August 1986 with a more liberal contribution structure. It reverted to a voluntary program in 1987 by virtue of E.O. 90, with the mandate to finance the government's Unified Home Lending Program.

On 17 June 1994, Republic Act No. 7742, or the Pag-IBIG Universal Coverage Law, was signed, thus amending P.D. 1530 and 1752. The new law brought back the mandatory nature of the scheme effective 1 January 1995.

(ii) Coverage

Pag-IBIG membership is mandatory for all SSS and GSIS members with monthly earnings of at least ₱4,000. Voluntary coverage is also open to workers, including self-employed persons, and informal workers who earn less than ₱4,000 a month. It is also extended on a voluntary basis to overseas Filipino workers, resident immigrants and naturalized citizens under the Pag-IBIG Overseas Program. Non-earning spouses of Pag-IBIG members may also register voluntarily.

(iii) Benefits

Benefits under the Pag-IBIG Fund depend on the level of savings accumulated during a member's working lifetime, which is equal to the full value of contributions plus all annual

³³ Pag-IBIG is an acronym for *Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industria at Gobyerno*.

dividends earned thereon, tax-free and government-guaranteed. The extent of dividend payments, in turn, is determined by the investment income for the period, and whether or not the member stays active in the payment of contributions.

Savings refund. A member may qualify for withdrawal of benefits in the form of refund of savings upon occurrence of any of the following:

Membership maturity. Members who registered under P.D. 1752 may apply upon completion of 20 years of active membership, equivalent to 240 monthly contributions. On the other hand, for those subject to R.A. 7742, partial withdrawal of savings is allowed after ten or 15 years of continuous membership, provided there is no outstanding housing loan with the Pag-IBIG Fund. This option is valid only once during the membership term.

Retirement. This is mandatory for members who are 65 years of age. However, early and optional retirement plans are also offered at age 45 and age 60, respectively. Even without the requisite maturity period or retirement age, withdrawal is allowed on account of member's permanent departure from the country, permanent total physical disability, insanity, termination from service by reason of health, or death, in which case, an additional benefit grant of ₱6,000 is given to the legal heirs to defray funeral expenses.

A member will maintain his/her total accumulated savings even if he/she transfers from one employer to another, whether in the private or public sector. There are also provisions for the portability of savings under the voluntary Pag-IBIG Overseas Program, such that members who remit their Pag-IBIG Fund contributions in U.S. dollars get a refund of their savings in the same currency.

Loans. The HDMF also offers short-term loans, such as multi-purpose and calamity loans, to all active members who have made at least 24 monthly contributions at the time of application. The limit in the loanable amount is 60% of a member's total accumulated savings, payable in two years through salary deduction and renewable after the payment of 50% of the loan principal and upon anniversary of the loan.

(iv) Financing and Financial Operations

The Pag-IBIG Fund, as a supplementary provident fund for workers, applies the underlying principle of individual equity. As described above, member benefits are directly linked to the total accumulated value (TAV), equal to counterpart contributions plus dividends, credited to his/her own savings account.

Contributions. Contribution is pegged at 1% of the member's monthly compensation (MC) for those earning less than ₱1,500 a month and at 2% of MC for those with ₱1,500 or more³⁴. Employers are mandated to contribute an additional 2% of the MC of each covered employee³⁵. The contribution rate is applied up to an MC ceiling of ₱5,000. Thus, the maximum combined contribution is ₱200 per month.

³⁴ Employee-members may opt to increase their contributions accordingly, on a voluntary basis.

³⁵ Voluntary members may opt to pay for the employer counterpart.

Acting as agents of the Pag-IBIG Fund, employers are required to collect employee contributions, including those who joined on a voluntary basis, through payroll deductions. Failure to remit contributions will subject the employer to a 3% penalty per month. Self-employed members are required to pay their contributions directly to the HDMF.

If an employee-member is separated from employment, goes on leave without pay or is suspended from work, or if his/her employer's coverage is waived or suspended, he/she may stop paying contributions to the Pag-IBIG Fund, or opt to shoulder both the employee and employer contributions.

Under the Pag-IBIG Overseas Program, qualified members pay contributions in the amount of US\$20 or its peso equivalent, if the MC is US\$1,000 or less, and US\$40 or its peso equivalent, if the MC is over US\$1,000. Payment is made through accredited marketing representatives and collecting agents stationed in selected foreign posts.

Investments. Funds that are not needed to meet current operational and administrative requirements are invested by the HDMF. Not less than 70% of its investible funds must be allocated to shelter development programs, including mortgage loans to qualified members for personal housing and institutional loans to accredited private developers for the construction of low-cost and socialized housing packages.

(v) Administration

The powers and functions of the Pag-IBIG Fund are exercised by a Board of Trustees, headed by the Chairman of the Housing and Urban Development Coordinating Council and composed of the following ex-officio members: (1) the Secretary of Finance as Vice Chairman; (2) the Secretary of Budget and Management; (3) the Secretary of Labor and Employment; (4) the Secretary of Trade and Industry; and (5) the HDMF President and CEO. Two representatives each from the group of private employees and private employers, and one from government employees also form part of the Board as appointive members.

The Pag-IBIG Fund's nationwide branch network consists of 12 regional offices, ten sub-regional offices and 13 extension offices. The HDMF has also established its presence in the international scene with overseas desks housed mostly in Philippine embassies and consulates in 20 countries. This is sustained through information officers and marketing representatives in selected foreign posts.

2.1.5 Overseas Workers Welfare Administration (OWWA)

(i) Legislation

The Welfare Fund for Overseas Workers (WFOV) was initially created as an attached agency of the Department of Labor and Employment (DOLE) through its Letter of Instructions No. 537 dated 1 May 1977, but was later operationalized as an organization on 1 May 1980 by virtue of Presidential Decree No. 1694, as amended. With the issuance of Executive Order No. 126 on 30

January 1987, the WFOW was renamed as the Overseas Workers Welfare Administration (OWWA).

In 1994, E.O. 195 was implemented for the compulsory Medicare coverage of all OFWs and their dependents. Republic Act No. 8042 was passed on 7 June 1995 to further clarify and enhance OWWA's functions and establish its Board membership.

OWWA's program thrusts are determined by its two-fold mandate of providing social and welfare benefits and services to registered overseas Filipino workers (OFWs) and their dependents, and ensuring capital build-up and fund viability

(ii) Coverage

OWWA membership may be obtained through compulsory enrollment upon processing of overseas employment contract at the Philippine Overseas Employment Administration (POEA) and by voluntary registration at job-sites abroad. In the former, all POEA-processed overseas workers, either for land-based and sea-based deployment, are automatic members. In the latter, OWWA coverage is extended to nationals who exited the Philippines as non-contract workers but later on acquired foreign employment.

Effectivity of membership, either compulsory or voluntary, occurs upon payment of contribution until expiration of the employment contract. Membership may be continued after the renewal of existing contract or issuance of new contract. In the case of voluntary OFW members who registered on-site, coverage must not exceed two years, but renewable once contribution payment is made for the next applicable period.

(iii) Benefits

An OWWA member is entitled to a range of benefits and services, subject to contribution qualification requirements and fund availability³⁶.

Insurance and health care benefits. For the duration of his/her overseas employment contract, an OWWA member is covered with life insurance, amounting to ₱100,000 for natural death and ₱200,000 for accidental death. A burial benefit of ₱20,000 is further granted to help settle funeral expenses upon member's death. As a rider provision of the life insurance policy, he/she can also avail of disability benefits amounting to a range of ₱2,000 to ₱50,000 depending on the extent of disability. In the case of permanent total disability, the coverage is higher at ₱100,000.

Loan guarantee fund. The OWWA offers pre-departure loan (PDL) and family assistance loan (FAL) packages to its members, up to a maximum borrowing limit of ₱40,000. This is accorded in coordination with government financial institutions that maintain a ₱100 million revolving loan guarantee fund.

³⁶ Benefits and services are granted over and above the provisions of the overseas employment contract, offer of employers and/or applicable legislation of the host country.

Newly hired OFWs due for deployment whose employers or agents have already paid the compulsory contributions to the OWWA are qualified to apply for the PDL. The objective is to assist members in their pre-departure needs, such as placement fees, clothing requirements and pocket money. On the other hand, the FAL is bestowed for emergency and other family needs as endorsed by the member.

Education and training benefits. An OWWA member may take advantage of the following education and training programs for himself/herself or his/her duly designated beneficiary: (1) skills-for-employment scholarship program, either technical or vocational in nature; (2) education for development scholarship program, which grants a maximum of ₱10,000 for school fees and ₱20,000 for allowances per semester for collegiate courses (i.e., not more than five years of curriculum studies); and (3) seafarers' upgrading program (i.e., one availment for every three membership contributions, plus training financial assistance worth ₱1,200 up to a maximum of ₱7,500), designed to sustain the competitive advantage of Filipino seafarers in meeting the competency standards set by the International Maritime Organization. OWWA's annual allocations for these programs are ₱6 million, cost for 100 baccalaureate slots, and ₱10 million, respectively.

Social services and family welfare assistance. Under OWWA's repatriation program, members are repatriated and given services necessary to facilitate repatriation, such as airport assistance, interim housing or shelter, and domestic transportation. The OWWA advances the payment of return tickets and other expenses incurred in the repatriation of OFWS, for reimbursement by the responsible recruitment agencies. There are parallel efforts to require or persuade foreign employers/principals to shoulder repatriation costs.

A reintegration program is also implemented by DOLE through the OWWA, with the support of local government units and non-government organizations. This incorporates community-organizing, capability-building and social preparation projects and seminars, as well as livelihood loans, aimed at promoting productive undertakings upon their eventual return to the mainstream of Philippine society.

Workers assistance and on-site services. The OWWA continues to assist members in all its regional and overseas offices. Services include, among others, locating the OFW, supplying information and guidance, development of materials for pre-departure orientation seminars, conduct of psycho-social counseling, conciliation services, medical and legal assistance, and outreach missions. On behalf of the OFW member, the OWWA may also provide appropriate representation with employers, agents and host government authorities.

(iv) Financing and Financial Operations

OWWA's benefit package is financed by a single trust fund, or the OWWA Fund, which is pooled from compulsory member contributions, investment earnings and income from other sources. Deployed overseas workers are classified into two groups, land-based and sea-based. For a more efficient fund management system, contribution revenues are accounted for in two separate books of account.

Contributions. The required contribution for OWWA membership is US\$25 or its local currency equivalent, processed and paid on a per contract basis³⁷, but not exceeding two years. The same amount is applied upon renewal of membership in the succeeding years. In the case of land-based workers, the entire amount is borne by the foreign employer, while sea-based workers share the payment obligation with ship owners at US\$10 and US\$15 rates, respectively. Of the total amount, ₱165 is set aside for the Insurance Benefit Program Fund (IBPF) of members.

Contributions are remitted directly to the OWWA head office or at the POEA contract processing hub, or through its duly authorized or deputized collecting officers at its satellite offices in the region and abroad, and other accredited collection centers, not later than the 5th day of the following month.

Investments. A portion of the OWWA Fund not needed for projected monthly operating, program and contingency fund allocations are invested. As a general policy, investible funds are placed in government securities to generate optimum earnings while maintaining liquidity and fund protection. Portfolio management is outsourced to government financial institutions, but the OWWA may re-invest maturing securities as long as the original types of placement are not altered.

For the purpose of fund build-up, the OWWA is directed to set an appropriate growth rate sufficient to meet all benefit obligations to members. Its annual budget for operational requirements and estimated insurance claims, therefore, is fixed at a level supportive of this targeted rate, to be reviewed annually to achieve comparative efficiency levels of other similarly situated agencies³⁸.

(v) Administration

OWWA's Board of Trustees is composed of the following ex-officio members: (1) the Secretary of Labor and Employment as Chairman; (2) the OWWA Administrator as Vice Chairman; (3) the Secretary of Budget and Management; (4) the Secretary of Finance; (5) the Secretary of Foreign Affairs; (6) one Undersecretary of Labor and Employment; and (7) the POEA Administrator. Management and labor sectors are also in the Board with one representative each. Following the promulgation of the Migrant Workers and Overseas Filipinos Act of 1995, three additional members from the women sector, sea-based OFWs and land-based OFWs are included. The OWWA Secretariat acts as the implementing arm of the agency, administering resources in accordance with policies and programs formulated by the Board.

³⁷ Payments are made each time a contract is submitted to the POEA for processing, including documentary processing of returning or vacationing workers.

³⁸ The proposed annual budget is determined by OWWA's allocation pattern for the year, where the cost of service provision does not go beyond the cost of programs, claims and benefits.

2.1.6 Philippine Health Insurance Corporation (PhilHealth)

(i) Legislation

Since its inception in 1972 by virtue of the Philippine Medical Care Act of 1969, the SSS and GSIS have administered the Medicare Program for their respective members. With the passage of the National Health Insurance Act (or Republic Act No. 7875) on 14 February 1995, the Philippine Health Insurance Corporation (PhilHealth) was formed to serve as the sole entity responsible for the implementation of the country's National Health Insurance Program (NHIP). Thus, from 1997 to 1999, Medicare components of SSS' and GSIS' operations were transferred to the PhilHealth as mandated by law.

The NHIP aims to provide health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all Filipinos.

(ii) Coverage

The PhilHealth covers the entire population under the NHIP, in keeping with the principles of universality and compulsory membership. The law specifically calls for a phased-in implementation of the program over a period of not more than 15 years.³⁹

All employed persons (i.e., SSS and GSIS members) and their qualified dependents are automatically enrolled in the PhilHealth. Indigent families⁴⁰, who are eligible to benefits from health insurance plans initiated by local government units (LGUs), are given free Medicare access on a yearly basis. Under this Indigent or Sponsored Program, the PhilHealth forges ties with LGUs, legislators and private donors for the financing of health insurance premiums of the targeted marginalized group.

Self-employed persons migrant workers, individuals who are separated from employment but intend to continue membership, parents, children and unemployed persons who are not qualified as legal dependents, indigents or retirees/pensioners, and Filipinos residing in other countries are also protected by the PhilHealth under its Individually Paying Program (IPP). These members voluntarily pay the required premiums in full.

On the other hand, SSS and GSIS retirees and pensioners⁴¹ enjoy lifetime coverage on a non-paying basis (i.e., exempted from payment of premiums).

³⁹ Issuance of Administrative Order No. 277, dated 25 June 1995, gave priority to the poorest 25% of the population to be covered by social health insurance within five years.

⁴⁰ These are families who have no visible means of income or whose income is insufficient for the subsistence of the family based on specific criteria set by the PhilHealth.

⁴¹ These are members who have reached the retirement age and paid at least 120 monthly contributions, and pensioners, including permanent disability and survivorship, prior to effectivity of the law on 4 March 1995.

(iii) Benefits

Qualifying conditions. The PhilHealth ensures access to medical care benefits to a member who has paid premiums for at least three months within the six-month period immediately prior to the day of his/her dependents' confinement or availment.

For IPP members, payment of one quarter immediately preceding the quarter of contingency is required. Moreover, confinement in an accredited health facility due to an illness or injury necessitating hospitalization or medical treatment must not be less than 24 hours⁴², provided further that the allowance for room and board has not been exhausted.

Benefit package. The PhilHealth grants members the following in-patient hospital care benefits through subsidies: (1) room and board fees; (2) operating room charges; (3) service fees of health care professionals; (4) diagnostic, laboratory, and other medical examination services; (5) use of surgical or medical equipment and facilities; (6) prescription drugs and biologicals; and (7) in-patient education packages.

Table 2.1.6a: PhilHealth Hospital Care Benefit Schedule (effective January 2007)*

Table 2.1.6a: Public Health Hospital Care Benefit Schedule (Effective January 2007)

LEVELS 3 & 4 HOSPITALS (TERTIARY)				
Benefit Item	Case Type			
	A	B	C	D
Room & Board	400/day	400/day	400/day	1,035/day
Drugs & Medicines	3,000	9,000	16,000	35,655
X-ray, Lab & Others	1,700	4,000	14,000	29,430
Operating Room	RVU 30 & below = 1,060; RVU 31 to 80 = 1,350	RVU 81 to 200 = 3,490	RVU 201 to 500 = 3,490	RVU 501 & above = 10,470
Professional Fees:				
General Practitioner	150/day Max. of 600	150/day Max. of 900	150/day Max. of 900	315/day Max. of 2,430
Specialist	250/day Max. of 1,000	250/day Max. of 1,500	250/day Max. of 2,500	450/day Max. of 4,050
Surgeon	40/Relative Value Unit (RVU) Maximum of 16,000			120/RVU Max. of 47,790
Anesthesiologist	30% of Surgeon's fee Maximum of 5,000			30% Surgeon's fee Max. of 14,355
LEVEL 2 HOSPITALS (SECONDARY)				
Benefit Item	Case Type			
	A	B	C	D
Room & Board	300/day	300/day	300/day	660/day
Drugs & Medicines	1,700	4,000	8,000	19,725
X-ray, Lab & Others	850	2,000	4,000	10,215
Operating Room	RVU 30 & below = 670; RVU 31 to 80 = 1,140	RVU 81 to 200 = 2,160	RVU 201 to 500 = 2,160	RVU 501 & above = 6,480
Professional Fees:				

⁴² Confinements for less than 24 hours may also be paid on the following conditions: (1) the case was an emergency; (2) the patient was transferred to another health care facility; or (3) the patient expired during hospitalization.

General Practitioner	150/day Max. of 600	150/day Max. of 900	150/day Max. of 900	315/day Max. of 2,430
Specialist	250/day Max. of 1,000	250/day Max. of 1,500	250/day Max. of 2,500	450/day Max. of 4,050
Surgeon	40/Relative Value Unit (RVU) Maximum of 16,000			120/RVU Max. of 47,790
Anesthesiologist	30% of Surgeon's fee Maximum of 5,000			30% Surgeon's fee Max. of 14,355
LEVEL 1 HOSPITALS (PRIMARY)				
Benefit Item	Case Type			
	A		B	
Room & Board	200/day		200/day	
Drugs & Medicines	1,500		2,500	
X-ray, Lab & Others	350		700	
Professional Fees:				
General Practitioner	150/day Max. of 600		150/day Max. of 900	
Specialist	250/day Max. of 1,000		250/day Max. of 1,500	
Minor surgical operations are covered up to 1,200 for Professional Fees and 385 for Operating Room				

* Per single period of confinement/avilment

Room and board utilization is up to a maximum of 45 days for members and a separate 45-day allowance for all qualified dependents⁴³. Any unused portion in a given year will not be carried over to the succeeding year. The amount of benefits is based on the degree of complexity of surgical cases, evaluated as per the Relative Value Scale. For portability of benefits, members are free to choose from accredited hospitals around the country for any required medical treatment and/or confinement⁴⁴.

Outpatient care benefits, such as general consultation, medical examination services, personal preventive services, and prescription drugs and biologicals, as well as emergency and transfer services, are also available to PhilHealth members. One-day room and board will be deducted from the 45-day allowance for every outpatient surgical procedure.

The NHIP also incorporates the following special benefit packages:

Maternity care package⁴⁵. The package covers the first two normal spontaneous deliveries, including pre-natal services, delivery, newborn care, and post-natal consultations, performed in accredited hospitals, lying-in clinics, maternity and ambulatory clinics, and rural health units. The scheme grants a case rate of ₱4,500 to be divided between the health care professional and

⁴³ The following dependents are covered provided that the member's premium remittances are kept updated: (1) legitimate spouse who is not a member; (2) dependent children below 21 years old, unmarried and unemployed, whether or not illegitimate, legitimated or adopted; (3) children 21 years old and above but suffering from congenital disability, either physical or mental, or any acquired disability that renders them totally dependent on the member for support; and (4) dependent parents 60 years old and above who are non-members.

⁴⁴ For confinement in a non-accredited facility, benefits may also be paid on the following conditions: (1) the case was an emergency; (2) the hospital or clinic is licensed by the Department of Health; and/or (3) it was physically impossible for the patient to be transferred to an accredited facility.

⁴⁵ To avail of PhilHealth's maternity care package, IPP members must contribute for at least nine months within the immediate 12-month period prior to delivery.

the accredited hospital with ₱2,000 and ₱2,500 shares, respectively. If the delivery was done in a non-hospital health facility, the entire rate is payable to the accredited health care provider.

Outpatient Tuberculosis (TB) package⁴⁶. Treatment of new cases of pulmonary and extra-pulmonary TB in children and adults are provided through Directly Observed Treatment Short-course (DOTS). This comprises of routine laboratory tests, professional fees and anti-TB drugs. A flat rate of ₱4,000 per case is paid to accredited DOTS facility.

Overseas Workers Program. The PhilHealth program for overseas Filipino workers provides coverage also to the members of the worker's immediate family, as follows: (1) Legal spouse who is not a covered member of PhilHealth; (2) Children under age 21 who are single and unemployed; and (3) worker's parents who are age 60 and above and who are not members of PhilHealth. Benefits under the Overseas Workers Program include out-patient and in-patient care as well as special benefit packages for maternity care and treatments for tuberculosis, SARS, and Bird Flu virus.

Sponsored Program. Specifically for the poor constituents of LGUs that fall under the Indigent or Sponsored Program, the PhilHealth provides basic minimum health coverage for free or at subsidized rates. The same benefits enjoyed by regular PhilHealth members are offered, but only with respect to in-patient care services, which can be obtained at any accredited hospital. Indigent members may take advantage of outpatient benefit plans, consisting of primary consultations and preventive care services, delivered through designated accredited rural health centers.

Program beneficiaries⁴⁷ are means-tested for their socio-economic status through the Minimum Basic Needs (MBN) Approach Survey⁴⁸. This is conducted by LGUs through the local Social Welfare and Development Office, often with assistance from the provincial or municipal health offices and local community organizations.

Once selected, indigent member-households have access to the program for one full year. The LGU, however, is permitted to make member replacements during the year, as certified by the local Social Welfare and Development Office. Upon death of a member, dependents are still entitled to benefits for the unexpired portion of coverage.

Excluded personal health services. Members' expenses for the following medical cases and procedures are non-compensable under the NHIP: (1) outpatient psychotherapy and counseling for mental disorders; (2) home and rehabilitation services; (3) normal obstetrical delivery, except for the first two normal spontaneous deliveries; (4) non-prescription drugs and devices; (5) drug and alcohol dependency treatment; (5) cosmetic surgery; (6) optometry services; and (7) other cost-ineffective procedures. After the conduct of actuarial studies, the PhilHealth may recommend the inclusion of these personal health services in its benefit package.

⁴⁶ Sponsored, non-paying and select IPP members may enroll at the DOTS center upon effectivity of membership, as stated in their health insurance ID cards or eligibility certificates.

⁴⁷ Executive Order No. 276 signed on 29 January 2004 ordered the identification of indigent families, targeting the enrollment of a total of five million indigents under the enhanced Greater Medicare Access Program.

⁴⁸ This is a survey to determine whether or not the following basic needs are met: (1) survival (i.e., health, food and nutrition, clothing, water and sanitation); (2) security (i.e., income and livelihood, shelter, peace and order, and public safety); and (3) enabling (i.e., basic education and literacy, family care, psycho-social care, and participation).

Quality assurance. Health care providers, in turn, are obliged to participate in programs of quality assurance, which involves utilization review and technology assessment, among others. The overriding objective is to guarantee the quality of health service delivery and the uniformity in health care standards throughout the country. Acquisition and use of scarce and expensive technologies, as well as the procedural performance and drug administration, must be consistent with actual needs and accepted norms of medical practice and ethics, and respectful of local culture.

(iv) Financing and Financial Operations

As stipulated in R.A. 7875, a National Health Insurance Fund is created to finance all liabilities associated with the extension of benefit entitlements under the NHIP to the enrolled population, including direct disbursements, administrative costs and provision of adequate reserves. It consists of contributions from members, current balances of the health insurance funds of the SSS and GSIS collected under the former Medicare Program, subsidies earmarked by the national and local governments, appropriations from other mandated sources⁴⁹, donations and grants-in-aid, and all accruals thereof.

The PhilHealth is also directed to set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserve funds, but not more than the amount actuarially projected for two years' worth of program expenditures. Whenever actual reserves surpasses the maximum limit at the end of PhilHealth's fiscal year, either benefit levels are increased or member contributions are decreased progressively until the adjusted pay-outs or receipts satisfy the said requirement. The PhilHealth invests such portion of reserve funds not needed for current expenditure obligations.

In order to carry out its mandate of universal health insurance coverage by year 2010, the PhilHealth employs the capitation payment mechanism (CPM). This is an alternative way of compensating accredited providers for health services rendered to beneficiaries enrolled in PhilHealth's Sponsored Program. The aim is to sustain local government's role in delivering basic health and medical care at the community level. Thus, exploring more effective and cost-efficient methods of financing priority public health programs enables government to focus on the preventive aspect of health care and the improvement of health systems, rather than investing in more expensive curative services.

With the CPM, LGUs pay for each constituent indigent family the amount specified in the schedule of LGU premium contributions, in addition to the national level counterpart funding through the PhilHealth. Capitation amounts to ₱300, representing 25% of premiums per indigent member-household per year. The contribution structure is based on the LGU's capacity to

⁴⁹ This includes appropriation of 25% of the increment in total revenue collected under R.A. 7654 plus another 25% from the increase in documentary stamp taxes under R.A. 7660, solely for the National Health Insurance Fund.

shoulder costs⁵⁰, according to the income classification set by the Department of Interior and Local Government.

Table 2.1.6b: Classification of LGU Contribution under PhilHealth's Sponsored Program

LGU Income Category	LGU Contribution Share (Percent of Premium)	NG Counterpart (Percent of Premium)
1st to 3rd class LGU	50%	50%
4th to 6th class LGU		
1st and 2nd year of implementation	10%	90%
3rd year of implementation	20%	80%
4th year of implementation	30%	70%
5th year of implementation	40%	60%
6th year of implementation	50%	50%

Contributions. Formal sector employees and their employers, as members of the former Medicare Program administered by the SSS and GSIS, are required to continue paying contributions for health insurance coverage, at a combined rate of 2.5% of monthly salary, to be shared equally. Self-employed members bear the entire cost, based primarily on their estimated actual net earnings. The income ceiling is set at ₱30,000 a month, representing a maximum monthly contribution amount of ₱750. Premiums made in behalf of indigent members must not exceed the minimum contributions for employed and self-employed members.

Employers are responsible for deducting the contribution share of employees from their monthly compensation and remitting total payments to the PhilHealth. A penalty of not less than ₱500 but not more than ₱1,000 for each covered employee-member will be imposed for failure or refusal to comply. In the case of self-employed members, the same fine is meted out.

PhilHealth also accepts fixed monthly contribution of ₱100 for IPP members, payable either on a quarterly, semi-annual or annual basis. The premium is fixed because there is no regular monthly compensation to which the contribution rate can be applied, and since majority of the target clientele of this NHIP component belongs to the disadvantaged sectors.

For the Overseas Workers Program, annual premium payment is ₱900.

Investments. The PhilHealth is authorized to invest surplus funds to earn an average annual income at prevailing rates of interest. Two types of investment portfolio are being managed, short-term and long-term. Short-term investments comprise of marketable securities in the form of Treasury bills and special savings deposits in domestic banks that are normally placed for a period of 360 days. Considered as long-term investment instruments are Treasury bonds, shares of preferred stocks of any solvent corporation or institution, and interest-bearing loans. In consideration of its liquidity requirements, the PhilHealth maintains around 80% of its investments in short-term instruments.

⁵⁰ Private individuals or entities may participate in the Sponsored Program by taking on the contribution obligation of LGU for the indigent member-household. These sponsorships are considered as donations and thus, are fully deductible from their taxable income.

Benefit payment. The total amount of benefits availed by a member or his/her qualified dependents is automatically deducted from actual hospital charges and professional fees, upon submission of supporting documents to the billing section prior to discharge.

As a matter of policy, the PhilHealth does not allow direct reimbursement of benefits to a member, except for the following cases: (1) full payment to the hospital and health care professional has been made because of failure to submit documentary requirements; (2) he/she is confined abroad⁵¹; and (3) the reimbursement is for medicines and other medical supplies bought and used within the confinement period and supported by official receipts.

In paying for benefits and services of public and private providers, including health maintenance organizations (HMOs), medical cooperatives and other health service groups, the PhilHealth may use the fee-for-service⁵² and/or capitation⁵³ disbursement mechanisms. Special consideration is given to payment for services of health care providers in remote or medically lacking areas. However, the PhilHealth, through contracts with health care providers, puts up safeguards against over and under utilization of services, procedures and prescriptions, and inappropriate referral practices. In case of claims deemed rooted in false or incorrect information, the PhilHealth may deny or reduce benefit payment.

Operating expenses. The PhilHealth may charge various funds under its control for the costs of administering the NHIP. Total annual operational and administrative expenses must not exceed 12% of total contributions, including government subsidies, and 3% of investment earnings collected during the immediate previous year.

(v) Administration

PhilHealth is governed by a Board of Directors, with the following ex-officio members: (1) the Secretary of Health as Chairman; (2) the PhilHealth President as Vice Chairman; (3) the Secretary of Labor and Employment; (4) the Secretary of Interior and Local Government; (5) the Secretary of Social Welfare and Development; (6) the SSS President and CEO; and (7) the GSIS President and General Manager. There are also Board representatives each from the labor sector, employers' group, self-employed sector and health care providers. Directors have a term of four years each, renewable for a maximum of two years, except for those whose terms are co-terminous with their respective positions in government. The PhilHealth President, however, is appointed for a fixed, non-renewable term of six years.

PhilHealth's main mandate is to ensure the sound administration of the NHIP through the adoption of an integrated and comprehensive approach to health development, which endeavors to make essential health, medical, and other social services available to all members of Philippine society at affordable cost.

⁵¹ For confinements abroad, the member is required to submit official receipt of payment or statement of account, and certification of attending physician as to the final diagnosis, period of confinement and services rendered. Benefit rates for accredited tertiary hospitals in the Philippines will be used in computing the reimbursable amount.

⁵² Fee-for-service payments may be made separately for hospital charges and professional fees based on arrangements with health care providers. Public facilities are allowed to retain charges for use in defraying operating costs other than salaries to maintain/upgrade equipment and amenities and improve quality of service.

⁵³ This is done according to rates of capitation payments as detailed in the guidelines issued by the PhilHealth.

Among PhilHealth's administrative functions is to determine requirements and issue guidelines for the accreditation of public and private health provider organizations for the provision of the basic minimum service package. Consequently, the PhilHealth is tasked to create and authorize local health insurance offices⁵⁴ to negotiate and enter into contracts with these health care providers. It has already established 15 offices, situated in every region in the Philippines. Each regional office has under it service offices and service desks that cater to the specific needs of provinces and chartered cities within its area of jurisdiction. To date, there are 66 PhilHealth service offices and service desks nationwide. All these representative offices assume the responsibility of LGU coordination, member registration and contribution collection, among others.

2.1.7 Social Security System (SSS)

(i) Legislation

The Social Security System (SSS) was founded on 1 September 1957 following the passage of Republic Act No. 1161 or the Social Security Act of 1954. Its mandate is to provide meaningful protection to members and their beneficiaries against the hazards of old age, disability, death, sickness, maternity and other contingencies resulting in loss of income or financial burden, through a sound and viable tax-exempt social security system, for the promotion of social justice.

Various amendments to the SSS Charter were made through executive orders and Presidential decrees, particularly pertaining to expansion of coverage and enhancement of benefits. The latest amendments came in May 1997 with the enactment of R.A. 8282, otherwise known as the New Social Security Law, which provided for benefit enhancements, expanded coverage, condonation of penalties on delinquent contributions, stiffer penalties for non-compliance, and broadened investment alternatives.

(ii) Coverage

Coverage under the SSS is compulsory for all employers in the private sector and their employees who are not over 60 years of age, whether with permanent or provisional employment status, including domestic helpers earning at least ₱1,000 a month. All self-employed persons are also subject to mandatory coverage under the Regular Self Employed Program for artists, entertainers, proprietors and professionals, and the Expanded Self Employed Program for those with monthly earnings of at least ₱1,000 regardless of trade, business or occupation, including informal sector workers. Farmers and fishermen earning at least ₱1,500 also fall under the self-employed category.

Filipinos recruited by foreign-based employers for work abroad, SSS members separated from employment or ceased to be self-employed but wants to continue paying contributions, and non-working spouses of SSS members (i.e., spouses who devote full time to managing the household and family affairs) are covered on a voluntary basis. Voluntary coverage is also available for

⁵⁴ These offices have recently been transformed into PhilHealth regional offices.

locals serving at foreign governments or international organizations in the Philippines through administrative arrangements.

When a person registers for SSS coverage in any capacity, either as a salaried employee-member, self-employed member or voluntary member, he/she becomes a member for life and is entitled to the benefits, privileges and services provided by the SSS for as long as the qualifying conditions are met.

The coverage of the SSS expanded gradually since its inception. In fact, immediately after its program started in 1957, coverage was extended from employers with 100 employees, as provided for in the 1954 Charter, to those with at least 50 employees. Below is the history of expansion of the program, where it should be noted that formal self-employed persons started to be covered in 1980 or 23 years after program implementation in 1957, while the informal self-employed came in only in 1992.

Table 2.1.7: History of SSS Coverage Expansion

Year	Coverage	Type
1954	All employers in private business with at least 100 employees	Compulsory
1957	Employers with 50 or more employees	Compulsory
1958	Employers with at least six employees	Compulsory
1960	Employers with at least one employee	Compulsory
1963	Local employees of diplomatic/foreign missions in the Philippines	Voluntary
1973	Filipinos recruited by foreign-based employers	Voluntary
1980	Self-employed professionals	Compulsory
1992	Self-employed farmers and fishermen	Compulsory
1993	Domestic helpers	Compulsory
1995	Overseas contract workers	Voluntary
	Separated SSS members	Voluntary
	Non-working spouses	Voluntary
	Informal sector workers	Compulsory
1997	Agricultural workers not paid any regular daily wage	Compulsory
	Parents employed by children and minors employed by parents	

The SSS has a total of 24 million members, around 80% of which are employed members while the rest are self-employed and voluntary members.

(iii) Benefits

Old age. SSS' retirement benefits are paid in the form of either a monthly pension or lump sum. If a member has reached 60 years old, is separated from employment or has ceased to be self-employed, and has paid at least 120 monthly contributions prior to the semester of retirement, he/she will be eligible for monthly pension under the optional retirement scheme. For compulsory retirement, a member must have attained the age of 65, and contributed for 120 months before the semester of retirement⁵⁵.

⁵⁵ In the case of an SSS member who is an underground mineworker for at least five years, either continuous or accumulated, and whose actual date of retirement is not earlier than March 1998, optional retirement is at age 55 and compulsory retirement is at age 60.

An SSS retiree is entitled to monthly pension for as long as he/she lives. However, granting of monthly pension to an SSS retiree below 65 years old will be suspended if he/she becomes gainfully re-employed or resumes self-employment, upon which mandatory coverage is again subjected until his/her compulsory retirement. SSS members who reach retirement age but are ineligible for pension are given a lump-sum amount equal to total contributions paid on his/her behalf plus interest earned.

The lifetime basic monthly pension (BMP) of a retiree is computed as the sum of: (1) ₱300; (2) 20% of the average monthly salary credit (AMSC)⁵⁶; and (3) 2% of the AMSC for each credited year of service (CYS)⁵⁷ in excess of 10 years. This is subject to the following minimum amount, whichever is higher: (1) 40% of the AMSC; or (2) ₱1,200 if the member has at least 10 but less than 20 CYS, or ₱2,400 if the member has at least 20 CYS.

In addition, a retiree receives a 13th month pension, payable every December. Monthly dependents' pension equal to 10% of the BMP, with the minimum set at ₱250, is also given to each minor child conceived on or before the date of retirement, but not exceeding five, beginning with the youngest and without substitution. This will stop when the child reaches 21 years of age, marries, obtains employment and earns at least ₱300 a month, or dies. However, pension is granted for life to dependent children who are over 21 years old, provided they are incapacitated and incapable of self-support due to mental defect that is congenital or acquired during minority.

Old-age pensioners are given the option to receive the first 18 months' pension, excluding dependents' and 13th month pensions, in lump sum, discounted at a preferential rate of interest as determined by the SSS. This option is exercised at the time of filing of retirement claim. Payment of pension resumes on the 19th month.

Upon death of an old-age pensioner, his/her primary beneficiaries will receive 100% of the BMP, including dependents' pension. If the pensioner is not survived by primary beneficiaries, his/her secondary beneficiaries will receive a lump-sum amount equal to the total monthly pensions corresponding to the balance of the five-year guaranteed benefit period, excluding the dependents' pension.

Disability. SSS' new disability program adopts the World Health Organization's definition that deems disability as any restriction or lack of ability due to impairment to perform an activity in the manner or within the range considered normal for a human being. Implementing the revised manual of disability assessment⁵⁸, this program aims to ensure that the right cash benefit for disability is paid to truly deserving members.

⁵⁶ This is equal to the sum of monthly salary credits (MSCs) over the 60-month period immediately preceding the semester of contingency divided by 60, or the sum of all monthly salary credits over the full membership period divided by the number of calendar months of coverage up to the semester of contingency, whichever is higher.

⁵⁷ This is equal to the sum of the following: (1) number of calendar years from year of coverage date up to 1984, regardless of the actual number of contributions; (2) number of calendar years in which six or more monthly contributions have been paid in 1985 to 2001; and (3) number of months with contributions paid divided by 12, from 2002 onwards.

⁵⁸ Besides espousal of the WHO definition, this includes the adoption of the International Statistical Classification of Diseases and Related Health problems Codes (ICD-10), medical and functional assessments, and annual assessment of all pensioners except for those with scheduled disabilities stated under the SS Law.

An SSS member who suffers from partial or total disability will qualify for cash benefits if he/she has paid at least one month of contribution. However, the lifetime monthly pension is provided only in the case of permanent total disability⁵⁹ for those who have at least 36 monthly contributions prior to the semester of disability. For SSS members with permanent partial disability⁶⁰, pensions are limited to a certain number of months depending on the degree of disability designated by law.

Benefits are also given in lump sum to a disabled member who does not have the required 36 monthly contributions. For permanent total disability, the lump-sum benefit is equal to the BMP times the number of monthly contributions, or BMP times 12, whichever is higher. For permanent partial disability, it is equal to the BMP times the percentage of disability in relation to the whole body, or BMP times 12, whichever is higher.

The manner of BMP computation is the same as in old-age, including 13th month and dependents' pensions, but with the following guaranteed minimum: (1) ₱1,000 for those with less than 10 CYS; (2) ₱1,200 if with at least 10 CYS but less than 20 CYS; and (3) ₱2,400 if with more than 20 CYS. A monthly supplemental allowance of ₱500 is also given as financial assistance in defraying member's expenses due to disability.

Benefit provision will be suspended upon resumption of gainful employment or self-employment, recovery from disability, or failure to undergo annual physical exam. Pensions for partial disability will also cease in the event of retirement or death. On the other hand, when a total disability pensioner dies, his/her primary beneficiaries will be entitled to 100% of the BMP plus dependents' pension. If he/she dies within the 60-month period from the start of pension and has no primary beneficiaries, the SSS will pay the secondary beneficiaries a lump-sum amount equal to the difference between 60 times the monthly pension and the total monthly pensions already paid, excluding dependents' pension.

Death. If a deceased SSS member has at least 36 monthly contributions prior to the semester of death, his/her primary beneficiaries will be eligible for monthly pension. The BMP is the same as in old-age, including the 13th month and dependents' pensions, while the guaranteed minimum is the same as in disability. In the absence of primary beneficiaries, secondary beneficiaries will get a lump-sum amount equal to 36 times the BMP before the semester of death. Beneficiaries, either primary or secondary, of a deceased member who has not paid the required contributions are also entitled to lump-sum benefits equal to the BMP times the number of monthly contributions, or BMP times 12, whichever is higher.

Primary beneficiaries of a member are his/her dependent spouse, until he/she remarries, and dependent legitimate, legitimated, legally adopted and illegitimate children. Secondary

⁵⁹ These are injuries resulting in complete loss of sight of both eyes, loss of two limbs at or above the ankle or wrists, permanent complete paralysis of two limbs, brain injury causing insanity, and other cases as determined and approved by the SSS.

⁶⁰ These are injuries resulting in complete and permanent loss or use of any of the following parts of the body: one thumb, one index finger, one middle finger, one ring finger, one little finger, hearing of one ear or both ears, sight of one eye, one big toe, one hand, one arm, one foot, one leg, and one ear or both ears.

beneficiaries are dependent parents, or in their absence, other persons designated by the member in his/her membership records.

A funeral grant of up to ₱20,000 is reimbursed to whoever shouldered the burial expenses of a deceased member or pensioner. As an option, the family of the deceased may avail of the Memorial Service Assistance Program in lieu of the cash benefit. This is a memorial service package worth ₱20,000 offered by SSS-accredited life plan companies. Primary or secondary beneficiaries of a deceased member, who has been reported for coverage but with no contribution, are qualified for the funeral benefit only.

Sickness. SSS' sickness benefit is in the form of daily cash allowance for the number of days in which a member (i.e., excluding pensioners) is unable to work due to illness or injury. As conditions for benefit eligibility, he/she: (1) must have contributed for at least three months within the 12-month period immediately preceding the semester of sickness; (2) has been confined either in the hospital or at home for at least four days; (3) has used up all company sick leaves with pay for the current year; and (4) has notified his/her employer or the SSS in the case of self-employed and voluntary members.

For hospitalization, the claim for sickness benefits must be filed within one year from the last day of confinement. Failure to submit requirements within the prescriptive period will result in the denial of the claim.

The daily sickness allowance is equal to 90% of the member's average daily salary credit (ADSC)⁶¹, payable for a maximum of 120 days in one calendar year, but not exceeding 240 days for the same illness or injury.

Maternity. The SSS also provides benefits to a female member who is unable to work due to childbirth or miscarriage. She may avail of this maternity benefit if she has at least three monthly contributions within the 12-month period immediately preceding the semester of contingency, and has given the required notification of her pregnancy, including the probable date of childbirth, to her employer or the SSS in the case of self-employed and voluntary members.

The maternity benefit is a daily cash allowance equal to 100% of the member's ADSC multiplied by the number of compensable days, 78 days for caesarian delivery and 60 days for normal delivery or miscarriage. A female member is eligible to receive benefits for the first four deliveries or miscarriages.

(iv) Financing and Financial Operations

Funding for the defined-benefit social insurance program of the SSS is sourced exclusively from member contributions and investment earnings. The national government does not provide any form of subsidy or budgetary support⁶².

⁶¹ This is equal to the sum of the six highest monthly salary credits (MSCs) in the 12-month period immediately prior to semester of contingency divided by 180.

The SSS employs the partial advance-funding method, specifically the scaled premium system, in financing its old-age, disability and death benefits. Under this system, the rate of contribution is fixed at a certain percentage of wages so that receipts can match payments over a given period, such as 20 or 30 years. When current resources are no longer sufficient to account for costs, the rate is brought up to a level sufficient for another equilibrium phase. On the other hand, short-term benefits, like sickness, maternity, and funeral, are financed on a pay-as-you-go basis.

All revenues of the SSS that are not needed for current operational and administrative expenses go to a Reserve Fund, which is intended to cover for future benefit payment liabilities. Such portion of the SSS Fund not needed to meet current benefit obligations is invested, thereby allowing a gradual but reasonable build-up of reserves essential in the fulfillment of its long-term financing requirements.

Conceptually, there will come a time when disbursements will exceed collections. Thus, the scheme calls for the accumulation and investment of reserves, together with projected increases in the rate of contribution, so that the present surplus can compensate for future deficits.

In assessing its future financial condition, the SSS uses the full projection valuation method. Matching inflow (i.e., contributions and investment earnings) and outflow (i.e., benefits and operating expenses) projections, this method generates an estimate of the number of years before the SSS Fund levels off and gets exhausted.

Actuarial valuation studies⁶³ make use of established database on current membership and revenue performance, anchoring growth prospects on future labor and demographic trends as well as the inflationary path of the domestic economy. Projections are prepared under alternative sets of assumptions to signify the range within which the future status of the SSS Fund may be expected to ensue. This enables the SSS to monitor the long-run tendency of the Fund, and elect on the time and scope of corrective actions to maintain financial viability.

There is no automatic indexation of benefits. Adjustments are done on an ad hoc basis in consideration of price and wage changes, and the ability of the SSS Fund to absorb such increases.

Contributions. The SSS contribution rate is pegged at 10.4% of a worker's monthly salary credit (MSC). This is shared by both employer and employee at 7.07% and 3.33% rates, respectively, while a self-employed or voluntary member bears the entire amount. The rate is applied to 29 MSC brackets, from a minimum of ₱1,000 up to a maximum of ₱15,000, except for migrant workers to whom a minimum MSC of ₱5,000 is imposed. Thus, the monthly contribution per member ranges from ₱104 to ₱1,560.

An employee-member's MSC is based on his/her total actual remuneration from employment, plus the mandated cost of living allowance, as well as the cash value of any remuneration paid in

⁶² As stipulated in the SSS Charter, the Philippine government guarantees prescribed benefits to members and accepts general responsibility for the solvency of the SSS.

⁶³ The SSS requires its Actuarial Department to submit a valuation report at least every four years.

kind. For self-employed and voluntary members, the earnings declared at the time of registration serve as the basis for the MSC, but not lower than the prevailing minimum levels⁶⁴.

Every employer is required to deduct contributions from employee salaries and remit these to the SSS not later than the 10th day of each calendar month following the month for which they are applicable. Self-employed and voluntary members, however, are provided the option to pay quarterly for which the deadline is set on the 10th day of the month following the applicable quarter. Failure to pay compulsory contributions on time will entail a penalty of 3% per month from the date the contribution falls due until settled. If a self-employed person does not make earnings in a particular month, he/she will not be obliged to pay SSS contributions for the period.

The SSS collects contributions through accredited banks, either over-the-counter or through electronic data interchange and automatic debit arrangements, and tellering counters at the SSS head office and selected branches nationwide.

Investments. The SSS is mandated to exercise the skill, care, prudence and diligence imperative in the management of public funds. In line with the requirements of safety, yield and liquidity, it is required to invest funds to earn an annual income not less than the average rates of Treasury Bills or any other acceptable market yield indicator.

Under its Charter, the SSS has broader investment alternatives and more flexibility to boost possibilities in realizing higher returns for a desired risk level. As part of its investment operations, the SSS is allowed to appoint local or foreign fund managers to manage its investments, as it may deem appropriate. This policy empowers the SSS to avail of services of known experts in the field who can provide better access to lucrative investment opportunities in global markets.

The institution may invest in any or all of the following, subject to cumulative exposure limits: (1) private securities, 40%; (2) housing, 35%; (3) real-estate related investments, 30%; (4) short-term and medium-term member loans, 10%; (5) government financial institutions and corporations, 30%; (6) infrastructure projects, 30%; (7) any particular industry, 15%; and (8) foreign-currency denominated investments, 7.5%.

Because of its role as a leading pension fund in a developing country, the SSS allocates some of its investible funds for long-term financing of government ventures with social substance. It also offers loan programs, at subsidized rates, to qualified members who are in need of short-term credit for personal purposes. These, however, must still be carried out within legislated investment parameters.

In general, performance of its investment portfolio, with respect to income generation, affects the capacity of the SSS Fund to afford benefit enhancements and initiate service improvements, and the timing of a contribution rate hike.

⁶⁴ Policy proposals to raise the SSS contribution rate and MSC ceiling are subject to the approval of the President of the Philippines, while raising the MSC floor requires amendments to the SSS Charter.

Benefit payment. Employers advance sickness cash allowances of qualified employed members every regular payday, while maternity benefits are advanced in full within 30 days of filing the application. The SSS will reimburse the employer upon receipt of satisfactory proof of such payment and legality thereof. For unemployed, self-employed and voluntary members, benefits are paid directly by the SSS.

A member or beneficiary who is entitled to the monthly pension may choose any bank through which to receive his/her pension benefits under SSS' Bank Remittance Program. After filing the claim application, he/she must open a single savings account, submit the savings account number, and present his/her passbook for authentication purposes. Once approved, the SSS mails a notice voucher to the claimant, citing information on when to withdraw his/her pensions from the bank. Monthly pension checks may also be sent abroad on member's request, subject to the approval of the SSS President.

There are also provisions for the portability of long-term benefits to countries with which the Philippines had forged social security bilateral agreements⁶⁵. These include Austria, United Kingdom and Northern Island, Spain, France, Canada and the independent province of Quebec, Switzerland, Belgium, Netherlands, and Korea.

For cases of internal job mobility (i.e., shift from private-sector to public-sector employment and vice versa), the SSS and GSIS implement the Limited Portability Law (R.A. 7699, enacted on May 1994), which provides for the totalization of workers' creditable services under their respective social insurance schemes. This ensures that there is no interruption in coverage, thus guaranteeing the full enjoyment by workers to their rights and privileges. The applicability of the law, however, is limited to old-age, disability and death contingencies, and only to members who do not qualify for pension benefits under the laws of at least one of the Systems. Computation of benefits is based on pro-rata sharing, such that the amount to be disbursed is in proportion to contributions paid to each System, with overlapping periods of membership credited only once.

Operating expenses. As directed by law, disbursement of funds for operating expenses of the SSS, such as personnel salaries and wages, supplies and materials, and office maintenance, is limited to an annual budget equivalent to 12% of contributions plus 3% of other revenues. If actual spending in any given year is less than the maximum amount allowable, the difference will not be carried over future years.

(v) Administration

The Social Security Commission (SSC) is the policy-making body of the SSS, having the statutory powers to promulgate rules and regulations in order to carry out the provisions of the SSS Charter. It is composed of the Secretary of Labor and Employment and the SSS President and CEO as ex-officio members, and seven appointive members, three of whom are from the workers' group, three from the employers' group and one from the general public. The six members representing workers and employers are chosen from among the nominees of their respective organizations. The President of the Philippines appoints directly the representative

⁶⁵ This is discussed in detail in Chapter 4.4.

from the public, and designates the SSC Chairman from among its members. The conduct of overall operations and management of the SSS is vested in the SSS President and CEO who is also appointed by the President of the Philippines.

The SSS employs a workforce consisting of 4,116 personnel. About a third are stationed at the head office, while the rest are detailed nationwide at ten hub branches⁶⁶, 16 processing centers⁶⁷, 122 receiving centers⁶⁸, and 27 representative offices⁶⁹. Representatives are deployed or hired locally to man 15 extension offices abroad, mostly situated in Philippine embassies and consulates. This represents SSS' network of 175 local and foreign branches.

2.2 Non-contributory schemes

2.2.1 Department of Social Welfare and Development (DSWD)

(i) Legislation

A Public Welfare Board was established in 1915, marking the first effort of the Philippine government in social welfare. As the scope of welfare provision was broadened to include actual operation of institutions catering to special groups such as orphans, the elderly and handicapped individuals, the Board was abolished to give way to the Office of the Public Welfare Commissioner, which, in turn, was replaced by the Bureau of Public Welfare in 1932. On 31 May 1939, Commonwealth Act No. 430 was ratified, forming the Department of Health and Public Welfare, to which the Bureau was eventually attached.

Following the reorganization after the war that resulted in the abolition of the Bureau, the Social Welfare Administration was created with the issuance of Executive Order No. 396, dated 3 January 1951, to become the lone principal government agency responsible for the country's first integrated public welfare program. The passage of Republic Act No. 5416, or the Social Welfare Law, on 15 May 1968 elevated it into a Department under the executive branch of government functioning in equal status with other agencies involved in social services like health and education.

In 1976, under Martial Law, the Department of Social Welfare was converted into the Department of Social Services and Development by Presidential Decree No. 994, thus giving it a more accurate institutional identity in keeping with its productivity and developmental thrusts. With the subsequent regime change, another organizational restructuring transpired. Under E.O. 123, approved on 30 January 1987, the Department of Social Welfare and Development (DSWD) was formally instituted.

⁶⁶ A hub branch is equipped with on-line data facilities for record verification, processing and claims settlement; has its own administration and accounting sections, and member assistance, field inspectorate and medical evaluation units; and can accept direct payments through SSS' tellering facility.

⁶⁷ A PC functions exactly like a hub branch but without the data center, administration and accounting sections.

⁶⁸ An RC can receive, screen and evaluate registration and claim applications through its on-line data facilities, but has to transmit documents to the nearest PC for processing. Some RCs are equipped with tellering facilities.

⁶⁹ An RO can only receive registration and claim applications, thus acting as a link between the member and the nearest full-service branch.

After the devolution of implementing functions in basic services from national government agencies to local government units (LGUs), as embodied in the Local Government Code of 1991 (R.A. 7160), the DSWD assumed steering roles on policy formulation, planning, monitoring, and technical assistance in the social welfare and development field. In 1998, E.O. 15 was endorsed, later amended by E.O. 221, thereby redirecting the operations of the DSWD.

The DSWD's primary mandate is to implement programs, projects and services, with or through LGUs, non-government organizations and other members of civil society, designed to promote and improve the living conditions of Filipino individuals and families who are vulnerable and disadvantaged by reason of poverty, youth, disability, illness and old age, or who are victims of natural calamities, including assistance to cultural minorities to facilitate their social integration.

(ii) Programs and services

For children in need of welfare protection. Children who are in dire conditions, with observable evidence of injurious effects, due to the temporary or permanent inability of their parents to provide for basic needs as a result of, among others, extreme poverty, problems in family relationship and lack of parenting preparation, are placed by the DSWD in planned, alternative support arrangements through adoption, foster family care, legal guardianship or residential care.

There is immediate intervention by the DSWD when a child is reported as abandoned, neglected, physically or sexually abused or exploited, in order to prevent further maltreatment. Assistance, through the conduct of therapeutic activities in DSWD therapy centers, is given to the child to overcome the trauma of such experiences.

Likewise needing special protection, street children, 8 to 17 years old, whose needs are not, at the time, adequately met by their biological parents or extended family, are rescued for temporary transfer in processing care centers, which prepares them for referral to other agencies, if indicated, or return to their families and relatives.

In collaboration with NGOs, the DSWD also extends services to disadvantaged children, aged 17 years or below, who are born from relationships between Filipinos and foreign nationals, in the form of limited financial assistance, educational support, legal representation, medical care, practical skills development, repatriation and/or adoption.

For youth offenders. There are special DSWD social programs for youth offenders with suspended sentence that aim to work on their rehabilitation, mostly from drug dependency, their reintegration in the mainstream of society and the facilitation of their access to developmental opportunities (e.g., scholarships). Residential services are also provided to these youth offenders, including unwed girls.

Foster care programs are also being administered for youth offenders and other children with special needs, including street children and children with parent/s suffering from AIDS. This involves identifying and developing foster families to take on alternative parental care.

For women in especially difficult circumstances. The DSWD responds to the emerging needs of women in especially difficult circumstances by enabling them to immediately flee high-risk, violent and/or hazardous situations. One approach being used to reach out to these women is through a hotline dedicated for counseling services. This help desk also makes necessary arrangement for their temporary shelter. However, those who do not need to be placed in substitute homes are assisted by social workers within their respective communities with appropriate interventions. Such programs are designed to improve these women's psycho-social functioning and prepare them for their eventual return to their families.

There is also a home aide service, a special project for disadvantaged women, that allow them to acquire knowledge and skills along home management, care-giving of children and elderly, protective behavior and communication or negotiation.

For the elderly. Senior citizens centers have been constructed to serve as a venue for the self and social enhancement of the elderly. Activities such as recreation, livelihood, personality development, socialization, formation of associations and self-help groups, are conducted by the DSWD to serve the best interests of older persons. There are also designated homes for the elderly in need of residential care services.

For micro-scale enterprises. The DSWD also grants micro-financing loans and administers enterprise development and self-employment assistance programs. This involves a system of granting/releasing capital assistance to identified beneficiaries and rollback/settlement of these loans through their established associations or organizations.

(iii) Funding

Financing of DSWD's social welfare programs and services is sourced mainly from national revenues as appropriated yearly by the Congress, supported by grants and donations received in cash and in kind from local and international entities. These funds are released and transferred to stakeholders, such as LGUs and NGOs, for the conduct of regular and special projects, which are planned, implemented and monitored in collaboration with the DSWD.

2.2.2 Philippine Amusement and Gaming Corporation (PAGCOR)

(i) Legislation

On 4 January 1977, Presidential Decree No. 1067-A was passed, creating the Philippine Amusement and Gaming Corporation (PAGCOR), and shortly thereafter, amended by P.D. 1067-B, granting this government-owned and controlled corporation a 25-year franchise, renewable for another 25 years, to establish, operate and maintain, among others, gambling casinos in the country. Several other decrees were subsequently promulgated to further regulate and centralize all games of chance through appropriate institutions. On 11 July 1983, by virtue

of P.D. No. 1869, all previous decrees were consolidated to reorganize PAGCOR to become more dynamic and effective in its enforcement.

PAGCOR's Charter specifies a three-pronged mandate, as follows: (1) to conduct and regulate all games of chance in the country, particularly casino clubs, and prevent the proliferation of illegal gaming operations; (2) to tap potential sources of funds to finance the government's infrastructure and socio-civic developmental efforts; and (3) to help boost the growth of the country's tourism industry.

(ii) Programs and services

Government projects. As the primary financing source of the President's Social Fund, the PAGCOR earmarks funds for the priority socio-projects of the President related to education, job generation, upliftment of marginalized sectors of society and other pro-poor initiatives.

The PAGCOR also implements some of government's urgent infrastructure and socio-civic projects, among others: (1) provision of regular power and water supply to all barangays, in cooperation with the Manila Waterworks and Sewerage System, the two water concessionaires, Manila Water and Maynilad, and the Local Water Utilities Administration; (2) job generation and support to entrepreneurs through the introduction of alternative sources of income to barangays, granting of loans to small- and medium-sized enterprises, and setting up of livelihood training centers for out-of-school youths, non-working mothers and other unemployed individuals; (3) construction of day care centers, school buildings and information technology facilities, particularly in lower-class municipalities and provinces in the country; (4) awarding of scholarships to help fulfill the dream of poor but deserving students to finish high school and college, mostly in private schools; and (5) empowerment of Mindanao through housing and development programs for rebel returnees, as well as soldiers and indigenous groups.

Other entities. The PAGCOR is the major benefactor of the Philippine Sports Commission, the body in charge of implementing and improving the country's national sports development program, and Philippine sports in general. As much as 80% of the funds that the Commission utilizes to run its operations come directly from the PAGCOR. The Board of Claims, under the Department of Justice, which compensates people proven to have been unjustly accused and detained, also gets annual remittances.

PAGCOR's funding schedule also includes contributions to the Barangay Micro Business Enterprises (BMBE) Development Fund, in accordance with R.A. 9178, otherwise known as the Barangay Micro Business Enterprises Act of 2002. This law seeks to generate employment and alleviate poverty by absorbing the country's informal economy into the mainstream and promote entrepreneurship among Filipinos by encouraging the formation of BMBEs.

Aside from being tourist attractions, PAGCOR's casinos spawn economic activities that provide employment and income opportunities in the cities where they are located. Tourists and patrons create a multiplier effect benefiting various industries, such as food, health care, transportation, construction and education. Cities and provinces hosting PAGCOR's casinos get monthly

appropriations for their community development and infrastructure ventures, as well as their socio-civic and charitable projects.

(iii) Funding

The PAGCOR generates its revenues from its gaming operations, as well as placements in various short-term securities, such as Treasury Bills and time deposits, which can be pre-terminated when necessary, and stock investments. It is the third largest revenue-generating arm of the government. After franchise taxes (i.e., 5% of net winnings) and other duties are paid to the Bureau of Internal Revenue, its remaining income is allocated to the government and other beneficiaries, as prescribed by laws and other issuances. The bulk is remitted to the National Treasury, representing government's income share (i.e., 50% of winnings after franchise tax) and the qualifying fees collected from casino patrons. This amount, together with the taxes paid, forms part of the national budget appropriated yearly by the Congress to fund various high-impact projects and concerns.

2.2.3 Philippine Charity Sweepstakes Office (PCSO)

(i) Legislation

In the early 1930's, the Philippine government held sweepstakes draws under the auspices of the National Charity Sweepstakes organization, primarily for the benefit of the youth and to support projects of the anti-tuberculosis society. In March 1935, Republic Act No. 4130 was ratified to institutionalize sweepstakes as a venture for building up a fund to finance the promotion of public health and general welfare, thus setting up the Philippine Charity Sweepstakes Office (PCSO). This new entity was authorized to obtain a loan from the National Treasury for set-up costs and for printing tickets for the draw, which was first held on 8 September of the same year.

By virtue of R.A. 1169, the PCSO became the principal government agency for raising and providing funds for social welfare and development programs for the poorest of the poor in Philippine society through the conduct of charity sweepstakes, horse races, lotteries⁷⁰ and other similar activities. It was identified as a source for augmenting current resources of various institutions and organizations providing public service.

(ii) Programs and services

Medical assistance. The Endowment Fund program of the PCSO allocates resources to government and private hospitals for providing assistance to indigent patients in need of medical care, medicines, drugs, medical and surgical supplies, and diagnostic procedures for the management and treatment of various illnesses.

Through its individual medical assistance program, the PCSO issues guarantee letters to hospitals where charity patients are confined. This is a certification stating that the PCSO assumes the obligation of settling the cost of hospitalization, including medicines, supplies and

⁷⁰ In Philippine jurisprudence, lottery is defined as a scheme for the distribution of prizes by chance among persons who have paid, or agreed to pay a valuable consideration for the chance to obtain a prize.

diagnostic procedures. On top of this, it also conducts free medical and dental missions, including outpatient consultations and medicines, under its community outreach programs, held in depressed areas of the country.

Considering the country's vulnerability to both man-made and natural calamities and disasters, the PCSO also included in its funding schedule a program that provides medical aid and other forms of assistance during such incidences.

Health care facilities. The PCSO helps in the upgrading of health care facilities by providing financial assistance for the purchase of medical/surgical supplies and medical equipment, as well as for the construction and renovation of devolved and retained hospitals, municipal health centers, day care centers and private institutions implementing welfare programs nationwide.

There is also an ambulance donation program, which facilitates the acquisition of ambulance units for hospitals, municipal health centers and related institutions in rural and far-flung areas to improve their capacity in saving lives during emergencies.

Regular beneficiaries. PCSO's monthly and quarterly programs support orphanages and other charitable institutions which render welfare services to, among others, children who are either abandoned or exploited, those who have experienced varied forms of abuse, the elderly, and the physically- and mentally-handicapped.

Mandatory contributions. As stipulated in a special law, the PCSO must contribute funds for the following government agencies: (1) the Philippine Sports Commission; (2) the Commission on Higher Education; (3) the Comprehensive and Integrated Shelter and Urban Development Financing Program; (4) the Philippine Centennial Commission; (5) the National Commission on Indigenous People; (6) the OWWA; (7) the Department of Foreign Affairs; and (8) the Quirino Memorial Medical Center. It also allocates to local government units a five-percent share from total sales of on-line lottery outlets operating within their jurisdiction, including payment of documentary stamp tax for the said donation.

(iii) Funding

The PCSO generates its revenues from the sale of sweepstakes and lotto tickets. The amount of net receipts is computed as gross receipts less printing cost, which is subject to a maximum limit of 2% of gross receipts. In accordance with the PCSO Charter, for every one-peso revenue, about 55%, 30% and 15% go to the Prize, Charity and Operating Funds, respectively⁷¹.

The Prize Fund is a trust liability account used for the payment of prizes, including owners and jockeys of racehorses and sellers of winning tickets. Unclaimed prizes or balances are forfeited and become part of the Charity Fund after one year. The Charity Fund is also a trust and liability account used exclusively to finance and support health programs, medical assistance and charities of national character, including contributions to certain programs created as a result of various legislative enactments. The Operating Fund is used to support the day-to-day operating

⁷¹ Each allocation has its own specific purpose and usage, so that diversion or inter-fund transfers are illegal and in violation of the law.

and capital expenditures of the PCSO. If there is a balance on the Operating Fund at the end of the fiscal year, it will revert to and form part of the Charity Fund.

The PCSO also engages in health- and welfare-related investments, projects, and activities to provide for permanent sources of funds for its programs and services.

(iv) Administration

A five-member Board of Directors, acting as the policy-making body of the agency, governs the PCSO. The President of the Philippines appoints members of the Board, including the Chairman. Executive officers of the PCSO are led by the General Manager, who is appointed by the PCSO Board and tasked with the administration of the day-to-day affairs of the office.

2.2.4 Philippine Veterans Affairs Office (PVAO)

(i) Legislation

In 1918, the Philippine Legislature Act No. 2756 was ratified to become the first legislation on veterans benefit administration. The Board of Pensions for Veterans, formed on 1 January 1939 with the passage of Commonwealth Act No. 288, was the first agency tasked to grant pensions to invalids of the past Philippine Revolution.

The Philippine Veterans Administration, under the Office of the President, was created following the approval of Presidential Decree No. 1 on 24 September 1972. During that time, the Veterans Memorial Hospital, the Veterans Claims Settlement Staff and the National Shrines Commission also operated all under the Department of National Defense (DND). Through P.D. 1076, dated 26 January 1977, their various services were consolidated and integrated to be performed by only one agency under the DND, to be known as the Philippine Veterans Affairs Office (PVAO). The Office is composed of the Veterans Memorial Hospital, Claims and Pensions Branch (thus, abolishing the Philippine Veterans Administration and the Veterans Claims Settlement Staff) and the Military Shrines Services (thus, abolishing the National Shrines Commission).

There were two amendments to the law, Republic Act No. 6948 (9 April 1990) and No. 7696 (9 April 1994), that ordered the standardization and upgrading of benefits provided by the PVAO.

The PVAO was constituted to perform the following functions: (1) administration of benefits to veterans and their beneficiaries; (2) provision of medical care and treatment of veterans; and (3) development and maintenance of military memorials and battle monuments proclaimed as national shrines.

(ii) Coverage

As stipulated in PVAO's Charter, a veteran is any person who has rendered military service in the land, sea or air forces of the Philippines during the revolution against Spain, the Philippine-American War and World War II, including the following individuals with corresponding services: (1) Filipino citizens in the Allied Forces in Philippine territory; (2) foreign nationals in

the Philippine Forces, the Korean Campaign, the Vietnam Campaign, the Anti-Dissidence Campaign, or other wars and military campaigns; and (3) Filipino citizens in the Armed Forces of the Philippines (AFP) who has been honorably discharged or separated, with at least six years cumulative active service, or has died or become disabled due to injury, sickness or disease incurred in the line of duty.

(iii) Programs and services

Old-age. Monthly pensions are granted to veterans who are 65 years old and above, provided that he/she is not receiving similar benefits from other government funds or the United States government for the same consideration. PVAO's monthly pension rates are as follows: (1) ₱500 if retired between April 1990 to April 1994; (2) ₱1,000 if retired from April 1994 to December 1994; and (3) ₱1,500 if retired beginning January 1995, with yearly increases amounting to at least ₱500 until it reaches ₱5,000.

Death. If a veteran died between 9 April 1990 and 9 April 1994 before reaching the retirement age of 65, his spouse will be entitled to the monthly pension also on her 65th birthday or 9 April 1994, whichever is earlier. If the death occurred after the veteran's 65th birthday, the effectivity of pension payments will be on the contingency date, but not earlier than 9 April 1990. Each dependent child of a deceased veteran also gets supplemental pension. The grant will be terminated if the surviving spouse is remarried and if the child has turned 18 years old or is married. In the absence of primary beneficiaries, the parents may receive the death benefits. This is also provided that the beneficiaries, either primary or secondary, are not receiving similar benefits from other government funds or the United States government for the same consideration.

The prescribed pension rate for the surviving spouse is ₱500 and ₱250 for each child or parent, from 9 April 1990 to 9 April 1994, and a flat rate of ₱1,000 for all, starting 9 April 1994.

The PVAO also provides burial assistance of ₱10,000 to the next of kin of deceased veterans, to be paid to whoever defrayed the funeral expenses. Application for the funeral grant must be filed within two years from contingency date.

Disability. A veteran who is disabled owing to sickness, disease, wounds or injuries sustained in line of duty receives disability pension from the PVAO, provided that he is not receiving similar benefits from other government funds or the United States government for the same consideration. The monthly pension amount depends on the extent of disability, ranging from ₱1,000 if with 30% rating and ₱1,700 plus ₱500 for the spouse and ₱500 for each unmarried minor child if totally disabled. Upon reaching the age of 70 years, a veteran, with or without a service-related disability, is deemed totally disabled and will also be eligible to the corresponding monthly pension.

The PVAO also conducts periodic re-evaluation or re-determination of veteran's disability, in appropriate cases. However, a disabled veteran is exempted from the procedure if the disability is considered static or permanent in nature, or if the veteran is 57 years old or above.

Hospitalization. All qualified veterans and their spouses, surviving spouses, children who are minors and/or mentally or physically incompetent, regardless of age, and dependent parents, regardless of the veteran's civil status, receive free hospitalization benefits on a per diem basis, covering board and lodging, treatment, medicines and medical care services.

Educational. The PVAO also grants educational benefits to a veteran or his surviving spouse, or his direct descendant/s, in whose favor the benefit is renounced. The package covers all school fees, including tuition, athletic/library/laboratory/medical costs, military training, diploma and graduation requirements, availed in any school, college, university or institution authorized by the government, at the expense of the government. To be eligible, the veteran-beneficiary must not have availed of a similar benefit under Philippine or U.S. legislation. Each veteran is qualified for one grant only, regardless of the number of wars or military campaigns in which he participated, provided that if the initial entitlement is not consumed by the first beneficiary, the balance may be availed of by another eligible beneficiary.

(iv) Funding

As provided for in R.A. 6948, the PVAO was given seed money, amounting to ₱1.298 billion, to administer the veterans' benefit program, and thereafter, obtained annual appropriations as necessary for its continued implementation. R.A. 7696, meanwhile, specifically stipulated PVAO's funding to come from the DND's annual budget, with the cost of benefit adjustments to be taken from available savings and revenues of the national government.

2.3 Local Government Units (LGUs)

(i) Legislation

The enactment of the Local Government Code of 1991 is testament to government's efforts to proceed with the process of decentralization, from the national government to the local government units (LGUs).

It is declared as policy of the State that territorial and political subdivisions shall enjoy genuine and meaningful local autonomy enabling them to develop as self-reliant communities making them more effective partners towards national objectives.

In autonomy, there is accountability. The State shall also ensure the accountability of LGUs through the institution of effective mechanisms of recall, initiative, and referendum. The State likewise requires all national agencies and offices to conduct regular and timely consultations with appropriate sectors of the LGU before any project or program is implemented in its jurisdiction.

The creation of an LGU, or its conversion from one level to another (e.g. province, city, municipality, etc), are based on verifiable indicators and capacity to provide services, as follows: (1) Income that is sufficient to provide for all essential government facilities, services, and functions commensurate with size of population in LGU; (2) Population in the LGU; and (3) Land area that is contiguous and sufficient to provide for such basic services and facilities to meet the requirements of the populace.

The powers of the LGU shall be used to promote the general welfare of the community. Thus, LGUs shall ensure and support the following (among others): promotion of health and safety,

enhancement of economic prosperity and social justice, promotion of full employment among residents, preservation of comfort and convenience to inhabitants.

National agencies and offices concerned shall devolve⁷² to LGUs the responsibility for the provision of basic services and facilities.

(ii) Programs and Services

Social protection programs and services of LGUs include, but are not limited to the following:

- Agricultural support services
- Health services including implementation of programs and projects on primary health care, maternal and child care, communicable and non-communicable disease control, access to secondary and tertiary health services, purchase of medicines and medical supplies/equipment
- Social welfare services for children and youth, family and community, women, elderly, and disabled; rehabilitation programs for vagrants, beggars, street children, scavengers, etc.; livelihood and other pro-poor projections; nutrition services; and family planning services
- Job placement
- Low-cost housing and other mass dwellings
- Investment support services, including access to credit

(iii) Funding

The above-mentioned programs and services shall be funded from the share of LGUs in national tax and other local revenues. Funding support also comes from the national government, its instrumentalities, government-owned or -controlled corporations, tasked by law to establish and maintain such services and facilities. Any fund or resource available to the LGU shall be first allocated to provide for basic services and facilities before applying the same for other purposes.

2.4 Micro-Insurance Schemes

(i) Background

In a study conducted by the International Labor Organization (ILO)⁷³, the working definition adopted for the term “Micro-insurance” is *the pooling of a group or community’s resources to share risks, such as those associated with disease, ill health, death, old age, accidents, etc.* Members of such schemes are covered against a set number of risks and contingencies, with a defined benefit package and defined terms for premium payments.

⁷² Devolution – refers to the act by which national government confers power and authority upon the LGU to perform specific functions and responsibilities.

⁷³ “Inventory of Micro-Insurance Schemes in the Philippines”

The establishment of micro-insurance schemes has been the response of a significant percentage of Philippine population who are in need of any form of social protection. The underlying principles of these schemes are: (1) pooling of defined resources and risks/contingencies; (2) non-refundable premium payments paid in advance in accordance to a contributions schedule; and (3) guarantee that risks/contingencies defined will be covered.

Micro-insurance schemes are set up and organized by a combination of a variety of participants: community-based groups, health service providers, associations, local government units, trade unions, cooperatives, women's groups, employer associations, etc.

Thus, micro-insurance presents the possibility of providing social insurance at affordable prices, extending coverage by having a better appreciation of problems and risks that communities face and enhancing community participation.

(ii) Covered Risks

Risks or contingencies covered by micro-insurance schemes vary widely. In the above-mentioned ILO study, the following risks have been identified:

- Hospitalization
- Primary health care
- Life insurance
- Accidents
- Loans
- Pensions
- Others (including maternity, retirement, medicines)

(iii) Funding

Premium payments, as well, vary widely between micro-insurance schemes. Assessment and payment of premiums may be weekly, monthly, quarterly, semi-annually, or annually. The ILO study reports that majority of the schemes assess premiums amounting to less than P500 per year (annualized).

To a limited extent, several international development projects are providing financial and technical support to specific micro-insurance groups/networks.

2.5 Non-Government Organizations (NGOs)

(i) Background

A major development in the Philippines is the emergence and increasing visibility of non-government organizations. Government has thus become more active in tapping NGOs as partners in community- and nation-building. The major and common objective is to formulate

and implement policies and programs directed towards providing goods and services to areas and populations where government intervention is hardly felt or perceived to be non-existent.

(ii) Programs and Services

Non-government organizations offer a wide spectrum of programs and initiatives. These include the provision of various goods and services, including: livelihood programs, savings and credit, education, medical coverage, etc.

Moreover, NGOs have been proven to be effective partners of government in providing some level of social protection to certain groups. NGOs need not be autonomous as they may assume complimentary tasks as implementing arm of government to groups not usually benefiting from government programs and services.

(iii) Funding

Administrators and managers of NGOs employ marketing strategies to lobby for financial aid from government sector, private sector, international aid agencies, private individuals, etc. With the appropriate advocacy campaign, NGOs have become increasingly able to operate towards the attainment of their respective goals/objectives.

Chapter 3. Analysis of social protection expenditure

This chapter analyzes social protection expenditure in the Philippines in different contexts. Part 3.1 analyzes the country's aggregate social protection expenditure in the context of the national economy and shall be compared with Gross Domestic Product (GDP) levels as well as with government expenditure levels. Financing of social protection expenditure shall also be analyzed as to how much came from social contributions, investment & other income, government subsidies, and other revenues.

Part 3.2 analyzes the trends in social protection financing, particularly revenue and expenditure items. However, this shall be done only for the major institutions providing social protection (i.e. SSS, GSIS, ECC, and PhilHealth) as these are the only institutions that have complete time-series data from 1981-2004. It is contended that these institutions shall provide a fair presentation of trends in social protection financing as they (in aggregate) account for majority of social protection spending in the Philippines.

Part 3.3 analyzes social protection expenditure by functional composition (i.e. by type of benefit – sickness, health care, disability, old age, survivors', employment injury, etc.).

Part 3.4 analyzes the country's social protection expenditure by institutions. To the extent possible, a detailed analysis shall also be performed for each institution. Social benefits shall be broken down by type of benefit, administration costs shall be compared with total expenditures, and financing shall be analyzed by its revenue and expenditure components.

Most of the schemes have the basic data required for this review. Time-series data covering the period 1981-2004 is available for the major schemes and serves as basis for analyzing trends in overall social protection expenditure. Since some of the other schemes have limited time-series data, an aggregated amount of social protection expenditure (from among all the 11 schemes) is possible only for the years 1994, 1999, and 2004. These are the years in which almost all schemes have available data. For a few schemes that had missing 1994, and/or 1999, and/or 2002 data, other years' data were used instead. Still, the aggregated amount serves as a realistic indicator of social protection spending in the Philippines.

Where appropriate, social services spending of local government units (LGUs) will be further added for a more accurate perspective on overall social protection spending in the Philippines.

It should be noted that there are still other measures which contribute to improvement of living standards and provide security against risks which threaten people's livelihood that may not be within the scope of this review. Some of these may include programs, projects, and activities of the Department of Labor and Employment, Department of Health, and Department of Education. The mandates of these government departments usually have protective, promotional, and infrastructure elements which are also aimed to alleviate poverty.

3.1 Cost of social protection – share of GDP and public expenditure

An accepted indicator of social protection spending is the ratio of social protection expenditure over Gross Domestic Product (GDP) and Government Expenditure. In the 1980s, government expenditure took up an average of about 8.4% of GDP, which significantly increased in the 1990s to 2004 averaging about 11.5%.

Table 3.1: GDP and Govt Expenditure at current prices, 1981-2004

Year	GDP	Govt Expenditure	
		Amount	% of GDP
1981	281,596	24,661	8.8%
1982	317,177	28,929	9.1%
1983	369,077	30,552	8.3%
1984	524,481	36,880	7.0%
1985	571,883	43,520	7.6%
1986	608,887	48,431	8.0%
1987	682,764	57,333	8.4%
1988	799,182	72,183	9.0%
1989	925,444	88,186	9.5%
1990	1,077,237	108,843	10.1%
1991	1,248,011	123,885	9.9%
1992	1,351,559	130,524	9.7%
1993	1,474,457	149,057	10.1%
1994	1,692,932	182,776	10.8%
1995	1,905,951	217,045	11.4%
1996	2,171,922	259,501	11.9%
1997	2,426,743	319,935	13.2%
1998	2,665,060	354,406	13.3%
1999	2,976,905	389,238	13.1%
2000	3,354,727	438,858	13.1%
2001	3,673,687	444,834	12.1%
2002	4,022,694	488,740	12.1%
2003	4,293,026	477,411	11.1%
2004	4,826,343	494,575	10.2%

amounts in million pesos

Sources: 1995, 2003, and 2005 Philippine Statistical Yearbook
National Statistical Coordination Board

3.1.1 Levels

The magnitude of social protection expenditure in the Philippines can be computed for the years 1994, 1999, and 2004. These are the three years in which most institutions have available data. For missing years' data, estimates were made based on the average annual growth of available years' data.

Social benefits

Table 3.1.1: Social benefits disbursed by scheme, 1994, 1999, and 2004

Institution	1994				1999				2004			
	Amount	% of Total	% of GDP	% of Govt Exp	Amount	% of Total	% of GDP	% of Govt Exp	Amount	% of Total	% of GDP	% of Govt Exp
Contributory Schemes												
AFP-RSBS ^a	49.8	0.1%	0.0%	0.0%	166.9	0.2%	0.0%	0.0%	287.8	0.2%	0.0%	0.1%
ECC	1,122.4	3.1%	0.1%	0.6%	1,769.2	2.5%	0.1%	0.5%	1,695.2	1.4%	0.0%	0.3%
GSIS	5,653.2	15.5%	0.3%	3.1%	15,149.8	21.8%	0.5%	3.9%	29,099.7	23.3%	0.6%	5.9%
HD MF / Pag-IBIG	561.0	1.5%	0.0%	0.3%	1,673.0	2.4%	0.1%	0.4%	4,953.0	4.0%	0.1%	1.0%
OWWA ^b	56.7	0.2%	0.0%	0.0%	88.6	0.1%	0.0%	0.0%	527.8	0.4%	0.0%	0.1%
PhilHealth / PHIC ^c	2,764.9	7.6%	0.2%	1.5%	4,217.7	6.1%	0.1%	1.1%	16,515.7	13.2%	0.3%	3.3%
SSS	14,926.7	41.0%	0.9%	8.2%	27,744.4	40.0%	0.9%	7.1%	43,743.3	35.0%	0.9%	8.8%
sub-total	25,134.7	69.1%	1.5%	13.8%	50,809.6	73.2%	1.7%	13.1%	96,822.5	77.4%	2.0%	19.6%
Non-Contributory Schemes												
DSWD ^d	510.5	1.4%	0.0%	0.3%	584.1	0.8%	0.0%	0.2%	668.1	0.5%	0.0%	0.1%
PAGCOR ^e	3,497.4	9.6%	0.2%	1.9%	5,227.9	7.5%	0.2%	1.3%	9,196.9	7.3%	0.2%	1.9%
PCSO ^f	951.1	2.6%	0.1%	0.5%	2,082.0	3.0%	0.1%	0.5%	3,031.2	2.4%	0.1%	0.6%
PVAO ^g	6,275.7	17.3%	0.4%	3.4%	10,744.2	15.5%	0.4%	2.8%	15,411.4	12.3%	0.3%	3.1%
sub-total	11,234.7	30.9%	0.7%	6.1%	18,638.2	26.8%	0.6%	4.8%	28,307.6	22.6%	0.6%	5.7%
TOTAL	36,369.4	100.0%	2.1%	19.9%	69,447.8	100.0%	2.3%	17.8%	125,130.1	100.0%	2.6%	25.3%
Local Government Units^h												
TOTAL (with LGUs)									52,170.0	29.4%	1.1%	10.5%
									177,300.1	3.7%	35.8%	

amounts in million pesos

^a Due to limited data, estimates only for 1994 and 2004

^b Due to limited data, estimate only for 1994

^c Actually for 1994, it was SSS and GSIS that was administering the Medical Care Program

^d Due to limited data, estimates only for 1994 and 2004

^e Due to limited data, estimate only for 1994

^f Due to limited data, estimate only for 1994

^g Due to limited data, estimates only for 1994 and 2004

^h Represents National Government expenditure program for LGU social services (available data only for 2003-2005)

It may be seen from the table above that, in relation to GDP, social protection expenditure is slowly but steadily increasing – from 2.1% of GDP in 1994, to 2.3% in 1999, and to 2.6% in 2004. However, these ratios still pale in comparison with European standards where social protection expenditure accounts for about 27.5% of GDP⁷⁴.

Administration costs

On an aggregate level, it can be seen in Table 3.1.2 that administration costs account for about 17% to 19% of total expenditures between 1994, 1999, and 2004. The administration cost of non-contributory schemes is about 28% or 29% of total expenditures, almost twice the ratio for contributory schemes.

⁷⁴ 2001 data from report published 23 April 2004 by Eurostat, Statistical Office of European Communities.

Table 3.1.2: Administration costs by type of scheme (% of total expenditures), 1994, 1999, and 2004

Institution	1994				1999				2004			
	Social Benefits	Admin. costs	Total expenses	Admin. costs (% of total expenses)	Social Benefits	Admin. costs	Total expenses	Admin. costs (% of total expenses)	Social Benefits	Admin. costs	Total expenses	Admin. costs (% of total expenses)
Contributory Schemes												
AFP-RSBS ^a	49.8	359.0	408.8	87.8%	166.9	863.2	1,030.1	83.8%	287.8	2,075.5	2,363.3	87.8%
ECC	1,122.4	103.0	1,225.4	8.4%	1,769.2	359.4	2,128.6	16.9%	1,695.2	621.3	2,316.5	26.8%
GSIS	5,653.2	900.0	6,553.2	13.7%	15,149.8	2,709.9	17,859.7	15.2%	29,099.7	5,173.8	34,273.5	15.1%
HDMF / Pag-IBIG	561.0	426.3	987.3	43.2%	1,673.0	791.2	2,464.2	32.1%	4,953.0	1,812.9	6,765.9	26.8%
OWWA ^b	56.7	109.7	166.4	65.9%	88.6	294.8	383.4	76.9%	527.8	401.4	929.2	43.2%
PhilHealth / PHIC ^c	2,764.9	144.2	2,909.1	5.0%	4,217.7	666.7	4,884.4	13.6%	16,515.7	2,159.6	18,675.3	11.6%
SSS	14,926.7	1,125.0	16,051.7	7.0%	27,744.4	3,730.4	31,474.8	11.9%	43,743.3	5,192.0	48,935.3	10.6%
sub-total	25,134.7	3,167.2	28,301.9	11.2%	50,809.6	9,415.6	60,225.2	15.6%	96,822.5	17,436.5	114,259.0	15.3%
Non-Contributory Schemes												
DSWD ^d	510.5	762.9	1,273.4	59.9%	584.1	928.1	1,512.2	61.4%	668.1	1,129.0	1,797.1	62.8%
PAGCOR ^e	3,497.4	2,975.9	6,473.3	46.0%	5,227.9	5,069.8	10,297.7	49.2%	9,196.9	9,149.9	18,346.8	49.9%
PCSO ^f	951.1	475.6	1,426.7	33.3%	2,082.0	1,041.0	3,123.0	33.3%	3,031.2	1,515.6	4,546.8	33.3%
PVAO ^g	6,275.7	112.1	6,387.8	1.8%	10,744.2	179.2	10,923.4	1.6%	15,411.4	176.0	15,587.4	1.1%
sub-total	11,234.7	4,326.5	15,561.2	27.8%	18,638.2	7,218.1	25,856.3	27.9%	28,307.6	11,970.5	40,278.1	29.7%
TOTAL	36,369.4	7,493.7	43,863.1	17.1%	69,447.8	16,633.7	86,081.5	19.3%	125,130.1	29,407.0	154,537.1	19.0%

amounts in million pesos

^a Due to limited data, estimates only for 1994 and 2004 social benefits; for 1994, 1999 and 2004 admin costs^b Due to limited data, estimate only for 1994 social benefits and administration costs^c Actually for 1994, it was SSS and GSIS that was administering the Medical Care Program^d Due to limited data, estimates only for 1994 and 2004 social benefits and administration costs^e Due to limited data, estimate only for 1994 social benefits and administration costs^f Due to limited data, estimate only for 1994 social benefits and administration costs^g Due to limited data, estimates only for 1994 and 2004 social benefits and administration costs

Financing

Financing social protection expenditure in the case of the Philippines is typically derived from social contributions (from employers, employees, self-employed, and government contributions), investment & other income, national government financing, and other receipts.

Based on Table 3.1.3, social contributions accounts for a growing portion of receipts for social protection: 42.8% of total receipts in 1994; 49.7% in 1999; and 53.9% in 2004. This is due in large part to the increases in the salary base on which contributions are assessed (as was the case for both SSS and GSIS).

Investment and other income takes up a diminishing role in social protection financing, perhaps a reflection of the country's socio-economic conditions. In 1994, investment (and other) income took up 32.5% of social protection resources. This ratio further decreased to 29.7% in 1999 and to 24.5% by 2004.

Government financing that was provided to DSWD and PVAO, likewise took up a decreasing share of total social protection receipts: 10.6% of total receipts in 1994; 8.6% in 1999; and 8.2% by 2004.

Other receipts as those from the gaming operations of PAGCOR and from the lottery operations of PCSO took about 12% to 14% of social protection funding for the years 1994, 1999, and 2004.

Table 3.1.3: Social protection receipts by type, 1994, 1999, and 2004

Institution	1994				1999				2004			
	Amount	% of Total	% of GDP	% of Govt Exp	Amount	% of Total	% of GDP	% of Govt Exp	Amount	% of Total	% of GDP	% of Govt Exp
<u>Social contributions</u>												
AFP-RSBS ^a	-	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%
ECC	1,081.6	1.5%	0.1%	0.6%	868.2	0.6%	0.0%	0.2%	2,111.2	1.0%	0.0%	0.4%
GSIS	10,389.0	14.4%	0.6%	5.7%	29,017.3	20.0%	1.0%	7.5%	39,508.0	18.6%	0.8%	8.0%
HDMF / Pag-IBIG	2,232.0	3.1%	0.1%	1.2%	9,575.0	6.6%	0.3%	2.5%	11,848.0	5.6%	0.2%	2.4%
OWWA ^b	171.2	0.2%	0.0%	0.1%	501.2	0.3%	0.0%	0.1%	1,617.2	0.8%	0.0%	0.3%
PhilHealth / PHIC ^c	3,624.6	5.0%	0.2%	2.0%	5,367.0	3.7%	0.2%	1.4%	16,515.7	7.8%	0.3%	3.3%
SSS	13,350.7	18.5%	0.8%	7.3%	26,808.5	18.5%	0.9%	6.9%	43,083.6	20.3%	0.9%	8.7%
sub-total	30,849.1	42.8%	1.8%	16.9%	72,137.2	49.7%	2.4%	18.5%	114,683.7	53.9%	2.4%	23.2%
<u>Investment & other income</u>												
AFP-RSBS ^a	-	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%	-	0.0%	0.0%	0.0%
ECC	1,711.4	2.4%	0.1%	0.9%	1,675.1	1.2%	0.1%	0.4%	1,331.2	0.6%	0.0%	0.3%
GSIS	6,252.0	8.7%	0.4%	3.4%	16,469.1	11.3%	0.6%	4.2%	29,180.5	13.7%	0.6%	5.9%
HDMF / Pag-IBIG	2,450.7	3.4%	0.1%	1.3%	4,988.7	3.4%	0.2%	1.3%	9,154.2	4.3%	0.2%	1.9%
OWWA ^b	90.4	0.1%	0.0%	0.0%	201.5	0.1%	0.0%	0.1%	471.9	0.2%	0.0%	0.1%
PhilHealth / PHIC ^c	1,504.8	2.1%	0.1%	0.8%	2,699.0	1.9%	0.1%	0.7%	4,451.8	2.1%	0.1%	0.9%
SSS	11,368.1	15.8%	0.7%	6.2%	17,125.8	11.8%	0.6%	4.4%	7,565.8	3.6%	0.2%	1.5%
sub-total	23,377.4	32.5%	1.4%	12.8%	43,159.2	29.7%	1.4%	11.1%	52,155.4	24.5%	1.1%	10.5%
<u>Government financing</u>												
DSWD ^d	1,083.2	1.5%	0.1%	0.6%	1,555.4	1.1%	0.1%	0.4%	2,233.4	1.0%	0.0%	0.5%
PVAO ^d	6,549.0	9.1%	0.4%	3.6%	10,966.8	7.6%	0.4%	2.8%	15,155.8	7.1%	0.3%	3.1%
sub-total	7,632.2	10.6%	0.5%	4.2%	12,522.2	8.6%	0.4%	3.2%	17,389.2	8.2%	0.4%	3.5%
<u>Other receipts</u>												
PAGCOR ^e	6,994.9	9.7%	0.4%	3.8%	10,455.8	7.2%	0.4%	2.7%	18,393.8	8.6%	0.4%	3.7%
PCSO ^e	3,170.4	4.4%	0.2%	1.7%	6,940.0	4.8%	0.2%	1.8%	10,104.0	4.7%	0.2%	2.0%
sub-total	10,165.3	14.1%	0.6%	5.6%	17,395.8	12.0%	0.6%	4.5%	28,497.8	13.4%	0.6%	5.8%
TOTAL	72,024.0	100.0%	4.3%	39.4%	145,214.4	100.0%	4.9%	37.3%	212,726.1	100.0%	4.4%	43.0%

amounts in million pesos

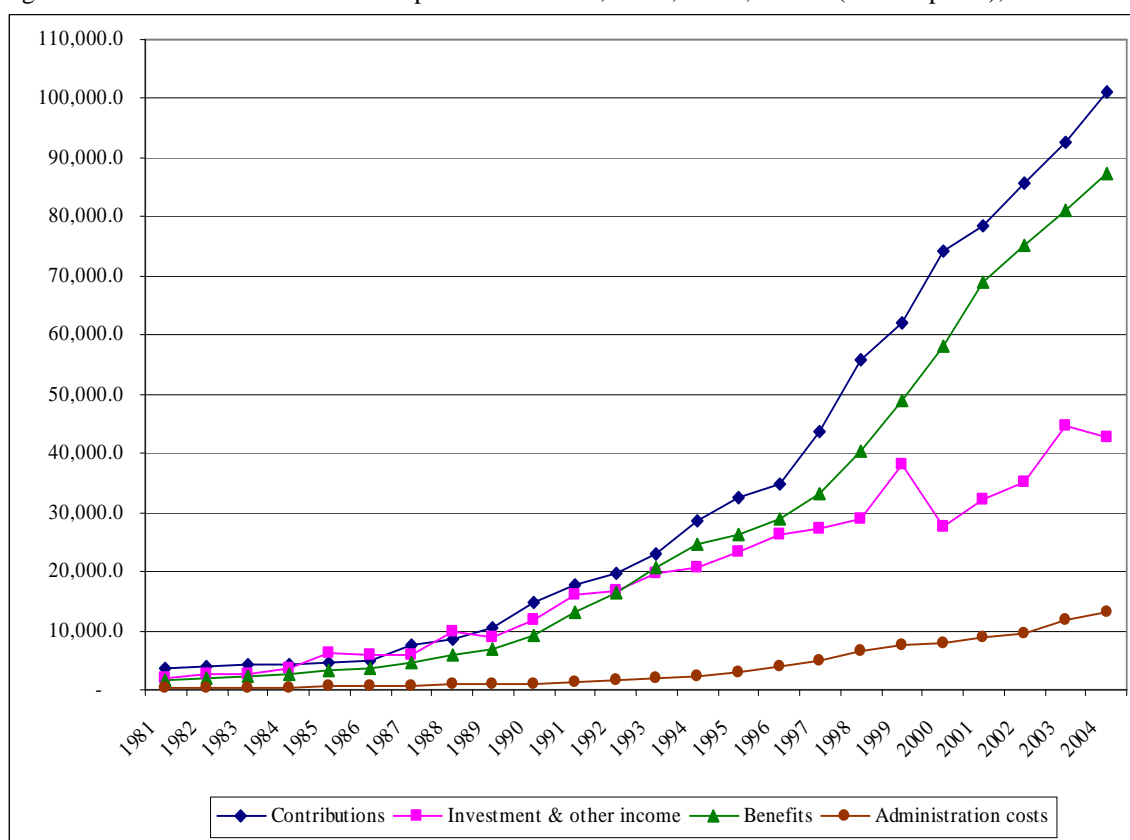
^a No plausible estimates due to very limited data^b Due to limited data, estimate only for 1994^c Actually for 1994, it was SSS and GSIS that was administering the Medical Care Program^d Due to limited data, estimates only for 1994 and 2004^e Due to limited data, estimate only for 1994

3.2 Trends in social protection financing – revenues and expenditures

In analyzing long-term trends in social protection financing, financial operations of ECC, GSIS, PHIC, and SSS are to be used since these institutions are the major providers of social protection whose mandates have been established for more than 25 years.

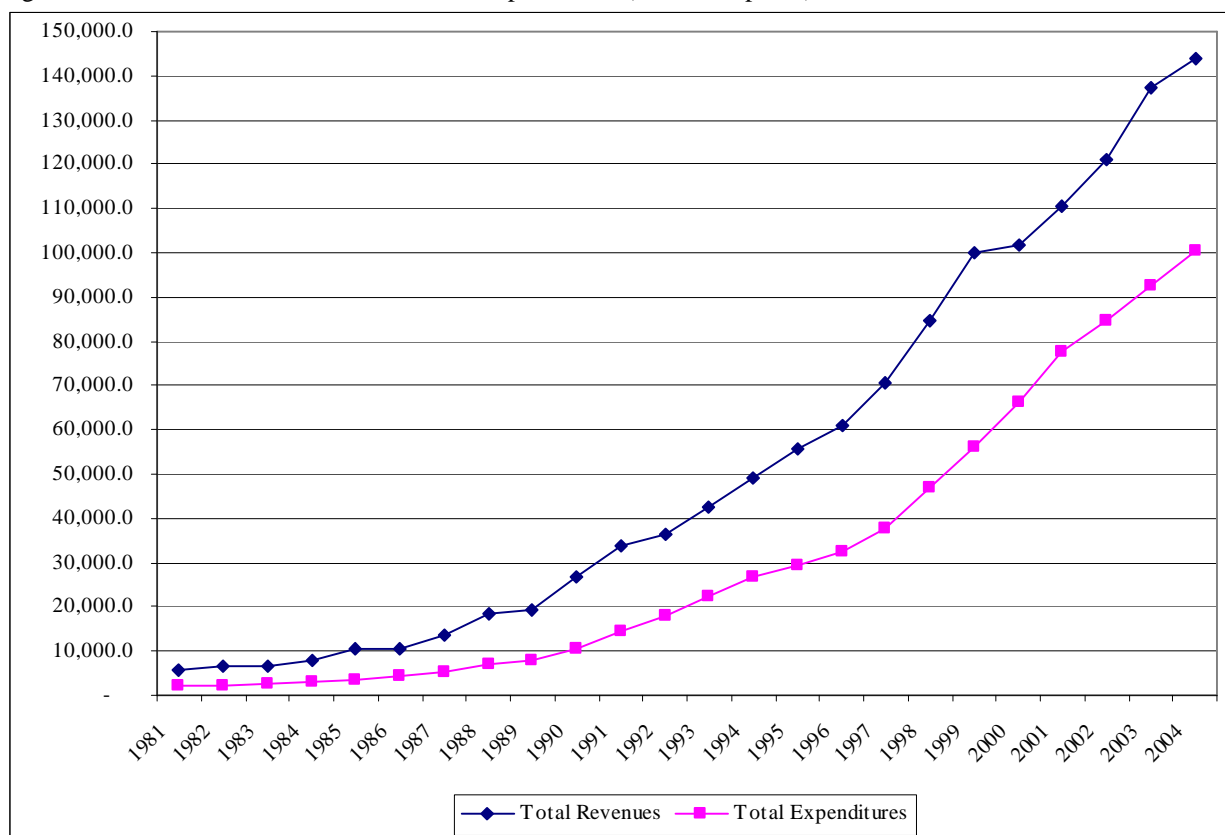
With regard to aggregate social contributions and benefits, the amounts of contributions have consistently exceeded the amounts of benefits. At status quo, however, this trend may be reversed in the near future as growth rates of benefit payments have been higher than of contributions. In the 1980s, average annual growth rate of benefit payments was 19.6% (15.0% for contributions); in the 1990s, benefit payments grew by an annual average of 22.1% (19.8% for contributions); and starting in 2000, the average annual growth rate for benefit payments was 12.5% (as against 10.4% for contributions).

Figure 3.2a: Consolidated Financial Operations of ECC, GSIS, PHIC, & SSS (million pesos), 1981-2004



In terms of aggregate revenues (i.e. contributions plus investment & other income) and aggregate expenditures (i.e. benefits plus administration costs), revenues have consistently exceeded expenditures. However, total revenues exceed total expenditures only in terms of magnitude. In terms of average annual growth rates, total expenditures exceed total revenues. In the 1980s, average annual growth rate of expenditures was 18.7% (17.4% for revenues); in the 1990s, expenditures grew by an annual average of 22.1% (18.1% for revenues); and starting 2000, average annual growth of expenditures was 12.4% (7.6% for revenues).

Figure 3.2b: Total Revenues vis-à-vis Total Expenditures (in million pesos), 1981-2004



Contributions

In terms of social contributions, ECC contribution levels have remained fairly stable over the years. This is due mainly on the fixed contribution rate of 1% for both private and public sector employees. Moreover, the salary ceiling of P1,000 applied to private sector workers has never been increased since the establishment of the Employees' Compensation Program in 1975. The salary ceiling for government workers has been changed on an ad hoc basis and is presently at P10,000.

GSIS contributions have somewhat kept pace with SSS contributions in terms of magnitude, inspite of having a membership base of less than 1.5 million. This is due mainly to the difference in the contribution rate. GSIS' contribution rate is 21% (compared to SSS' 9.4%). Moreover, in 2004, GSIS' salary ceiling had been removed thus subjecting the entire salary of a government worker to the GSIS contribution rate.

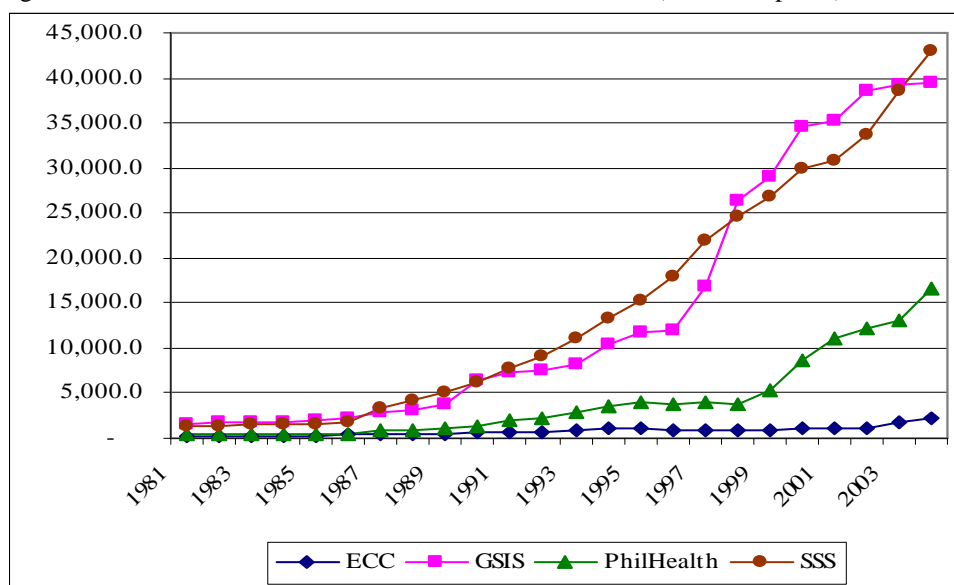
SSS shows a stable growth pattern starting 1987. Contributions collection for the period 1981-1986 was relatively constant as the salary ceiling to which contributions are based was fixed at P1,000.

The growth of SSS contributions starting 1987 are attributed to the following: (1) salary ceiling was increased to P3,000 in 1987; (2) salary ceiling was increased annually to start at P4,000 in

1991 until it reaches P12,000 in 1999; (3) salary ceiling was increased to P15,000 in 2002; and (4) contribution rate was increased to 9.4% (from 8.4%).

PhilHealth contributions⁷⁵ have exhibited strong growth in the years that followed the enactment of the National Health Insurance Act of 1995 and the eventual creation of the Philippine Health Insurance Corporation (PhilHealth / PHIC). Much of this growth is attributed to the expanded coverage program of PhilHealth.

Figure 3.2c: Contributions – ECC, GSIS, PhilHealth, & SSS (in million pesos), 1981-2004

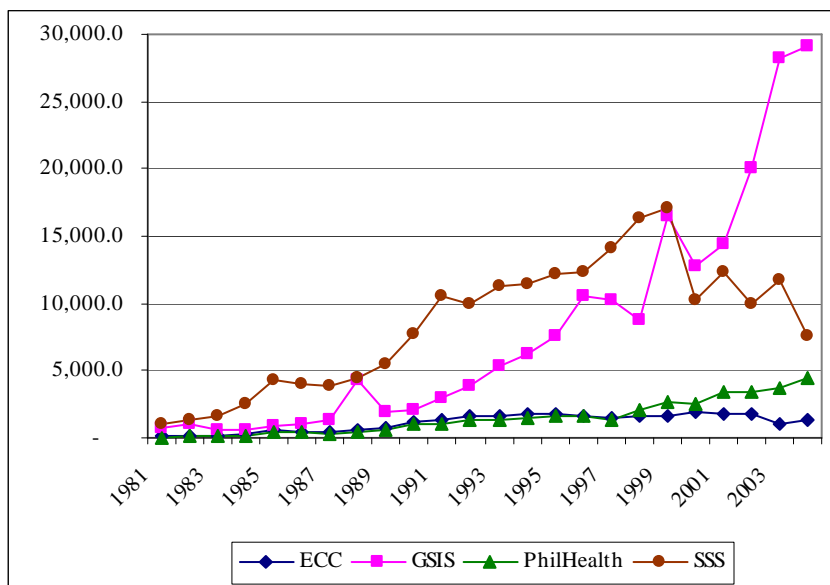


Investment and other income

The investment performance of ECC and PhilHealth are at similar levels since these two institutions operate almost on a pay-as-you-go basis. On the other hand, SSS and GSIS having accumulated huge reserve funds have much higher investment (and other) income. As shown, investment performance fluctuates at varying degrees demonstrating susceptibility to existing economic conditions.

⁷⁵ Actually, the more accurate term to be used is “contributions for the Medicare Program” since PhilHealth was created only after the enactment of the National Health Insurance Act of 1995. Before PhilHealth, the Medical Care program was administered by GSIS (for public sector) and SSS (for private sector).

Figure 3.2d: Investment & other income – ECC, GSIS, PhilHealth, & SSS
(in million pesos), 1981-2004

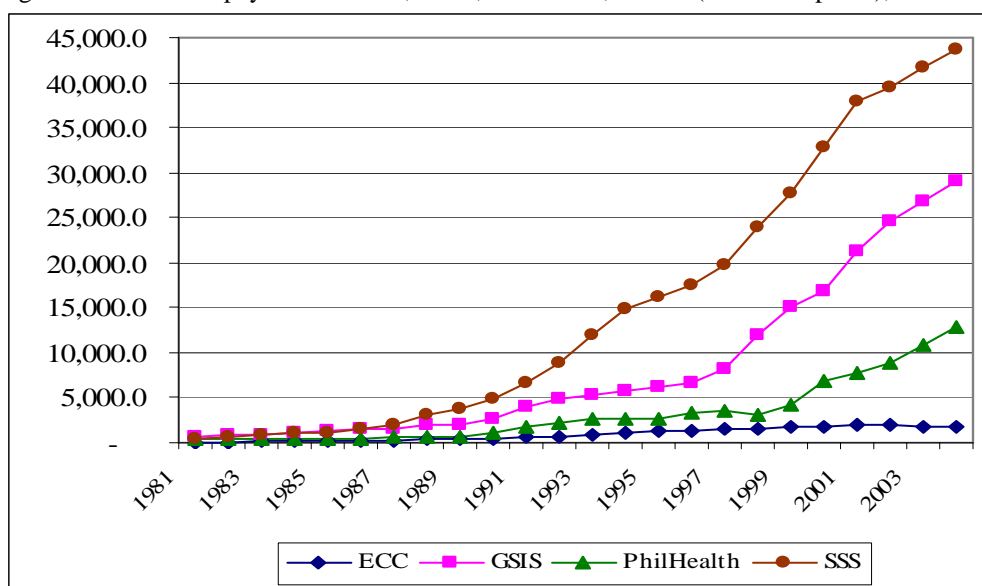


Benefits

The amount of annual benefit payments also indicate the type of benefit programs administered. ECC's benefit expenditures remain relatively at stable levels due to the short-term nature of its benefit programs. PhilHealth expenditures would have followed the ECC pattern except that in the late 1990s, by virtue of the implementation of the National Health Insurance Act of 1995 expanding medical care coverage, more groups were considered and given benefits to by PhilHealth.

The long-term nature of GSIS and SSS benefit programs is evidenced by the significant growth in benefit payments starting in the 1990s. Having existed for several decades by then, SSS and GSIS no longer enjoy the characteristic of relatively young schemes that experience low benefit payments for the simple reason that workers have yet to meet the contributory requirements for long-term pensions or have simply not reached retirement age yet.

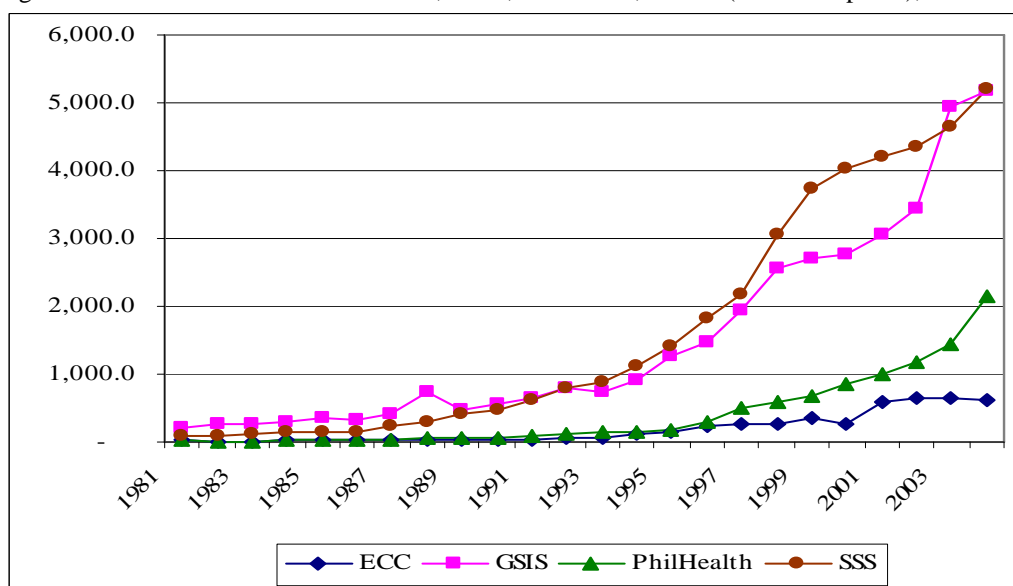
Figure 3.2e: Benefit payments – ECC, GSIS, PhilHealth, & SSS (in million pesos), 1981-2004



Administration costs

Significant increases in administration costs, especially for GSIS and SSS, may be attributed to the following: (1) Information technology costs; (2) Decentralization costs; and (3) Personnel-related expenses. PhilHealth's significant growth in administration costs is an expected consequence when the National Health Insurance Act of 1995 came into law, thereby creating its own infrastructure to service the medical care needs of an expanding membership.

Figure 3.2f: Administration costs – ECC, GSIS, PhilHealth, & SSS (in million pesos), 1981-2004



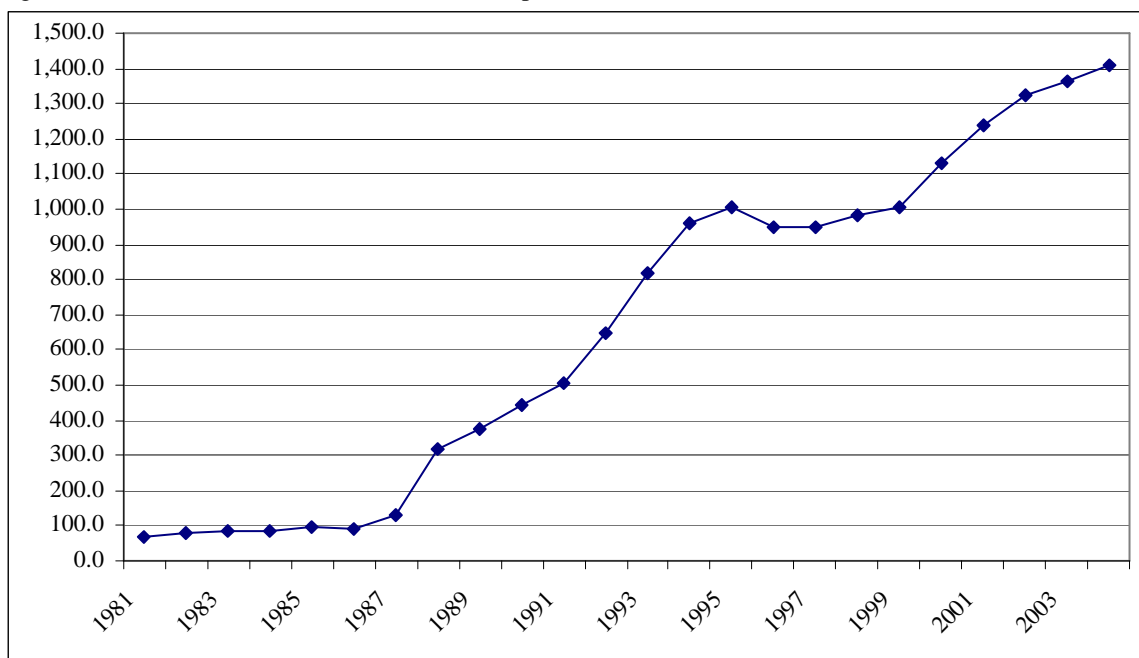
3.3 Social protection expenditure by functional composition

For the analysis of social protection expenditure by functional composition, time-series data from ECC, GSIS, PhilHealth, and SSS are used.

(i) Sickness

Sickness benefit payments is analyzed here with SSS data. Payments for sickness benefits for the period 1981-2004 almost follow the trend of contributions. This is due to the basis to which sickness benefits is computed. Sickness benefits, as is contributions, is salary-based. Thus, changes in the contributions structure (particularly increases to the salary ceiling to which contributions are based) shall also result in increases to the amount of sickness benefits (assuming number of sickness claims are relatively constant). The growth trend of sickness benefit payments was managed in the late 1990s where reductions in the number of sickness claims were recorded.

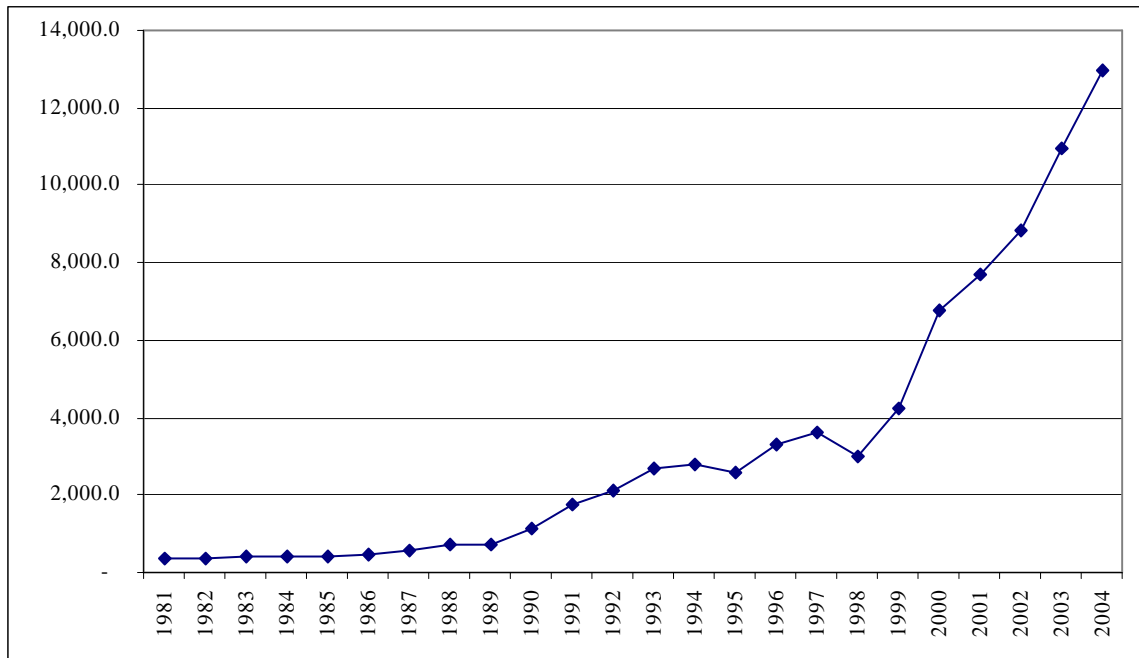
Figure 3.3a: Sickness benefits – SSS (in million pesos), 1981-2004



(ii) Health Care

Health care benefits is analyzed here using data from SSS and GSIS (as former administrators of Medical Care) and data from PhilHealth (as the current administrator of the Medical Care Program). Expenses for health care exhibited slow growth in the 1980s. The 1990s showed higher growth in medical care payments as awareness has begun to peak among members. The year 1998 showed a rare decrease in medical care payments as PhilHealth was just created then and thus faced transition issues that resulted in fewer payments made for the year. Expectedly, with a mandate to provide health care to all Filipinos, payments for medical benefits increased rapidly.

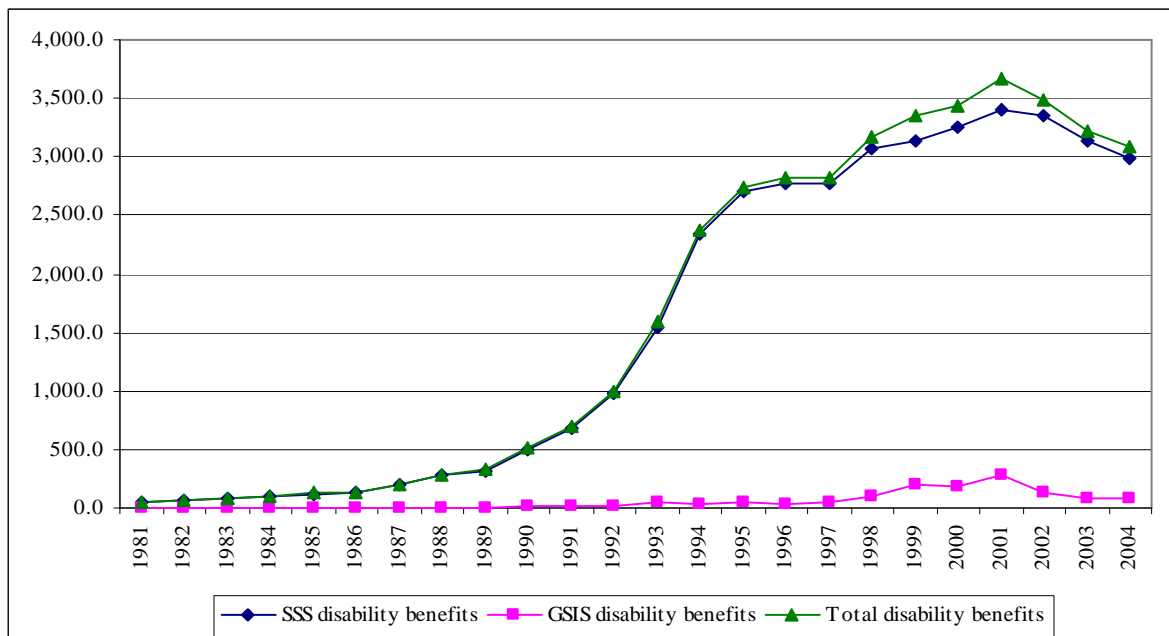
Figure 3.3b: Health care benefits (in million pesos), 1981-2004



(iii) Disability

Disability benefit payments is analyzed here using data from GSIS and SSS. For the period 1981-2004, SSS disability benefits account for almost 98% of total disability benefits, GSIS accounting for about 2% only.

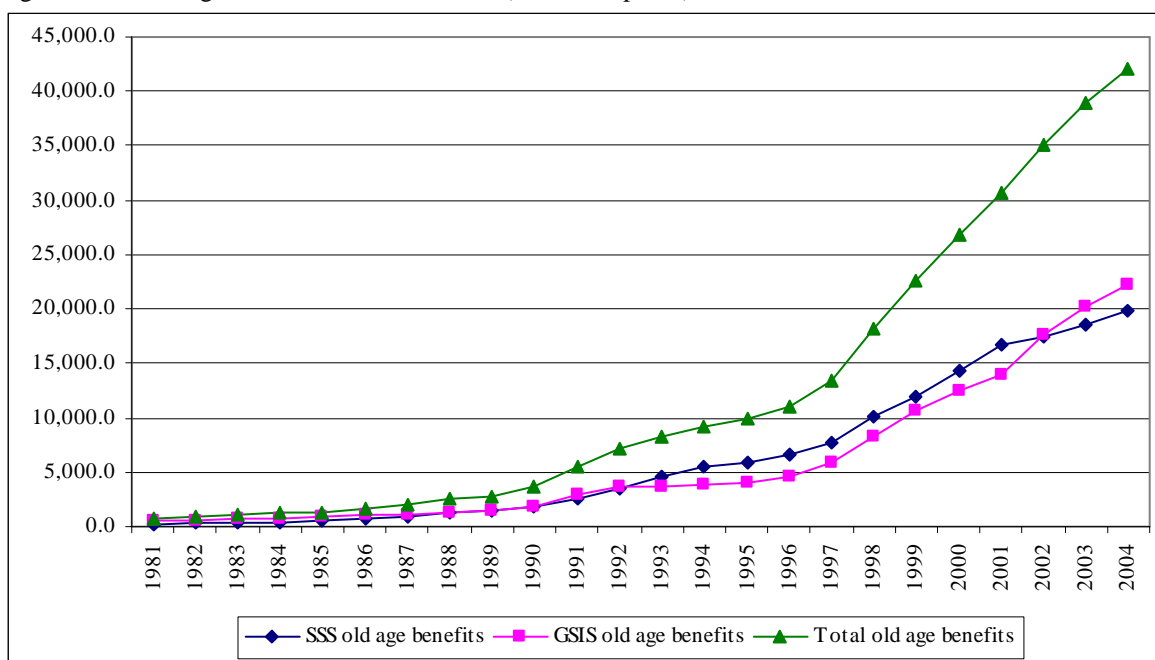
Figure 3.3c: Disability benefits – GSIS and SSS (in million pesos), 1981-2004



(iv) Old age

Old age benefits is analyzed here using GSIS and SSS data. For the period 1981-2004, the amount of old age benefits paid by GSIS and SSS were almost equal to each other. In the past couple of years, GSIS old age benefits surpassed that of SSS owing mainly to the fact that SSS ceased granting pension increases after the year 2000.

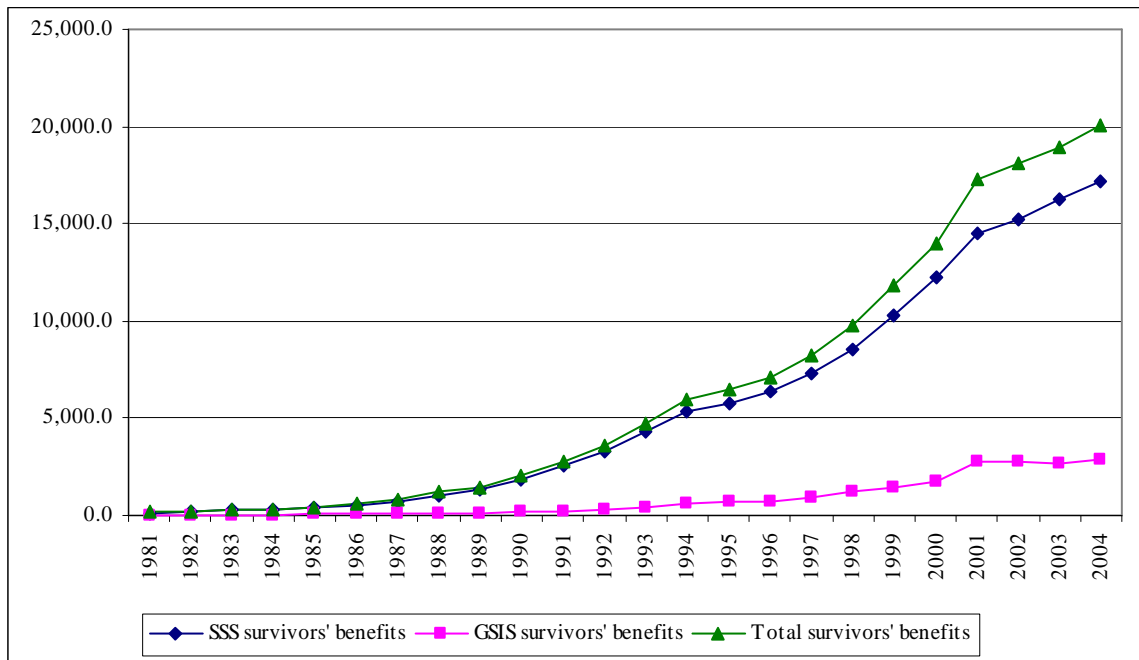
Figure 3.3d: Old age benefits – GSIS and SSS (in million pesos), 1981-2004



(v) Survivors'

Survivors' benefits is analyzed here using GSIS and SSS data. In terms of magnitude, SSS survivors' benefits far exceed the levels of GSIS. However, looking at certain periods, average annual growth rate of GSIS survivors' benefits is significantly higher than the average annual growth rate of SSS survivors' benefits. In the 1980s, GSIS survivors' benefits grew by an annual average of 50.1% (compared to SSS' 32.4%); in the 1990s, it was 29.0% for GSIS and 22.9% for SSS; and since 2000, average annual growth rate of GSIS survivors' benefits is 16.4% as against SSS' 11.0%.

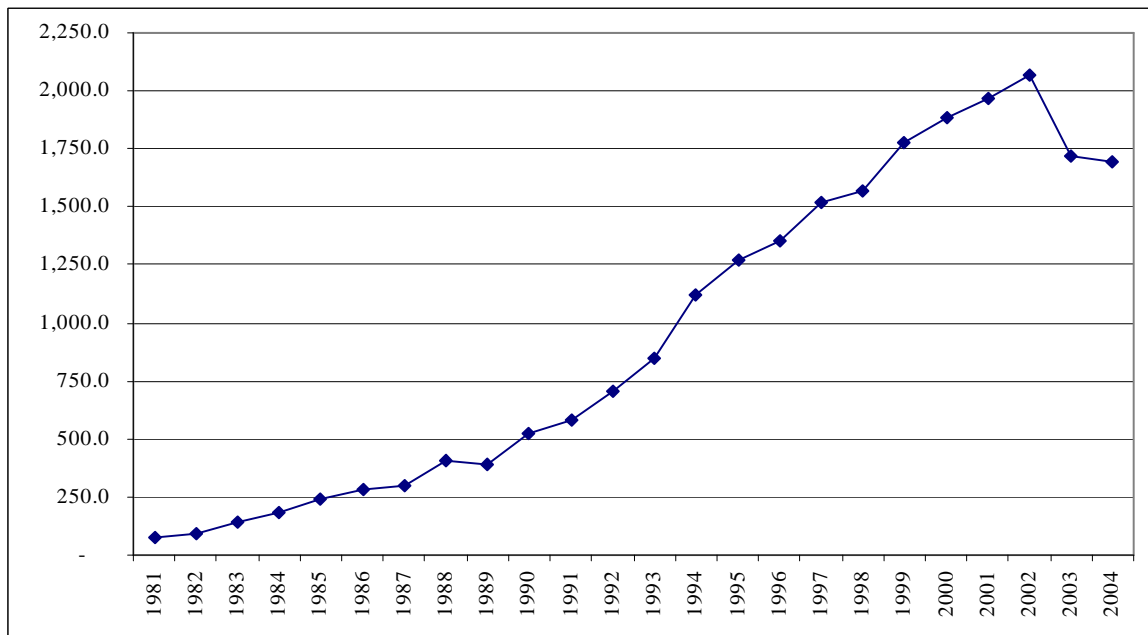
Figure 3.3e: Survivors' benefits – GSIS and SSS (in million pesos), 1981-2004



(vi) Employment injury

Employment injury benefits are analyzed here using GSIS and SSS data (as administrators of the Employees' Compensation Program). The relatively constant growth in employment injury benefits was abated in 2003 and 2004 as GSIS reportedly encounters funding problems.

Figure 3.3f: Employment injury benefits (in million pesos), 1981-2004



3.4 Social protection expenditure by institutions

(i) Contributory schemes

Armed Forces of the Philippines-Retirement and Separation Benefits System (AFP-RSBS)

Social benefits Since the AFP-RSBS has yet to attain the point of self-sufficiency, the benefit it has disbursed from its own fund is only in the form of a refund of members' contributions, plus interest (granted upon retirement or separation from military service). In 2001, the total amount refunded to members reached PhP 170.0 million, equivalent to 0.005% of GDP and 0.038% of government expenditure. This is a significant increase compared with 1996 data when total amount refunded was PhP 70.7 million, 0.003% of GDP and 0.027% of government expenditure.

Table 3.4.1a: Social benefits disbursed (as % of GDP & Govt Expenditure), 1996-1999 & 2001

Year	Social Benefits	% of GDP	% of Govt Expenditure
1996	70.7	0.003%	0.027%
1997	104.1	0.004%	0.033%
1998	153.3	0.006%	0.043%
1999	166.9	0.006%	0.043%
2001	170.0	0.005%	0.038%

amounts in million pesos

Sources: 1996 and 1997 AFP-RSBS Annual Reports

AFP-RSBS website (www.afprsbs.com.ph)

Administration costs In 1997, AFP-RSBS spent PhP 950.5 million for administration costs, equivalent to about 90.1% of total expenditures. In 1996, PhP 509.9 million was spent on administration costs, or 87.8% of total expenditures.

Table 3.4.1b: Administration costs (% of total expenditures), 1996-1997

Year	Social Benefits	Administration Costs ¹	Total Expenditures	Administration Costs (% of Total Expenditures)
	(A)	(B)	(C) = (A) + (B)	(D) = (B) / (C)
1996	70.7	509.9	580.6	87.8%
1997	104.1	950.5	1,054.7	90.1%

amounts in million pesos

¹ Refers to investment & operating expenses and general & administrative expenses

Sources: 1996 and 1997 AFP-RSBS Annual Reports

Financing In 1997, AFP-RSBS had collections totaling PhP 309.6 million in social contributions and PhP 1,114.9 million in investment income, bringing total revenues to PhP 1,424.5 million. This amount is more than enough to cover the year's expenses that totaled only PhP 1,054.7 million resulting to a revenue/expenditure ratio of 135.1%. In 1996, the ratio was 370.5%.

Table 3.4.1c: Financing, Revenues vis-à-vis Expenditures, 1996-1997

Year	Revenues			Expenditures			Revenues / Expenditures (%)
	Contributions (A)	Investment Income (B)	Total Revenues (C) = (A) + (B)	Social Benefits (D)	Administration Costs ¹ (E)	Total Expenditures (F) = (D) + (E)	
1996	180.9	1,970.4	2,151.3	70.7	509.9	580.6	370.5%
1997	309.6	1,114.9	1,424.5	104.1	950.5	1,054.7	135.1%

amounts in million pesos

¹ Refers to investment & operating expenses and general & administrative expenses

Sources: 1996 and 1997 AFP-RSBS Annual Reports

Employees' Compensation Commission (ECC)

Social benefits In 2004, the total amount of employees' compensation benefits paid reached PhP 1,695.2 million, equivalent to 0.04% of GDP and 0.3% of government expenditure. In 1981, benefits paid was about 0.03% of GDP and 0.3% of government expenditure.

Table 3.4.2a: Social benefits disbursed (as % of GDP & Govt Expenditure), 1981-2004

Year	Social Benefits	% of GDP	% of Govt Expenditure
1981	77.7	0.03%	0.3%
1982	94.9	0.03%	0.3%
1983	139.8	0.04%	0.5%
1984	183.7	0.04%	0.5%
1985	243.3	0.04%	0.6%
1986	279.8	0.05%	0.6%
1987	302.8	0.04%	0.5%
1988	405.8	0.05%	0.6%
1989	389.3	0.04%	0.4%
1990	520.1	0.05%	0.5%
1991	581.9	0.05%	0.5%
1992	701.7	0.05%	0.5%
1993	848.7	0.06%	0.6%
1994	1,122.4	0.07%	0.6%
1995	1,267.9	0.07%	0.6%
1996	1,357.3	0.06%	0.5%
1997	1,517.0	0.06%	0.5%
1998	1,573.4	0.06%	0.4%
1999	1,769.2	0.06%	0.5%
2000	1,882.8	0.06%	0.4%
2001	1,970.4	0.05%	0.4%
2002	2,067.8	0.05%	0.4%
2003	1,715.9	0.04%	0.4%
2004	1,695.2	0.04%	0.3%

amounts in million pesos

Source: Social Security System (SSS) and Government Service Insurance System (GSIS)

1995, 2003, & 2005 Phil. Statistical Yearbook, Nat'l Statistical Coordination Board

Administration costs In 2004, ECC (with SSS and GSIS as fund administrators) spent PhP 621.3 million for administration costs, equivalent to about 26.8% of total expenditures. In 1981, the ECC spent PhP 19.6 million on administration costs, or 20.1% of total expenditures.

Table 3.4.2b: Administration costs (% of total expenditures), 1981-2004

Year	Social Benefits	Administration Costs	Total Expenditures	Administration Costs (% of Total Expenditures)
	(A)	(B)	(C) = (A) + (B)	(D) = (B) / (C)
1981	77.7	19.6	97.3	20.1%
1982	94.9	10.3	105.2	9.8%
1983	139.7	12.3	152.0	8.1%
1984	183.7	27.5	211.2	13.0%
1985	243.3	17.7	261.0	6.8%
1986	279.8	21.1	300.9	7.0%
1987	302.8	18.8	321.6	5.8%
1988	405.8	22.7	428.5	5.3%
1989	389.3	28.2	417.5	6.8%
1990	520.1	32.1	552.2	5.8%
1991	581.9	39.8	621.7	6.4%
1992	702.0	51.7	753.7	6.9%
1993	849.0	60.0	909.0	6.6%
1994	1,122.0	103.0	1,225.0	8.4%
1995	1,268.0	147.5	1,415.5	10.4%
1996	1,357.0	230.3	1,587.3	14.5%
1997	1,517.0	254.0	1,771.0	14.3%
1998	1,573.0	263.1	1,836.1	14.3%
1999	1,774.0	359.4	2,133.4	16.8%
2000	1,883.0	278.7	2,161.7	12.9%
2001	1,971.0	586.4	2,557.4	22.9%
2002	2,068.0	634.5	2,702.5	23.5%
2003	1,715.9	654.5	2,370.4	27.6%
2004	1,695.2	621.3	2,316.5	26.8%

amounts in million pesos

Sources: Social Security System (SSS) and Government Service Insurance System (GSIS)

Financing In 2004, ECC had collections totaling PhP 2,111.2 million in employees' compensation contributions and PhP 1,331.2 million in investment income, bringing total revenues to PhP 3,442.4 million. This amount, in large part due to investment income, is sufficient to cover the year's expenses that totaled PhP 2,316.5 million resulting to a revenue/expenditure ratio of 148.6%. In 1981, the ratio was 381.2%.

Table 3.4.2c: Financing, Revenues vis-à-vis Expenditures, 1981-2004

Year	Revenues			Expenditures			Revenues / Expenditures (%)
	Contributions (A)	Investment Income (B)	Total Revenues (C) = (A) + (B)	Social Benefits (D)	Administration Costs (E)	Total Expenditures (F) = (D) + (E)	
1981	254.7	116.1	370.8	77.7	19.6	97.3	381.2%
1982	262.4	170.1	432.6	94.9	10.3	105.2	411.1%
1983	297.7	206.3	504.0	139.7	12.3	152.0	331.6%
1984	293.6	302.2	595.8	183.7	27.5	211.2	282.1%
1985	326.4	555.0	881.4	243.3	17.7	261.0	337.7%
1986	350.7	518.3	869.0	279.8	21.1	300.9	288.8%
1987	474.5	444.7	919.2	302.8	18.8	321.6	285.9%
1988	460.7	579.5	1,040.2	405.8	22.7	428.5	242.8%
1989	512.5	790.1	1,302.6	389.3	28.2	417.5	312.0%
1990	708.3	1,168.3	1,876.6	520.1	32.1	552.2	339.9%
1991	676.5	1,324.5	2,001.0	581.9	39.8	621.7	321.9%
1992	732.1	1,622.2	2,354.3	702.0	51.7	753.7	312.4%
1993	920.4	1,568.6	2,489.0	849.0	60.0	909.0	273.8%
1994	1,081.6	1,711.4	2,793.0	1,122.0	103.0	1,225.0	228.0%
1995	1,148.6	1,786.8	2,935.3	1,268.0	147.5	1,415.5	207.4%
1996	975.9	1,637.4	2,613.3	1,357.0	230.3	1,587.3	164.6%
1997	798.7	1,468.6	2,267.3	1,517.0	254.0	1,771.0	128.0%
1998	992.2	1,687.7	2,679.9	1,573.0	263.1	1,836.1	146.0%
1999	868.2	1,675.1	2,543.3	1,774.0	359.4	2,133.4	119.2%
2000	1,006.4	1,938.9	2,945.3	1,883.0	278.7	2,161.7	136.2%
2001	1,091.3	1,849.0	2,940.4	1,971.0	586.4	2,557.4	115.0%
2002	1,047.6	1,804.1	2,851.7	2,068.0	634.5	2,702.5	105.5%
2003	1,816.5	1,072.5	2,889.0	1,715.9	654.5	2,370.4	121.9%
2004	2,111.2	1,331.2	3,442.4	1,695.2	621.3	2,316.5	148.6%

amounts in million pesos

Sources: Social Security System (SSS) and Government Service Insurance System (GSIS)

Government Service Insurance System (GSIS)

Social benefits In 2004, the total amount of claims paid by the GSIS reached PhP 29,099.7 million, equivalent to 0.6% of GDP and 5.9% of government expenditure. This is a marked increase compared with 1981 data when claims paid reached PhP 740.3 million, equivalent to 0.3% of GDP and 3.0% of government expenditure. The 1981 level (% of GDP) was more or less maintained throughout the 1980s up to the mid-1990s. The last five years however showed this ratio increasing to 5% to 6% levels.

Table 3.4.3a: Social benefits disbursed (as % of GDP & Govt Expenditure), 1981-2004

Year	Social Benefits	% of GDP	% of Govt Expenditure
1981	701.8	0.2%	2.8%
1982	830.5	0.3%	2.9%
1983	969.3	0.3%	3.2%
1984	1,140.2	0.2%	3.1%
1985	1,280.8	0.2%	2.9%
1986	1,486.5	0.2%	3.1%
1987	1,620.9	0.2%	2.8%
1988	1,886.9	0.2%	2.6%
1989	2,096.6	0.2%	2.4%
1990	2,676.0	0.2%	2.5%
1991	4,003.0	0.3%	3.2%
1992	4,814.5	0.4%	3.7%
1993	5,310.9	0.4%	3.6%
1994	5,653.2	0.3%	3.1%
1995	6,128.5	0.3%	2.8%
1996	6,593.7	0.3%	2.5%
1997	8,176.7	0.3%	2.6%
1998	11,901.1	0.4%	3.4%
1999	15,149.8	0.5%	3.9%
2000	16,888.3	0.5%	3.8%
2001	21,363.0	0.6%	4.8%
2002	24,690.0	0.6%	5.1%
2003	26,760.5	0.6%	5.6%
2004	29,099.7	0.6%	5.9%

amounts in million pesos

Sources: 1981-2003 GSIS Actuarial Department; 2004 from GSIS Annual Report

1995, 2003, & 2005 Phil. Statistical Yearbook, Nat'l Statistical Coordination Board

Disbursements by type of benefit (as % of total social benefits) show that in 2004, the amount of old age benefits paid is 76.4% (67.2% in 1981) of total social benefits paid by GSIS. Survivors' benefits account for 9.9% (3.2% in 1981), disability benefits 0.3% (0.1% in 1981), and life insurance benefits 13.4% (29.6% in 1981).

Table 3.4.3b: Social benefits disbursed by type of benefit (as % of social benefits), 1981-2004

Year	Disability	Old age	Survivors ¹	Life Insurance	Social Benefits
1981	0.1%	67.2%	3.2%	29.6%	100.0%
1982	0.1%	64.3%	3.5%	32.1%	100.0%
1983	0.1%	68.6%	1.1%	30.3%	100.0%
1984	0.1%	68.3%	3.6%	28.0%	100.0%
1985	0.1%	66.9%	4.2%	28.8%	100.0%
1986	0.2%	68.6%	7.0%	24.2%	100.0%
1987	0.1%	67.9%	5.1%	26.8%	100.0%
1988	0.1%	70.1%	5.7%	24.1%	100.0%
1989	0.4%	68.6%	5.8%	25.2%	100.0%
1990	0.4%	68.6%	6.2%	24.8%	100.0%
1991	0.4%	75.0%	5.1%	19.4%	100.0%
1992	0.4%	75.2%	6.4%	18.0%	100.0%
1993	0.9%	70.6%	8.0%	20.4%	100.0%
1994	0.6%	67.4%	10.7%	21.4%	100.0%
1995	0.7%	64.9%	11.8%	22.5%	100.0%
1996	0.6%	69.3%	11.3%	18.8%	100.0%
1997	0.5%	70.9%	10.7%	17.9%	100.0%
1998	0.8%	68.7%	10.1%	20.4%	100.0%
1999	1.4%	70.4%	9.8%	18.5%	100.0%
2000	1.1%	73.5%	10.2%	15.2%	100.0%
2001	1.3%	65.5%	13.1%	20.1%	100.0%
2002	0.6%	71.4%	11.3%	16.7%	100.0%
2003	0.3%	76.4%	9.9%	13.4%	100.0%
2004	0.3%	76.4%	9.9%	13.4%	100.0%

¹ Includes funeral benefits

Note: Due to unavailability of data, 2003 distribution assumed to hold in 2004

Source: GSIS Actuarial Department

Administration costs In 2004, the GSIS spent PhP 5,173.8 million for administration costs, equivalent to about 15.1% of total expenditures. In 1981, the GSIS spent PhP 212.0 million, or 23.2% of total expenditures.

Table 3.4.3c: Administration costs (% of total expenditures), 1981-2004

Year	Social Benefits (A)	Administration Costs (B)	Total Expenditures (C) = (A) + (B)	Administration Costs (% of Total Expenditures) (D) = (B) / (C)
1981	701.8	212.0	913.8	23.2%
1982	830.5	255.1	1,085.6	23.5%
1983	969.3	261.4	1,230.6	21.2%
1984	1,140.2	294.1	1,434.3	20.5%
1985	1,280.8	348.0	1,628.8	21.4%
1986	1,486.5	321.3	1,807.7	17.8%
1987	1,620.9	399.8	2,020.6	19.8%
1988	1,886.9	742.8	2,629.7	28.2%
1989	2,096.6	459.1	2,555.7	18.0%
1990	2,676.0	559.6	3,235.5	17.3%
1991	4,003.0	660.7	4,663.7	14.2%
1992	4,814.5	782.9	5,597.4	14.0%
1993	5,310.9	742.8	6,053.7	12.3%
1994	5,653.2	900.0	6,553.2	13.7%
1995	6,128.5	1,251.0	7,379.5	17.0%
1996	6,593.7	1,468.0	8,061.7	18.2%
1997	8,176.7	1,941.0	10,117.7	19.2%
1998	11,901.1	2,561.0	14,462.1	17.7%
1999	15,149.8	2,709.9	17,859.7	15.2%
2000	16,888.3	2,762.8	19,651.1	14.1%
2001	21,363.0	3,072.0	24,435.0	12.6%
2002	24,690.0	3,434.1	28,124.0	12.2%
2003	26,760.5	4,942.2	31,702.7	15.6%
2004	29,099.7	5,173.8	34,273.6	15.1%

amounts in million pesos

Source: 1981-2003 GSIS Actuarial Department; 2004 from GSIS Annual Report

Financing In 2004, the GSIS collected PhP 39,508.0 million in social security contributions and PhP 29,180.5 million in investment income, bringing total revenues to PhP 68,688.5 million. This amount is about twice the amount needed to cover expenses for the year that totaled PhP 34,274.6 million resulting to a revenue/expenditure ratio of 200.4%. In 1981, the ratio was 262.0%.

Table 3.4.3d: Financing, Revenues vis-à-vis Expenditures, 1981-2004

Year	Revenues			Expenditures			Revenues / Expenditures (%)
	Contributions (A)	Investment Income ¹ (B)	Total Revenues (C) = (A) + (B)	Social Benefits (D)	Administration Costs (E)	Total Expenditures (F) = (D) + (E)	
1981	1,604.0	789.7	2,393.8	701.8	212.0	913.8	262.0%
1982	1,766.3	1,011.7	2,778.0	830.5	255.1	1,085.6	255.9%
1983	1,881.7	623.4	2,505.1	969.3	261.4	1,230.6	203.6%
1984	1,813.8	577.2	2,391.0	1,140.2	294.1	1,434.3	166.7%
1985	2,044.8	824.3	2,869.1	1,280.8	348.0	1,628.8	176.1%
1986	2,236.1	1,034.5	3,270.7	1,486.5	321.3	1,807.7	180.9%
1987	2,800.4	1,348.8	4,149.2	1,620.9	399.8	2,020.6	205.3%
1988	3,070.9	4,299.8	7,370.7	1,886.9	742.8	2,629.7	280.3%
1989	3,769.8	2,004.7	5,774.5	2,096.6	459.1	2,555.7	225.9%
1990	6,473.0	2,125.5	8,598.5	2,676.0	559.6	3,235.5	265.8%
1991	7,346.8	3,019.9	10,366.7	4,003.0	660.7	4,663.7	222.3%
1992	7,433.5	3,846.9	11,280.4	4,814.5	782.9	5,597.4	201.5%
1993	8,269.9	5,336.2	13,606.1	5,310.9	742.8	6,053.7	224.8%
1994	10,389.0	6,252.0	16,641.0	5,653.2	900.0	6,553.2	253.9%
1995	11,844.0	7,621.0	19,465.0	6,128.5	1,251.0	7,379.5	263.8%
1996	12,045.0	10,609.0	22,654.0	6,593.7	1,468.0	8,061.7	281.0%
1997	16,836.0	10,181.0	27,017.0	8,176.7	1,941.0	10,117.7	267.0%
1998	26,351.0	8,797.0	35,148.0	11,901.1	2,561.0	14,462.1	243.0%
1999	29,017.3	16,469.1	45,486.4	15,149.8	2,709.9	17,859.7	254.7%
2000	34,681.9	12,795.8	47,477.6	16,888.3	2,762.8	19,651.1	241.6%
2001	35,341.8	14,401.4	49,743.1	21,363.0	3,072.0	24,435.0	203.6%
2002	38,595.7	20,102.2	58,697.9	24,690.0	3,434.1	28,124.0	208.7%
2003	39,129.4	28,251.1	67,380.4	26,760.5	4,942.2	31,702.7	212.5%
2004	39,508.0	29,180.5	68,688.5	29,099.7	5,173.8	34,273.6	200.4%

amounts in million pesos

¹ Includes other income

Source: 1981-2003 GSIS Actuarial Department; 2004 from GSIS Annual Report

Home Development Mutual Fund (HDMF or Pag-IBIG)

Social benefits In 2004, the total amount of provident fund benefits paid reached PhP 4,953.0 million, equivalent to 0.1% of GDP and 1.0% of government expenditure. This is a significant increase compared with 1990 data when benefits paid was about 0.02% of GDP and 0.2% of government expenditure.

Table 3.4.4a: Social benefits disbursed (as % of GDP & Govt Expenditure), 1990-2004

Year	Social Benefits	% of GDP	% of Govt Expenditure
1990	217.0	0.02%	0.20%
1991	344.0	0.03%	0.28%
1992	402.0	0.03%	0.31%
1993	672.0	0.05%	0.45%
1994	561.0	0.03%	0.31%
1995	725.0	0.04%	0.33%
1996	765.0	0.04%	0.29%
1997	1,272.0	0.05%	0.40%
1998	1,533.0	0.06%	0.43%
1999	1,673.0	0.06%	0.43%
2000	1,915.0	0.06%	0.44%
2001	7,844.0	0.21%	1.76%
2002	6,448.0	0.16%	1.32%
2003	4,789.0	0.11%	1.00%
2004	4,953.0	0.10%	1.00%

amounts in million pesos

Sources: 1998, 2003, & 2005 Phil. Statistical Yearbook, Nat'l Statistical Coordination Board

Disbursements by type of benefit (as % of total social benefits) reveal that in 2004, the amount of old age benefits accounts for 93.7% (80.2% in 1990) of total benefit disbursements. Survivors' benefits accounts for 4.6% (14.3% in 1990), disability benefits' share is 1.3% (4.6% in 1990), while sickness benefits accounts for 0.5% (0.9% in 1990).

Table 3.4.4b: Social benefits disbursed by type of benefit (as % of social benefits), 1990-2004

Year	Sickness ¹	Disability ²	Old age ³	Survivors ⁴	Social Benefits
1990	0.9%	4.6%	80.2%	14.3%	100.0%
1991	0.6%	1.2%	87.2%	11.0%	100.0%
1992	0.5%	1.2%	86.1%	12.2%	100.0%
1993	0.4%	0.9%	88.8%	9.8%	100.0%
1994	1.1%	2.0%	84.0%	13.0%	100.0%
1995	0.6%	2.1%	86.9%	10.5%	100.0%
1996	0.7%	2.1%	85.8%	11.5%	100.0%
1997	0.5%	1.4%	89.9%	8.3%	100.0%
1998	0.5%	1.2%	90.0%	8.3%	100.0%
1999	0.6%	1.3%	90.1%	8.0%	100.0%
2000	0.7%	1.4%	89.8%	8.0%	100.0%
2001	0.2%	0.4%	97.1%	2.3%	100.0%
2002	0.3%	0.7%	95.8%	3.2%	100.0%
2003	0.4%	1.1%	94.1%	4.4%	100.0%
2004	0.5%	1.3%	93.7%	4.6%	100.0%

¹ Withdrawal of savings due to health reasons

² Withdrawal of savings due to permanent total physical disability / insanity

³ Withdrawal of savings at retirement or membership maturity or permanent departure

⁴ Withdrawal of savings upon death of member

Sources: 1998, 2003, & 2005 Phil. Statistical Yearbook, Nat'l Statistical Coordination Board

Administration costs In 2004, Pag-IBIG spent PhP 1,812.9 million for administration costs, equivalent to about 26.8% of total expenditures. In 1991, PhP 221.5 million was spent on administration costs, or 39.2% of total expenditures.

Table 3.4.4c: Administration costs (% of total expenditures), 1991-2004

Year	Social Benefits (A)	Administration Costs (B)	Total Expenditures (C) = (A) + (B)	Administration Costs (% of Total Expenditures) (D) = (B) / (C)
1991	344.0	221.5	565.5	39.2%
1992	402.0	253.0	655.0	38.6%
1993	672.0	302.2	974.2	31.0%
1994	561.0	426.3	987.3	43.2%
1998	1,533.0	795.6	2,328.6	34.2%
1999	1,673.0	791.2	2,464.2	32.1%
2000	1,915.0	1,497.7	3,412.7	43.9%
2001	7,844.0	1,815.0	9,659.0	18.8%
2002	6,448.0	1,738.9	8,186.9	21.2%
2003	4,789.0	1,783.5	6,572.5	27.1%
2004	4,953.0	1,812.9	6,765.9	26.8%

amounts in million pesos

Sources: 2003 & 2004 Annual Audit Report of the Commission on Audit for HDMF (www.coa.gov.ph)

1992, 1994, 1999, & 2001 HDMF Annual Reports

1998, 2003, & 2005 Phil. Statistical Yearbook, Nat'l Statistical Coordination Board

Financing In 2004, Pag-IBIG had collections totaling PhP 11,848.0 million in social contributions and PhP 9,154.2 million in investment income, bringing total revenues to PhP 21,002.2 million. This amount is more than three times the amount needed to cover the year's expenses that totaled PhP 6,765.9 million resulting to a revenue/expenditure ratio of 310.4%. In 1991, the ratio was 592.9%.

Table 3.4.4d: Financing, Revenues vis-à-vis Expenditures, 1991-2004

Year	Revenues			Expenditures			Revenues / Expenditures (%) (G) = (C) / (F)
	Contributions (A)	Investment Income ¹ (B)	Total Revenues (C) = (A) + (B)	Social Benefits (D)	Administration Costs (E)	Total Expenditures (F) = (D) + (E)	
1991	1,604.0	1,749.2	3,353.2	344.0	221.5	565.5	592.9%
1992	1,670.0	1,856.9	3,526.9	402.0	253.0	655.0	538.5%
1993	2,137.0	2,174.5	4,311.5	672.0	302.2	974.2	442.5%
1994	2,232.0	2,450.7	4,682.7	561.0	426.3	987.3	474.3%
1998	9,584.0	4,785.7	14,369.7	1,533.0	795.6	2,328.6	617.1%
1999	9,575.0	4,988.7	14,563.7	1,673.0	791.2	2,464.2	591.0%
2000	10,604.0	4,311.0	14,915.0	1,915.0	1,497.7	3,412.7	437.0%
2001	10,852.0	7,746.0	18,598.0	7,844.0	1,815.0	9,659.0	192.5%
2002	9,968.0	7,866.7	17,834.7	6,448.0	1,738.9	8,186.9	217.8%
2003	11,127.0	7,904.3	19,031.3	4,789.0	1,783.5	6,572.5	289.6%
2004	11,848.0	9,154.2	21,002.2	4,953.0	1,812.9	6,765.9	310.4%

amounts in million pesos

¹ Total income, net of direct costs

Sources: 2003 and 2004 Annual Audit Report of the Commission on Audit for HDMF (www.coa.gov.ph)

1992, 1994, 1999, & 2001 HDMF Annual Reports

1998, 2003, & 2005 Phil. Statistical Yearbook, Nat'l Statistical Coordination Board

Overseas Workers' Welfare Administration (OWWA)

Social benefits In 2004, the total amount of benefits paid reached PhP 527.8 million, equivalent to 0.01% of GDP and 0.11% of government expenditure. This is significantly higher compared with 1996 data when benefits paid was PhP 88.6 million, 0.004% of GDP and 0.034% of government expenditure.

Table 3.4.5a: Social benefits disbursed (% of GDP & Govt Exp), 1996, 1999-2000, 2003-2004

Year	Social Benefits¹	% of GDP	% of Govt Expenditure
1996	88.6	0.004%	0.034%
1999	88.6	0.003%	0.023%
2000	130.5	0.004%	0.030%
2003	478.1	0.011%	0.100%
2004	527.8	0.011%	0.107%

amounts in million pesos

¹ Expenses on Programs and Projects

Sources: 1996 OWWA Annual Report

2000 & 2004 Annual Audit Report of the COA for OWWA (www.coa.gov.ph)

Administration costs In 2004, OWWA spent PhP 401.4 million for administration costs, equivalent to about 43.2% of total expenditures. In 1996, PhP 142.2 million was spent on administration costs, or 61.6% of total expenditures.

Table 3.4.5b: Administration costs (% of total expenditures), 1996, 1999-2000, 2003-2004

Year	Social Benefits¹	Administration Costs²	Total Expenditures	Administration Costs (% of Total Expenditures)
	(A)	(B)	(C) = (A) + (B)	(D) = (B) / (C)
1996	88.6	142.2	230.8	61.6%
1999	88.6	294.8	383.4	76.9%
2000	130.5	343.3	473.7	72.5%
2003	478.1	444.1	922.2	48.2%
2004	527.8	401.4	929.2	43.2%

amounts in million pesos

¹ Expenses on Programs and Projects

² Refers to all expenses except those on Programs and Projects

Sources: 1996 OWWA Annual Report

2000 and 2004 Annual Audit Report of COA for OWWA (www.coa.gov.ph)

Financing In 2004, OWWA had collections totaling PhP 1,617.2 million in social contributions and PhP 471.9 million in investment income, bringing total revenues to PhP 2,089.1 million. This amount is more than twice the amount needed to cover the year's expenses that totaled PhP 929.2 million resulting to a revenue/expenditure ratio of 156.4%. In 1996, the ratio was 170.8%.

Table 3.4.5c: Financing, Revenues vis-à-vis Expenditures, 1996, 1999-2000, 2003-2004

Year	Revenues			Expenditures			Revenues / Expenditures (%)
	Contributions ¹	Investment Income ²	Total Revenues	Social Benefits ³	Administration Costs ⁴	Total Expenditures	
	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G) = (C) / (F)
1996	268.2	125.8	394.0	88.6	142.2	230.8	170.8%
1999	501.2	201.5	702.7	88.6	294.8	383.4	183.3%
2000	550.4	190.7	741.1	130.5	343.3	473.7	156.4%
2003	1,453.1	351.8	1,804.9	478.1	444.1	922.2	195.7%
2004	1,617.2	471.9	2,089.1	527.8	401.4	929.2	224.8%

amounts in million pesos

¹ Refers to fee collections

² Refers to interest and other income

³ Expenses on Programs and Projects

⁴ Refers to all expenses except those on Programs and Projects

Sources: 1996 OWWA Annual Report

2000 and 2004 Annual Audit Report of the Commission on Audit for OWWA (www.coa.gov.ph)

Philippine Health Insurance Corporation (PhilHealth / PHIC)

Social benefits In 2004, the total amount of medical care benefits paid by PhilHealth reached PhP 16,515.7 million, equivalent to 0.3% of GDP and 3.3% of government expenditure. This is a significant increase compared with 1981 data when benefits paid constituted only 0.1% of GDP and 1.4% of government expenditure. The increase may be explained in large part to the transfer of Medical Care administration in 1997 from the SSS (for the private sector) and GSIS (for the government sector) to the Philippine Health Insurance Corporation. The shift meant to accelerate universal medical care coverage by introducing an indigent component in the national health insurance program thus resulting in higher benefit payments.

Table 3.4.6a: Social benefits disbursed (as % of GDP & Govt Expenditure), 1981-2004

Year	Social Benefits	% of GDP	% of Govt Expenditure
1981	339.8	0.1%	1.4%
1982	379.7	0.1%	1.3%
1983	406.8	0.1%	1.3%
1984	410.4	0.1%	1.1%
1985	438.6	0.1%	1.0%
1986	453.6	0.1%	0.9%
1987	574.7	0.1%	1.0%
1988	713.8	0.1%	1.0%
1989	726.1	0.1%	0.8%
1990	1,127.0	0.1%	1.0%
1991	1,731.5	0.1%	1.4%
1992	2,108.7	0.2%	1.6%
1993	2,709.3	0.2%	1.8%
1994	2,764.9	0.2%	1.5%
1995	2,559.7	0.1%	1.2%
1996	3,317.9	0.2%	1.3%
1997	3,613.1	0.1%	1.1%
1998	2,999.0	0.1%	0.8%
1999	4,217.7	0.1%	1.1%
2000	6,763.5	0.2%	1.5%
2001	7,700.0	0.2%	1.7%
2002	8,839.3	0.2%	1.8%
2003	13,151.7	0.3%	2.8%
2004	16,515.7	0.3%	3.3%

amounts in million pesos

1981-1997 data from SSS and GSIS

Sources: Philippine Health Insurance Corporation

GSIS Actuarial Department

1997 SSS Annual Report

1995, 2003, & 2005 Phil. Statistical Yearbook, Nat'l Statistical Coordination Board

Administration costs In 2004, PhilHealth spent PhP 2,159.6 million for administration costs, equivalent to about 14.3% of total expenditures. In 1981, PhP 26.4 million was spent on administration costs (by SSS and GSIS then as administrators of the medical care program), or 7.2% of total expenditures.

Table 3.4.6b: Administration costs (% of total expenditures), 1981-2004

Year	Social Benefits (A)	Administration Costs ¹ (B)	Total Expenditures (C) = (A) + (B)	Administration Costs (% of Total Expenditures) (D) = (B) / (C)
1981	339.8	26.4	366.2	7.2%
1982	379.7	12.1	391.8	3.1%
1983	406.8	14.6	421.4	3.5%
1984	410.4	19.5	430.0	4.5%
1985	438.6	22.5	461.0	4.9%
1986	453.6	34.6	488.2	7.1%
1987	574.7	42.4	617.1	6.9%
1988	713.8	48.1	762.0	6.3%
1989	726.1	51.7	777.8	6.7%
1990	1,127.0	68.7	1,195.6	5.7%
1991	1,731.5	97.8	1,829.4	5.3%
1992	2,108.7	126.0	2,234.7	5.6%
1993	2,709.3	137.8	2,847.1	4.8%
1994	2,764.9	144.2	2,909.1	5.0%
1995	2,559.7	187.4	2,747.1	6.8%
1996	3,317.9	301.1	3,619.0	8.3%
1997	3,613.1	492.4	4,105.5	12.0%
1998	2,999.0	579.5	3,578.5	16.2%
1999	4,217.7	666.7	4,884.4	13.6%
2000	6,763.5	858.3	7,621.8	11.3%
2001	7,700.0	1,014.5	8,714.5	11.6%
2002	8,839.3	1,162.2	10,001.5	11.6%
2003	10,956.6	1,455.0	12,411.6	11.7%
2004	12,953.3	2,159.6	15,112.9	14.3%

amounts in million pesos

1981-1997 data from SSS and GSIS

¹ Due to unavailability of 1998 data for Administration Costs, ave. of 1997 & 1999 data was taken

Sources: Philippine Health Insurance Corporation

GSIS Actuarial Department

1997 SSS Annual Report

Financing In 2004, PhilHealth collected PhP 16,515.7 million in social contributions and earned PhP 4,451.8 million in investment income, bringing total revenues to PhP 20,967.5 million. This amount is still sufficient to cover the year's expenses that totaled PhP 15,112.9 million resulting to a revenue/expenditure ratio of 138.7%. In 1981, the ratio was 153.2%.

Table 3.4.6c: Financing, Revenues vis-à-vis Expenditures, 1981-2004

Year	Revenues			Expenditures			Revenues / Expenditures (%)
	Contributions (A)	Investment Income ¹ (B)	Total Revenues (C) = (A) + (B)	Social Benefits (D)	Administration Costs ¹ (E)	Total Expenditures (F) = (D) + (E)	
1981	494.6	66.2	560.9	339.8	26.4	366.2	153.2%
1982	520.9	105.2	626.0	379.7	12.1	391.8	159.8%
1983	550.2	135.3	685.5	406.8	14.6	421.4	162.7%
1984	533.6	218.9	752.5	410.4	19.5	430.0	175.0%
1985	514.4	384.6	899.0	438.6	22.5	461.0	195.0%
1986	525.9	377.9	903.8	453.6	34.6	488.2	185.1%
1987	824.3	338.8	1,163.1	574.7	42.4	617.1	188.5%
1988	861.6	463.7	1,325.3	713.8	48.1	762.0	173.9%
1989	1,056.6	643.5	1,700.2	726.1	51.7	777.8	218.6%
1990	1,223.6	984.9	2,208.5	1,127.0	68.7	1,195.6	184.7%
1991	1,924.0	1,088.5	3,012.5	1,731.5	97.8	1,829.4	164.7%
1992	2,325.3	1,301.1	3,626.4	2,108.7	126.0	2,234.7	162.3%
1993	2,856.6	1,364.8	4,221.4	2,709.3	137.8	2,847.1	148.3%
1994	3,624.6	1,504.8	5,129.4	2,764.9	144.2	2,909.1	176.3%
1995	4,031.1	1,665.1	5,696.2	2,559.7	187.4	2,747.1	207.4%
1996	3,782.0	1,621.5	5,403.6	3,317.9	301.1	3,619.0	149.3%
1997	3,935.4	1,408.8	5,344.2	3,613.1	492.4	4,105.5	130.2%
1998	3,851.6	2,053.9	5,905.5	2,999.0	579.5	3,578.5	165.0%
1999	5,367.0	2,699.0	8,066.0	4,217.7	666.7	4,884.4	165.1%
2000	8,557.1	2,561.6	11,118.7	6,763.5	858.3	7,621.8	145.9%
2001	11,068.9	3,448.5	14,517.4	7,700.0	1,014.5	8,714.5	166.6%
2002	12,271.0	3,441.4	15,712.4	8,839.3	1,162.2	10,001.5	157.1%
2003	13,151.7	3,725.8	16,877.5	10,956.6	1,455.0	12,411.6	136.0%
2004	16,515.7	4,451.8	20,967.5	12,953.3	2,159.6	15,112.9	138.7%

amounts in million pesos

1981-1997 data from SSS and GSIS

¹ Due to unavailability of 1998 data for Investment and Other Income and Administration Costs, average of 1997 and 1999 data was taken

Sources: Philippine Health Insurance Corporation

GSIS Actuarial Department

1997 SSS Annual Report

Social Security System (SSS)

Social benefits The Social Security System (SSS) is acknowledged as the leading provider of social protection in the Philippines. In 2004, social security benefits disbursed by the SSS reached PhP 43,743.3 million, equivalent to 0.9% of GDP and 8.8% of government expenditure. This is a significant increase compared to 1981 data when SSS disbursed PhP 540.6 million in social security benefits, equivalent only to about 0.2% of GDP and 2.2% of government expenditure.

Table 3.4.7a: Social benefits disbursed (as % of GDP & Govt Expenditure), 1981-2004

Year	Social Benefits	% of GDP	% of Govt Expenditure
1981	540.6	0.2%	2.2%
1982	725.9	0.2%	2.5%
1983	865.4	0.2%	2.8%
1984	1,017.3	0.2%	2.8%
1985	1,199.3	0.2%	2.8%
1986	1,470.3	0.2%	3.0%
1987	2,096.4	0.3%	3.7%
1988	3,052.3	0.4%	4.2%
1989	3,664.0	0.4%	4.2%
1990	4,972.1	0.5%	4.6%
1991	6,664.5	0.5%	5.4%
1992	8,805.6	0.7%	6.7%
1993	11,861.0	0.8%	8.0%
1994	14,926.7	0.9%	8.2%
1995	16,248.8	0.9%	7.5%
1996	17,536.8	0.8%	6.8%
1997	19,739.4	0.8%	6.2%
1998	23,974.9	0.9%	6.8%
1999	27,744.4	0.9%	7.1%
2000	32,735.1	1.0%	7.5%
2001	37,813.5	1.0%	8.5%
2002	39,566.3	1.0%	8.1%
2003	41,622.9	1.0%	8.7%
2004	43,743.3	0.9%	8.8%

amounts in million pesos

Sources: SSS Actuarial Department

1995, 2003, & 2005 Phil. Statistical Yearbook, Nat'l Statistical Coordination Board

Disbursements by type of benefit (as % of total social benefits) show that in 2004, the amount of old age benefits paid is 45.2% (42.8% in 1981) of total social benefits paid by SSS. Survivors' benefits account for 39.4% (27.5% in 1981), disability benefits 6.8% (8.0% in 1981), sickness takes up 3.2% (12.8% in 1981), and maternity benefits 5.4% (8.9% in 1981).

Table 3.4.7b: Social benefits disbursed by type of benefit (as % of social benefits), 1981-2004

Year	Sickness	Disability	Old age	Survivors ¹	Maternity	Social Benefits
1981	12.8%	8.0%	42.8%	27.5%	8.9%	100.0%
1982	11.3%	8.4%	43.7%	28.3%	8.3%	100.0%
1983	9.6%	9.6%	43.4%	30.3%	7.1%	100.0%
1984	8.4%	10.3%	43.8%	30.7%	6.7%	100.0%
1985	8.0%	10.3%	42.6%	32.3%	6.7%	100.0%
1986	6.2%	9.4%	46.1%	32.8%	5.5%	100.0%
1987	6.4%	9.2%	44.1%	35.9%	4.4%	100.0%
1988	10.4%	9.0%	39.2%	35.3%	6.2%	100.0%
1989	10.2%	8.6%	38.3%	37.1%	5.7%	100.0%
1990	8.9%	10.0%	37.9%	37.8%	5.3%	100.0%
1991	7.6%	10.2%	38.9%	39.1%	4.2%	100.0%
1992	7.3%	11.0%	40.2%	37.0%	4.5%	100.0%
1993	6.9%	13.1%	38.3%	36.1%	5.6%	100.0%
1994	6.4%	15.7%	36.6%	36.1%	5.2%	100.0%
1995	6.2%	16.6%	36.2%	35.6%	5.4%	100.0%
1996	5.4%	15.8%	37.2%	36.3%	5.2%	100.0%
1997	4.8%	14.1%	38.7%	37.1%	5.4%	100.0%
1998	4.1%	12.8%	42.1%	35.6%	5.4%	100.0%
1999	3.6%	11.3%	42.7%	37.2%	5.2%	100.0%
2000	3.5%	9.9%	43.8%	37.5%	5.3%	100.0%
2001	3.3%	9.0%	44.2%	38.4%	5.1%	100.0%
2002	3.3%	8.5%	44.2%	38.6%	5.4%	100.0%
2003	3.3%	7.5%	44.7%	39.1%	5.4%	100.0%
2004	3.2%	6.8%	45.2%	39.4%	5.4%	100.0%

¹ Includes funeral grant

Source: SSS Actuarial Department

The increases in old age and survivors' benefits may be attributed mainly to the maturity of the SSS scheme. The SSS no longer enjoys the unique advantage of younger schemes in which contributions outpace benefit payments since contributing members have not yet met the qualifying number of contributions to avail of long-term pension benefits.

Administration costs In 2004, the SSS spent PhP 5,192.0 million for administration costs, about 10.6% of total expenditures. This is a significant difference compared to 1981's PhP 92.6 million, constituting 14.6% (highest for the period 1981-2004) of total expenditures. Between the period 1981-2004, the ratio of administration costs to total expenditures was erratic. It was lowest in 1993 at 6.9% before reaching another high of 11.9% in 1999. After implementing various cost-cutting measures, the ratio is now being managed around the 10% level.

Table 3.4.7c: Administration costs (% of total expenditures), 1981-2004

Year	Social Benefits	Administration Costs	Total Expenditures	Administration Costs (% of Total Expenditures)
	(A)	(B)	(C) = (A) + (B)	(D) = (B) / (C)
1981	540.6	92.6	633.2	14.6%
1982	725.9	100.6	826.5	12.2%
1983	865.4	112.0	977.4	11.5%
1984	1,017.3	143.0	1,160.3	12.3%
1985	1,199.3	140.5	1,339.8	10.5%
1986	1,470.3	161.4	1,631.7	9.9%
1987	2,096.4	221.6	2,318.0	9.6%
1988	3,052.3	293.6	3,345.9	8.8%
1989	3,664.0	400.0	4,064.0	9.8%
1990	4,972.1	475.7	5,447.8	8.7%
1991	6,664.5	627.1	7,291.6	8.6%
1992	8,805.6	788.2	9,593.8	8.2%
1993	11,861.0	881.4	12,742.4	6.9%
1994	14,926.7	1,125.0	16,051.7	7.0%
1995	16,248.8	1,397.2	17,646.0	7.9%
1996	17,536.8	1,824.5	19,361.3	9.4%
1997	19,739.4	2,175.3	21,914.7	9.9%
1998	23,974.9	3,057.3	27,032.2	11.3%
1999	27,744.4	3,730.4	31,474.8	11.9%
2000	32,735.1	4,014.9	36,750.0	10.9%
2001	37,813.5	4,211.5	42,025.0	10.0%
2002	39,566.3	4,340.5	43,906.8	9.9%
2003	41,622.9	4,644.8	46,267.7	10.0%
2004	43,743.3	5,192.0	48,935.3	10.6%

amounts in million pesos

Source: SSS Actuarial Department

Financing In 2004, the SSS collected PhP 43,083.6 million in social security contributions and earned PhP 7,565.8 million in investment and other income, bringing total revenues to PhP 50,649.4 million. This was barely enough to cover the year's total expenditures amounting to PhP 48,935.3 million. This yielded a revenue/expenditure ratio of 103.5%. The ratio was much better in 1981 when it stood at 368.5%.

Table 3.4.7d: Financing, Revenues vis-à-vis Expenditures, 1981-2004

Year	Revenues			Expenditures			Revenues / Expenditures (%) (G) = (C) / (F)
	Contributions (A)	Investment Income (B)	Total Revenues (C) = (A) + (B)	Social Benefits (D)	Administration Costs (E)	Total Expenditures (F) = (D) + (E)	
1981	1,319.6	1,013.6	2,333.2	540.6	92.6	633.2	368.5%
1982	1,406.0	1,270.5	2,676.5	725.9	100.6	826.5	323.8%
1983	1,474.3	1,577.0	3,051.3	865.4	112.0	977.4	312.2%
1984	1,582.8	2,572.9	4,155.7	1,017.3	143.0	1,160.3	358.2%
1985	1,658.7	4,335.6	5,994.3	1,199.3	140.5	1,339.8	447.4%
1986	1,688.1	3,961.4	5,649.5	1,470.3	161.4	1,631.7	346.2%
1987	3,355.3	3,837.1	7,192.4	2,096.4	221.6	2,318.0	310.3%
1988	4,287.6	4,385.2	8,672.8	3,052.3	293.6	3,345.9	259.2%
1989	5,122.0	5,476.0	10,598.0	3,664.0	400.0	4,064.0	260.8%
1990	6,262.9	7,672.2	13,935.1	4,972.1	475.7	5,447.8	255.8%
1991	7,822.3	10,538.1	18,360.4	6,664.5	627.1	7,291.6	251.8%
1992	9,180.6	10,016.9	19,197.5	8,805.6	788.2	9,593.8	200.1%
1993	10,986.5	11,335.8	22,322.3	11,861.0	881.4	12,742.4	175.2%
1994	13,350.7	11,368.1	24,718.8	14,926.7	1,125.0	16,051.7	154.0%
1995	15,399.2	12,228.8	27,628.0	16,248.8	1,397.2	17,646.0	156.6%
1996	18,052.1	12,346.8	30,398.9	17,536.8	1,824.5	19,361.3	157.0%
1997	22,038.1	14,114.0	36,152.1	19,739.4	2,175.3	21,914.7	165.0%
1998	24,517.0	16,287.7	40,804.7	23,974.9	3,057.3	27,032.2	150.9%
1999	26,808.5	17,125.8	43,934.3	27,744.4	3,730.4	31,474.8	139.6%
2000	29,885.5	10,217.2	40,102.7	32,735.1	4,014.9	36,750.0	109.1%
2001	30,912.0	12,390.1	43,302.1	37,813.5	4,211.5	42,025.0	103.0%
2002	33,702.2	9,901.2	43,603.4	39,566.3	4,340.5	43,906.8	99.3%
2003	38,634.7	11,694.6	50,329.3	41,622.9	4,644.8	46,267.7	108.8%
2004	43,083.6	7,565.8	50,649.4	43,743.3	5,192.0	48,935.3	103.5%

amounts in million pesos

Source: SSS Actuarial Department

(ii) Non-contributory schemes***Department of Social Welfare and Development (DSWD)***

Social benefits Tasked with the administration of the government's social assistance program, the Department of Social Welfare and Development disbursed PhP 633.1 million in social benefits (in the form of grants and donations) for the year 2002, equivalent to 0.02% of GDP and 0.13% of government expenditure. Ratios are similar to 1999 ratios when social benefits disbursed was 0.02% and 0.15%, respectively. These extremely low ratios may be attributed to the fact that much of DSWD's work are in terms of coordinating social assistance efforts (thus not requiring direct provision of benefits by the Department), channeling funds from donors to beneficiaries.

Table 3.4.8a: Social benefits disbursed (as % of GDP and Govt Expenditure), 1999 & 2002

Year	Social Benefits ¹	% of GDP	% of Govt Expenditure
1999	584.1	0.02%	0.15%
2002	633.1	0.02%	0.13%

amounts in million pesos

¹ Grants & donations representing 56.2% of DSWD's Maintenance & Other Operating Expenses

(56.2% is actual 2002 ratio; same ratio is used to estimate amount of social benefits in 1999)

Sources: 2002 Annual Audit Report of Commission on Audit for DSWD (www.coa.gov.ph)

1999 DSWD Annual Report

Administration costs In 2002, the DSWD spent PhP 1,043.9 million for administration costs, about 62.2% of total expenditures. This is quite similar compared to 1999's PhP 928.1 million, constituting 61.4% of total expenditures.

Table 3.4.8b: Administration costs (% of total expenditures), 1999 & 2002

Year	Social Benefits ¹ (A)	Administration Costs ² (B)	Total Expenditures (C) = (A) + (B)	Administration Costs (% of Total Expenditures) (D) = (B) / (C)
1999	584.1	928.1	1,512.2	61.4%
2002	633.1	1,043.9	1,677.0	62.2%

amounts in million pesos

¹ Grants & donations representing 56.2% of DSWD's Maintenance & Other Operating Expenses

(56.2% is actual 2002 ratio; same ratio is used to estimate amount of social benefits in 1999)

² All other expenses except grants and donations

Sources: 2002 Annual Audit Report of the Commission on Audit for DSWD (www.coa.gov.ph)

1999 DSWD Annual Report

These seemingly high levels of administration costs is characteristic of institutions involved in social protection administration but only on the policy or decision-making level and on tasks that require coordination and facilitation only.

Financing In 2002, the DSWD had revenues amounting to PhP 1,932.5 million, more than enough to cover the year's total expenditures of PhP 1,677.0 million resulting to a revenue/expenditure ratio of 115.2%. This ratio is much better compared to 1999's 102.9%

Table 3.4.8c: Financing, Revenues vis-à-vis Expenditures, 1999 & 2002

Year	Revenues	Expenditures			Revenues / Expenditures (%)
	Total ¹ (A)	Social Benefits ² (B)	Administration Costs ³ (C)	Total (D) = (B) + (C)	
1999	1,555.4	584.1	928.1	1,512.2	102.9%
2002	1,932.5	633.1	1,043.9	1,677.0	115.2%

amounts in million pesos

¹ Income that is almost entirely from national government

² Grants & donations representing 56.2% of DSWD's Maintenance & Other Operating Expenses

(56.2% is actual 2002 ratio; same ratio is used to estimate amount of social benefits in 1999)

³ All other expenses except grants and donations

Sources: 2002 Annual Audit Report of the Commission on Audit for DSWD (www.coa.gov.ph)

1999 DSWD Annual Report

Philippine Amusement and Gaming Corporation (PAGCOR)

Social benefits In 2004, the total amount of social benefits paid out by PAGCOR's gaming operations amounted to PhP 9,196.9 million (assuming 50% government share taken from winnings net of franchise tax is used entirely for social benefits), equivalent to 0.2% of GDP and 1.9% of government expenditure. In 1998, benefits paid was also 0.2% of GDP while government expenditure was at 1.5%.

Table 3.4.9a: Social benefits disbursed (% of GDP & Govt Expenditure), 1998-2000, 2003-2004

Year	Social Benefits ¹	% of GDP	% of Govt Expenditure
1998	5,148.8	0.2%	1.5%
1999	5,227.9	0.2%	1.3%
2000	6,168.6	0.2%	1.4%
2003	7,871.2	0.2%	1.6%
2004	9,196.9	0.2%	1.9%

amounts in million pesos

¹ Government share taken from 50% of winnings (after franchise tax)

Source: 1999, 2000, & 2004 Annual Audit Report of COA for PAGCOR (www.coa.gov.ph)

Administration costs In 2004, PAGCOR spent PhP 9,149.9 million for administration costs, 49.9% of total expenditures. This ratio still approximates the 1998 ratio of 47.5%.

Table 3.4.9b: Administration costs (% of total expenditures), 1998-2000, 2003-2004

Year	Social Benefits ¹	Administration Costs ²	Total Expenditures	Administration Costs (% of Total Expenditures)
	(A)	(B)	(C) = (A) + (B)	(D) = (B) / (C)
1998	5,148.8	4,663.8	9,812.6	47.5%
1999	5,227.9	5,069.8	10,297.7	49.2%
2000	6,168.6	5,932.4	12,101.0	49.0%
2003	7,871.2	9,037.8	16,909.0	53.4%
2004	9,196.9	9,149.9	18,346.8	49.9%

amounts in million pesos

¹ Government share taken from 50% of winnings (after franchise tax)

² Personal Services plus Maintenance and Other Operating Expense

Source: 1999, 2000, & 2004 Annual Audit Report of COA for PAGCOR (www.coa.gov.ph)

Financing In 2004, PAGCOR had revenues amounting to PhP 18,393.8 million, barely exceeding the year's total expenditures of PhP 18,346.0 million resulting to a revenue/expenditure ratio of 100.3%. This ratio was 104.9% in 1998.

Table 3.4.9c: Financing, Revenues vis-à-vis Expenditures, 1998-2000 , 2003-2004

Year	Revenues	Expenditures			Revenues / Expenditures (%)
	Total ¹ (A)	Social Benefits ² (B)	Administration Costs ³ (C)	Total (D) = (B) + (C)	
1998	10,297.6	5,148.8	4,663.8	9,812.6	104.9%
1999	10,455.8	5,227.9	5,069.8	10,297.7	101.5%
2000	12,337.2	6,168.6	5,932.4	12,101.0	102.0%
2003	15,742.4	7,871.2	9,037.8	16,909.0	93.1%
2004	18,393.8	9,196.9	9,149.9	18,346.8	100.3%

amounts in million pesos

¹ Winnings after franchise tax

² Government share taken from 50% of winnings (after franchise tax)

³ Personal Services plus Maintenance and Other Operating Expense

Source: 1999, 2000, & 2004 Annual Audit Report of COA for PAGCOR (www.coa.gov.ph)

Philippine Charity Sweepstakes Office (PCSO)

Social benefits In 2004, the total amount of social benefits paid out of lotto and sweepstakes sales reached PhP 3,031.2 million, equivalent to 0.1% of GDP and 0.6% of government expenditure. This is a similar ratio compared with 1995 data when benefits paid was also 0.1% of GDP and 0.5% of government expenditure.

Table 3.4.10a: Social benefits disbursed (as % of GDP and Govt Expenditure), 1995-2004

Year	Social Benefits ¹	% of GDP	% of Govt Expenditure
1995	1,068.0	0.1%	0.5%
1996	1,383.0	0.1%	0.5%
1997	1,788.0	0.1%	0.6%
1998	1,872.0	0.1%	0.5%
1999	2,082.0	0.1%	0.5%
2000	1,977.0	0.1%	0.5%
2001	2,211.0	0.1%	0.5%
2002	2,796.0	0.1%	0.6%
2003	2,625.3	0.1%	0.5%
2004	3,031.2	0.1%	0.6%

amounts in million pesos

¹ 30% of Lotto and Sweepstakes Sales

Source: Based on presentation of PCSO Chairman during the 1st Nat'l Convention on Social Security, 2-3 February 2004, Philippine International Convention Center
2004 Annual Audit Report of COA on PCSO

Administration costs In 2004, the PCSO spent PhP 1,398.0 million for administration costs, one-third of total expenditures. Administration costs as a percentage of total expenditure is constant at 33.3% due to the explicit distribution of funds arising from the sale of Lotto and Sweepstakes tickets (30% for charity fund or social benefits, 15% for operating expenses, and 55% for the prize fund).

Table 3.4.10b: Administration costs (% of total expenditures), 1995-2004

Year	Social Benefits ¹ (A)	Administration Costs ² (B)	Total Expenditures (C) = (A) + (B)	Administration Costs (% of Total Expenditures) (D) = (B) / (C)
1995	1,068.0	534.0	1,602.0	33.3%
1996	1,383.0	691.5	2,074.5	33.3%
1997	1,788.0	894.0	2,682.0	33.3%
1998	1,872.0	936.0	2,808.0	33.3%
1999	2,082.0	1,041.0	3,123.0	33.3%
2000	1,977.0	988.5	2,965.5	33.3%
2001	2,211.0	1,105.5	3,316.5	33.3%
2002	2,796.0	1,398.0	4,194.0	33.3%
2003	2,625.3	1,312.7	3,938.0	33.3%
2004	3,031.2	1,515.6	4,546.8	33.3%

amounts in million pesos

¹ 30% of Lotto and Sweepstakes Sales

² 15% of Lotto and Sweepstakes Sales

Source: Based on presentation of PCSO Chairman during the 1st Nat'l Convention on Social Security, 2-3 February 2004, Philippine International Convention Center
2004 Annual Audit Report of COA on PCSO

Financing In 2002, the PCSO earned PhP 9,320.0 million from lotto and sweepstakes sales. Thus, it was able to allot PhP 2,796.0 million (30% of sales) for social benefits and PhP 1,398 million (15% of sales) for administration costs. The explicit allocation of sales proceeds causes the revenue/expenditure ratio to be held constant as well.

Table 3.4.11c: Financing, Revenues vis-à-vis Expenditures, 1995-2004

Year	Revenues			Expenditures			Revenues / Expenditures (%)
	Lotto Sales (A)	Sweepstakes Sales (B)	Total Revenues (C) = (A) + (B)	Social Benefits ¹ (D)	Administration Costs ² (E)	Total Expenditures (F) = (D) + (E)	
1995	2,630.0	930.0	3,560.0	1,068.0	534.0	1,602.0	222.2%
1996	4,250.0	360.0	4,610.0	1,383.0	691.5	2,074.5	222.2%
1997	5,510.0	450.0	5,960.0	1,788.0	894.0	2,682.0	222.2%
1998	5,710.0	530.0	6,240.0	1,872.0	936.0	2,808.0	222.2%
1999	6,640.0	300.0	6,940.0	2,082.0	1,041.0	3,123.0	222.2%
2000	6,230.0	360.0	6,590.0	1,977.0	988.5	2,965.5	222.2%
2001	6,920.0	450.0	7,370.0	2,211.0	1,105.5	3,316.5	222.2%
2002	8,830.0	490.0	9,320.0	2,796.0	1,398.0	4,194.0	222.2%
2003	8,500.9	250.2	8,751.1	2,625.3	1,312.7	3,938.0	222.2%
2004	9,981.4	122.6	10,104.0	3,031.2	1,515.6	4,546.8	222.2%

amounts in million pesos

¹ 30% of Lotto and Sweepstakes Sales

² 15% of Lotto and Sweepstakes Sales

Source: Based on presentation of PCSO Chairman during the 1st Nat'l Convention on Social Security, 2-3 February 2004, Philippine International Convention Center
2004 Annual Audit Report of COA on PCSO

Philippine Veterans Affairs Office (PVAO)

Social benefits In 2002, the total amount of social benefits paid by PVAO amounted to PhP 12,876.8 million, equivalent to 0.3% of GDP and 2.6% of government expenditure. This is almost the same ratio as with 1998 data when benefits paid was also 0.3% of GDP and 2.5% of government expenditure.

Table 3.4.11a: Social benefits disbursed (as % of GDP and Govt Expenditure), 1998-2002

Year	Social Benefits ¹	% of GDP	% of Govt Expenditure
1998	8,989.5	0.3%	2.5%
1999	10,744.2	0.4%	2.8%
2000	10,951.9	0.3%	2.5%
2001	11,932.5	0.3%	2.7%
2002	12,876.8	0.3%	2.6%

amounts in million pesos

¹ Pensions (99.3% of Personal Services) plus Other Benefits (61.8% of Maintenance & Other OpEx)

(99.3% and 61.8% are actual 1999 ratios; same ratio was used to estimate for other years)

Sources: 1999, 2000, & 2002 Annual Audit Report of the Commission on Audit for PVAO

Presentation of 2001 PVAO proposed budget (FY 2001 DBM Technical Budget Hearing)

Disbursements by type of benefit (as % of total social benefits) show that in 2002, the amount of old age benefits paid is 90.7% (90.3% in 1998) of total social benefits paid by PVAO. Survivors' benefits account for 6.6% (6.7% in 1998), disability benefits 2.3% (2.3% also in 1998), medical care takes up 0.05% (0.1% in 1998), and educational benefits' share is 0.4% (0.6% in 1998).

Table 3.4.11b: Social benefits disbursed by type of benefit (% of social benefits), 1998-2002

Year	Medical Care ¹	Disability ²	Old age ³	Survivors ⁴	Educational ⁵	Social Benefits
1998	0.1%	2.3%	90.3%	6.7%	0.6%	100.0%
1999	0.1%	2.3%	90.1%	6.9%	0.7%	100.0%
2000	0.1%	2.3%	89.9%	6.9%	0.8%	100.0%
2001	0.1%	2.3%	90.5%	6.7%	0.5%	100.0%
2002	0.05%	2.3%	90.7%	6.6%	0.4%	100.0%

amounts in million pesos

¹ Hospitalization benefit (3.4% of Maintenance and Other OpEx based on actual 1999 data)

² 2.3% of Personal Services expense based on actual 1999 data

³ 90.8% of Personal Services expense based on actual 1999 data

⁴ Includes burial assistance (6.2% of Personal Services expense; plus 30.4% of Maintenance & Other OpEx based on actual 1999 data)

⁵ 27.9% of Maintenance and Other OpEx based on actual 1999 data

Sources: 1999, 2000, & 2002 Annual Audit Report of the Commission on Audit for PVAO

Presentation of 2001 PVAO proposed budget (FY 2001 DBM Technical Budget Hearing)

Administration costs In 2002, PVAO spent PhP 160.8 million for administration costs, 1.2% of total expenditures. This ratio shows a decrease compared with the 1998 ratio of 1.5%. This extremely low ratio is attributed, not necessarily to operational efficiency, but more to the sheer

magnitude of the amount of pensions (old age in particular) disbursed for Filipino veterans and their beneficiaries (compare social benefits with administration costs).

Table 3.4.11c: Administration costs (% of total expenditures), 1998-2002

Year	Social Benefits ¹ (A)	Administration Costs ² (B)	Total Expenditures (C) = (A) + (B)	Administration Costs (% of Total Expenditures) (D) = (B) / (C)
1998	8,989.5	134.3	9,123.7	1.5%
1999	10,744.2	179.2	10,923.4	1.6%
2000	10,951.9	207.9	11,159.7	1.9%
2001	11,932.5	167.3	12,099.8	1.4%
2002	12,876.8	160.8	13,037.6	1.2%

amounts in million pesos

¹ Pensions (99.3% of Personal Services) plus Other Benefits (61.8% of Maintenance & Other OpEx)

(99.3% and 61.8% are actual 1999 ratios; same ratio was used to estimate for other years)

² All other expenditures aside from Social Benefits

Sources: 1999, 2000, & 2002 Annual Audit Report of the Commission on Audit for PVAO

Presentation of 2001 PVAO proposed budget (FY 2001 DBM Technical Budget Hearing)

Financing In 2002, PVAO had revenues mainly from government appropriations amounting to PhP 12,814.4 million, no longer enough to cover the year's total expenditures of PhP 13,037.6 million resulting to a revenue/expenditure ratio of 98.3%. The ratio was better in 1998 when it stood at 100.4%.

Table 3.4.11d: Financing, Revenues vis-à-vis Expenditures, 1998-2002

Year	Revenues	Expenditures			Revenues / Expenditures (%)
	Total ¹ (A)	Social Benefits ² (B)	Administration Costs ³ (C)	Total (D) = (B) + (C)	(E) = (A) / (D)
1998	9,160.9	8,989.5	134.3	9,123.7	100.4%
1999	10,966.8	10,744.2	179.2	10,923.4	100.4%
2000	11,164.5	10,951.9	207.9	11,159.7	100.0%
2001	11,989.4	11,932.5	167.3	12,099.8	99.1%
2002	12,814.4	12,876.8	160.8	13,037.6	98.3%

amounts in million pesos

¹ Government appropriations (due to unavailability of 2001 data, average of 2000 and 2002 was taken)

² Pensions (99.3% of Personal Services) plus Other Benefits (61.8% of Maintenance & Other OpEx)

(99.3% and 61.8% are actual 1999 ratios; same ratio was used to estimate for other years)

³ All other expenditures aside from Social Benefits

Sources: 1999, 2000, & 2002 Annual Audit Report of the Commission on Audit for PVAO

Presentation of 2001 PVAO proposed budget (FY 2001 DBM Technical Budget Hearing)

(iii) Local government units

Consistent with the aims of the Local Government Code of 1991 decentralizing and devolving authority as well as accountability to local government units (LGUs), the expenditure program of the National Government (NG) includes provision of subsidy to LGUs.

For the years 2003-2005, NG earmarked the following amounts to LGUs:

Table 3.4.12: NG Expenditure Program for LGUs, 2003-2005

Purpose	Levels (in million pesos)			% of Total NG Allocation to LGUs			% of Total NG Expenditure Program			% of GDP	
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004
Social Services	52,170	52,170	56,101	37.0%	37.0%	37.0%	6.3%	6.1%	6.2%	1.2%	1.1%
Economic Services	49,350	49,350	53,068	35.0%	35.0%	35.0%	6.0%	5.7%	5.8%	1.1%	1.0%
General Public Services	39,480	39,480	42,454	28.0%	28.0%	28.0%	4.8%	4.6%	4.7%	0.9%	0.8%
TOTAL	141,000	141,000	151,623	100.0%	100.0%	100.0%	17.1%	16.4%	16.7%	3.3%	2.9%

Source: 2005 Philippine Statistical Yearbook, National Statistical Coordination Board

In terms of amount, it is noteworthy that the NG expenditure program for LGUs in 2003 was carried forward to 2004 before it was increased in 2005. For the three years, there is a fixed distribution of how the allocated funds will be used: 37% for social services; 35% for economic services; and 28% for general public services. On the average, NG allocates about 16.7% of its expenditure program to LGUs. For 2003-2004, NG expenditure program for LGUs averages about 3.1% of GDP.

(iv) Micro-insurance schemes

Since literature on micro-insurance schemes are limited, it is not possible to have an overall estimate for the amount of social benefits, administration costs, and financing that were paid out by such schemes. A recent study of the ILO⁷⁶, however, took inventory of about 41 micro-insurance schemes, providing some insight on the schemes' general features as well as financing and expenditure profiles.

Social benefits Majority of micro-insurance schemes limit their risk coverage to those needs identified by their membership. Usually, these risks would just be a few – hospitalization, need for primary health care, or life insurance.

Administration Most micro-insurance schemes are community-based, having sprung from community-based organizations. These organizations act either as *initiator* of the scheme or as *owner* if the scheme has been established already. Considerations for institutional sustainability and achievement of a *critical mass* led many groups to adopt a cooperative-style of organizational structure and governance.

Financing Premium payments for common micro-insurance schemes are assessed either weekly, monthly, or annually.

In the ILO survey, the annual equivalent of premium payments were taken for comparative purposes. The survey revealed that micro-insurance schemes that collected less than PhP100 a year were the most common (29%); followed by schemes that collected more than PhP 1,000 but less than P5,000 a year (22%); then by schemes that collected more than PhP 100 but less than PhP 200 a year (20%); then by schemes that collected more than PhP 200 but less than PhP 500 a year (17%); then by schemes that collected more than PhP 500 but less than PhP 1,000 a year (7%); and then finally by schemes that collected more than PhP 5,000 a year (5%). Standard assessment options include “peso-per-day” and “P20-per-week” schemes.

⁷⁶ Inventory of Micro-Insurance Schemes, September 2004, ILO Subregional Office for Asia and the Pacific

(v) Non-government organizations (NGOs)

NGOs play a significant role in providing benefits to groups that are perhaps not being given sufficient attention by government – particularly groups that are difficult to reach geographically and groups that have limited lobby support.

Non-government organizations remain heavily dependent on external sources to finance their respective advocacies and/or benefit programs. Usual funding sources for Philippine NGOs include funding from official overseas aid organizations, philanthropic funds, and corporate funds.

3.5 Actuarial issues faced by selected social insurance institutions

(i) Armed Forces of the Philippines-Retirement and Separation Benefits System

The attainment of the point of self-sufficiency for AFP-RSBS is too far into the future. Actuarial estimates put it in the late 2070s. The provisions for contributions, investments, benefits, and administration must be revisited on a holistic perspective taking into consideration the entire pension system for the military. For instance, the existence of PVAO and AFP-RSBS may perhaps be rationalized.

(ii) Employees' Compensation Commission

The main issue here is the peculiar contributions and benefits structure that apply to private- and public-sector employees. The structure is dissimilar in many respects resulting in financial and procedural problems.

For instance, private sector contribution to the ECC is practically pegged at P10/month/worker while public sector contribution may be as high as P100/month/worker.

(iii) Government Service Insurance System

The recent move of the GSIS to abolish the ceiling for social contributions has yet to be evaluated actuarially. Operating expense levels are excessively high for a membership base that is easy to identify and locate and that is less than 1.5 million in number.

(iv) Social Security System

The SSS contribution rate increase to 9.4% (from 8.4%) is still inadequate. Link between contributions and benefits must be strengthened.

Chapter 4. Assessment of social protection coverage

This chapter aims to put in proper perspective the assessment of social protection programs for: (1) Formal sector workers; (2) Informal sector workers; and (3) Migrant workers.

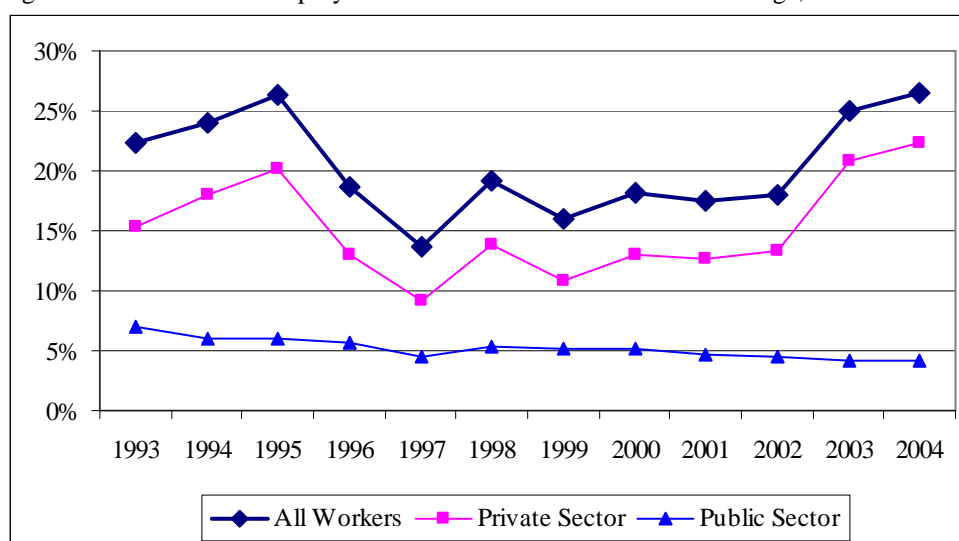
4.1 Formal sector

In legal terms, social insurance coverage for formal sector workers is well-defined. National government (as employer) and most major firms, particularly in the industry and services sector, have significantly complied to the social protection mandates of the four main social insurance institutions in the Philippines: (1) GSIS; (2) SSS; (3) PhilHealth; and (4) ECC. These institutions provide formal sector workers with at least a safety net (mostly in the form of a cash benefit) for various contingencies such as old age, disability, death, sickness, maternity, and employment-related injuries.

4.1.1 Current status

Taking a look at the past 12 years (1993-2004), the erratic trend of social protection coverage can be observed, perhaps demonstrating the labor market effect of economic conditions prevailing over the period - particularly obvious is the year 1997 when the financial crisis hit the Asian region.

Figure 4.1.1: Percent of employed workers with social insurance coverage, 1993-2004



Note: Calculations based on data from SSS & 2005 Philippine Statistical Yearbook of NSCB.

The share of employed workers with social protection coverage is highest in 2004 at 26.5% (or 8.4-M workers out of total employed of 31.7-M workers). Thus, even at the best historical performance of the four main social insurance institutions, almost three-fourths (i.e. 73.5%) of the employed workforce are still without social insurance coverage.

Also, there exists popular perception that the social insurance program that operates in the Philippines is inherently inefficient and costly to run. By operating independently of each other, SSS, GSIS, and Philhealth have all had to set-up their own branch offices nationwide. Opportunities to achieve economies of scale are not being taken advantage of.

4.1.2 Challenges and gaps

The main challenge is to narrow the gap between the total number of employed and the total number of employed with social insurance coverage. Since the legal mandate already exists, the central issue has shifted to the enforcement of / compliance to such mandate. Improved compliance will positively affect the financial status of social insurance funds, even if only in the short-term.

4.1.3 Policy and program interventions

4.1.3.1 Public sector initiatives

The SSS continues its campaign of going after employers who do not remit SSS contributions for and in behalf of their employees. It also tries to raise the consciousness of members that contributions are savings for the future. Accounts Officers were also hired, trained, and fielded to map out employers in a nationwide campaign to ensure regularity of remittances and compliance to the SSS charter.

Moreover, the SSS entered into an agreement with the Department of Interior and Local Government to reinforce the requirement for SSS clearance on the issuance/renewal of business permits. The objective here is to prevent a business from operating if it does not fulfill its obligations to the SSS.

PhilHealth, for its part, will continue with its mandate of providing health care to all Filipinos through the following major thrusts and priorities: (1) Sustain its sponsored program for indigents; (2) Intensify collection efforts to maintain viability of the health insurance program; and (3) Strengthening partnerships with international donor agencies as well as local institutions.

4.1.3.2 Private sector initiatives

Non-government organizations (NGOs) and other non-profit organizations / associations have a vital role in providing social protection coverage for formal sector workers. Many government agencies have realized their importance and have enjoined them to participate in carrying out social protection mandates. The Personnel Management Association of the Philippines (PMAP), for instance, declared its support for SSS' information campaign and also pledged to assist in feedback mechanisms.

Advocacy groups also exist which aim to protect the rights of both workers and retirees. The Philippine Association of Retired Persons (PARP) is particularly vigilant in the way SSS manages and implements its social security program for workers and pensioners.

Various trade unions and staff associations have also remained steadfast in ensuring that employers continue to provide social protection to their employees as mandated by law.

4.2 Informal sector

Throughout the history of Philippine government, several law and presidential decrees which have been enacted mainly for formal sector workers also protect the informal sector: Presidential Decree No. 442 (1974) as amended, also known as the Labor Code of the Philippines; Republic Act No. 1161 (1954) as amended, also known as the Social Security Law; and Presidential Decree No. 1519 (1978), also known as the Medical Care Act. Recent legislations were Republic Act No. 8282 (1997), the Social Security Act and Republic Act No. 7875 (1995), popularly known as the National Health Insurance Act. RA 7875 also created the Philippine Health Insurance Corporation (PhilHealth).

The provisions of the Labor Code of the Philippines apply to all workers, including informal sector workers. The Code seeks to protect workers from economic exploitation, physical damage or harm, and insecurity. It also protects women, minors, handicapped workers, apprentices, farmer-lessees, share tenants, and workers in the sugar industry.

The scope of coverage of the SSS Charter (i.e. Republic Act 8282) is defined broadly and in general terms, effectively including informal sector workers. This is expressly stated in Section 9 and Section 9-A of RA 8282.

Section 9 states that coverage in the SSS shall be compulsory upon all employees not over sixty (60) years of age and their employers. Section 9-A, on the other hand, states that coverage in the SSS shall be compulsory for all self-employed persons.

With regard to health care, PhilHealth is tasked to provide all Filipinos with mechanism to gain financial access to health services, in combination with other government health programs. Its highest priority is to achieve coverage of the entire population with at least a basic minimum package of health insurance benefits.

Thus, in providing social protection coverage to informal workers, SSS and PhilHealth are the lead institutions.

4.2.1 Segmentation

In trying to understand the dynamics of informal sector work, various literature exist that attempt to further categorize this sector. However, a more meaningful approach is to categorize the informal economy, as follows⁷⁷:

⁷⁷ By Kenichi Hirose, Extending Health Insurance and Social Security Coverage for Workers in the Informal Economy.

Category A

Main characteristic	:	Highly mobile
Examples	:	Ambulant vendors, sidewalk sales, taxi-hailers, parking assistants, etc.
Organizational form	:	Unregistered and unlicensed
Labour force	:	Single person
Capital stock	:	Minimal or zero
Use of modern technology	:	None

Category B

Main characteristic	:	Mobile or home-based
Examples	:	Food vendors, bicycle taxis, home food cooking, simple handicrafts, etc
Organizational form	:	Unregistered and unlicensed
Labour force	:	Single person
Capital stock	:	Small but visible
Use of modern technology	:	Very minimal

Category C

Main characteristic	:	Semi-fixed or recognised operating zones
Examples	:	Street craft stalls, food stalls, motorcycle taxis, etc.
Organizational form	:	Unregistered, informal licenses or rents
Labour force	:	Single person or family labour
Capital stock	:	Modest, in fixed location
Use of modern technology	:	Relatively minor

Category D

Main characteristic	:	Fixed location
Examples	:	Small shops, motor workshops, furniture workers, indoor stalls, etc.
Organizational form	:	Unregistered, informal and formal licenses
Labour force	:	Mainly family labour with some additional employment
Capital stock	:	Moderate
Use of modern technology	:	Some modern technology (e.g. phones, faxes, power machinery, etc.)

Category E

Main characteristic	:	Professional self-employed, fixed or home-based
Examples	:	Accountants, medical practitioners
Organizational form	:	Unregistered, licensed, members of associations
Labour force	:	Usually single operation with employees
Capital stock	:	Moderate
Use of modern technology	:	Some specialist modern technology

The rationale behind a categorization as above is that policy- and decision-makers may be provided with a better understanding to develop progressive measures to extend social security to workers in the informal economy. It may also be useful in identifying the poor and vulnerable groups. Thus, a realistic strategy would be to extend social security from relatively organized workers with more regular income (as in categories D and E) to highly mobile workers who live on a day-to-day basis (category A).

4.2.2 Current status

With low and irregular incomes, the informal sector has had difficulty in coping with death, disability, old age or unemployment of the income earner. Financial resources to cover medical expenses for maternity or sickness are also hard to come by. Majority of those in informal sector

work is especially prone to the kinds of life contingencies for which social protection is designed.

In a May 2004 study, the ILO identified the following factors for low social security participation among the informal sector: (1) Absence of employer-employee relationship; (2) Low and unstable incomes; (3) Lack of awareness of social security rights; (4) Satisfaction with indigenous social security schemes; (5) Complex policies and procedures; and (6) Inappropriate and inadequate benefits and services. Ease of entry and exit in informal sector activities, when compared with the documentation and costs involved in registering businesses in the formal sector, may also explain the growth of the informal sector.

4.2.3 Challenges and gaps

The main challenge is to provide adequate incentives, infrastructure, and appropriate policies and procedures that would bring informal sector workers into the gambit of social security as provided by the SSS and of health care insurance as provided by PhilHealth.

In a 1995 survey of the National Statistics Office, it was reported that from a sample of 3,391 operators in the informal sector, only 15.5% were registered with the SSS, 9.6% have private insurance schemes, and 1.0% participate in some commercial scheme. Reasons offered for non-registration with the SSS included: activities were too small, no need for coverage, lack of time, lack of information, etc. Majority (about 80%) of those interviewed expressed no interest in registering with the SSS.

4.2.4 Policy and program interventions

4.2.4.1 Public sector initiatives

In the late 1990s, in an effort to provide convenience in paying SSS contributions, SSS launched the Auto-Debit Arrangement (ADA) program. The ADA program is a one-time enrollment scheme wherein SSS contributions and/or loan repayments will be automatically deducted from the member's bank account every 10th day of the month. Collections shall be electronically consolidated and transmitted to the SSS for automatic posting. It is hoped that this program provides sufficient incentive for self-employed members to pay their SSS obligations.

In May 2002, the SSS in partnership with DOLE, Philippine Savings Bank (PSBank), and Development Bank of the Philippines (DBP) launched a pilot program that would allow SSS members from the informal sector to deposit small amounts in a savings account to cumulate until it reaches the required monthly SSS contribution. PSBank or DBP would then remit the member's contribution to the SSS through an automatic debit arrangement (ADA).

In September 2002, the SSS also launched its Nationwide Branch Teller System enabling SSS members (employee- and employer-members). This project provides an important additional alternative for paying SSS obligations. SSS payments can now be paid directly to any one of more than 40 branch offices equipped with branch tellers. This is SSS' response to members who have experienced difficulties in paying through SSS-accredited banks.

Other innovative programs in the pipeline include: payment via mobile phone text messaging; payment via internet; payment through credit cards; and payment through money transfer channels.

PhilHealth, on the other hand, continues to expand health insurance coverage by increasing its membership base and through accreditation of a growing number of health care professionals and hospitals, clinics, and health units.

A significant legislative milestone in 2004 was the passage of Republic Act 9334. Cognizant of the importance of social health insurance in national development, Congress earmarked 2.5% of the expected government incremental revenues from taxes on sin products for the next five years to the National Health Insurance Program. The allocation translates to an additional P350-M to P450-M for PhilHealth to be used in subsidies for the Sponsored Program.

Also, PhilHealth has recently adopted the policy to include stepparents and adoptive parents as legal dependents.

Partnerships with other institutions continue to be forged through the signing of Memorandum of Agreement (MOA) for various projects aimed at improving service delivery and increasing membership base.

PhilHealth also launched the PhilHealth Organized Groups Interface (POGI), a program which recognizes organized groups as vital partners in the attainment of universal health insurance coverage. Under this scheme, cooperatives are classified depending on their level of organizational maturity and financial efficiency to assess their entitlement to the regular benefit package of PhilHealth.

Additionally, PhilHealth became the first social security institution to have an office in the Autonomous Region of Muslim Mindanao (ARMM). The office aims to provide PhilHealth services even in strife-torn areas and will soon have capabilities for membership registration, contribution management, claims processing, and information dissemination services.

4.2.4.2 Private sector initiatives

The emergence and proliferation of micro-credit and micro-insurance schemes is one of the most visible responses of the private sector for alternative social protection. Access to credit can become an important resource for social protection.

A 1996 Metro Manila survey of 86 organizations of informal sector workers (with a combined membership of about 40,000) indicates that these organizations provide a wide range of innovative programs and services that protect their members from specified contingencies with minimal or no help from the government. Prominent among these programs and services are mutual assistance programs as well as savings / credit lending services.

For instance, Ahon sa Hirap, Inc. (ASHI) sets a good example of effective credit delivery to the bottom poor in the Philippines. ASHI is founded on the principle that given direct access to non-collateral loans, the poor can increase their income and employment opportunities and are thus able to rise from poverty and contribute as well to the social and economic development goals of the country. Microfinance services through ASHI had been associated with a substantial reduction of poverty.

4.3 Migrant workers

4.3.1 Current status

Social protection for Overseas Filipino Workers (OFWs) is provided mainly by OWWA, SSS, and recently, PhilHealth. Now about 7.5-M strong, social protection for OFWs deserves special attention given their valuable contribution to the Philippine economy.

Every year, hundreds of thousands of Filipino workers are deployed overseas. In 2004 alone, land-based and sea-based overseas deployment were at record levels. Out of the 933,588 OFWs deployed for that year, around 75% were land-based while the rest were sea-based. With remittances exceeding \$7.1-B starting 2002, OFWs greatly improve the country's cash position and balance of payments.

To a limited extent, OFWs enjoy insurance coverage provided by OWWA and PhilHealth⁷⁸. Moreover, OFWs are not usually covered by their host country's social security institutions. Thus, there exists a strong clamor from OFWs for social protection.

4.3.2 Challenges and gaps

Major challenges for social security coverage of migrant workers include: (1) Unequal treatment between nationals and non-nationals; (2) National legislations result in unfavorable conditions for migrant workers; (3) Low compliance by employers and low awareness of workers; and (4) Problem of social security provision for illegal migrant workers.

Another challenge lies not so much on the provision of social protection for migrant workers during their active years of work. It lies more on the provision of social protection after their active years of work. Anecdotal evidence indicate that remittances of OFWs are almost entirely spent on various types of household expenses, leaving little amounts, if any, for savings to be used for retirement. Moreover, in far too many instances, a returning OFW's savings accumulated over a few years of overseas work are spent on one-time acquisition of personal assets (e.g. car, house, lot, etc.). Thus, in a short period, savings earned from overseas work are exhausted.

⁷⁸ By virtue of Executive Order No. 392 dated 28 December 2004, OWWA Medicare functions were transferred to PhilHealth.

4.3.3 Policy and program interventions

4.3.3.1 Public sector initiatives

In response to OFWs' clamor for social protection, the SSS took major steps that will ensure that voluntary social security coverage for OFWs is in place, particularly in countries where pensions are not provided.

In a joint effort with DOLE and the Department of Foreign Affairs (DFA), the SSS signed a Memorandum of Agreement that will systematize voluntary social security coverage of OFWs. The agreement covers Filipino migrant workers recruited through authorized channels, whether already abroad or departing for overseas employment. Through monthly contribution remittances made in any authorized foreign bank or remittance center, the covered OFW will be entitled to the benefits and privileges granted to voluntary SSS members, as long as the qualifying conditions are met.

The SSS has likewise been establishing foreign representative offices in countries with a high concentration of OFWs. These offices shall act as receiving, registration, and information centers that will be manned by friendly and highly-trained SSS personnel who would be able to immediately respond to queries about SSS' programs and operations. Initially, these offices shall be situated in Philippine consular offices and embassies.

Social security bilateral agreements are also being pursued actively by SSS. These treaties provide, among others, equality of treatment to migrant workers, export of social security benefits, and totalization or accumulation of membership periods in both the host country and the Philippines' schemes resulting in pro-rated sharing of benefits.

A major innovation of the SSS exclusively for OFWs is the Flexi-fund Program. On top of the voluntary program of the SSS, the Flexi-fund is a provident fund type of scheme featuring flexible payment terms and easy withdrawal of savings. It is a tax-exempt savings and pension plan designed to encourage OFWs to augment their incomes. Any amount contributed in excess of the maximum contribution of P1,410 to the regular SSS program, goes to the worker's individual account. Upon his/her return to the Philippines, the worker has the option to withdraw any amount from the cumulated balance to finance a variety of needs. Or, the member can use the amount to supplement his retirement or disability benefits - in lump sum, pension, or combination of both. The money accumulated in the Flexi-fund is invested solely in fixed income instruments. Interest rates are repriced on a quarterly basis based on average 91-day Treasury Bill rates.

In June 2002, the SSS Flexi-fund was declared as the National Provident Fund for OFWs, providing them with greater access to income security and higher-than-market interest rates.

4.3.3.2 Private sector initiatives

The banking industry offers a variety of investment alternatives for OFWs returning to the Philippines with excess savings. Higher interest rates are offered for significantly high amounts of deposits.

Also, private insurance firms regularly come up with different products and services to encourage OFW investment into insurance policies.

4.4 Social protection programs and poverty incidence

Poverty reduction objectives figure prominently in presidential campaigns and every administration. However, actual implementation of government social protection programs has been weak and politicized. Thus, while there may have been reductions in overall poverty incidence, the actual number (or magnitude) of poor people still increased. High levels of inequality persist as well.

The Asian Development Bank's (ADB) country poverty analysis (CPA) for the Philippines identified seven broad causes of poverty: (1) Weak macroeconomic management; (2) Employment issues; (3) High population growth; (4) Underperforming agricultural sector and unfinished land reform agenda; (5) Governance issues including corruption and a weak state; (6) Conflict and security issues, particularly in Mindanao; and (7) Disability.

Conclusion and recommendations

Social protection programs in the Philippines is largely fragmented and uncoordinated. Specially-constituted entities like the National Anti-Poverty Commission have achieved little success in coordinating efforts to consolidate resources and redistribute to marginalized groups of people. While indications point to an overall decrease in poverty incidence, the magnitude of Filipino poor continues to rise.

Based on NSCB data for 2003, estimated magnitude of poverty may be about 20 million, annual per capita poverty threshold was P12,267 and income gap was at 29.6%. If, for example, everyone who was poor in 2003 were all given the (average) needed amount required to exactly meet the annual per capita poverty threshold, then the amount required would be about P72.6-B. It is interesting to note that in 2003, the total amount of social benefits disbursed by the social protection institutions considered in this report far exceeds P100-B. These social benefits do not even include the benefits provided by local government units, micro-insurance schemes, and NGOs.

Moreover, the more urgent aim of eradicating subsistence poor would cost significantly less as the magnitude of subsistence poor in 2003 may be about 11.2-M and annual per capita food threshold was P8,134.

While this is an overly-simplified demonstration of computing the cost of eliminating poverty, a hopeful prospect is established - that the Philippines has sufficient financial resources to alleviate poverty.

Therefore, the main challenge is how to redistribute the financial resources.

It is recommended that comprehensive actuarial and financial studies be performed on most of the social protection institutions. This is essential to having a better understanding of the financial difficulties that lie ahead. The following recommendations should also be considered:

- The existence of both the AFP-RSBS and PVAO should be rationalized as they both carry out similar social protection mandates for the Armed Forces of the Philippines.
- The Employees' Compensation Commission must look into ways to harmonize the contributions and benefits structure applied to private and public sector workers. Current initiatives to spin-off from SSS and GSIS administration should be reconsidered as this would entail significant capital expenditures and higher operating expenses.
- SSS and GSIS should re-visit proposals to merge with each other for a social insurance scheme that would be fair to both memberships as well as to achieve economies of scale in the long-term.
- Fee collections of OWWA may be considered excessively high given that its benefits (for programs and projects) are just one-third or even one-fourth of amount collected. Part of the excess amount could perhaps be channeled to SSS for the social security coverage of OFWs.

- The 30% of lotto and sweepstakes sales of PCSO (representing the charity fund) and the 50% government share on PAGCOR's winnings must all be exclusively dedicated to social protection objectives. While this was the assumption used for this study, reports indicate that some resources are channeled to achieve objectives other than social protection. In 2004, PCSO's charity fund amounted to P3,031.2-M while government share of PAGCOR's winnings amounted to P9,196.9-M for a total of P12,228.1-M.

This report is simply a foundation on which future social protection analysis can be based. The inclusion of seven social insurance institutions (AFP-RSBS, ECC, GSIS, HDMF, OWWA, PhilHealth, and SSS) as well as four institutions that provide social assistance benefits in varying degrees and involvement (DSWD, PAGCOR, PCSO, and PVAO) is a conscious attempt for a holistic assessment of social protection expenditure and performance. This is a departure from conventional studies that assess only the main providers of social security (i.e. ECC, GSIS, PhilHealth, and SSS).

Additional discussion on local government units, micro-insurance schemes, and non-government organizations was intended to put together a relatively comprehensive list of social protection interventions in the Philippines.

The next steps may be to take stock of all studies performed on these social protection institutions. Involvement and expenditure profiles of other line agencies such as the Department of Agriculture, Department of Health, and Department of Labor and Employment can also be considered to evaluate which of their initiatives involve social protection.

Glossary of terms

Consumer Price Index (CPI). Measure of the average changes in the retail prices of a fixed basket of goods and services usually purchased by households for their consumption

Death Benefit (of SSS). Cash benefit in monthly pension or lump sum paid to the beneficiaries of a deceased member

Employed. Include all those who, during the reference period are 15 years old and over as of their last birthday and are reported either:

- a. At work. Those who do any work even for one hour during the reference period for pay or profit, or work without pay on the farm or business enterprise operated by a member of the same household related by blood, marriage, or adoption; or
- b. With a job but not at work. Those who have a job or business but are not at work because of temporary illness/injury, vacation, or other reasons. Likewise, persons who expect to report for work or to start operation of a farm or business enterprise within two weeks from the date of the enumerator's visit, are considered employed.

Gross Domestic Product (GDP). Value of all goods and services produced domestically; the sum of gross value added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the values of their outputs)

Income Gap. Average income shortfall (expressed in proportion to the poverty line) of those below the threshold

Labor Force. Population 15 years old and over whether employed or unemployed who contribute to the production of goods and services in the country

Magnitude of the Poor. Number of families or the population whose annual per capita income falls below the subsistence/poverty threshold

Maternity Benefit (of SSS). Daily cash allowance granted to a female member who was unable to work due to childbirth or miscarriage

Monthly Salary Credit (of SSS). Compensation base for contributions and benefits related to the total earnings for the month

Nominal Minimum Wage Rate. Lowest basic wage rate that an employer can pay to workers as fixed by the Regional Tripartite Wages and Productivity Board (RTWPB), which is not lower than the applicable statutory minimum wage rate; this includes mandated Cost of Living Allowance (COLA), if any

Poverty Threshold. Annual per capita income required or the amount to be spent to satisfy nutritional requirements (2,000 Kcal) and other basic needs

Retirement Benefit (of SSS). Cash benefit in monthly pension or lump sum paid to a member who can no longer work due to old age

Sickness Benefit (of SSS). Daily cash allowance paid for the number of days a member is unable to work due to sickness or injury

Subsistence/Food Threshold. Annual per capita income required or the amount to be spent to satisfy nutritional requirements (2,000 Kcal)

Underemployed. Include all employed persons who express the desire to have additional hours of work in their present job or an additional job, or to have a new job with longer working hours

Unemployed. *See Box 1.1*

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PhilHealth – 1998, 2000, 2001, 2002, 2003, 2004

SSS – 1982, 1996, 1997, 2001, 2002, and 2004

Websites

Armed Forces of the Philippines-Retirement and Separation Benefits System

(AFP RSBS) - www.afprsbs.com.ph

Commission on Audit (COA) - www.coa.gov.ph

Department of Social Welfare and Development (DSWD) - www.dswd.gov.ph

Employees' Compensation Commission (ECC) - www.ecc.gov.ph

Government Service Insurance System (GSIS) - www.gsis.gov.ph

Home Development Mutual Fund (HDMF / Pag-IBIG) - www.pagibigfund.gov.ph

National Statistics Office (NSO) – www.census.gov.ph

Overseas Workers' Welfare Administration (OWWA) – www.owwa.gov.ph

Philippine Health Insurance Corporation (PhilHealth) - www.philhealth.gov.ph

Philippine Veterans Affairs Office (PVAO) - www.pvao.mil.ph

Social Security System (SSS) - www.sss.gov.ph