

Part 2 Proposed Social Security Schemes

Table of Contents

Chapter 1 Introduction	74
Chapter 2 Socio Economic Background of Nepal	75
2.1 Introduction	75
2.2 Demography	75
2.3 Comparative Fertility Rate, Maternal Mortality and Ageing Population	76
2.4 Life Expectancy and Dependency	77
2.5 Health and Education	78
2.6 Employment and Migration	82
2.7 The Gross Domestic Products	86
2.8 Living Standard	89
2.9 The Government Revenue and Expenditure	90
Chapter 3 Social security Systems	92
3.1 Background of Social Security	92
3.2 Social security programs in Nepal	93
3.3 Social Security and International Models	94
Chapter 4 Social Security Schemes Funding	102
4.1 Sources of Fund	102
4.2 Contribution Rate	102
4.3 Contribution Collection Process	102
4.4 Contribution Rate for Future	103
Chapter 5 Proposed Social Security Schemes	104
5.1 Introduction	104
5.2 Sources of the Schemes	104
5.3 Future projection	106
5.4 Sickness Insurance Benefits	106
5.5 Maternity Insurance Benefits	109
5.6 Workplace Accident or Injury Insurance Benefits	112
5.7 Product or Scheme Analysis	115

5.8	Benefits Payable Calculation Formula	115
5.9	Eligibility conditions and Exclusion for the Three Schemes	116
5.10	Medicare Insurance Benefits (Hospitalization and Diagnosis Only)	121
5.11	Some Important Notes	122
5.12	Methods and Claim Process	124
Chapter 6	Old Age Retirement Scheme in Nepal	128
6.1	Introduction	128
6.2	Simulation Result of Provident Fund	129
6.3	Over View of Contributions	131
6.4	Present organizational framework for retirement scheme in Nepal	132
6.5	Vertical Reform - Social Insurance Scheme for Nepal	135
6.6	Financing a More Extensive Social Insurance Schemes in Nepal	136
6.7	Role of the Employees Provident Fund	136
6.8	The Social Security Fund	137
Chapter 7	Investment of the Fund and Future Strategy	139
7.1	Structure of Investment Team	139
7.2	Restriction on Investment	140
7.3	Investment Risk and Expert Hiring	140
7.4	Monitoring and Evaluation	140
7.5	Date Base Centre	141
7.6	Bilateral Social Security Relation	142
7.7	Social Security Institution in Future	143
7.8	Consolidation of Existing Social Security in the ‘Umbrella Institution’	143
Chapter 8	Conclusion and Recommendations	144
Conclusions		144
Recommendations		145
Reference		147
Annexes	Forms	150

Chapter 1 Introduction

Social Security is inevitable for an individual and it is realized by the social security partners: the government, employers and trade unions. There exist three models of social security in the world: state based, employer based and self sponsored. Social security is provided by the state from its revenue in the state model. We can take an example of Canada for state model. Employers provide social security to their employees in the form of pension, health care and so on. In the self sponsored social security model, an individual manages his/her assets not only for the working age but also for retirement. This can be done by collecting assets, purchasing annuity and other retirement saving schemes. The fourth model is of tripartite: in which employees, employers and the state jointly contribute for the social security.

In the context of Nepal, the collection of 1 percent of taxable income as a social security tax from the formal sector employees has been started for four years. Starting with the formal sectors, the ultimate aim is to cover informal sector employees, and self employed people. It also aims at converting existing forms of social security into universal social security system. As a result, it is expected that a new, statutory “umbrella” institution, will be created to manage the overall Social Security system. Under that umbrella, the first step will be taken towards enhancement of the system through the introduction of a number of schemes: Sickness Benefits, Maternity Benefits, Workplace Accident/Injury Benefits, and Medicare Benefits (hospitalization and diagnosis expenses only).

At the same time, it is essential to recognize need to extend measures of social protection to the wider population: informal economy and self employed. It is also considered that the government will take steps with some urgency in this direction. Besides, the government should take steps toward the universal social protection floor that includes: Old Age Allowance, Child Grants, Disability Allowance, and Allowance for single women, Dalit and Endanger Ethnic Minorities.

The study has been carried out in order to institutionalize the social security system. Efforts have been made on how to create and accumulate fund beyond the 1 percent social security tax. In the same way management and supervision, coherence between the existing patchy forms of social security in the nation must be taken into consideration.

Including this introduction, Chapter 2 analyzes the various demographic, economic, social and fiscal variables. International experience regarding the social security is explained in the third chapter. We consider some suitable models from there. The fourth chapter is designed for financing of the scheme and future projections. The proposed four social security benefit schemes are organized in the fifth chapter. The investment of the fund, coherence of the existing social security benefits and future retirement strategy are explained in the sixth and seventh chapters.

To come up to this level, we have visited various hospitals, insurance companies, industries, trade unions, professionals and experts, international organizations and their web sites.

Chapter 2 Socio Economic Background of Nepal

2.1 Introduction

This chapter explains the economic status of Nepal. The social security depends on the economic condition. Therefore, it is essential to analyze the relevant variables: such as demographic economic, social and fiscal. Our aim is to provide an assessment of scope for social security. The assessment of the social security schemes depends on the afore-mentioned variables. For this, we analyze the demography, employment, health status, living standard and GDP. We look into various factors which enhance the social security protection as well as social security reform.

2.2 Demography

As per the census 2068, Nepal's total population is 2,64,94,504, an exponential growth of 1.35 percent to the 2058 census. There are 48.5 percent male and 51.50 percent female. 40 percent of the population is under 16 years while 7 percent is above 60 years. The table below shows that 53 percent of the population lies in the age range of 16 to 60.

Table 2.1: Age specific percentage of population

Age less than or equal	16	22	28	35	43	50	60	65	70
percent of population	40	52	62	72	80	87	93	95	97.58

The finding of the latest census shows that the rate of internal migration from rural to urban areas is increasing. Underlying reason behind this is more employment opportunities in the urban area than in rural area. The trend of young and elderly dependant rate is also found increasing. Further, household size is decreasing faster than expected. The house head has been almost doubled from 14.87 percent in 2058 to 25.73 percent in 2068. This means the traditional joint family is transferring into modern unit family system. These indicators show the need of initiation of social security system for all in the near future.

The National Report (2068) reveals that in the rural area 12.81 percent of the total population live on the rented house in the rural area, an increase from 8.9 percent compared to the previous census, while the figure is 40.22 percent in the urban area. This indicates that there is acute need of social security. The families living on the rented house are more likely to suffer on premature death of their bread winners.

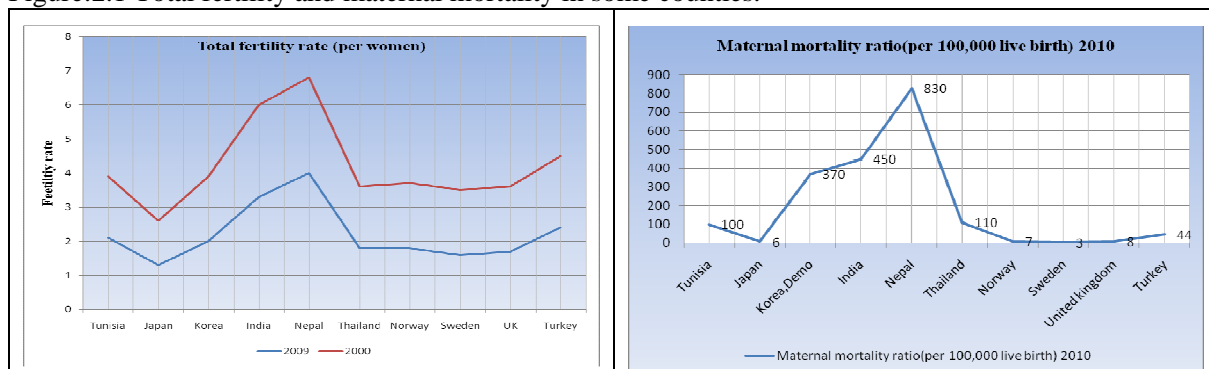
It is found that 47.78 percent of the population use piped/tap water while 35 percent use Tube well or hand pump (National Report). But 78.2 percent of the population in Terai use hand pump and only 16.1 percent have access to the piped water supply (NLFS 2008 page 33). This shows the risk of water born disease in Terai. The same survey explains: 50.8 percent of the population in Nepal does not have access to the toilet. The inaccessibility is higher in the Terai (61 percent) than other region. The figure in the rural area is 58.2 percent. There will be direct impact of poor sanitation and impure drinking water into the schemes: lower the living standard, more claims are likely to occur. Therefore it is equally essential for the government to take step forward for pure water supply and proper sanitation in these areas. However, literacy rate has increased from 54.1 percent in 2001 to 65.9 percent in 2068 (Male 75.1 percent and female 57.4 percent).

The unmarried population aged 10 years or above is 35.6percent (male 40.6percent female 31.1percent). This further indicates that male marries later age than the female. Other causes may be instability of their life, no jobs, study period etc. Disabled people were accounted only 46 percent in 2058 but increased to 1.94percent in 2068. Bulks of the married people are between age 15 to 19 at the first marriage. This is 48.9percent of all married people are from age 15 to 19 age. There is high risk to their life and maternity benefits may have shortfalls. The percentage of people who married below age of 14 is 11.5percent.

2.3 Comparative fertility rate, maternal mortality and ageing population

The graph below shows that the total fertility rate in Nepal is decreasing at faster rate than other countries. One of the reasons behind this may be that many young age people go foreign countries for work. Forty four 44 percent of those who go abroad for work are of the age between 19 to 24. But highest fertility rate lies in the age of 20 to 24. Since there is correlation between age and fertility, there will be further downfall in the fertility rate (figure 2.1 below-left) if the trend of the youth going abroad for work is continued in the years to come. Another graph (figure 2.1-right) shows that maternal mortality in Nepal is higher than that of India and farther away from some developed countries such as Japan, Norway and Sweden. This may be the effect of lack of hospitals and health workers, low awareness and education, proper nutrition and sanitation. But we are optimistic toward the government action to address these issues so that the proposed social security schemes will have less numbers of claims. As a result the amount of the maternity benefits can be increased in the future.

Figure:2.1 Total fertility and maternal mortality in some counties.



Source: ILO

Demographers consider 65 years of age as the old age for international comparison of elderly people. United Nation considers 60 years as boundary of old age. World Assembly on Ageing adopted 60 years and over as elderly population. If this is the case we have following comparison and elderly population is 6.72percent. This is a rapid jump and will gallop in next 20-30 years. Since we have 50percent of the population less than the age 22 years and 72 percent of the population is less than age 35, after 30-35 years this young population will be of ageing population. If the state does not take any initiative to address the ageing population, in 35 years time, there will be many elderly people depending on the working labor force. Because of this as well the state should take initiative towards the social security system in public private partnership. Even in the world because of science and technology, education, awareness and health consciousness, longevity rate is increasing. The following table 2.2 is an extract for population growth rate and ageing population of Nepal.

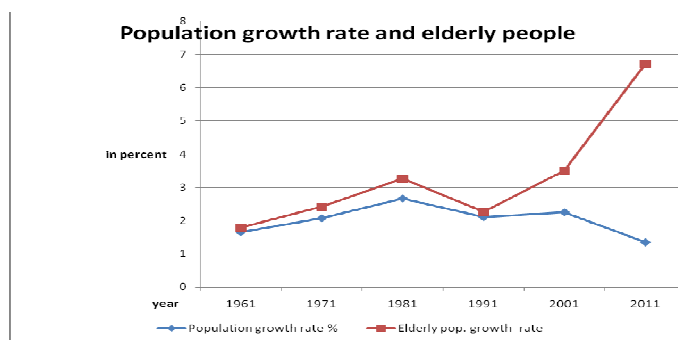
Table 2.2: Total Population and elderly population growth rate.

Year	1961	1971	1981	1991	2001	2011
Population growth rate percent	1.65	2.07	2.66	2.10	2.25	1.35
Elderly pop. growth rate	1.79	2.42	3.26	2.26	3.50	6.72*

Source: Nepal pop report 2011 (MOHP). * Percentage of elderly population.

The figure 2.2 below shows that the population growth rate is in the flux but the numbers of elderly people are increasing. This is because of education, health care, living standard, and many others. To address further longevity, it is essential to establish a fully equipped social security institution. The trend of longevity is increasing in the world. In Tunisia, 9.5percent were elderly in 2009 but it is estimated that this figure will hit 17percent in 2029. In this context, we must make projection of elderly population in the coming 30-35 years.

Figure:2.2 Total population VS elderly population

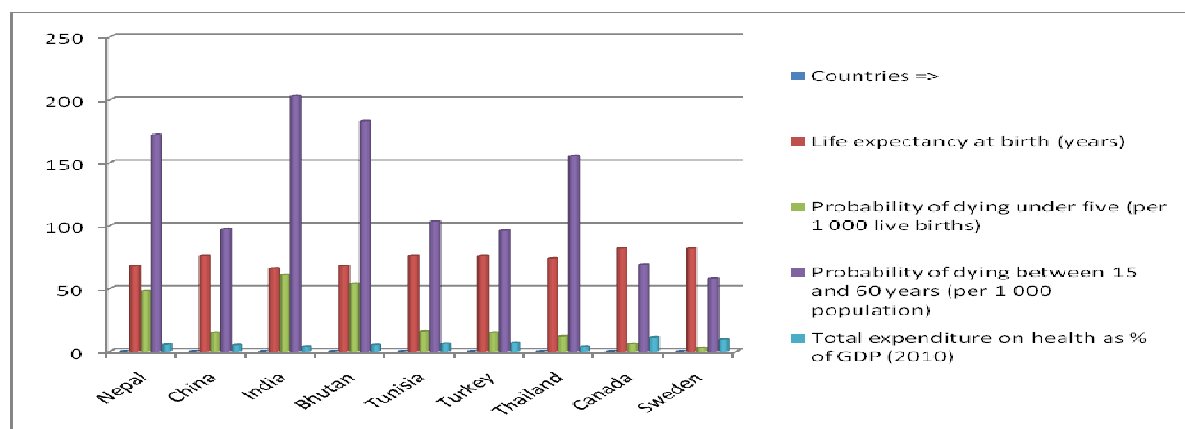


Source: NLSS 2011

2.4 Life expectancy and dependency

The figure below shows that the probability of dying between age 15 and 60 years is much higher in Nepal, Bhutan and India than in the countries like Tunisia, Turkey and Thailand. However, the difference in the life expectancy at birth is very small among them.

Figure2.3: Life expectancy and probability of dying.

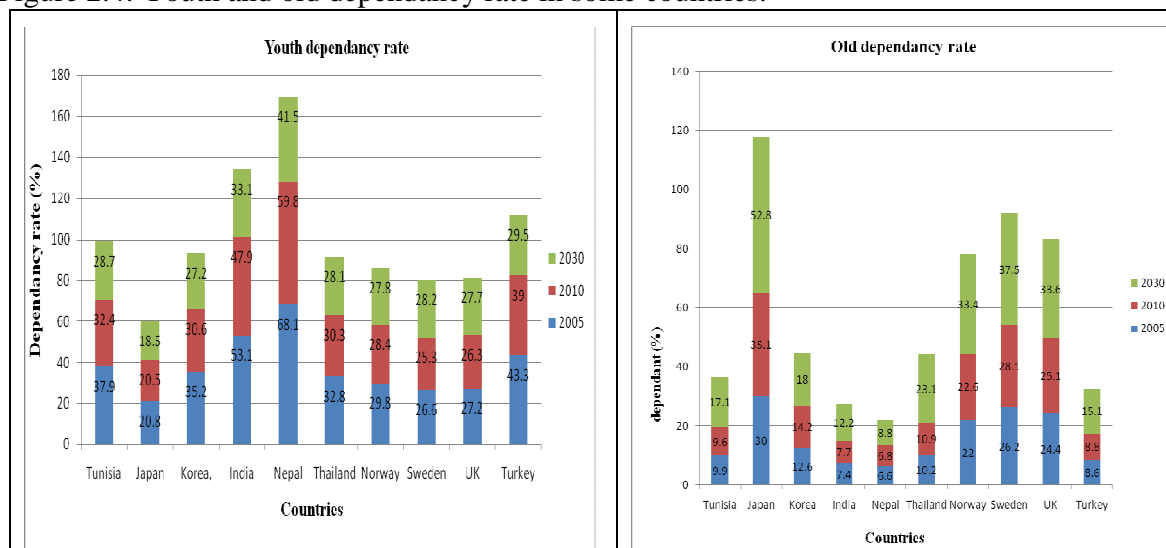


Source: WHO

The figure 2.4 below shows that the youth dependency is decreasing while old dependency is increasing. 68 percent of Nepalese youth dependency rate in 2005 is estimated to decrease to 42 percent in 2030. The decrease in the youth dependency may be the result of more skill development opportunity to them, better education and professional training and more job placement in the market. This shows good prospect for the social security schemes in Nepal in the years to come.

But old dependency is estimated to increase to 9 percent by 2030 (figure 2.4) compared to 7 percent in 2005. This figure may increase further because many youths go foreign countries for employment, mostly in the menial work, and will be turned into dependant when they return with some sort of disability or in the late working age. We can learn how the social security system in Japan is working, where youth dependency is estimated to 18 percent in 2030 while old dependency in the same year is estimated to 53 percent.

Figure 2.4: Youth and old dependency rate in some countries.



Source: ILO

2.5 Health and Hospitals

It is clear from the table 2.3 below that health sector is not a priority of government. Total health expenditure in respect of the GDP or the Total Government Expenditure is somewhat constant throughout the decade. There is acute need of infrastructure in the health sector in the nation. The case is similar for the skilled manpower. To mitigate the human resource gap in the health sector, the government is planning to recruit 15000 health workers in the next five year with revised salary.

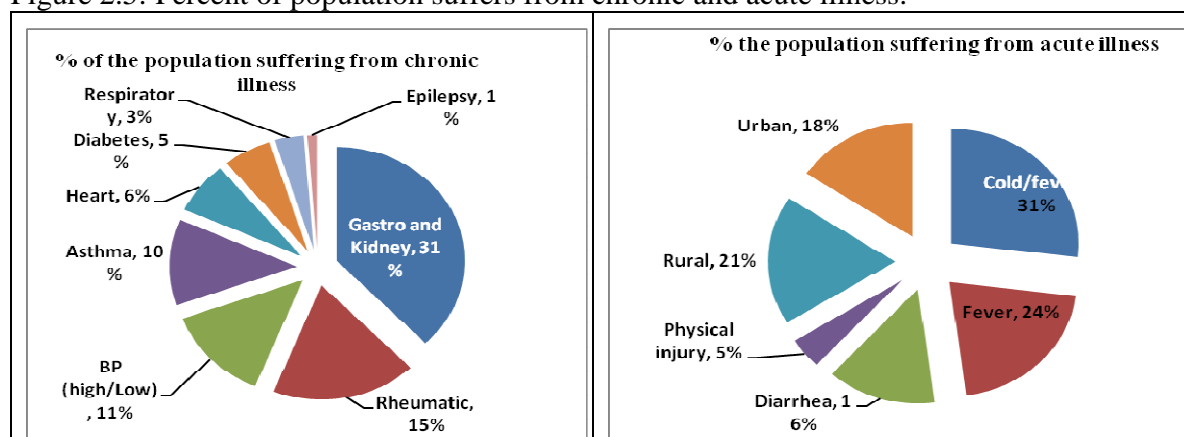
Table 2.3: Health expenditure in relation to GDP and TGE.

Year	GDP (miln)	TGE (miln)	HE as percent of GDP	HE as percent of TGE
2001	441519	79835	5	27.5
2004	536749	89443	5.7	34.3
2006	654084	110889	5.3	31.4
2008	815658	161350	5.3	27
2009	988053	219602	5.3	23.9

Source: national health account 06/07- 08/09.

Nepal Living Standard Survey explains that the access to health services and types of illness most Nepalese suffer is depicted in the following figure 2.5, on an average 12 percent of the population suffers from chronic illness while acute account 20percent.

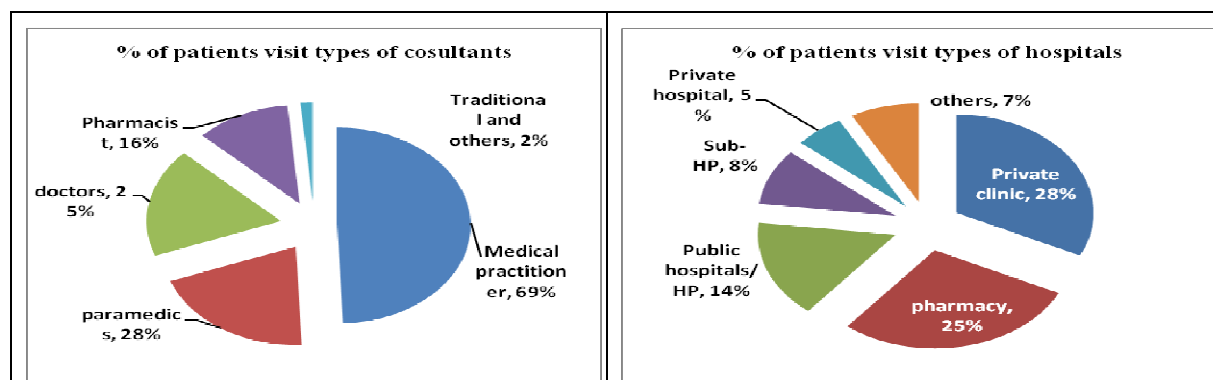
Figure 2.5: Percent of population suffers from chronic and acute illness.



Source: NLSS I 2010/11

Health consultation by facility type: majority of sick people visit private health institutions and rest they go to the government hospitals. From the figure 2.6 below 28 percent patients visit private clinic for their treatment. The figure 2.6 below explains, only 22 percent visit government hospital or health post or sub health post. Of the total patients, 25 percent get access to doctors, 69 percent get service of medical practitioner, and paramedics provide service to 28 percent patients. These figures show that many patients do not get service from the doctors.

Figure 2.6: Percent of patients gets service from types of consultants- left and hospitals- right.



Source: NLSS 2011

The NLSS accounted 3.6 percent people have some kinds of disability. The male disability percentage (4.2) is slightly higher than the female (3) disability.

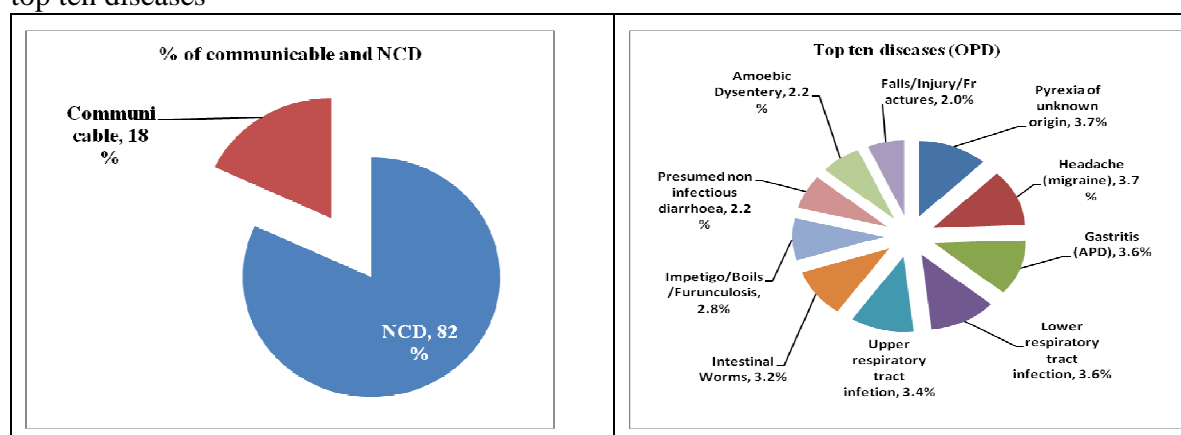
Table 2.4: Family planning

	1995/96	2003/04	2010/11
Average number of children ever born to women (15 -49 years)	5.3	4.8	4.2
Total fertility	5.1	3.6	3.4
Married women(15-49) who Knows family planning methods	59.7	76.7	82.6
Couples who have ever used any family planning method	20.4	45.9	54.2
Couples who are currently using family planning methods	14.8	38.3	39.1

Source: NLSS 2010/011

Of the total OPD new visits recorded in 2067/068, 82 percent cases were found non communicable and 18 percent only communicable (figure 2.7 below). Out of ten leading morbidity for the OPD new visits Pyrexia of unknown origin account for 3.74 percent of the total population, Headache (Migraine) 3.71 percent and Gastritis (APD) were found at 3.64 percent.

Figure 2.7: Percent of patients suffered from communicable and Non-Communicable disease and top ten diseases

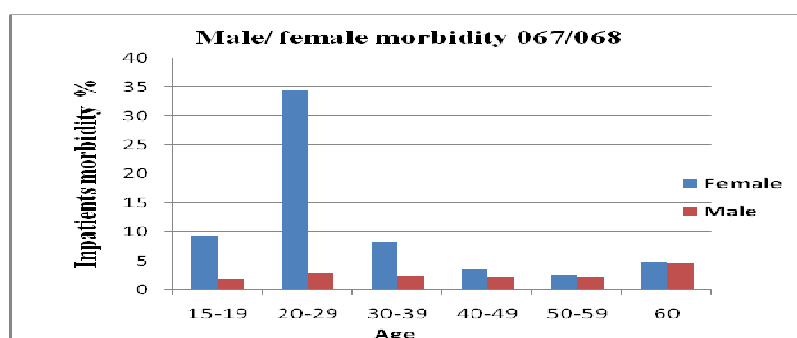


Source: Annual Report 2011 (department of health service).

Inpatients and outpatients visit

Female morbidity remains higher than the male elsewhere. Experience in Nepal is: in 2067/068 those who were hospitalized, 34.4 percent were found female of age 20-29 years compared to 2.9 percent male of same age range. But this figure has dropped to 8.3 percent female compared to 2.4 percent female in the age range 30-39 years (figure 2.9). 25 percent of the patients were found hospitalized for Single spontaneous delivery, 5 percent for Diarrhea, 5 percent for Typhoid. A total of 19,708,800 outpatients new visits were reported in 2067/068, (Annual Report, MOHP). Of the total visits, the highest 29 percent were reported in the central development region and the lowest 10 percent were in the gar western region.

Figure 2.9: Male and female morbidity rate



Source: Annual Report 2011 (Department of Health)

Education

From the table 2.5 below, it is clear that the literacy rate has increased to 61percent in 2010/011 than in the year 1995/96. Mean year of schooling also increased from 7 in the 1995 to 8.1 in the year 2010. But under the HDI, surveyed by the UNDP, the mean year of schooling is 3.2 years (figure 2.18) which is very low. Net enrollment rate is very low for lower secondary and secondary level school. The reasons behind these are poor academic progress, help needed at home, need to go for work and many more. The NLSS 2010/11 tells that 72 percent of the students attend government schools while 27 percent participate in private. Only 6 percent of the students from the poorest quintile attend private school against 60 percent of the students from the richest quintile attend private school.

Table 2.5: Literacy rate and Education of Nepal:

	1995/96	2003/04	2010/011
Literacy rate (age 6 years and above both sex)	37.8	50.6	60.9
School ever attended (age 15 years and above both sex)	33.9	45.8	54.6
Mean year of schooling	7	7.5	8.1
Net enrollment at primary level	57	72	68.8
Net enrollment at lower secondary level	19	29	26.7
Net enrollment at secondary level	9	15.1	15

Source: NLSS 2010/11 vol. I

The table 2.6 shows that the pass rate is not improving as total number of students appeared in the SLC examination are increasing. However, the numbers of +2 are increasing. This may be the result of an opportunity to enroll in a new discipline such as engineering, pharmacy, hospitality, health and hygiene.

Table 2.6: Description of student appeared and passed out in SLC Examination

Fiscal year	attendance	Total	percent change
2007/2008	Appeared	342,632	
	Passed out	234,602	
2008/2009	Appeared	385,146	12.41
	Passed out	247,689	5.56
2009/2010	Appeared	397,759	3.27
	Passed out	220,766	-10.80

Table 2.7: Total number of +2 and campus by development region.

Development Region	2066	2067	2068
Eastern	473	636	693
central	917	1054	1161
Western	606	728	801
Mid-western	258	314	369
Far-western	260	315	359
Total	2512	2499	3383

Source: Economic survey 011/012 (MoF).

The figures in the above table show that number of colleges or +2 are in increasing trend. This means that more and more people are attending their higher education. The higher the education, the better is the awareness. This results in higher earning capacity, better living standard and low health risk.

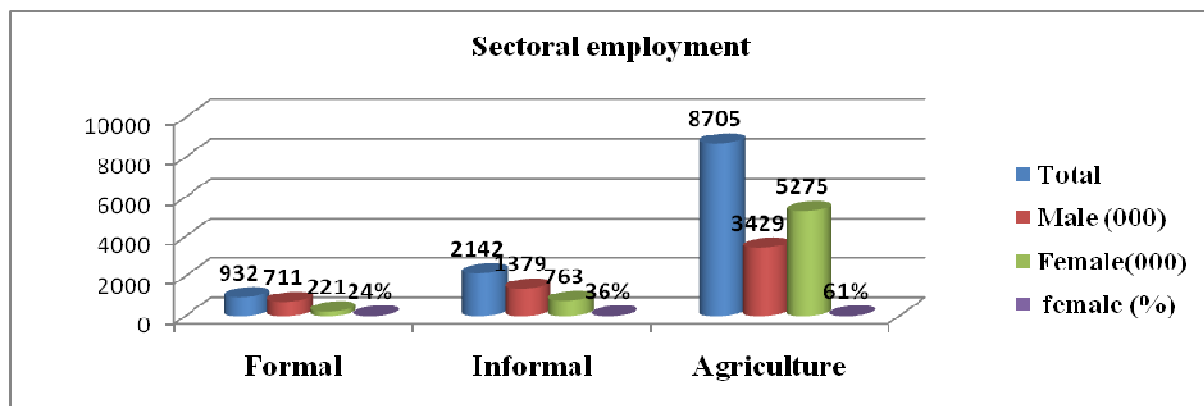
The numbers of students in the university level, including Tribhuvan University, are increasing.

2.6 Employment and Migration

2.6.1 Employment

The data shows 85 percent male and 15 percent female participation in the government service with average monthly salary of Rs13739. The following is the composition of employees in the formal, informal and agriculture sectors. The figure 2.10 below shows that bulk of the population is working in the agriculture sector (87.05 thousand), 21.42 thousand in the informal and only 9.32 thousand are engaged in the formal sectors. Only 42 percent female are found in the formal sectors while their representation is 36 and 61 percent in the informal and agricultural sectors.

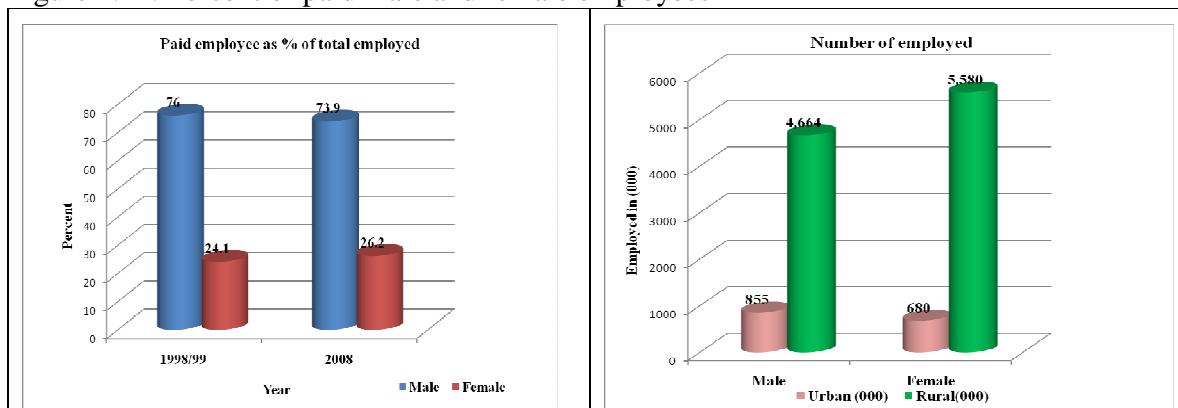
Figure 2.10: Sector employment



Source: NLFS 2008

The comparison of the male and female paid employee in the rural and urban is presented in the following figure 2.11. Number of male employees decreased in 2008 than in 1998/99 while female employees increased in the same period. It is also found that there are more male paid employees in the urban than female but this is reverse in the rural areas (more female paid employees in the rural) (figure 2.11 below). This seems logical because more youths are moving from rural to urban areas for work, higher education or skills.

Figure 2.11: Percent of paid male and female employees



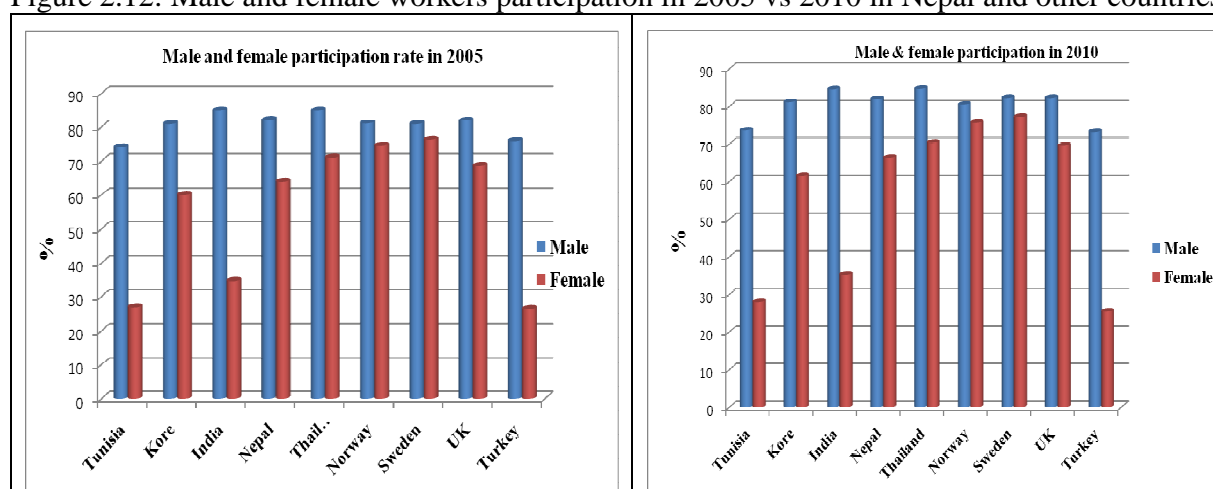
Source: NLFS 2008

From the table 2.8 below, 19.9 percent of the total population is inactive (80.1 percent active) and 30 percent is underutilized (70 percent fully employed). This is also justified by the ILO data in the figure 2.12 below. Unemployed population is 1.8 percent while unemployment rate is 2.2 percent. The ILO data shows (figure 2.12 below) that the female workers' participation rate increased in the year 2010 compared to 2005, but the male participation decreased in the same years. This reduced the male and female employment gap. The employment gap is highest in India and lowest in the countries like Norway, Sweden and UK. The lower employment gap means higher female participation rate. The social security system is better in those countries where the gap is small such as Korea, UK and Thailand. Nepal should learn from these countries and should take initiative to hire more female into salary workers.

Table 2.8: The following is the combined finding of the NLSS and NLFS*.

SN	Description	Percent
1	Employed population	78.3
2	Unemployed population	1.8
3	Labor force participation rate	80.1 (active force)
4	Unemployment rate	2.2
5	Population engaged in non- agriculture	24
6	Fully employed population*	70

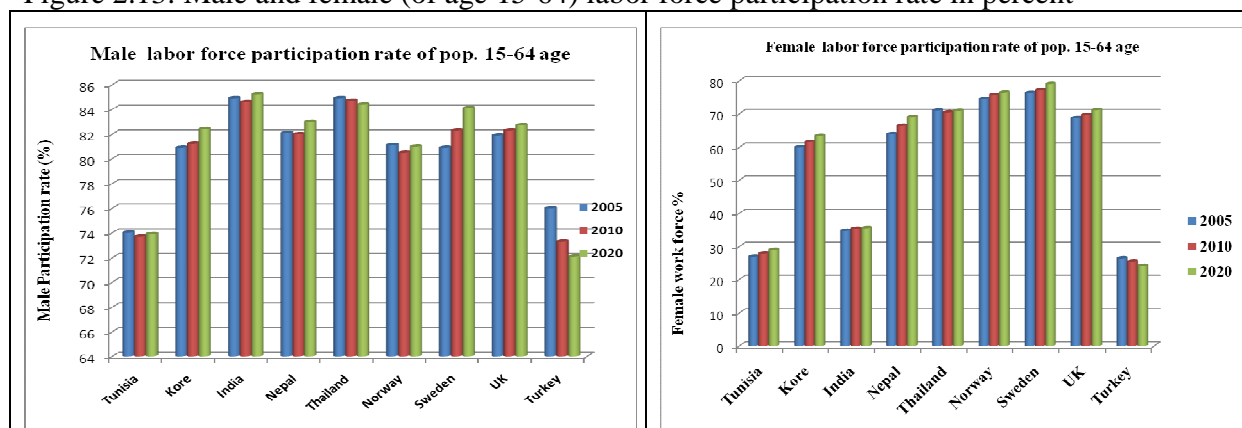
Figure 2.12: Male and female workers participation in 2005 vs 2010 in Nepal and other countries



Source: ILO

Male labor force participation is in the flux (figure 2.13 below-left). But the female labor force participation in most of the countries is found at least stable or is in increasing order, except Turkey, where participation rate has been decreased.

Figure 2.13: Male and female (of age 15-64) labor force participation rate in percent



Source: ILO

2.6.2 Migration

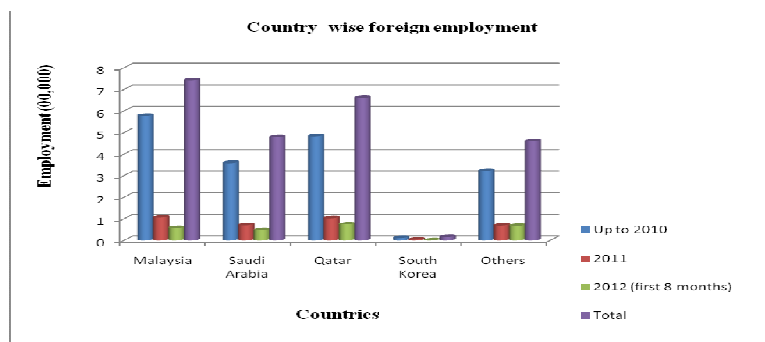
Among the total migrated population, 81 percent come from the rural to urban, only 7 percent from urban to rural and 12 percent are estimated to come from abroad. Since bulk of the population come from the rural for job or other purposes, there is more risk and they do not become used to in the urban in all dimensions.

The same survey states that 20 percent of the population is living abroad of which 15 to 29 age group is the highest. This means approximately 5.2 million of Nepalese people are living in abroad: mostly in Gulf, Malaysia, Korea and others countries. Many countries have bilateral agreement between them for the social security of their workers in the foreign countries. Nepal government should initiate a step forward in this respect.

2.6.3 Foreign Employment

As per economic survey 2012, in total 23,58, 710 Nepalese are found to have gone for work in different countries. Malaysia, Qatar and Saudi Arabia (following figure) are found to be first destination providing foreign employment of 32, 28 and 20 percent respectively. But Qatar has higher share of remittance than Malaysia. This means that Qatar offers better pay rate than Malaysia. 56 percent Nepalese families receive remittance of an average Rs80,436 (per person Rs9,245).

Figure 2.14: Foreign employment



Source: Economic Survey

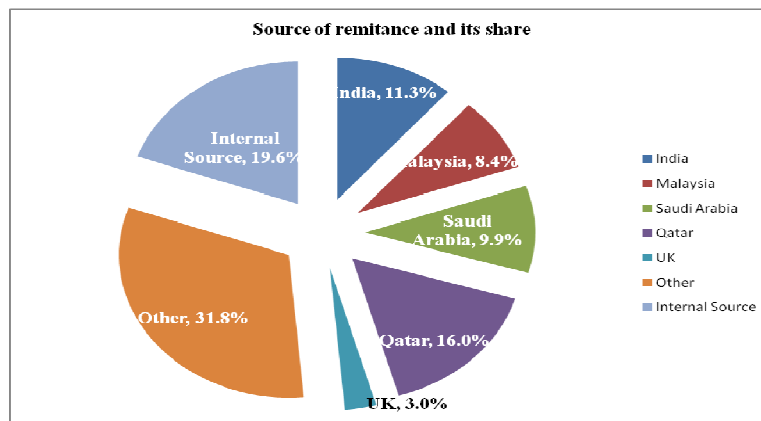
2.6.4 Remittance

Latest estimate of the remittance for the year 2011/12 is 330 billions (MOF annual report). It is estimated that more than this, around 400 billion which is almost 25percent of the GDP. Also it is estimated that 3million people are working as laborer in the Gulf, Malaysia, South Korea and other countries. Per year, per person remittance seems at Rs1,33,000 which comes at 11,000 per months. This indicates that we are exporting unskilled workers. This will create big problem when they escape out of the active age. People will realize about the social security when they are in the retirement age without any support. To support this gap, it is the right time for them to contribute into their pension or saving plan. For this the government should take initiative for bilateral agreement between the countries we are exporting our labor force regarding their social security. On the other hand, it is equally important to send trained and skilled man power so that the present remittance can be doubled within a year.

Qatar stands in the first among the major source of remittance (16percent) figure 2.13. Of the total remittance in 2010/11, India contributes 11 percent and Saudi Arabia 10 percent. But harsh

reality is that that 79 per cent of the remittance is used for household purposes, totally unproductive sectors. 4.5 percent for property, 7.1 percent for repayment of loans, 3.5 percent for education and 2.4 percent is used for capital formation. Here the government should have utilized the remittance into the productive sectors such as agro-based small scale firm, fisheries, dairy firm, and tourism.

Figure 2.15: Source of Remittance



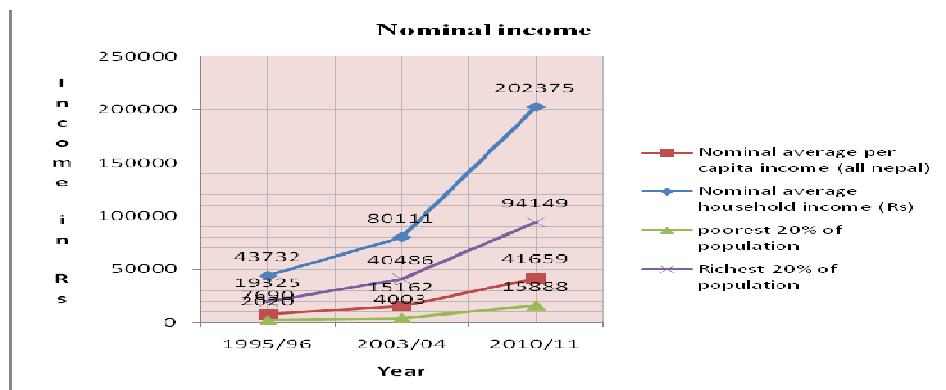
Source: NLSS 2011

2.7 The Gross Domestic Products (GDP)

Income: from the figure 2.14 below it is clear that household income has increased dramatically during 2003 to 2011. Income disparity also increased in the same period. According to Nepal Living Standard Survey 2010/11 the income has increased in aggregate and per capita term. The nominal average household income increased from Rs. 80,111 in 2003/04 to Rs. 2,02,374 in 2010, at annual average growth rate of 16.7 percent. In term of per capita the income increased from Rs. 15,161 in 2003/04 to Rs. 41,659 in 2010, at the annual average growth rate of 18.3 per cent. There has been some progress in the reduction of hunger, as reflected in food security situation but malnutrition still remained a great challenge.

The nominal per capita consumption expenditure in aggregate has increased from Rs.15,848 (in 2003/04) to Rs.34,829 (in 2010), an annual average growth rate of 14 per cent. The consumption of poor has increased from Rs. 4,183 (in 2003/04) to Rs.11,093 (in 2010) and that of middle/rich and ultra rich has increased from Rs. 9,230 and Rs. 62,037 (2003/04) to Rs.24,238 and Rs.1,02,772 (2010). The difference between the nominal per capita consumption of rich and poor is very high. The Report (NLSS) shows 25.2 percent of the population below poverty line with the Ginni Index coming down to 0.33 percent which is good for the nation.

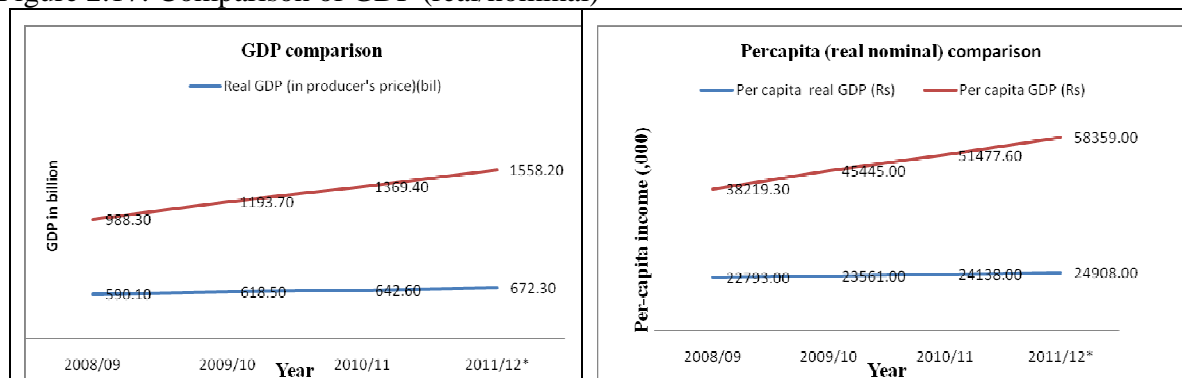
Figure 2.16: Nominal and per capita income



Source: NLSS 2011

In the figure 2.15 below nominal GDP is increased at faster rate than the real GDP. The reason is there is double digit annual percentage change in the GDP deflator (16, 14, 11 and 10 percent change in the year 2009, 10, 11 and in 2012). There is parallel effect in the nominal and real per capita income over the same period.

Figure 2.17: Comparison of GDP (real/nominal)



Source : Economic survey 2012 (MOF)

Table 2.9: Average wage (in USD per Annam and inflation in some countries

SN	Country	Average wage USD pa	Inflation
1	Nepal	915.00	11
2	India	2,178.00	7.8
3	Thailand	2,296.00	5.8
4	SriLanka	2,534.00	21.5
5	Maldives	3,034.00	11
6	Japan	11,275.00	1.8
7	USA	15,080.00	4.2
8	UK	17,735.00	3.8
9	China		6

Source: Shramik Khabar Patricia (Original Source: WB, IMF)

The inflation rate is higher and wage rate is lower in developing countries while they are in reverse order in the developed countries. This is justified from the table above. This has negative impact on the national economy.

The GDP is perhaps the most widely used metric to measure the health of economies. But some economists have argued that GDP is a flawed metric because it does not measure the economic well being of society. For example, it's possible that GDP is going up but median income going down and poverty rate increasing. GDP also does not measure environmental impact of growth, nor sustainability. Other important metrics include health of the population, infant mortality rates, and malnutrition rates, none of which are captured by GDP.

The major indicator of economic growth rate, of the development of Nepal, has not been encouraging. Average Gross Domestic Production (GDP) has been found 3.51 percent over a decade and growth of 4.56 percent GDP in the current fiscal year. Nepal's GDP growth rate is one of the poorest in south Asian region and has never shown any consistency. After 1990, Nepal experienced the highest growth rate in the year 1994 (7.4 percent) and lowest growth rate in the year 2002 (0.12 percent) ILO report Dr. Biswambar. Average growth rate of South Asian countries was 7.3 percent in 2010 and decreased to 5.8 percent in 2011. Maldives and Sri Lanka maintained higher growth rate in 2012. India and China, that had attained double digit growth rates of 10.6 and 10.4 percent respectively in 2010 but decreased to a 7.2 and 9.2 percent respectively in 2011. IMF has projected further decrease to 6.9 percent and 8.2 respectively in 2012.

2.7.1 GDP growth in Asian Countries

Table 2.10: Real GDP growth rate (annual average) 2008-2011

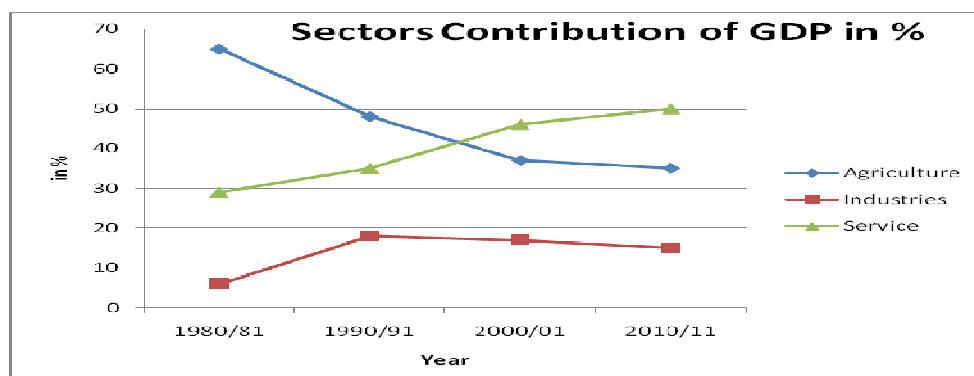
	2008-2011
China	9.7
Nepal	4.5
India	8.5
Pakistan	3.7
Bangladesh	6.0
Sri Lanka	6.6

Source: ILO (Arthur)

Real GDP offers a better measure than nominal GDP (total economic output of a country) when tracking economic output over a period of time. This output is measured at current price levels and currency values, without factoring in inflation.

Agriculture is one of the most important sectors of Nepalese economy that influences the overall economic development of Nepal. Share of agriculture to the GDP was 60 to 70 percent during 1960-1980 eras and later declined to 48 percent in 1990 and around 37 percent in 2000. It employs 76 per cent of the labor force and contributes about 35 percent to GDP in 2011.

Figure 2.16: Sector wise contribution to GDP



2.7.2 Sectors Contribution of GDP

The contribution of service sector to the GDP has been increasing since 1981 (figure above). The contribution of service sector was in the increasing order but started to decline since 1990. The economists argue that decline was due to vested interest of different trade unions, load shading, and political uncertainty. Comparatively the contribution of industrial sector is always below the other two (table below). Compared to other South Asian economies, agriculture continues to be a main driver of the Nepali economy and industry the weakest contributor to gross domestic production.

Table 2.11: Sectors contribution (percent) of the National Economy (1980-2011)

Sectors	1980/81	1990/91	2000/01	2010/11
Agriculture	65	48	37	35
Industries	6	18	17	15
Service	29	35	46	50

Source: Economic Survey (MOF)

2.8 Living Standard

According to Nepal Living Standard Survey 2010/11 the income has increased in aggregate and per capita term. The nominal average household income increased from Rs. 80,111 in 2003/04 to Rs. 2,02,374 in 2010, at annual average growth rate of 16.7 percent. In term of per capita the income increased from Rs. 15,161 in 2003/04 to Rs. 41,659 in 2010, at the annual average growth rate of 18.3 per cent. There has been some progress in the reduction of hunger, as reflected in food security situation but malnutrition remained a great challenge.

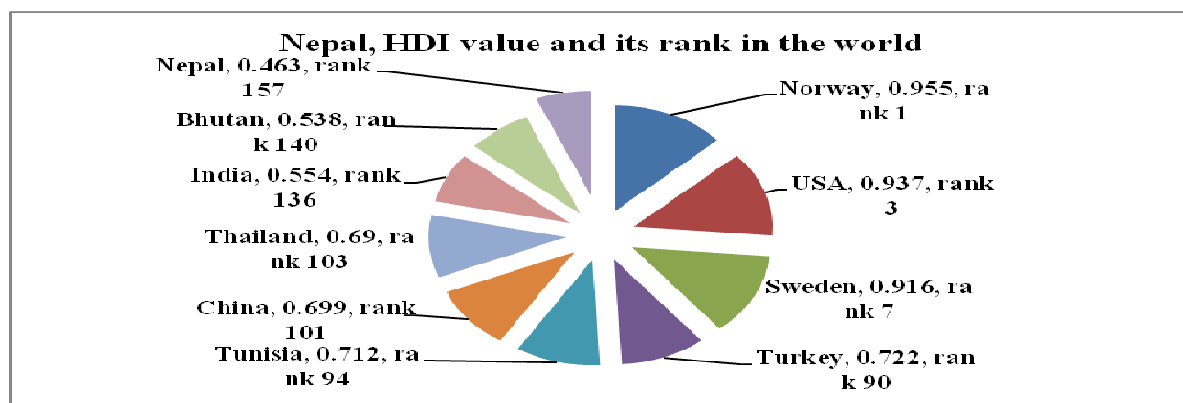
The nominal per capita consumption expenditure in aggregate has increased from Rs.15,848 (in 2003/04) to Rs.34,829 (in 2010), an annual average growth rate of 14 per cent. The consumption of poor has increased from Rs. 4,183 (in 2003/04) to Rs.11,093 (in 2010) that of middle/rich and ultra rich has increased from Rs. 9,230 and Rs. 62,037 (2003/04) to Rs.24,238 and Rs.1,02,772 (2010). The difference between the nominal per capita consumption of rich and poor is very high.

2.8.1 Human Development Index

The Human Development Index (HDI) is an alternative to conventional measures of national development, such as level of income and the rate of economic growth. The HDI represents a push for a broader definition of well-being and provides a composite measure of three basic dimensions of human development: health, education and income. According to the UNDP Report 2012, the HDI had been increased by 3.8 percent annually in 2012(0.463) since 1980 (0.234). Though it was increasing, in regional context, the index was lower than other countries as shown in the figure 2.17 below.

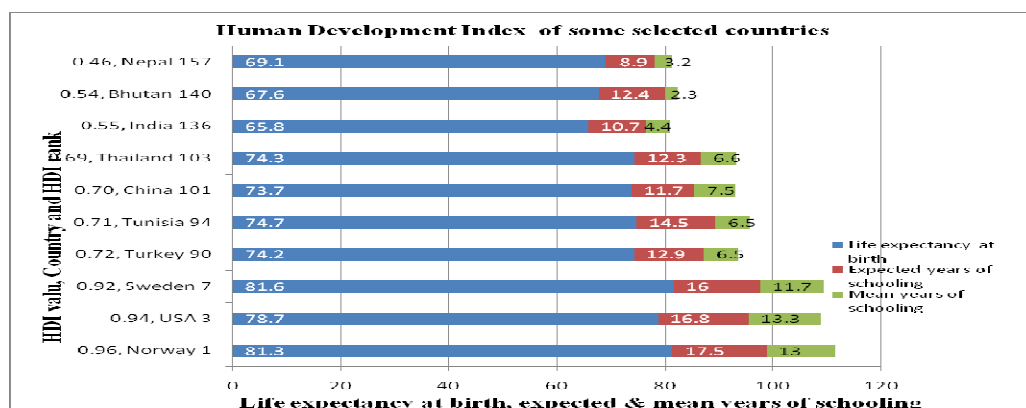
Sweden has the highest life expectancy (81.6) among some countries (figure 2.18 below), expected and mean years of schooling are 16 and 11.7 years respectively. The corresponding figures for Nepal (rank 157) are 69.1, 8.9 and 3.2 years and that of Norway (rank 1) are 81.3, 17.5 and 13 years.

Figure 2.17: Comparison of HDI value



Source: UNDP 2013

Figure 2.18: Comparison of HDI value



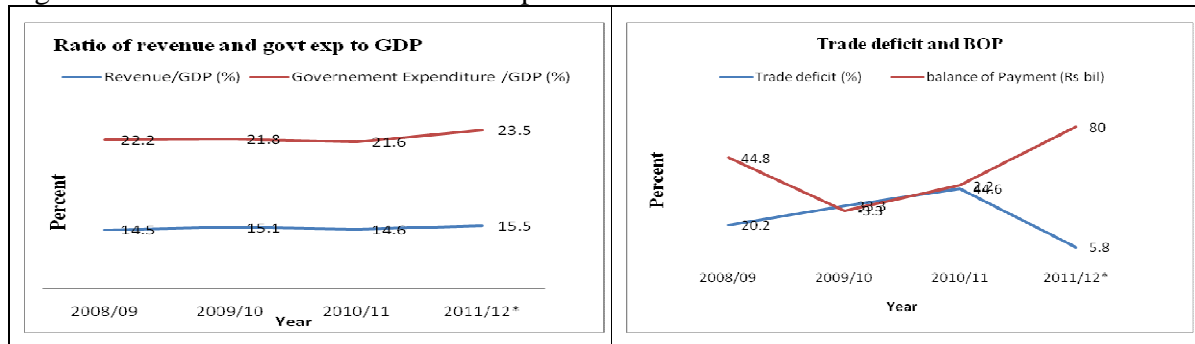
Source: UNDP 2013

2.9 The Government Revenue and Expenditure

From the figure 2.19 below it seems a constant relationship between the ratio of revenue and the GDP to ratio of government expenditure to the GDP in the fiscal year 2008/09 and 2010/11. The ratio of government expenditure to the GDP has increased in the fiscal year 2011/12 but in the

same period, revenue did not increase as expected. The relation between the trade deficit and balance of payment is in the flux. The balance of payment has increased by almost two times in 2011/012 compared to the figure in the year 2008/09. In the same period the trade deficit has gone down by nearly 4 times. The higher balance of payment is not because of exports but it is remittance, the economists declare.

Figure 2.19: Government revenue and expenditure.



Source: Economic survey (MOF)

Chapter 3

Social security Systems

3.1 Background of Social Security

Human life has 3 stages: dependant period (up to 16), working period (17 -60) and retirement period. The first stage is fully dependent. In the second stage a person normally works and remains independent. In the third stage, a person enjoys his/her retirement period and hence may or may not be independent.

When we talk about dependency this means one survives on the earning of the other. The host may be an individual or the state. For the first period, since it is fully dependent, it is the responsibility of the parents to look after their children for the basic things: food, shelter and cloths. The government responsibility is also equally important to look after them for education, skill development, healthcare and others. This helps younger people's capacity building from unskilled into skilled. Besides, if one falls sick or faces accident or turns into disable or suffer from critical illness, who is last responsible person: family or government?

For the second period life, though he/she is in the working age by law his or her income may be insufficient. He/she may require further skill development training, fall sick, become redundant, encounter an accident, and suffer from critical illness. He/she may have dependent children, spouse or special care children or one may turn into disabled or need Long –Term Care. Because of these it may be difficult for him to live a respectable and comfortable life. In these cases, who is responsible to address the issue?

The final stage of the life is retirement period. If s/he has enough income to support her/himself then he/she is not called dependent. If the income (pensions, annuity, social security, income from assets) is not sufficient to cover her/his living, then one may need help from others. If this is the case one is called dependent and who is responsible to look after him/him?

Therefore genesis of the social security stands on the ground that whether or not a person has enough assets, it is the responsibility of the state to help or address the issues. That is it is the responsibility of the state to look after its citizens as a last resort, though it is also the responsibility of the individual to allocate some money for their rainy days or contingencies such as sickness, medical /surgical expenses, work injury, unemployment, disability, invalidity etc.

From the socio-cultural perspective, our society is transferring towards unit family system as in the western countries, a kind of mobile life style. Away from home may be for job or skill development, training or migration. In this case, as well, if an individual needs to hire someone to look after him/her then who will pay the cost, Individual or state? These are the burning issues in the modern world.

3.1.1 Definition of Social Security

The social security is perquisite of social justice, social peace and economic and social stability. To live a equal, decent and quality life is inborn human right of an individual. For this the social security is a unit. The UN Human right has declared social security as basic human right of an individual. Nepal's interim constitution 2063 has also approved social security as fundamental right of citizens.

Social security is a risk pooling device. The core meaning of social security is to support financially to an individual who faces contingencies such as sickness, accidental injury, invalidity, disability, unemployment, dependency, critical illness, insufficient income during retirement and so on. These may occur at any time in the life, young stage, working age and retirement period. The social security is based on the principle of mutual help and does not follow each and every principle of insurance. It is a cooperative device: risk sharing, risk transferring and risk pooling. Many people contribute a very small amount of money from their wage throughout the active period and a few people are subsidized with large amount of money upon the contingencies of specified events. Again these contingencies may occur at any point their life. This is not only the case; social security fund also helps the contributors' dependents. In this case dependents may be children, disabled person, invalidity, supplement income to retirement. The contributors can be employees, employer, government, pensioner (to cover a few contingencies), and unemployment allowance claimant.

The ILO defines the social security as "Social security is the protection that a society provides to individuals and households to ensure access to health care and to guarantee income security, particularly cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of breadwinner".

3.2 Social security programs in Nepal.

- a) Social security for workers/ staffs.
- b) Social assistance.
- c) Food assistance program.
- d) Safety net program for elderly, Orphans, endangered, ethnicity, Refugees etc.
- e) Indirect social security (safety net) program:- senior citizens medical treatment, free treatment for senior citizens, etc.

At present total expenditure on the social security amounts to 11 billion which is very close to 3% of the government's annual budget. The following table 3.1 explains the categorical distribution of social security expenses in Nepal.

Table:3.1

	Type	No	Rate	Monthly Benefit	Annual Benefit
1	Senior citizen	783,374.00	500.00	391,687,000.00	4,700,244,000.00
2	Single women	797,885.00	500.00	398,942,500.00	4,787,310,000.00
3	Child grant*	458,135.00	200.00	91,627,000.00	1,099,524,000.00
4	Disability	19,486.00	1,000.00	19,486,000.00	233,832,000.00
5	Partial disability	6,875.00	400.00	2,750,000.00	33,000,000.00
6	Endangered race	21,289.00	500.00	10,644,500.00	127,734,000.00

Total expenses	2065755	400**	915,137,000.00	10,981,644,000.00
----------------	---------	-------	----------------	-------------------

Sources: Ministry of Federal Affair and Local Development.* up to two children, ** Average

3.3 Social Security and International Models

Different forms of social security exist in the world. Some schemes are fully financed by the public revenue. The employers supported schemes are also exist but they are of short term, medium term and very few long term. Social insurance scheme is tripartite and there remains contribution of three parties: employer, government and employee. The following table depicts some forms of social security and their source of funding.

Table 3.2: Basic features of Major Social Security Schemes

Types of scheme	Sources of funding	Coverage	Entitlement criteria
Social assistance (protection)	Public revenue	Persons in designated categories who have low incomes	Means test
Social insurance	Employees & employer's contribution	Members of insurance scheme	Contribution record
Employer allowances	Employer	Employed in designed categories	Employment criteria
Social allowances	Public revenues	Persons in designed categories	domicile

Source:- ILO (1979) United states (1980,1982); Midgley(1984)

3.3.1 Social security models used in different countries

Table: 3.3: Social security schemes in Asian and Oceania some countries.

S.N	S-Korea	China	Philippines	Indonesia	Thailand	Australia
1	National pension system	Pension system	Social insurance system	Health maintenance social security system	Medical service system	Pension system
2	Medical insurance system	Medical insurance system	Welfare policy for children	Health insurance system for public service employees and retirees	Pension system (Old-Age pension)	Medical security system
3	Welfare system for elderly	Health and medical services	Welfare policy for elderly	Welfare policy for elderly	Welfare policy for elderly	Public health and medical care

						policies
4	Welfare for children	Welfare for elderly and disable	Public health policy	Welfare for children	Public health policies	Health care& welfare for elderly & disable LTC for disable
5	Public health policy	Policy for family planning	Sources of revenues	Public health polices	Welfare policies for children	Welfare policies for children and family.

3.3.2 Tripartite contributions

Workplace injury or Accident is liability of the employer and hence it solely paid by employers. The contribution rate for this scheme varies in different countries, ranging from 0.7 percent to 36 percent in South Korea. For maternity and Sickness benefits, the contribution rate vary, however it is also found equal among the employee, employer and the government in some countries. But in Sweden, all the benefits are supported by the employer only. The following table describes the contribution rate in some countries.

Table 3.4: Contributions (by employees, employers and government) and benefits in some countries.

		Contribution								
S.N	Country	Mat & sickness			Work injury			Benefits		
		Employee	Employer	Government	Employee	Employer	Government	Maternity	Sickness	Injury
1	India	1.7 5	4.75	12% of medical cost	0		0	100% wage x 12W, 2500 Soc Asst	60% of daily wage , 2 day WP, max 90 days	75%
2	S/Korea	2.8 4	2.84(med +LT C)	2.84	0	0.7 - 36%	0	no cash, but paid if care giver.	No cash	70%
3	Tunisia	2.7 5	4	0	0	0.4 to 4	0	66.7%xDWx(30-45)d	66.7% DWx180d	66.7%
4	Thailand	1.5	1.5	1.5	0	0.2 to 1	0	50%xDWX90d, 12000 child birth grant	50% DWx90,180,365 d	60%
5	Mexico	1	2.45	0.75	0	0.5 to 15	0	100% x 84 d	60% x Wage x52 W- 78 W	70%
6	Sweden	0	8.64 +2.2	0	0	0.68	0	80% lost income 180 - 390d	80% of lost earning 15 - 365 d	80%
7	Norway	7.8	14.1	any deficit	0	5.02	defi cit	100% x 46 week	100% x 52 w	100%

3.3.3 Social Security in Some Countries: Thailand, India, Turkey and Tunisia.

1 Social Security System in Thailand

Employees Benefits Schemes

Contributory social security	Social security run by state fund
Workers compensation fund.	Social security scheme.
Social security fund.	Medical benefit scheme.
Provident fund.	Universal health care.
Government pension fund.	Social assistance.
Private school teacher W/F (PSTWF)	

Health Insurance Schemes in Thailand

The development of health insurance in Thailand has long history. Many trade unions conducted campaign from 1950 to 1990 to address the issue of social security in the country. Eventually they were able to forge Social security Act in 1990 September. Initially they started from formal sector employees based on the mutual help.

The Act was revised twice in 1994 and again in 1999. Before 2002, it covered a company with more than 10 employees but later it was extended up to one employee - self employed as well. This means Thai Social Security became universal.

Many development and reform in the legislation took place from 1950 to 2008. Mainly three Acts are working there. Categorically these three Acts are: for formal sector, for those whose contribution is less than 12 months and for those who want to contribute voluntarily; governing the social security in Thailand. Eligibility requirements are 9 months contribution for maternity, 36 months for invalidity and 12 months for child allowance. These eligibility requirements are amended with shorter contributions period and more coverage. After many years of experience and debate there are more than 9.39 millions of insured persons in Thailand.

2 Health Insurance Schemes in India

1. Rastriya Swasthya Bima Yojana (RSBY)

The scheme is for those who are below poverty level. It is funded by the central and state government in the ratio of 3:1. The premium of 750 covers sum assured of Rs 30,000. There is no cash benefit. Benefit is paid directly from insurance company to empanelled hospitals that provide health care services to those who fall sick. Each and every member of the scheme is given a unique identity number. With the help of this ID number along with the biometric identity (finger print) the member (Identity holder) of the scheme is detected at the hospital. The third party administrator processes all the claim in the hospitals. Maximum limit of the sum insured is Rs 30,000. Until this amount is used up, card holder can take benefits from the hospitals. The excess over Rs 30,000 is paid by the insured himself. The scheme also provides Rs100 for taxi fare. The central government invites for tender to operate the scheme. Insurance companies bid the quotation and if qualified, they will administrate the scheme in specified area/state.

The insured person only pays Rs30 as a card renewal charge. The program is extended (initially targeted for below poverty level) to informal sectors such as street vendors, domestic workers, building construction who have worked more than 15 days.

2. Employees State Insurance Corporation (ESIC)

This is for mainly factory workers that does attract employer's liability act. Any work related accident within the factory premises is the liability of the employer. But small factory does not attract the employer's liability act and ESIC take responsibility. For sickness benefits, there is a waiting period of only 2 days. This is because there is no legal leave allowed to the factory workers and this scheme plays important role for factory workers' social security.

The contribution rate is 1.75 percent of the wage by the employees and 4.75 percent of the wage by the employers. There is unlimited medical care facility and a retiree can take benefits from the scheme provided she/he has paid Indian rupees of 120 per year. One eighth of the medical expense is covered by the government. Replacement rate ranges from 70 percent to 100 percent of the wage. The duration of the benefit is 3 month for sickness and maternity & 2 years for disabled. The government subsidizes for those workers whose wage is less than 100 rupees per day and the workers need not to contribute.

These two programs have covered substantial numbers of people in India.

Employees benefits programs

1) **Civil Service Pension:-**This program is only for Indian government civil servants. It provides superannuation pension and retiring pension. In addition to these, health disability and family pension is also offered. New pension scheme is offered for those who join government after 2004.

2) The employees provident fund organization (EPFO)

It is the largest security organization of India. It is for employees of organized sector. It offers EPE, employee pension scheme (EPS), Employee deposit link insurance fund (EDLIF). The EPFO includes 186 industrial academies (with a company 720 employees). The EPFO has associated 5,73,000 companies their 4,70,00,000 workers/staffs under the social security.

This workforce represents only 12.5 percent of active force. Even then there are 28,40,00,000 workers/staffs (including 2,20,00,000 government employees) who are not

covered under the EPFO. An employee contributes 12 percent of wage, employer 12.5 percent and government 1.66 percent of wage. Total contribution is 26.16 percent of wage.

Annual deposit accounts to IRS 300 billion. By 2009 total deposited amount is Rs 3174 billion. The rate of return in 2010/11 is 9.50 percent. Under the EPFO, there are:-

a) Employee Provident Fund

Employers contribute 12 percent (but some industry 10 percent), 3.67 percent employees (in some industry 1.67 percent). Fund is available on death of employee or on retirement or loan is available on request. Provision of self maintained provident fund is allowed for a company if it can manage or if it is large company.

b) Employees Pension Scheme (EPS)

Scheme was started in 1995 under the EPF. Pension is paid to retirees and the spouse at death of the employee. Employees contribute 8.33 percent and government 1.16 percent. Any one (employee) can join the scheme but government pays Rs 3000 contribution.

Eligibility to pension is minimum 10 years service or age 59 years. But if service is 20 years and age 50 years one can go for early pension. In this case pension is deducted (reduced) by 3 percent up to age 58.

3) Small Saving Scheme

The scheme is for unorganized workers/informal sectors and self- employed. It provides attractive interest rate than other schemes, tax, and exemption. Main objective is to encourage long-term investment /saving, in particular by self- employed, for their retirement age.

4) Pension and Welfare Fund for senior citizens and poor

This is one of the social assistance programs for senior citizens of unorganized sectors. Under this senior citizens saving scheme and national old age pensions scheme are organized. Senior saving scheme is to encourage senior citizens by offering high/attractive interest rate. National old age pension is for poor senior citizens, if it is non- contributory pension.

5) Micro – Pension Scheme

The scheme encourages women of informal and unorganized sectors. Fund collected is invested in the money market by professional fund manager. The depositor rolled up amount is paid off after age 58 in installment or lump sum.

3 Social Security in Sri Lanka

- a) Employee provident fund.
- b) Government employees pension plan.
- c) Voluntary program for informal sector.
- d) Invalidity and development insurance scheme.
- e) Un employment insurance scheme.
- f) Prosperity program for poor.
- Consumption grant transfer to eligible households.
- Loan for entrepreneurial and business development.
- Social development program to rehabilitate and developed community infra-structure.
- g) Cash benefit for disable.

- h) Immigrant sickness assistance:- This program is for domestic immigrant whose salary is less than 1500 per month.

4 Social Security in Turkey

Social security in Turkey had major transformation in 2007, with efficient and fast functioning system. it is based on centralized control of different social security funds in a single institution.

- 1) Social development and social assistant programs for low income people who are not covered by Social Security schemes. These programs are for needy family, elderly and grant for people who take in elderly. Coverage has been increased substantially. In 2007 84 percent of the formal sector employees are covered (8.35 percent in 1999). There are two schemes: one for public sector and another for private sector. Later in 2008 self employed were also covered under the single Social Security Institution (SSI) covering 81 percent of the population.

Table: 3.5 Contribution Payment Systems

The employers contribute 21.5 percent and employees 15 percent of the wage. This covers most of the risks. The government covers only unemployment risk and contributes only 1 percent of the wage. From the table below we can see employers are major contributors.

Type of risk	Employees%	Employer %	Government %.	Total
Short –term risk	-	1-6.5	-	1-6.5
Long-term risk	9	11	-	20
General health insurance.	5	7.5	-	12.5
Unemployment insurance	1	2	1	3+1
Total	15	21.5	1	36.5

The contribution rate for an office employees, working in incoming oil/ gas may vary (depending on risk level).Rate changes as per risk level. Foreigners making Social Security contribution in their home countries do not need to contribute into the Turkish Social Security provided there is a reciprocal agreement between home country and Turkey.

The major transformation was carried out in 2007, with efficient and fast functioning operation system. The different social security schemes (funds) are consolidated into a single institution. Under the Social Security Institution (SSI) there are three divisions. 1) SSK run by state 2) Emekli Sandigi 3) Bag-Kur. All these 3 programs were consolidated into the SSI in 2007

Agricultural workers, self employed and people receiving benefits from other organizations are not eligible for the SSK benefits.

5 Social Security in Tunisia

Adopting French Model of social security system, Tunisia universalized the social protection in (2003- 2008). Tunisia is the first in the MENA (Middle East and North Africa) region and is showcased as prime example in term of social security. The reason behind this is Trade Unions who encouraged the state and social security organizations for social security and social

solidarity – which state can only achieve through various mechanisms. Solidarity to fight against poverty is also a cause of achievement.

The momentum took place when social and economic rights were compromised among various political and social organizations. Another reason behind the success is that 67 percent of the active labor forces were salary workers. The coverage rate was estimated to 83 percent of the population in 1999.

Parallel to the extension of social security in Tunisia, numerous steps of job creation, training, skill development, graduation, other arrangement for employment mechanism to enhance employability and other incentive programs to employers were launched. Tunisia has committed for human right as well and because of this disabled persons enjoyed special support for their decent existence. This further created jobs not only for disabled but also for others as well. In the same fashion the country adopted developmental effort without excluding or marginalizing anyone.

However it has financial equilibrium challenges with respect to its demography (longevity- 9 percent of the elderly people increased to 9.5 percent in 2009 and 17 percent is estimated in 2029). Another problem faced by social security fund is that of political influence. Compliance of the employer is another problem. They do not pay contribution in time.

To address the problem faced by the social security fund, the trade unions have suggested a fresh impetus on the following factors.

- a) Wage updating. b).Expansion of casual employment. c).Provides incentive to both employers and employees – stop declaring income to the social security institution. d). Encourage the state to stop granting exemption to employer for social security payment (contribution). e) Encourage state to improve contribution collection rate. F). Public health expenditure should be governed by the tax revenue and public should not be supported by social security fund. For this state authority should take initiative.

Table: 3.6 Comparison of Social Security in different years in Tunisia

In one hand the insured population is increased by three times in 2008 compared to 1987. The coverage rate is 93 percent in 2008. On the other, health care expenditure is increased by 15 times as well. The following table explains insured population and coverage in Tunisia.

Year	Insured population	Coverage rate %	Value of service (million)	H/Care Exp	Literacy rate	graduated
1987	10,79,615	54.6	286 m	48.6m		
2008	33,91,367	93.3	3470	793.3m	768,000 (01- 08)	461,000

Source: FES

Chapter 4 Social Security Schemes Funding

4.1 Sources of Fund

1. Contribution made by employees (1percent at present).
2. Contribution made by employers
3. Interest earned on the fund.
4. Government's subsidies.
5. Donation from NGO, INGO and other agencies.
6. Excess of the fund over the claim.
7. Others (Penalties, claim repudiated etc)
8. Service /fee charge/ card renewal charge etc). Unclaimed benefits (if beneficiary does not turn up to claim).

4.2 Contribution rate:- Since we do not have enough experience on the claim size and frequencies, the Pay As You Go (PAYG) method is preferable to the full funding method. The PAYG method is also suitable in the early year of the schemes whose liability is of short term. Since the proposed schemes are of short term in nature the PAYG is a method is recommended for few years. The contribution rate is determined on the basis of claim experience at the end of the year. Once the database is established and we have enough experience on the claim size and frequency, then a fixed contribution rate can be determined. However, for saving and pension scheme full funding method is a better option than the PAYG for which, the contribution rate is determined in advance. The contribution rate remains higher than required in the early years and it would be enough to cover claim in the later years when the claims remain higher as the scheme matures.

At present there is contribution of 1 percent on the upper slab of the taxable income on employee's wage or basic salary. But international practice is that contribution rate is determined on the wage or basic salary rather than upper slab of the taxable income. The higher the insurable earning the lower will be the contribution rate and vice versa.

There is no contribution made by the government or employers. The provision in the labor act is that there will be 10 percent contribution by the employees and 10 percent by the employer. Also dialogue is under way among the authorities to raise the contribution rate of employer up to 20 percent.

4.3 Contribution collection process: - The system will be installed to collect the contribution as a direct debit from the employer (on employee's wage) on behalf of the employees. There will be penalty for those employers who do not pay the contribution by the third week of the following month. But this will not applicable for those employers or employees who get paid on quarterly basis.

The IT system should be installed in such a way that collection can be verified on the name of employers, employees and any other donation or renewal of cards. Further

Total Contribution collection in: year wise, last month, last 6 months, in any period (from date --- to date----

Contribution: year wise, Scheme wise (portfolio wise)

Employees who do not contribute: on the last 1, 2, 3, 6, 12 months or more than 12 months. (extract from ID)

Employers that have not made any contribution: in the last 3, 6, 12 and 18 months or more (shut down business, strike, fire etc).

Total claim made on specified period: last month, last 6 months, in any period (from --- to ----)

List of employers that made claim: on the last 1, 2, 3, 6, 12 months or more than 12 months. (extract from employers code)

Numbers of death (injury, maternity), new contributors, did not make any contribution or death registration by any date etc.

List of employees, employers, police officers, doctors & HR managers and any others who made fraud claims or fraud recommendation.

List of employees who are getting benefits from the SSF and working during the same time (case may be of fraud or getting residual disability benefits). For this there must be close relation between contribution and benefits payment or relation between SSF and Tax Office (IRD).

List of employees who get paid on quarterly basis or List of employers that pay salary on quarterly basis.

List of employees who are on study leaves.

In case of hospitalization, check up or any treatment, there must be medical report history supplied online by the hospital in the individual employee SSF account. For this hospital will be empanelled with SSF IT system.

In the early years of the scheme launch some scheme design the PAYG funding. This is because of insufficient data on contribution collection, claim on schemes (sickness, injury and maternity) in the present case. So PAYG is the best to apply for some years.

4.4 Contribution rate for future

The SSF can be very good data source. Before the schemes are launched by the SSF, it can request the regulators (Central Bank, Beema Samiti, Security Board and so on) if they can help by issuing a circular notice to the respective employer to provide required data by the SSF. The SSF may need data information on numbers employees, their basic and gross salary, sickness rate per year, injury rate per year and composition of male and female within the company, maternity, accidental rate or workplace injury etc. This will obviously help the SSF to forecast the future contribution rate for the proposed schemes and others in the future.

Provided we have data on the above schemes and we can estimate the contribution rate for the benefits to be paid in future.

However it totally depends on the insurable earning; benefit payable either on gross or on basic, rate of return, claim experiences, mortality, fertility, morbidity and many more.

Chapter 5

Proposed Social Security Schemes

5.1 Introduction

Morbidity means illness or invalidity or a condition of being sick. It is an obstacle for development of a country (economically/socially active healthy population remains productive while morbid population is burden to the nation). Morbidity creates poverty, hunger, illiteracy. Non Communicable Disease (NCD) is a major factor of death due to morbidity in the world. Lack of nutritious food and proper sanitation, unavailability of health workers in the rural areas accelerate female morbidity. In some cases, lack of health workers remains the main cause of turning minor illness into morbid case. Some illness turns into chronic type due to various factors. Major causes of morbidity are risky delivery, poor sanitation, ignorance of preventive method, lack of health workers and specialists, high birth rate, short child birth interval and malnutrition

Replacement Rate (RR):- It is the ratio of post claim or (retirement) income to pre- claim or (retirement) income, net of income taxes in either case. Replacement rate represents critical indicator of likely claim experience. The higher the RR, lower the incentive to return to work and the poorer the morbidity experience is likely to happen. Literature says 1percent increase in the RR might mean 1% increase in the expected cost of claim.

If much larger state pension is provided, then the RR will go up and there will be less need of employer sponsored or contributory pension scheme. That is, if the state provides reasonable social security, employers can set a moderate replacement rate of 50 percent. But in case of Nepal, there is no state pension at all except very small senior citizen allowance. The ILO's minimum standard on the RR is 45 percent, but some rich countries have offered the RR 100 percent. Over –insurance is a situation where the RR is higher than appropriate. The effect of high RR makes it more difficult for the insurers to control the cost of claim and it increases the level of claim frequencies. For example, if higher than employees' current salary is paid as a social security benefit then s/he may attempt to feign sickness so that s/he will get paid without working. This may happen in either situation (pre and post sickness). To control this, we need to review the RR on regular basis for appropriate benefits. Considering all these facts and international practice 70 percent replacement rate is a suitable measure for sickness insurance in Nepal.

The proposed scheme contains Sickness Insurance, Maternity Insurance and Workplace Injury Insurance. All these schemes are contributory, as part of vertical dimension.

5.2 Sources of the Schemes

The Nepal Labor Force Survey 2008 states that average salary for male worker is 5700 and that of female is 3400. But we are only considering the formal sectors employees. The salary must be higher than this because of two reasons: firstly salary in the organized sector remains higher than the non- organized sector, and secondly, in five years' period many upgrades may have occurred to the salary scale. Because of this we have reached (estimated) to the following salary scale and number of employees (table5.1) in the formal sector. Since there is no current data available on the number of workers in the formal, informal and self-employed, we visited many companies, collected secondary data, and communicated over phone in preparing the following table. We

came to the conclusion of 1250,000 employees working in the formal sector with an average per month salary of Rs 10442.

Table: 5.1 : Employers, their employees and average estimated basic salary.

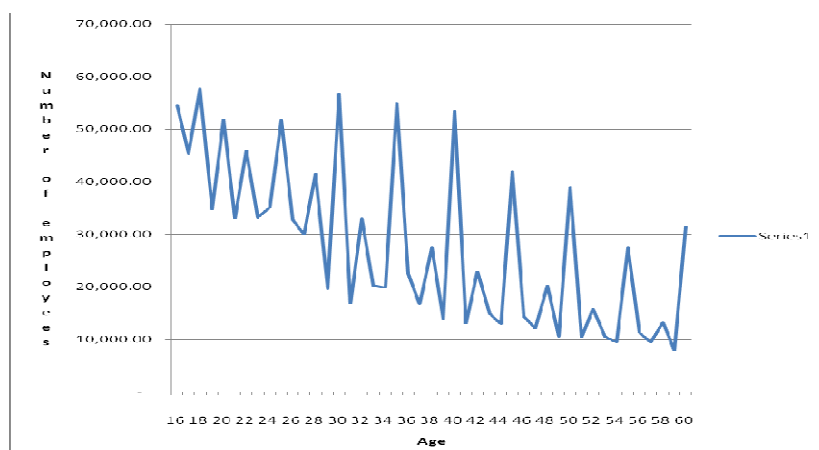
S.N.	Name of Organisation	Employee numbers	Average Monthly Salary
1	Government Civil Service	90,000	13,739
2	Nepal Army	95,000	12,300
3	Nepal Police & AFP	97,000	11,900
4	Teacher (perm) primary and secondary	90,000	14,069
5	Private Teacher +staff	110,000	8,000
6	Teacher (9-12)	36,523	18,000
7	Relief (40K) Teacher + temporary	76,071	10,000
8	Cooperative	40,000	8,000
9	Tribhuvan University	15,000	20,000
10	Insurance Company	4,000	8,500
11	Public Corporation	40,000	13,200
12	Private Bank (all)	40,000	15,000
13	Nepal Rastra Bank	1,500	18,000
14	Security (private)	160,000	8,000
15	Others*	354,906	8,000

Total number of employees	1,250,000
Average salary (insurable income)	10,442
Total income (contribution)	1,566,227,040

*Others include - hospitals, hotels, NGO/INGOs, colleges, travel and tour offices, and aviation.

The total income is very close to the contribution collected (Rs1, 550,000,000.00) in the fiscal year (2068/69).

The age specific population of the contributors looks like the following figure (Fig5.1). From the figure below, higher percentage of the contributors is younger than the older. This means the population deserves less risky and schemes are more viable.



5.3 Future projection

Total working age population (15 – 49)	1,34,10,607
Population as salary worker (in non agriculture and no-manual)(%)	12
Population as salary worker (in non agriculture, skilled and unskilled workers) (%)	13.24
Total non agricultural worker s	27,23 694
Average monthly salary (Rs)	10442
Tax contribution (%)	1
Total revenue	3,41,28,97,530
Total annual revenue at 21% contribution rate	71,67,08,48,125
Total annual revenue at 21% rate from 3 million employees	80 billion

Data source: CBS (National Report 2068), NDHS

5.4 Sickness Insurance Benefits

Sickness insurance is designed to pay you monthly benefits if you lose your monthly salary or daily wage due to accident or sickness.

Income protection insurance policy provides compensation to an employee whenever he/she falls sick. The income protection policy covers two contingencies: income loss and hospitalization expenses. Therefore Sickness Insurance is one part of income protection policy. It is designed to pay you monthly benefits, if you lose your wage or salary due to accident or sickness.

The Sickness Insurance is temporary in nature and benefit is paid only for short period of time. Another part of the income protection policy is hospitalization expenses. The proposed Sickness Insurance scheme covers only income loss due to illness or injury and not the hospitalization expense. We expect hospitalization expense scheme in near future.

In many countries, employers have legal obligation to statutory sick pay to their employees during first few days of sickness (for example in the UK, the sick pay start on 4th day and ends on 28th week of sickness). To some extent, the case is similar is in Nepal. But the Sickness Insurance scheme provides additional benefits on top of the sickness benefits provided by employers.

We do not have exact experience on what percent of workers fall sick each year in the formal sectors. About 11.44 percent of the people in Nepal suffer from the illness for long (Nepal Population Report 2068). 21 percent of the population in the rural and 18 percent in the urban suffer from acute illness (NLSS 2010/11). Considering these two statistics, we have assumed 20 percent sickness rate for the calculation of the proposed Sickness Insurance benefit. Since we are considering only formal sectors employees, whose sickness rate always remains lower than informal, the rate must be less than 20 percent. Another reason to support this argument is that female morbidity rate is higher than the male. But percentage of female employees in the formal sectors are much less than male employees, around 30 percent of the total formal employees. From this we expect morbidity profit to the Sickness Insurance Scheme.

Though international practice on waiting period varies, 4 days waiting period is considered to be standard. The longer the waiting period the lower will be the contribution rate and vice versa. We have set 3 days waiting period only for the scheme. Again we do not have experience on: average number of days that the formal sector employees fall sick in a year. We can see the experience of Netherland, where 23 percent of the population falls sick with an average duration of sickness 4.8 days (Arthur Report). But the occupational safety and health situation as well as overall health status is much better in Netherland than in Nepal. This is justified by the HDI rank (Netherland 4th while Nepal falls on 157th out of 187 countries, UNDP Report 2013). This gives enough evidence to say that average duration of sickness in Nepal must be more than 4.8 days. 10.25 percent of the total population suffering from chronic illness while 20 percent suffers from acute illness (NLSS 010/11). The Annual Report 2010/011 (page 148) Department of Health Survey (MOHP) reveals that average length of stay in hospital (inpatients) is 3.3 days. This triggers our assumption that there must be more than 4 days of work loss due to illness.

From the fields survey (Arihanth in Biratnagar, Bir hospital, KMC and others) also we have found that average duration of sickness ranges from 7 to 10 days. Based on these statistics we have following assumption and the benefit expenditure calculation.

5.4.1 Sickness Insurance Benefits Calculation model 1

Assumptions

Total contributors	1250,000
Average monthly basic salary (scale) (Rs)	10,442
Sickness rate (of contributors) (%)	20
Average duration of sick (days)	7
Waiting period (days)	3
Replacement rate (%)	70, 60, 50
Interest rate (%)	5

Claims occur uniformly throughout the year

Claims are paid in the middle of the year

There is regular entry (new) and exit (old) of contributors from the scheme.

For more conservative measure we have assumed higher (Rs12000, Rs14000 and Rs16000) than average basic salary

Table:5.2 Based on the above assumption, we have following benefit expenditure matrix.

Average monthly basic salary	Replacement Rate (%)	70	60	50
Rs10442 (estimated)	Benefit Expenditure (Rs)	274,355,538	235,161,890	195,968,242
	Benefit/Revenue	0.18	0.15	0.13
Rs12000 (assumed)	Benefit Expenditure (Rs)	315,290,793	270,249,251	225,207,709
	Benefit/Revenue	0.20	0.17	0.14
Rs14000 (assumed)	Benefit Expenditure (Rs)	367,839,258	323,076,923	262,742,327
	Benefit/Revenue	0.23	0.21	0.17
Rs 16000 (assumed)	Benefit Expenditure (Rs)	420,387,724	360,332,335	300,276,946
	Benefit/Revenue	0.27	0.23	0.19

From the above table, at a replacement rate of 70 percent and average salary Rs10442, annual expenditure on Sickness Insurance scheme amounts to Rs 274 million which is 18 percent of the total annual revenue of the scheme. The expenditure would be Rs 420 million should we set an average salary Rs 16000. In this case the Sickness Insurance scheme would consume 27 percent of the total annual revenue.

Since there is no relation between the insurable salary and contribution amount (there is no ceiling on basic salary but maximum contribution an employee does is Rs2000). Therefore it is hard to estimate the effect of rise or fall of salary on the contribution. For the fairness of the scheme to some extent we have put upper ceiling on the benefit as well. Increase in the salary does not always mean increase in the contribution. This suggests us that increase in the salary would definitely increase the benefits expenditure but might not increase the contribution.

Since we are considering formal sector's employees only, sickness rate must be lower than assumed. As we have mentioned earlier 11.44 percent of population suffer from illness for long. If we consider this figure as a sickness rate, then the sickness benefit expenditure will consume 10.30 percent of the revenue in the base scenario (calculation on estimated salary) against 16.02 percent of the revenue in the worst case scenario (calculation on assumed salary).

5.4.2 Sickness Insurance Benefit Calculation Model 2

Since we do not have experience of reliable sickness data and credibility of field survey is also very poor we consider the upper point of our sickness duration range (7-10 days) as mentioned above. Keeping the other parameters same as in the model one and assuming average duration of 10 days, we have following benefits expenditure matrix.

Table5.3: Sickness Benefit Matrix

Average monthly Basic Salary	Replacement Rate (%)=>	70	60	50
10442 (estimated)	Benefit Expenditure	480,122,192	411,533,307	342,944,423
	Benefit/Revenue	0.31	0.26	0.22
12000 (assumed)	Benefit Expenditure	551,758,887	472,936,189	394,113,491
	Benefit/Revenue	0.35	0.30	0.25
14000 (assumed)	Benefit Expenditure	643,718,702	551,758,887	459,799,073
	Benefit/Revenue	0.41	0.35	0.29

From the table above, annual benefit expenditure is Rs480 million and consumes 31 percent of the annual revenue of the schemes in the base scenario. In the alternative scenario, maximum expenditure is 643 million (41 percent of the annual fund).

5.5 Maternity Insurance Benefits

Maternity insurance benefit is the second proposed scheme to offer to its contributors. Most of the employers provide maternity and paternity leaves. The maternity scheme provides benefits on top of the employers' benefits and hence it is an additional benefit to the contributors. The contingency it covers is maternity only. The ILO has recommended a maternity leave of 98 days.

In order to calculate benefit expenditure, we have analyzed fertility rate. Because of social influence and economic, medical and environmental factors the fertility rates are much more variable than mortality rates. The major influential causes of fertility change are: wide availability of contraceptive services and their effective use, current economic and political prospects, the perceived cost of raising a child (both directly and indirectly, for example, loss of earning), cultural influence on religion, labor force participation by women, societal norms created by education and public opinion and bringing up children in an expensive process. If economic prospects are poor and recession is likely to occur, people may be less willing to have more children. Instable political condition may curtail birth rate (if future security of children is in doubt), government may encourage or discourage child birth. We can take the example of China where people are encouraged to have a single child. But in some developed countries the situation is just reverse. Some countries provide allowances for having more children.

With reference to Nepal total fertility rate is again decreasing as elsewhere. It has decreased from 6.27 in 1981 to 2.6 in 2008 -10 (Nepal Population Report 2069/2011). The same report states that mean age of marriage is increased by two years. In 1981 mean age of marriage was 20.7 year for male and 17.2 year for female but in 2001 it was found to be 22.9 year and 19.5 for male and female respectively.

Awareness of family planning among the married women has also increased dramatically. In 1981 only 51.9 married women used to know about at least one method of family planning. This figure has been increased to 99.9% in 2011.

Demand for contraceptives has increased from 50.05 percent in 1991 to 77.20 percent in 2011. Also there is evidence that 43.2 percent non pregnant women use a modern method of

contraception. 60 percent women in the urban area use modern family planning methods while this figure is 48 percent in the rural area. Similarly the Crude Birth rate is in decreasing order. In 1981 it was 44 per 1000 but the figure decreased to 24.3 in 2011. The highest fertility rate lies in the age of 20-25. But as mentioned earlier, mean age of marriage is pushed two years forward (to 22.9 years), resulting higher probability of less number of child births. Fertility also depends on profession. Trend of two income family is increasing as well. This obviously affects fertility rate and number of child births. In conclusion, all the above facts show that the number of child births is in the decreasing order.

On an average 83 percent of pregnancy outcome turns into live birth and 17 percent results into still birth (0.9 percent), miscarriage (8 percent) and abortion (8 percent) (Source: NDHS page140). Since the scheme covers the maternal death, we have taken reference from the Nepal Population Report (2011 page 41) where it shows that 229 mothers die out of 100,000. The maternal mortality rate for those who conducted a delivery in the hospital is very low though (46/122,837- Annual Report – MOHP page 148).

5.5.1 Maternity Insurance Benefits Calculation Model 1

Age specific fertility rate (ASFR) of Nepal and the UK is mentioned in the table below. The table shows that the number of live birth per woman per year is decreasing in Nepal and it is higher than the UK.

Table5.4: Age Specific Fertility Rate of Nepal and the UK

ASFR of Nepal				UK ASFR
Age –group	1998-2000	2006	2011	1997*
15-19	0.11	0.098	0.081	0.03
20-24	0.248	0.234	0.187	0.077
25-29	0.205	0.144	0.126	0.105
30-34	0.136	0.084	0.071	0.089
35-39	0.081	0.048	0.036	0.039
40-44	0.034	0.016	0.014	0.007
45-49	0.006	0.002	0.005	0.003

Source: Nepal Population Report 2011/068 (Original: CBS, MOH MOHP), *actuarial book: ST4-13-11.

For the maternity benefits calculation of the formal sector female employees, we do not have experience of female workers. In the government's civil services there are only 15 percent female employees. The female participation rate as salary worker in different industries (financial institutions, education, public service, health and real estate) is 27.1percent¹. The female paid employee in percentage of total employment is 26.2 percent (NLFS 2008). Similar

¹ Current Situation of Occupational Safety and Health in Nepal : A study report by Rudra P Gautam and et al) GEFONT report by Dr. Pradhan

experience is with the Ministry of Education where female teachers are 34.6 percent, heavily biased ECD (85 percent) teachers (MOE). From age 20 to 49, not all the females remain married. On an average 4.6 percent of female are found to be never married (NPR 2011: MOHP). We have not used this parameter in our benefit calculation below.

Considering all these statistics, we have made following assumption for our maternity scheme benefit calculation.

Assumptions:

Marital status of all female contributors	all married
Fertility used	ASFR 2011 (mentioned above)
Female contributors (%)	20, 30
Duration of benefit payable	2 months
Replacement rate (%)	50, 70
Child birth takes place uniformly throughout the year	
Miscarriage and still birth are excluded for calculation	
Other assumptions	all the assumption used in model 1

Based on the assumption mentioned above in addition to those assumed in the calculation model 1, we arrived at the following benefit structure.

Table 5.5: Maternity Benefit Benefits Calculation Matrix

	Alternative scenario		Base scenario
Percent of female employees in the formal sector	0.30	0.20	0.30
Replacement Rate	0.70	0.70	0.50
Number of child birth	14,271	9,514	14,271
Benefit expenditure	312,922,657	208,615,105	218,129,460
Benefit/Revenue	0.20	0.13	0.14
Benefits expenditure at Rs12000 per month salary	359,612,324	239,741,550	246,078,675
Benefit/Revenue	0.23	0.15	0.16

In our calculation, the Sickness Insurance scheme consumes Rs 218 million in the base scenario equivalently 14 percent of the annual revenue. In the alternative scenario, the annual expenditure is almost Rs 313 million that utilizes 20 percent of the revenue.

Comparing this result (14 percent) with Arthur's Report (27.4 percent) lower figure is due to exclusion of informal sector in our calculation where female participation is heavily weighed and chance of incidence remain higher with informal sector employee. As we have mentioned earlier ASFR is highest in the age 20 to 25. National Report 2011 of CBS states that 44.81 percent of the absent population falls in the age group 15 to 25. These two statements constitute strong evidence to support that there will be less number of incidence in the maternity scheme. We have

also assumed that all female employees are married. Considering all these points it is most likely that number of incidence will be less than what is estimated.

Using the average basic salary of RS 12,000, the scheme consumes Rs 250,675,495.00 equivalent to 16 percent of the revenue.

Alternatively the figure even comes closer if we apply annual average population growth rate of 1.35 percent (National Report 2011) to total population assumed or with crude birth rate of 24.2 per 1000 (CBS 2011). These figures are 16.53 percent and 14.82 percent of the fund.

5.6 Workplace Accident or Injury Insurance Benefit

Workplace accident or injury insurance is third scheme that the SSF has proposed to offer. In the most countries workplace accident or injury is liability of an employer. This is also called worker's compensation insurance. As it is absolutely employer's liability, most of the countries have imposed legislation on the employer to cover it. However in some countries premium is paid in the ratio of 1:4 in between workers and the employers. In context of Nepal most companies pay compensation to its employees. But the level and duration of the benefit payment varies. The scheme objective is to provide short term income protection.

Work related injury and occupational diseases have become increasing concerns to employees, employer and government because it impacts on productivity. Injury and violence are major causes of death of economically active age group (15-60) that affect more than 5 million people in the world per year². This contributes 9 percent of global mortality which is higher than mortality caused by HIV, Malaria & Tuberculosis.

The research conducted by Dr Sunil K Joshi in Nepal revealed that (505 samples) 73 percent male and 60 percent economically active face accident mostly in between 6 am-12 pm. The following are the findings on the research.

Table 5.6 Types of accident and their percentage.

Types of accident	Road accident	Fall case	Motor bike accident	Work place accident	Intentional violence	Cut bites, open wound	fractures	Intensive care (severe injury)
%	33	29	65	19	16	40	21	11

The ILO estimated that the total cost of occupational accident and work-related diseases are 4 percent of the gross national product of a given country³. The study shows that 1 percent increase in the virtual workforce ratio tends to increase the occurrence of non-fatal injury and disease by 13-14 percent and fatal injury by 7-8 percent, on an average.

² Situational analysis to Strengthening and establish effective injury surveillance system in Kathmandu and Bhaktapur by Dr Sunil Joshi submitted to National Planning commission

³ Workers' Compensation Insurance and Occupational Injury, Ilsoon Shin et al. www.e-shaw.org (Saf Health Work)

Another research conducted by Hong Qiu et al reveals that out of 10.8 million Australian workers who worked in the past 12 months, 6.4 percent experience at least one work related injury or illness⁴ (Australian Bureau of State2007). It is also found that more people moving from rural to urban areas face work place hazard. Working long hours, high mental stress at work increase work related injury (study reveals). The study also reveals that workers who do overtime work are 61 percent more likely to get hurt. But in Nepal, the level of occupational safety and health is very poor and there are more chances of work place accident or injury.

Following table 5.7 shows the type of injuries and their percent (Bureau of Labor Statistics USA).

Types of injury	Violence	Transportation	Fire & explosion	Fall/slip/trip	Falls/slip	Harmful environment	equipment
% of accident	17	41	3	14	14	9	15

The Bureau of Labor Statistics in the USA had revealed that mean days in hospital for construction workers is 4.84+-8.24.

From field visit, it is found that average days away from work due to injury are 5-7 days. Rate of injury is found to be 1 percent and fatal injury recorded is 0.04 percent. Biratnagar (Arihanta Textile, 0.04 major injuries, 1 percent minor injury. Work place injury covers disability benefit, but there is again lack of statistics. The National Population Report 2068 (CBS page 211) has recorded 5,13,321 (1.9 percent) people having at least one kind of disability. But the causes of disability are not mentioned and it is difficult to estimate how many people suffer occupational disability. However the findings show that 36.3 percent of have physical disability.

5.6.1 Workplace Injury Insurance Benefits Calculation Model 1

We do not have statistics on workplace injury in Nepal. People suffering from physical injury under the acute illness category stand only 5 percent (NLSS 2010/11). But it is not clear whether it is work injury or of any other. Therefore we take reference of Arthur's Report for our calculation. Annual number of working days lost due to work injury and disease in the UK in 2009 is 1.2 day per worker. Since the occupational safety and health situation is not good in Nepal, we assume work days loss due to workplace injury or disease is 2 days per worker, for our calculation. Keeping other assumptions as in the Sickness Benefit Model 1, we have arrived at the following benefits expenditure.

Table5.8: Workplace Accident Benefits Matrix

	RR (Base)	RR(Alternative I)	RR (Alternative II)
Replacement Rate	0.5	0.6	0.7
Benefit expenditure	435,083,333	522,00,000	609,116,667
Benefit/Revenue	0.28	0.33	0.39

⁴ Work related injury and muscular disorder by Hong Qiu et al on journal Accidental Analysis and Prevention www.elsevier.com.

Contribution Rate (%)	0.3	0.3	0.4
-----------------------	-----	-----	-----

Of the 50 percent replacement rate, annual benefit expenditure is 435 million, equivalent to 28 percent of the annual revenue. The benefit estimate comes to 500 million (32 percent of annual revenue) if we assume Rs12000 average monthly salary and replacement rate of 50 percent.

If we calculate the benefit at 70 percent replacement rate and 1.2 days of absence from work then the benefit expenditure comes to 23 percent of the revenue.

5.6.2 Workplace Injury Insurance Benefits Calculation Model 2

As mentioned above, injury related death contributes 9 percent global mortality. For our calculation, we take Assured Life Mortality of Nepal 2066 and assume mortality due to injury contributes 10 percent to it. Again probability of being disabled due to injury remains much higher than the probability of being dead. Let us assume probability of being disabled (permanent total and partial disability) due to injury is 2 times the Nepalese Assured Life Mortality.

For temporary disability, minor injury or illness due to injury, we consider 20 percent of total revenue. Workers annually suffer for 2 days work loss each. For other statistics, we use the assumption made in the calculation model 1 and arrive at the following benefit matrix table 5.9.

	Base scenario	Alternative scenario
Replacement Rate (%)	50	70
Salary Rs10442,Benefit expenditure (Rs)	40,70,70,724	44,18,77,391
Benefit/Revenue	0.26	0.28
Salary Rs 12000,Benefit expenditure (Rs)	42,00,54,057	46,00,54,057
Benefit/Revenue	0.27	0.29

Since there is no waiting period and workplace injury is solely the liability of an employer we have set replacement rate at 50 percent. The scheme covers death and disability. Death benefit will be of two year's 100 percent basic wage but the disability benefits will vary, depending on degree of disability.

The degree of disability will determine the benefit payment. The medical committee will decide the degree of disability. The benefits will be paid as per the set in the Note below.

Disability

Definition1: Occupational definition of disability is inability to perform own occupation (profession) fitted by education, training and qualification. This is only applicable for two year from the contingency.

Definition 2: Inability to perform any occupation either fitted by education, training or qualification of his own profession or any other profession. This is also called functional assessment test. The functional assessment test includes Activities of Daily Living (Toileting, bathing, standing, walking/standing alone, and eating).

Most common deferred period is 4 weeks, 13 weeks, 26 weeks and 52 weeks.

5.7 Product or Scheme Analysis

In conclusion, if we consider average basic scale salary of Rs10442 and the replacement rate of 70 percent in all the three schemes then the benefits expenditure will consume 77 percent of the SSF revenue. Keeping 5 percent for the administrative expenses and 8 percent resilience in the claim estimation or data variability in the estimation (international practice in the data variability is of 7 percent) and 2 percent for fraud claim, the schemes will consume 92 percent of the SSF revenue. If the estimation goes in this way the remaining 8 percent of the fund can be set aside for the reserve.

To reduce moral hazard and fraud claims, treatment done in a polyclinic/ private clinic will not be accepted unless and otherwise there is no alternative or the consulting/attending doctor is a specialist and there is no other governmental hospital nearby.

5.8 Benefits Payable Calculation Formula

5.8.1 Benefit payment calculation method

Sickness benefits payable = (basic salary) x (replacement rate) x duration of sick (eligible for claim).

5.8.2 Sickness Benefit Payment Calculation Method 2

Sickness Benefits Payable = (Basic Salary) x Replacement Rate) x (duration of sickness)

<u>Salary range</u>	<u>Benefit payable</u>
Less than Rs10,000	70 percent x basic salary x duration of sickness or Rs 15,000 which ever is less.
Rs10,001 to Rs15,000	70 percent x basic salary x duration of sickness or Rs 20,000 which ever is less.
Rs15,001 to Rs20,000	70 percent x basic salary x duration of sickness or Rs 28,000 which ever is less.
Rs20,001 and above	70 percent x basic salary x duration of sickness or Rs 35,000 which ever is less.

5.8.3 Maternity Benefit Payment Calculation Method2

Maternity Benefits Payable = (Basic Salary) x Replacement Rate) x (two months duration)

<u>Salary Range</u>	<u>Benefit Payable</u>
. Less than Rs10,000	50 percent x basic salary x 2 months or Rs 10,000 which ever is less.
Rs10,001 to Rs15,000	50 percent x basic salary x 2 months or Rs 15,000 which ever is less.
Rs15,001 to Rs20,000	50 percent x basic salary x 2 months or Rs 20,000 which ever is less.
Rs20,001 and above	50 percent x basic salary x 2 months or Rs 25,000 which ever is less.

In the case of miscarriage the benefit will be paid on proportion basis.

But the SSF deserves the right to increase or decrease benefits amount payable in exceptional cases such as major or serious illness or sickness due to injury. Maximum amount payable in such a case will depend on physical condition of the contributor and recommendation of medical committee. The must released only after approval of the board.

5.8.4 Workplace Accident/Injury Benefit Payment Calculation Method

Workplace Accident Benefits Payable = (Basic Salary) x Replacement Rate) x (two months duration)

Salary Range

Benefit Payable

Less than Rs10,000	50 percent x basic salary x duration of sick due to injury or Rs 10,000 which eve is less.
Rs10,001 to Rs15,000	50 percent x basic salary x duration of sick due to injury or Rs 15,000 which eve is less.
Rs15,001 to Rs20,000	50 percent x basic salary x duration of sick due to injury or Rs 20,000 which eve is less.

Rs20,001 and above 50 percent x basic salary x duration of sick due to injury or Rs 25,000 which eve is less

5.9 Eligibility conditions and Exclusion for the Three Schemes

5.9.1 Eligibility conditions (qualifying conditions) for three schemes:-

SN	Sickness Benefits	Maternity	Occupational injury
1	Must be continuously sick beyond the 3 days waiting. No waiting period if the same sickness reappeared within 1 month.	No waiting period.	3 days waiting period.
2	Must have paid 12 months contribution in the last 15 months. For seasonal workers, 12 months contribution out of last 18 months	Must have paid 12 months contribution before s/he stays on leave for the maternity in the last 15 months. For seasonal workers, 12 months contribution out of last 18 months	Must have paid minimum of (one month contribution or at least contribution of Rs 500). But this is not applicable for those who get quarterly salary.
3	Must be on the duty & not on any type of leave (study leave etc). Sickness during the leave	Must be on the job at the time of applying for maternity leave (1 month	Must be on duty, not on the leave

	will not be covered	before delivery due date).	
4	Must have performed the duty allocated by the management team or as per appointment letter. Scheme will not cover the illness as a result of duty that was not assigned by the appointment letter or without proper training.	Age of mother at the time of delivery must be at least as specified by the law to have a baby, otherwise benefit will not be paid.	Must have worked in covered occupation. (The scheme may not cover high risk occupations such as car racing, stunning job & so on).
5	In the case, job is terminated by an employer but has contributed for more than three years without any claim, the scheme will cover sickness that has occurred within 1 month of termination. Maximum duration of payment will be of 1 month.	Abortion is included if the life of mother is at risk but she must have contribution of 12 months before abortion. This must be approved by medical committee. Still birth is covered fully (if still birth is occurred in a hospital). Miscarriage is covered partially (mentioned in the benefit section if it is occurred in a hospital)	Must have job related accident. Injuries or diseases must have occurred in the course of employment that benefits the employer.
		In case of employer who pays quarterly salary, they need to submit the proof that they are working regularly till date.	Performing specified duties at specified location time and date that benefit the employer.
			Employee must be on the working premises and is injured while going to the work area.

5.9.2 Benefits payment for three schemes:

SN	Sickness benefits amount and duration	Maternity benefits amount and duration	Occupational benefits amount and duration
1	70 percent of the basic salary for 2 months. Maximum up to	50 percent of the basic salary for 2 months. Maximum Rs	50 percent of the basic salary for 2 months.

	Rs 35,000 in total for continued sickness.	25,000	Maximum up to Rs 25,000.
2	<p>Benefit is payable for 2 months for continued sickness.</p> <p>Extended benefit - 1 month extended on recommendation of medical committee (if the case is serious)</p> <p>(The SSF deserves the right to accept or decline extended benefits payable. The medical committee will check for the eligibility).</p> <p>Those who are working for more than one company, the maximum benefit entitlement will be calculated by adding all the basic salaries and then apply the formula mentioned above.</p> <p>Pre-existing conditions - are covered only for 2 months in the first year, 1 month there – after or depend on the decision of medical committee. ?</p>	<p>Benefit is payable for 2 months (one month before the delivery and 2 months after the delivery).</p> <p>In case mother dies because of the delivery related causes and baby survives, then the remaining benefits will be paid to spouse.</p> <p>Extended benefit - 1 month extended on recommendation of medical committee (if the case is serious)</p> <p>(The SSF deserve the right to accept or decline extended benefits payable. The medical committee will check for the eligibility).</p> <p>Maximum two times in working age (up to retirement age).</p> <p>Still birth is fully covered</p> <p>Miscarriage (15 days for pregnancy up to 3 months), 28 days for pregnancy of 4 to 8 months (benefits are paid only if the still birth or miscarriage is occurred in a hospital)</p> <p>The scheme provides immediate one time recovery benefits (during 3 months) as nutrition allowance (or child birth grant) RS 2000 for live birth, Rs 1500 for still birth (if occurred in a hospital) and Rs 1000 for miscarriage (if occurred in a hospital). These benefits are payable by hospital to those who have got child birth in the hospital.</p>	<p>Benefit is payable for maximum duration of 2 months,</p> <p>Extended benefit - 1 month extended on recommendation of medical committee (if the case is serious).</p> <p>(The SSF deserves the right to accept or decline extended benefits payable. The medical committee will check for the eligibility).</p> <p>The SSF deserves the right to increase or decrease the benefits payable.</p> <p>Death or permanent disability- 100 percent of the basic salary if died or differently able (permanent total disable) for maximum of 24 months.</p> <p>Death - Maximum benefits payable is Rs250,000 for those whose basic salary is less than or equal to Rs10,000 and 24 months basic salary or Rs 400,000 whichever is less for those whose salary is greater than Rs 10,000). 25 percent of the total benefit will be paid in cash and rest in</p>

			<p>the installment basis to the beneficiary.</p> <p>Permanent Total Disability** - 24 monthly payments at the rate of 100 percent of basic salary to the contributors with maximum limit of Rs 400,000 (the monthly payment is Rs16667 for those whose salary is greater than or equal to Rs16667 per month)</p> <p>Extended benefits- Further 12 months benefit (as in total disability) at 50 percent replacement rate may be payable on recommendation of medical committee.⁵ But all these benefits cease on the attainment of retirement age.</p> <p>Permanent partial disability*- 36 monthly payments at the rate of 50 percent of basic salary (Rs16667 if basic salary is greater than or equal to Rs16668).</p>
--	--	--	--

*Permanent partial disability that the scheme covers is- loss of one eye or arm or leg or speech or hearing (both ear) or any other part of the body that is specified as 50 percent by the Beema Samiti or any medical specialist and approved by the Medical Committee.

** Permanent Total disability- means at least loss of both eyes or loss of both legs or loss of both arms and any two organs (eye, arm, leg) or as per the Beema Samiti's definition of Permanent Total Disability or as specified by a medical specialist on health and safety.

⁵ It is also the responsibility of the employer to cover some liability in this case.

5.9.3 Exclusions and restrictions

SN	Sickness Benefits	Maternity Benefits	Occupational Injury
1	Falling sick or ill during leave is excluded. S/he must be on duty at the time s/he falls sick.	Intentional abortions (unwanted) are excluded unless and otherwise there is risk to the life of mother. This must be proved by medical doctors and approved by medical committee.	Self- inflicted injuries or accident resulting from employee's intoxication.
2	Illness due to pandemic diseases.	Those who are on the study leave or receiving any other form of social security benefits (such as permanent disability benefits	Injured off duty or on leave.
3	If receiving occupational injury benefits, then he is not eligible to receive the Sickness benefits.	Reach retirement age on the benefits commencement date.	Injured by the duty which is not assigned to him by the employment letter.
4	But this will not be applicable for those who leave their job/employer otherwise there will be conflict among employer and employees because employer cannot trace them whether they are sick or not But those who are paid on quarterly basis, the employer must prove that the employee is working until the date of falling sick.	But this will not be applicable for those who leave their job/employer otherwise there will be conflict among employer and employees because employer cannot trace them whether they are sick or not	Violence or fighting within the premises that resulted injury.
5	Reach retirement age on the benefits commencement date.		Reach retirement age on the benefits commencement date.
6	If your claim is for a psychiatric condition.		Injury due to riot, religious violence.
			If accident is main cause of Psychiatric disease, no claim will be paid.

5.10 Medicare Insurance Benefits (Hospitalization and Diagnosis Only)

In the developed countries, component of Non-Communicable Disease (NCD) is dominant. But in Africa more people suffer from the communicable disease rather than the NCD. As per the Annual Report (MOHP-2011/012) 82 percent of OPD new visits were found Non-Communicable Disease. Since the percent of the NCD is very high, out of pocket (OOP) expenses for an individual remain high. To reduce the OOP, Hospitalization and Diagnosis scheme seems relevant expectation of the majority of the employees. Therefore the scheme covers contributors no matter he/she is suffered by the NCD or the communicable. To increase the benefit coverage we have applied deductible and coinsurance. Under the deductible employee also pays certain amount of hospital expenses including diagnosis. The excess of the deductible is paid by both the scheme and the contributors.

Eligibility Conditions for the benefits

- Must have 12 months contribution in the last 15 months (18 months for seasonal workers)
- No waiting period.
- Must have treated in listed hospitals only.
- Deductible Rs 1000 (paid by contributor).
- Coinsurance: 20 percent (paid by contributor) , 80 percent (paid by the scheme to the hospital only and not to the contributors- cash less transaction)
- Deductible is applicable if she/he falls sick again beyond 1 month of previous sickness start date.

Benefits Coverage:

- Maximum amount of Rs 20,000 per annum (deductible and coinsurance is applied to this amount). For example if a contributor is hospitalized that cost him/her Rs 20,000. Then first Rs 1,000 (deductible) is paid by contributor. Remaining Rs 19,000 is paid both: the contributors and the scheme. The contributor pays Rs 3800 (20 percent of Rs 19,000) and the scheme pays Rs 15,200 (80 percent of Rs 19,000). The benefits amounts are paid to the hospitals only and not to the contributors- cashless transaction

Exclusions and Restrictions

- Scheme does not cover if treated in non-listed hospital.
- If full limit is already used up.
- Dental care and diagnosis is excluded.
- Hospitalization due to violence, self-inflicted injuries, use of alcohol and drug is excluded.
- Cost of Occupational Disease is employer's liability. Even then scheme covers the hospitalization and diagnosis expenses.
- Cosmetic surgery is excluded.

- If the SSF realized a case that should have excluded by the scheme but it was not addressed in the scheme details.

5.11 Some Important Notes

- Note1 If mother died during the delivery and baby is alive, then employer should provide a paternity paid leave of at least 45 days (provisioned). No benefits will be paid by the SSF. The board will address the issue.)
- Note2 For miscarriage benefits they must have informed to their employer about their pregnancy to and proof of prenatal visit to a hospital.?
- Note3 Different incidents or contingencies are not covered at the same time. For example if one falls sick after receiving full benefit under the Maternity Benefit will not be eligible for the sickness benefit on the same ground.
- Note 4 For the proof of basic salary employer must submit direct debit remittance in the name of employees. For this purpose, employers have to pay salary to employees into their bank account only and not in cash.
- Note5 Those employers who are paying less than the minimum salary fixed by the Government, their claim will be suspended for discussion and employer will be asked for submitting good reason for paying less salary.
- Note 6 Where ever possible electronic sign in (scanning) for attendance will be required. If injury is found without thumb impression in the office, claim will not be paid. The employers are required to install scanner for employees' attendance and CCTV in the more hazardous area of work/ operation.
- Note 7 Claim benefit will be paid only after the salary due date that falls after an employee falls sick and proceeds for claim.
- Note 8 Those who are have made 12 months contribution but currently are suspended from job will not be covered by the schemes. Similarly if one falls sick in custody or in similar cases, the scheme will not cover him/her.
- Note 9 Any employer who is found paying salary less than minimum standard (Rs 6200) should deserves penalty for not working on behalf of employees.
- Note 10 Employer must have paid Rs 100,000 proposed by the Draft Act for medical expenses and Rs 500,000 in case of death (Draft Act) before paying the SSF benefit.
- Not 11 Since it is a contributory benefit, basic protection floor should be covered by government and the floor benefits do not affect the scheme benefits.
- Note12 a) Those formal sector employees who are covered by some sort of social security scheme and contribute 1% SSF tax, will be eligible for the proposed schemes equally as

other contributors. The proposed schemes will not make any difference to their existing benefits.

- b) Those formal sector employees who have contributed 1 percent SSF but are not covered by any form of company's or governments' social security benefit will be eligible for the proposed social security benefits. The disparities on the benefits will be the responsibility of the employer. For the fairness the government can offer them tax advantage schemes such as increase limit of annual Life insurance premium (current provision of annual Life insurance premium Rs20,000 to 30,000 or even more) or saving into CIT (with tax deductible). This is for uniformity.
- c) Those employees who have contributed 1 percent SSF tax but are about to retire or retired before the launch of the scheme, then the scheme will cover as follows.
6 months contribution - 1 year cover, 1 year contribution - 2 years cover, 2 years contribution- 3 years cover and 3 years contribution- 5 years cover on the sickness benefits only.
- d) Those who have not paid any contribution, have to pay all the contribution dues with compound interest of 15 percent.
- e) If any pensioner, retired at age 60 and above or reach age 60, wants to contribute voluntarily, he/she can contribute but the scheme will only cover hospitalization and diagnosis expenses. The benefit may be Rs 40,000 per annum for first five year, Rs 30,000 per annum for the second 5 year and Rs 20,000 per annum thereafter. But the pensioners below age 60, such as army, will get benefits as mentioned in the Medicare benefits (Hospitalization and Diagnosis) in the main schemes.

Note 13 Work place injury is covered in line with the ILO standard. The scheme does not cover the contributors outside of normal working hour as specified by the employers.

Note14 No claim benefit If an employee does not make any claim during employment and contributed to the schemes at least for 10 years, then by the retirement age, certain credit points (benefit credits) will be allocated (considered) as a top up benefit on retirement benefit. But this will be decided by the scheme Actuary.

Note15 The schemes do not cover for 3 days waiting period. The employer should be responsible for the payment of 3 days waiting period.

Note16 Employer and the government should contribute for the proposed social security schemes. The government should be responsible for any deficit in the schemes. For this the government should contribute for matching fund

Note17 Employer should be responsible for the workplace injury or accident. For this as well, employer must contribute in the line of at least employee's contribution or more.

Note18 The scheme benefits payable could be increased, provided both employer and the government contribute to the scheme. The amount of benefits payable will be determined on the contribution level. If employer and government contributed 100 percent of employee's contribution then the benefit payable may increase by 1 to 2 times of the benefits already provided or more coverage will be provided with higher amount payable.

The higher the contribution the larger will be coverage with higher amount of benefits payable.

Note 19 If a hospital where the contributor is treated or hospitalized and needs to send some samples for further diagnosis to other hospital, then the benefit will be paid to the first hospital and not to the referred hospital. The first hospital or the contributor needs to arrange for the expenses incurred for further investigation.

5.12 Methods and Claim Process

5.12.1 Methods

This can be done in three ways.

A. State Model

The Social Security Fund Secretariat office can administer all the process. (This is difficult at present scenario). However in the long run state should run all the social security schemes (formal, informal, self employed and expats) as well as social security protection and any other forms. This is recommended.

B. Third Party Model

The SSF can run the schemes through Third Party Administrator (TPA- may be insurance company, bank, social security agency or any other private firm on the tender basis) to administer the business. This may be expensive (pre-qualifying tender, installation of IT system, service delivery). Many complain if claims may not be paid or declined or employees are more penalized by declining claim and there may be many disputes. In this case the SSF will only source of listening claim.

C. Mixed Model

This is a hybrid model of the above two. The model considers the involvement of the SSF (or the state) and a third party. When the SSF involves in all the social security processes, it will gain experience and prepare trained man power of its own so that it will be easy for the SSF to switch into state model in the long run. We can assume state model as in the UK or Canada in the long run. On the other hand it will hire a Third Party Administrator. The TPA will carry out certain specified process only and will be under the regular monitoring and communication of the SSF. Since the TPA uses its man power; infrastructure, and IT system, this model is not expensive for the both parties. This again helps to prepare more trained man power, better customer service and reduce claim disputes. For the model to be launched we recommend the SSF to operate its service in **Kathmandu, Pokhara, Biratnagar, Nepaljung and Dhangadhi**. The rest of the area will be given to the TPA.

If this is not in the favor of the SSF, then we recommend the SSF to operate its social security operational service in Kathmandu only as a pilot project and rest can be given to the TPA. If this option is selected, there will be wider opportunity of gaining experience of the process to the SSF staffs, no need of many staff and infrastructures.

In the option B, the SSF can hire some staff to monitor the claim settlement process run by the TPA. This is also possible at present.

5.12.2 Claim Process

Employer will forward the documents regarding the sickness benefits. This can be done through scanned copy. No fax copies are accepted unless and otherwise Social Security Officer authorizes on his risk. Depending on the documents provided, the social security claim settlement department will decide whether or not to grant sickness benefits. For the insufficient documents or any confusion, further documents will be requested.

This process can be handled in the country by Third Party Administrator (Bank, Insurer or any organization) or the social security office can hire staffs and operate independently or

Social Security Office can provide room for the third party within its office premises and can supervise them and run the social security claim process.

5.12.3 Social Security Benefits Implementation Methods

This can be done in two ways. a) Payment through employer or b) direct payment into contributor's bank account.

a) Through employer.

1. Employer will accept the social security benefits claim forms on behalf of employees at first hand.
2. The employer will then forward claim forms to the social security office. This can be done by applying for the claim (reimbursement) at the nearest Social Security Office in the form of hard copy or in the form of soft copy with all the necessary documents (designed by the Social security secretariat) attached to it.
3. Social security office will verify all the qualifying conditions (will check whether the forms are completely and properly filled up or not, all the required documents are attached or not, eligibility requirement met or not, will decide whether the benefits payable or not and any irregularities attached with the application).
4. If the office finds everything proper, then it will check for the contribution made by the employees and calculate the benefits payable.
5. This amount will be verified with the amount claimed by the employer.
6. Any difference will be clarified with the employer.
7. Provided the Social security office is happy, there is no suspension about any irregularities and fraudulent then the office will issue an account payee check to the employers.
8. The benefit will be paid by A/C payee cheque in the name of employee only after the employer next salary due date. The employer must also submit the proof of salary not being paid for the employee who was sick or injured.
9. This process will be repeated for all the three benefit schemes in the same manner.
10. Whatsoever written above the SSF deserves the right to accept or reject a claim.
11. The sickness benefits claim will be forwarded by the employer after the next wage payment due date that falls after the sickness period.

12. Under the direct payment method, the employer forwards all the documents on behalf of the employees. Once the claim is approved by the SSF, then the benefit will be paid into claimant's bank account (direct debit or a/c payee).
 - b) For hospitalization and diagnosis benefits, the empanelled hospitals will forward the claim forms provided there is proof that the contributors have paid deductible and coinsurance amount thereof.
 - c) If Maternity Benefit is arranged to payable through the hospital where she got baby, then it can also be made cashless and this would reduce the maternal mortality. This encourages them to visit hospital for the delivery.

5.12.4 Documents required for the claim process

1. Claim form
2. Human Resource Manager's Report
3. Medical Doctor's Report.

How to file a claim

1. Complete application form
2. Complete medical report form.
3. Sickness proof and totally unable to work (for sickness benefit).
4. Birth certificate, proof of miscarriage or still birth for maternity benefits.
5. Complete HR form.
6. Submit a copy of appointment letter or recommendation letter that proves the salary, (pay scale, pay slip etc).
7. First information report in case of injury /accidental death.
8. Copy of citizenship
9. Copy of social security ID

For fraudulent

If employee is found guilty or act of fraudulent claim then benefits will not be processed for 3 years from the fraudulent date. Employer will be penalized for the amount it had made a fraud claim. The HR manager of the company/organization will be banned for all the scheme benefit for three years hence.

For doctors if found guilty of any concealment or fraud, all social security benefit will be banned to him for 3 years and name will be forwarded to the Medical Council and his employer (hospital) for penalty and fraudulent act.

Requirement for death claim

1. Original death certificate.
2. Beneficiary detail (marriage certificate, Citizenship, any other proof that shows

relationship, kinship).

3. Claimant statement (detail of claimant)
4. Causes, place, date of death, postmortem done or not, declaration.
5. Statement from employer (if employed).
6. Statement from doctor who attended deceased's life assured last.
7. Statement from a gentleman who is not a relative who has attended burial or cremation ceremony.
8. Police verification report (FIR- First Information Report if accident).
9. Proof of disability in disable - case.
10. For accidental death: police report, Pachnama Report/ Postmortem Report, Forensic Report if postmortem report is not conclusive. Police final investigation report (in a very few case)

5.12.5 Complain and Right to Appeal

Contributors can appeal or complain about any dissatisfaction against claim benefit, service delivery or any unfair treatment from the service provider or employer in case employer did not forward an application or pay any benefit for which he/she is eligible to claim. They can forward their application to the SSF management Committee headed by the Executive Director for any unfair treatment or unpaid benefit by an employer or claim declined by the TPA or the SSF.

5.12.6 Amendment rights

The SSF deserves the right to amend benefits payable amount, duration of payment, replacement rate and any other terms and conditions in line with changing requirements in future.

Chapter 6 Old Age Retirement Scheme in Nepal

6.1 Introduction

Longevity is increasing everywhere. Because of this there may be shortfall of asset in the retirement age of an individual. To address the insufficient income during the retirement age, the government not only should encourage individual to purchase old age retirement (pension insurance) schemes such as pension, individual retirement account, saving scheme and health saving scheme but also provide tax allowance to the buyer of these schemes. But in Nepal, there is neither provision of state basic pension (except senior citizen allowance) nor any old age retirement schemes mentioned above. The government should keep eyes on the international practice on the retirement schemes and should encourage commercial insurers or the EPF to offer suitable retirement schemes for workers in Nepal. For the formal sector employees there is Employee Provident Fund as an old age saving plan. But it is not obligatory for an organization to join the EPF. Therefore, many of the formal sector organizations are not member of the EPF.

Existence of the Citizen Investment Trust (CIT) works as an old age saving institution pretty much similar to the EPF and provides tax advantages. It does not address the issue of the retirement schemes for self employed and unorganized sectors either. Because of this, when re-designing a social security framework, it is very important to consider whether or not to bring a gradually increasing number of workers under the EPF or CIT or to establish a new social security institution that encompasses all the existing saving institutions and offer better and flexible retirement schemes that cover employed or self employed population in wide area.

The followings are the basic differences between an old age retirement (pension insurance) Scheme and a provident fund.

Old Age Retirement (Pension insurance) Scheme

- It is an insurance scheme with a feature of risk pooling.
- Sometimes it offers family benefits to survivor's benefits.
- It is financed by contributions of workers and employers and usually by some general revenue.
- It can be PAYG or part/full funding.
- The operation costs between 4 and 10 per cent of annual revenue are common.
- Upon retirement a flow of monthly benefits are paid.
- Often, an annual indexation for inflation or GDP deflator applies (in case of a defined benefit pension scheme).

Employees Provident Fund

- This is an individual savings plan.
- Often there is a loan facility.
- Sometimes the fund provides benefits for selected contingencies (for example, funeral grants, accident and disability allowances).

- It is financed from contributions of workers and employers, and some contributions from general revenue are also possible.
- It is full funding system.
- It takes long time for maturation.
- Operation costs between 4 and 10 per cent of annual revenue are common but in some countries operation costs exceed this.
- Upon retirement the savings are paid lump sum
- Retiree can purchase an annuity; he/she will then be dependent on the going market interest rate.
- Except in the latter case (the purchase of an annuity), a longevity risk applies.

In the Pension Insurance Scheme or Annuity scheme, regular monthly or yearly benefits are paid from the age of retirement until the time of death, whereas in the Provident Fund a lump sum is paid at the age of retirement. This can be used to buy a life insurance policy (an annuity) or deposit into a bank account. The insurance company will then pay regular monthly or annual stream of payments until the death of annuitant. The amount and period of payment is calculated by the Actuary on actuarial basis depending on the life expectancy and the types of annuity s/he wants to purchase. Some allow guaranteed payments which offers refund option. This is a kind of Defined Contribution model rather than traditional Defined Benefit scheme. A retiree loses money if she/he dies in early years of the retirement but it is beneficial for those who are healthy and think will live longer than expected.

Saving into a bank and not buying an annuity becomes risky if the depositor outlives the deposits. This shortcoming can be addressed by purchasing a life annuity. Some modern annuity products address the issue of inflation and hence it is a better option for a healthy life. Since longevity is increasing, more awareness and there is improvement in the health facilities, it is worth buying an annuity or pension insurance.

6.2 Simulation Result of Provident Fund

Assumption

Age at entry	30
Average monthly salary (Rs)	10442
Annual salary increase rate (%)	10
Nominal Interest rate (%)	10
Effective interest rate (%)	6
Total Service period (yrs)	30
Retirement Age	60
Expense (%)	5
Total contribution (employee & employer)(%)	20

Final salary at retirement (Rs)	182,206
EPF (Lump Sum at retirement) (Rs)	76,64,018

If this amount is deposited into a bank that offers 6 percent interest rate then the amount will dry up in 5 years and 9 month at 70 percent rate. According to NLSS 2008, life expectancy at age 60 is 14.9 for male and 16.2 years for female. From this it is clear that there will be shortfall of his or her assets after 5 years and 9 months. To address this issue, old age retirement scheme is only a solution. This can be done in two ways. One it can be started old age retirement scheme. Two they should be given an opportunity to buy an annuity from the open market. In addition to this pension scheme, they can purchase annuity by their saving account value. The former is the best option. Provided fund management is better with commercial life insurers buying annuity may give higher annuity payment and wider coverage and more options. This will definitely increase the market capitalization.

The funding for the schemes can go on full or part funding or of mixed model. Some countries have applied full funding, some have used pay as you go model and some have stood for mixed model. Germany has applied PAYG. While some OECD and EU27 have full funding mechanism. Funding ratio is found 127 percent of GDP in Netherland 100 percent of GDP in Switzerland (Arthur Report). International practice for replacement rate ranges from 50 percent to 100 percent. But most of the countries have applied 50 to 60 and hence in case of Nepal two third of the previous earning is recommended. The higher the replacement rate, the higher the expensive pension scheme. But if lower the contribution rate and higher the replacement rate, there would be shortfall in the pension scheme. So this must be well balanced.

In conclusion old age retirement scheme addresses the risk of longevity and hence it is an ideal route to old age social security.

Funding of Old Age Pension Scheme- International Experience

Country	Replacement Rate (%)	Total Contribution	Workers	Employers	Assets as % of GDP
OECD 34	60.6	19.6	8.4	11.2	67.6
China	82.5	28.0	8.0	20.0	0.60
India	72.4	24.9	12.0	12.0	5.4
Saudi Arabia	100	18.0	9.0	9.0	-

Source: Arthur Report (Original Source: Pensions at a glance OECD)

The following two tables show social security contribution rate both by employees and employer, percentage of pension and health care expenditure in respect of GDP.

Country	Employee	Employer	Total
Germany	17	17	34
Switzerland	10	10	20
Netherland	23	14	37
Norway	7	11	18
USA, Japan	7	7	14
UK	8	9	17
S Korea	4	9	13
Turkey	8	11	19

Source: ILO. Social Security, A new consensus, page 47. 2001.

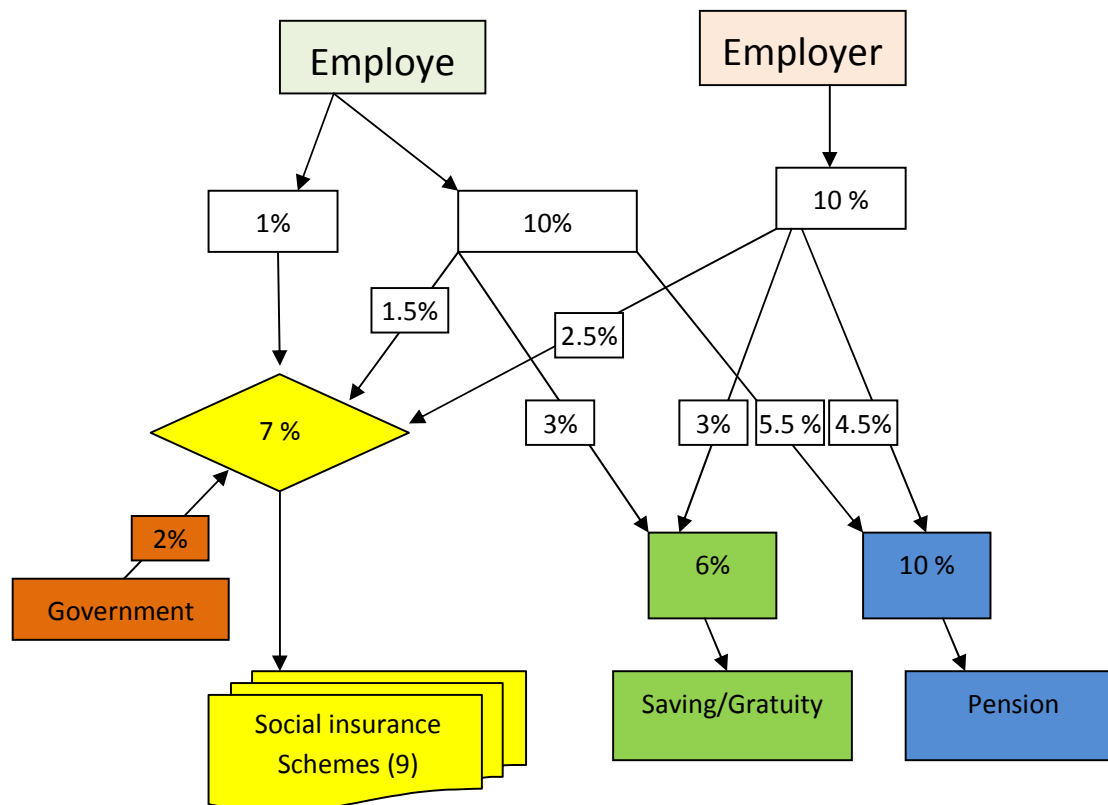
Aggregate level of social security expenditure

Region	Total social security	Of which pension	Of which health care expenditure (% of GDP)
All countries	14.5	6.6	4.9
Africa	4.3	1.4	1.7
Asia	6.4	3.0	2.7
Europe	24.8	12.1	6.3
Lat America	8.8	2.1	2.8
North America	16.6	7.1	7.5
Oceania	16.1	4.9	5.6

Source: ILO. Social Security, A new consensus, page 81. 2001.

6.3 Overview of Contributions

Following figure explains about the 1 percent social security tax and the contribution rate from the employees and employers to the overall 21 per cent contribution rate which will be due under the new framework.



In the current situation out of 21 percent contributions, 10 percent will serve for Old Age pension and 6 percent will go for the gratuity into saving account. We assume 16 percent of the wage plus the existing senior citizen allowance (may be reformed into state basic pension) will be sufficient to address the issue of insufficient income during the retirement age. Remaining 5 percent of the contribution together with government help (2 percent government subsidies plus administration cost) is considered to be enough for social insurance schemes provided tax financed universal protection floor is in place (expected). Since the schemes will take place over some years, 1 percent social security tax will back three schemes, Sickness Insurance, Maternity and Workplace Injury insurance for immediate implementation.

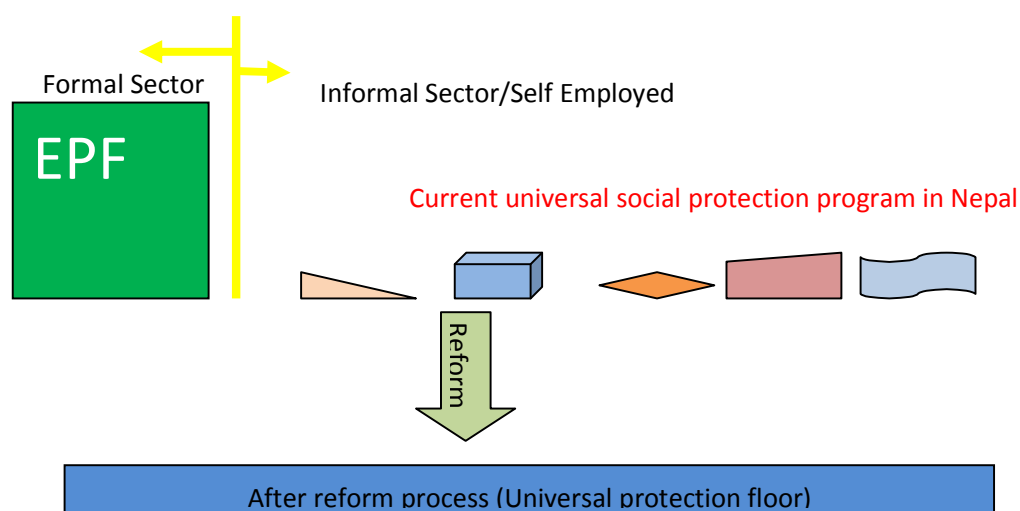
6.4 Present organizational framework for retirement scheme in Nepal

6.4.1 The 'horizontal dimension': the social protection floor

There are large numbers of social protection programs, poverty alleviating provisions and social insurance or savings schemes in Nepal. Realization is that there are overlaps in coverage and disparities among them. Some arrangements are far more generous than others. And it will not be difficult to identify groups in society who are not covered by any of these schemes at all.

The following figure is a true picture of workers' social security in the formal and informal sectors. The families of the formal sector workers are covered under the EPF as well as other schemes. But is not uniformity even in a single program in the informal sector. The workers and their families are covered through “patchwork” of small programs and provisions with frequent overlaps and even more frequent gaps.

Current Social Protection Framework in Nepal



Since the informal sector workers and their families are covered in the form of patchwork, the reform process along the horizontal dimension would encompass consolidating a basic and modest set of social protection guarantees, suitable and affordable in the given national conditions. This would consist of minimum package of right (based), transfers and services to be guaranteed by the state. This package of benefits should be delivered in such a way that it reaches to all potential beneficiaries irrespective of their class, caste, ethnicity or socio-economic status or geographical location. This is a kind of means tested. Mainly it should be accessible to people in the informal sector and those not covered by the existing system. The floor therefore, consists of some core interventions which should be universal in terms of coverage and should be tax finance. The responsibility rests on the shoulder of the state.

The draft National Social Protection Framework developed by National Steering Committee on Social Protection has identified five major transfers and services to constitute social protection floor for the country. These interventions are not entirely new. Rather what is proposed is the consolidation and extension in the coverage of existing programs. The package includes:

- ☐ Social assistance to senior citizens, widows, people with disabilities and from endangered ethnic groups.
- ☐ Universal child protection grant.
- ☐ Free education up to grade 12 in community (government) schools.
- ☐ Free basic health care services; and
- ☐ Employment Guarantee Scheme

This proposed floor is not only a promoted program by the ILO and other UN organizations but it is necessary and suitable in context of Nepal.

If formally adopted by the government, and pursued with political will and commitment, this package can definitely make a difference in reducing poverty and vulnerability in Nepal. However, much depends on the size of benefits and the quality of services made accessible by the Social Protection Floor.

6.4.2 The ‘vertical dimension’: Social insurance schemes

The design and implementation of new social insurance benefit schemes along the vertical dimension is essential for the extension. Necessary reforms are essential for the vertical dimension that consists of two contingencies: one during working age such as income protection and two: old age retirement pension and gratuity schemes. This is not possible without the basic social security principles, international best practice, and in particular ILO C102, agreement between the government of Nepal, trade unions and employers’ association. The strategy that has been agreed between the government of Nepal and the trade unions and employers organizations focuses on the implementation of three Social Insurance schemes are: Maternity benefits, Sickness benefits and Workplace Accident or Injury benefits.

As part of the short term reform for vertical dimension the proposed three schemes with following benefit package could be provided at 1 percent rate of contributions.

Sickness Benefits

Benefit replacement rate: 70 per cent of basic salary (excluding allowances)
Maximum benefit duration: 2 months
Condition: contributed at least 12 out of last 15 months

Maternity Benefits

Benefit replacement rate: 50 per cent of basic salary (excluding allowances)
Maximum benefit duration: 2 months
Condition: contributed at least 12 out of last 15 months
Maternal death: Rs 100,000
Child birth grant: Rs 2000

Workplace Accident or Injury Benefits

Benefit replacement rate: 50 per cent of basic salary (excluding allowances)
Maximum benefit duration: 2 months
Condition: contributed at least 12 out of last 15 months.
Death: Rs 250,000 to Rs 400,000.
Permanent Total Disable: 24 months basic salary.
Permanent Partial Disable: 36 month’s basic salary at 50 percent

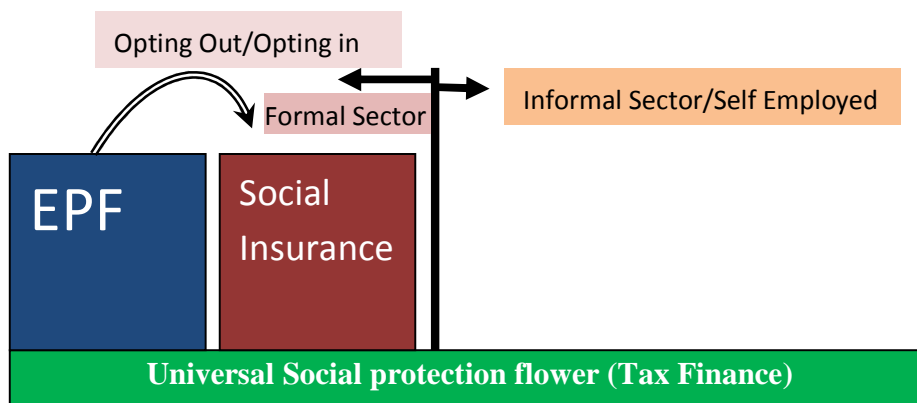
Medicare Benefits (Hospitalization and Diagnosis)

The Scheme pays on sharing basis. Maximum amount that a sharing applies to is Rs 20,000. The first Rs 1000 paid by the contributor who encounter an incident. Of the remaining amount (Rs 19,000), Rs 15,200 (80 percent) is paid by the scheme. The remaining amount Rs 3800 (20 percent) is paid by the contributor. The scheme pays for hospitalization and diagnosis only.

As we have mentioned that there are advantages of old age pension insurance (annuity) over the Employment Provident Fund. It is realized by the retiree that it would have been better if the EPF had offered an old age retirement pension from the amount they contributed during the service period rather simply receiving lump sum amount at the retirement date. The old age retirement schemes address the risk of longevity which is a requirement in reality. In order for a transformation of the EPF into old age retirement scheme an ideal route would be to bring the gradually increasing numbers of workers into the current EPF. But this is not possible in the long term as there is existence of the Citizen Investment Trust where the members of the EPF and non-members can join with tax advantages. In the mean time the Social Security Fund has been working for 21 percent contribution from the workers and employers. The SSF covers many workers (Draft Act). Therefore establishing an old age retirement pension institution that covers all the employees no matter formal, informal or self-employed is an ultimate solution. Hence it is recommended.

For an opt-out/opt-in provision for the current members of the EPF it would require an amendment in the Law. The current members of the EPF would then be able to withdraw their accumulated savings from the EFP and transfer these to the Old Age Retirement Pension Fund or the Social Security Fund. This again relates to vesting of pension rights. These rights must be portable so that worker can get gratuity when they change jobs and are not eligible for the Old Age Retirement scheme because of shorter period of services. In such a situation they may require medical care insurance scheme as they are out of Old Age retirement scheme.

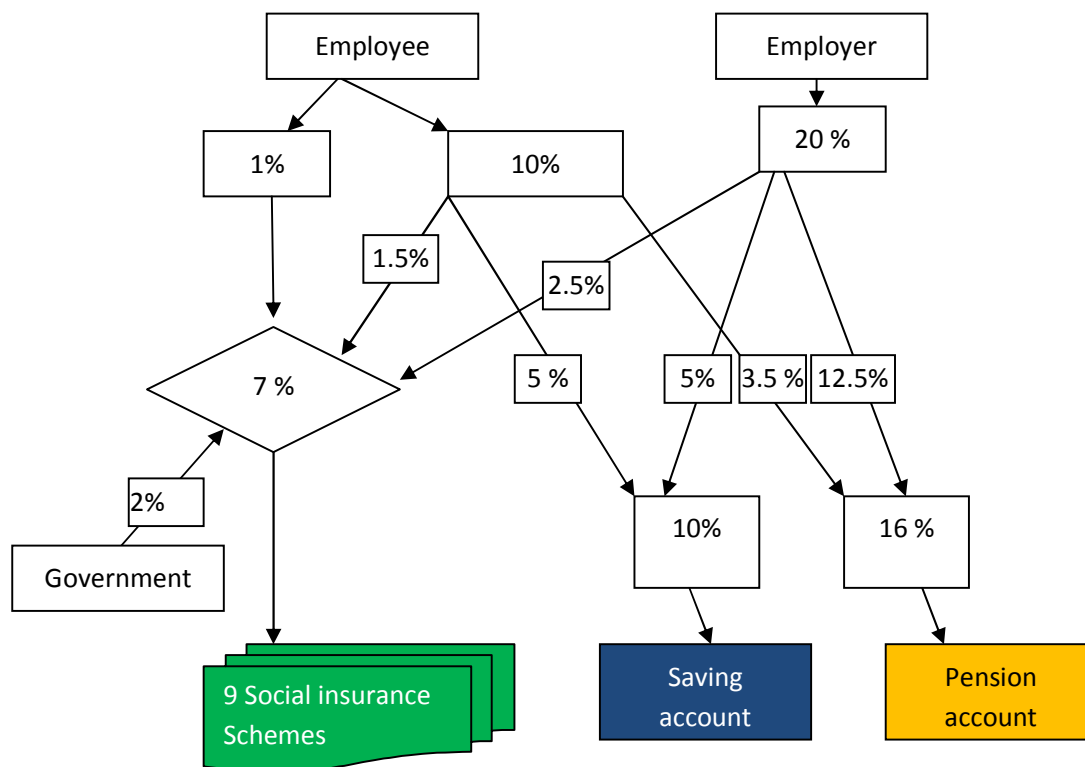
6.5 Vertical reform - Social Insurance Scheme for Nepal



As we have mentioned earlier increasing number of workers encompassed under the new social Insurance scheme and after the introduction of the Old Age retirement scheme, an opt in provision would exist for the current members of the EPF.

6.6 Financing a More Extensive Social Insurance Schemes in Nepal

From the figure below, 5 percent of the employers and employees contribution together with government assistance (2 percent subsidies plus administrative cost) will back complete social insurance schemes. Remaining 10 will be set aside for saving account where loan facilities will be available (will function similar to existing EPF) and 16 percent is provisioned for Old Age Retirement account that will address the risk of longevity in addition to the state basic pension (current senior citizen allowance)



6.7 Role of the Employees Provident Fund

The EPF is a well-vested organization with a longstanding track record in administering several schemes for formal sector workers in Nepal and has experience in saving fund. It has managed considerable magnitude, more than 10 percent of the GDP. But it covers only 2 percent of the Nepalese work force. Therefore, when looking at the options for reforming the Social Security framework in the near and distant future, it is worth considering the organization that provides schemes covering the contingencies mentioned in the ILO C102.

Current nominal rates of return on investments appear modest (7.92 percent in 2066/067). Since inflation is higher than this rate, rate of return is zero in real term. This means that it is rather attractive for the EPF members to borrow from their savings accounts and use the resources for investments that may give a higher rate of return. The administrative cost is maintained at 5 percent which is in line of international practice. In 2010/11 average Lump Sum amount that a retiree is paid amounted to Rs 140,000 which is far below the amount required to sustain in the retirement age. Considering these facts, the EPF requires a sound investment

strategy that should be feasible for the EPF to earn substantially higher rates of return on its investments. This may require a revision of the EPF Law as the investment outlets prescribed in the law might be restricted. This will need a further review. Finally, for members the expected lump sums after retirement seem to be not only low but also volatile and therefore uncertain as an adequate retirement provision.

Hence, it is warranted to address the issue what the role could be for the EPF under the new framework. In a more fundamental approach, options might be considered, are: one the EPF will be the organization that delivers the long-term pension insurance schemes under the general Social Insurance frame, two the EPF will collaborate with one or more organizations jointly to deliver the schemes.

6.8 The Social Security Fund

The Social Security Fund (SSF) has recently been established and in the coming months the fund will need to find its proper role. The issues that need to be addressed are listed below.

The SSF as an autonomous institution:- The first item to address under this heading is the positioning of the SSF as an autonomous institution, free of political influence, independent and autonomous executive that administers the institution and eventually the various schemes under the fund. This executive organization will negotiate its annual budget with the minister responsible for social security. The minister can set the guidelines and the broader policy. The implementation of the guidelines within the set budget and framework will subsequently be the responsibility of the CEO of the SSF.

Independent professional board of directors is essentially and equally important. Apart from this board of directors there could be a supervising board in which several ministries and the social partners would participate. This would ensure that the CEO who is responsible for the day to day operations will be guided and will remain liaised to the stake holding organizations, without the latter stepping in his/her executive responsibilities. The precise demarcation of responsibilities and the level to which the CEO is accountable to the supervising board remains to be determined. It is conceivable though, that the CEO will require the approval for the Draft Annual Budget before he/she negotiates this with the minister. It should be obvious that the minister retains the final responsibility as he is held politically accountable. Parallel to the management team headed by the CEO, existence of the investing institution that handles all the responsibility of the investment management in the direction and guidelines prepared by the board would accelerate better investment return. In the present scenario the central bank can be such an institution as the SBI does in India for government of India employees' provident fund.

Empowering the SSF for its coordinating role

The second item to take up here is the mandate of the SSF towards the ministries that at present are responsible for the large number of social protection schemes. Horizontal reform requires strong coordination from the SSF and this might collide with the perception of responsibilities among these other ministries. For the effective coordination, the SSF requires strong support from the Ministries of Labor and Finance.

For the SSF to perform its coordinating role effectively this requires a strong backing from the Ministries of Labor and Finance. These are the two core Ministries who have a stake in the

success of the Social Security Reform. Therefore, it is expected that the interests of these two Ministries will be close in line with the interest of the SSO.

The role of SSF: - There will be various tasks within the SSF. The SSF can assign some roles to the other agencies. The various roles can be categorized mainly into two categories viz strategic and operational tasks. For the distinction, strategies tasks include-coordinating with various programs and schemes, setting policy guidelines in close consultation with ministries and other partners and translation into operational level such as setting target of performance, designing central data base and so on. The operational tasks cover contribution collection, claim handling and benefits payments, compliance and budget management.

In order to perform better quality service and operational tasks, some processing indicators such as claim processing time, contribution payment time, documents required for claim, time for overdue contribution, time for appeal et cetera are to be defined. It is the task of the supervising organization or section to ensure that this is done as per to the agreed upon standards.

Chapter 7 Investment of the Fund and Future Strategy

7.1 Structure of Investment Team

Following is an institutional architect for investment of the Social Security Fund.

Board (design policy and monitor whether it is implemented or not)

Management team (execution team headed by Executive Director)

Investing institution

Investing institution (It is responsible for fund management and investment. It can be internal or external, for example SBI manages the fund for EPF of government employee in India. In case of Nepal Rastra Bank can take initiative for some years and then hand over to the SSF's internal units or any other alternatives)

Investing committee (It is under investing institution and makes investment strategy).

Investing unit (It is an internal team under the investing committee and carries out daily investment activities of the fund).

How to carry out Investment Governance: The following points are considered. The fund must be transparent, accountable, predictable and participation and dynamism.

For this there must be no political intervention to the board or investing institution.

The responsibility of the board and management unit must be clearly specified. The board is responsible making investment structure and policy, monitoring investment carried out by management team as per the policy. There must be clear guidelines, responsibilities and rights among these two teams. Lack of clear guidelines may result disputes. The responsibilities can be detailed under the governing function (of the board) and executive function (of the management team)

The board, management team and investing unit must be aware of the technicality of investment.

There must be clear legal provision regarding hiring of new employee, appointing board member and investing unit for the fund.

Recommended sectors for investment:

Government bond

Government security/debenture etc

Fixed deposit of the Class A, B commercial banks (certain % of fund).

Housing (shopping complex, mall, real estate)

Agro- based industry (fruit, dairy, goat farm, poultry farm, coffee etc)

Hydropower: in small scale

Tourism: Hotel, tour and travel, trekking, rafting

Education: technical skills, professional training institution, capacity building (advance professional training such as TITI).

Transport: City bus (organized by municipalities).

Equities: very small amount or percentage.

7.2 Restriction on Investment

It must be specified by the law the area where the SSF can make its investment.

The amount of investment or ceiling of investment must be specified for a particular area.

The investment portfolio must be designed to meet short, medium and long term liabilities. For this by law there must be clear provision of investment ceiling in the short, medium and long term investment instrument.

7.3 Investment Risk and Expert Hiring

To predict future situation asset and liability, investment risk and profitability of the fund there may not expert within the board, institution or management. For this there must be provision of hiring expert externally.

7.4 Monitoring and Evaluation

It requires regular monitoring and evaluation of the fund regarding performance, risk analysis, investment return and operational performance.

For Informal sectors

Self employed

Consolidation of existing social security schemes (various origination)

Toward Universal coverage: step by step process

Allocation of the fund:

There will be total contribution of 21 percent of basic wage into the Social Security Fund. Out of this fund, we assume 7 percent will be sufficient cover the 9 interventions of the social security in broad spectrum.

5 percent contribution part will be allocated into saving account. From this account one can take loan during the contribution period with low interest rate. The loan amount will be 90 percent of the account value in the saving fund. Maximum time for loan repayment will be for 5 years. The contributors will repay the principal as well as interest. At the time of retirement, lump sum amount will be paid to the contributors or s/he will be given an option to by annuity in the open market.

Rest 8 percent of the fund will be utilized a pension fund for the retirement age. The annuity amount will be decided by the Actuary. The retiree can opt three options:

Fixed Annuity

Variable Annuity

Equity –Index Annuity

Since variable and equity –index annuity are not possible in current market. There require more modern instruments of investment. But the fixed annuity, some insurance companies have started selling annuity products and there is good scope of this product. The contributors can buy either annuity plan offered by the Social Security Scheme or s/he can purchase annuity plan offered in the open market.

For this quotation will be given to the contributors 6 months before retirement due date.

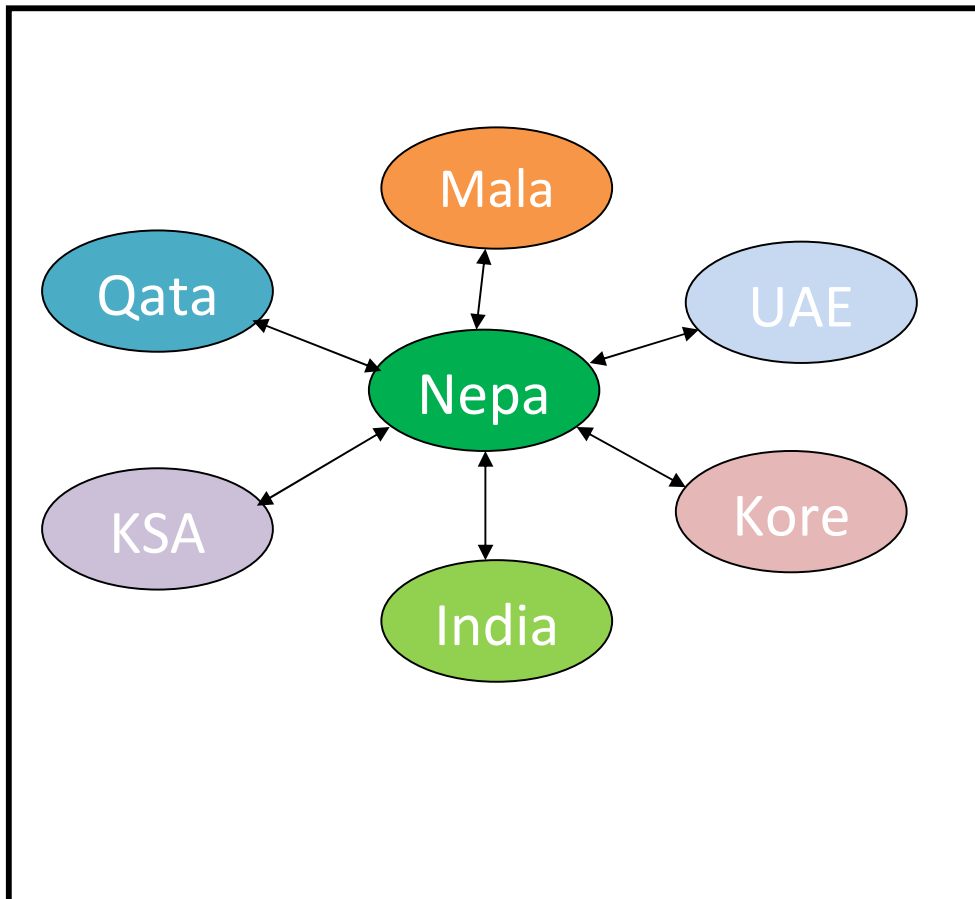
7.5 Data Base Centre

Since we do not have data on contribution collection, basic and gross salary details of all the contributors, sickness detail and sickness rate, injury rate and types of injuries, maternity related data and so on, the following data table will help to estimate future contribution collection and collection rate , claim size and frequency on various schemes provided employers provided the required information in the following format.

SN	Employer code	Employer name	Telephone	Number of employees	Average basic salary	Average gross salary	Minimum salary	Maximum salary	Minimum number of days away from work due to sick, injury or maternity	Maximum number of days away from work due to sick, injury or maternity	Average number of days away from work due to sick, injury or maternity

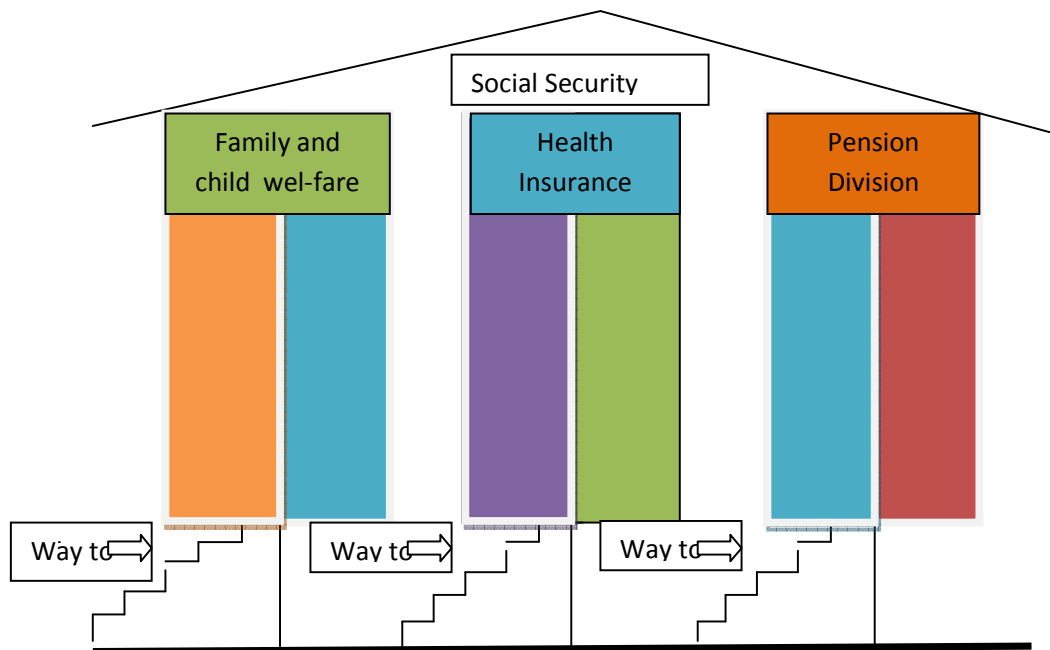
7.6 Bilateral Social Security Relation

The Government of Nepal should establish bilateral Social Security relation between the following countries which have high rate of remittance.

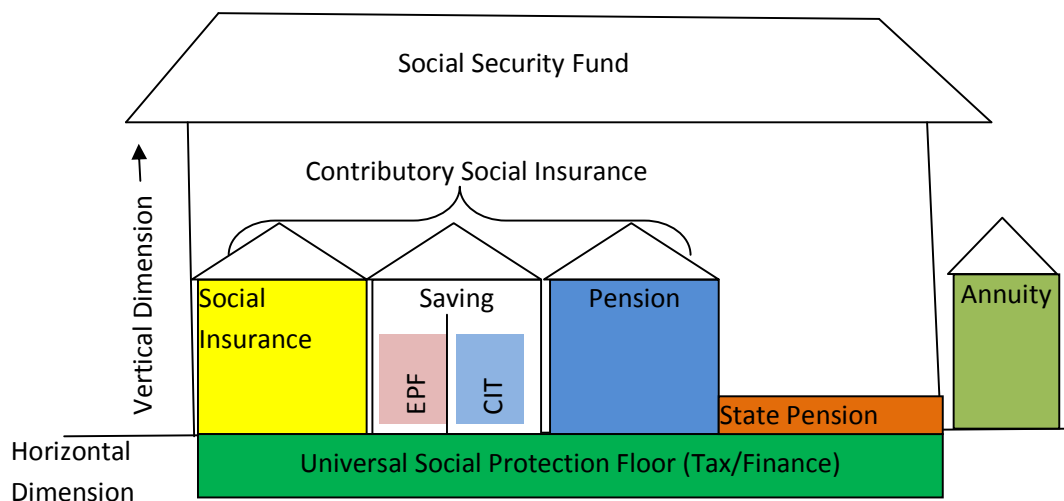


7.7 Social Security Institution in Future

In the long run, Nepal should have one ‘Umbrella Institution’ that is responsible for all sort of social security required for the nation. The true picture is provided below.



7.8 Consolidation of the existing Social Security in the ‘Umbrella Institution’



Chapter 8 Conclusions and Recommendations

8.1 Conclusions

The main conclusions to be drawn from this report are the following.

- There is a need for Universal Social Protection and a framework for Social Insurance in Nepal – an urgent need.
- There is a need of an autonomous institution that operates all forms of the social security schemes either in the formal, informal and self-employed or for senior citizens, children; endanger ethnicity, and single women.
- There is no experience on the data base system either in the ministry level or in the local level. In order for the social security institution to estimate the contribution rate, premium collection and claim experience, there should be proper data archiving system both in the local level and relevant department.
- Starting with the contribution based social security for salary workers (more formal type), it is also essential to implement the schemes for those who are working on the agriculture sectors, casual, part time basis. This is because bulk of the working force is relying on the informal and agricultural work.
- International experience shows that the Social Security is more stable in those countries where the male and female employment gap is low viz the UK, Sweden, Norway, even Korea (Chapter 2). The government should encourage female labor force by offering some reservations for them in certain jobs.
- **The more skilled workers in the market, the more chance of getting better job. Better is the job, higher is the salary. Higher the salary, higher is the contribution. Higher the contribution to the SSF, higher the benefit amount. Higher the benefit amount, the better is the social security system and better quality of life. Hence Ideal Social Security in the Nation.**
- The social security issue is equally important for the expats either. Many young people going abroad for work as the nation is not in a position to absorb the young work force. But this will create problem once they reach old age as the old age dependency rate is increasing as elsewhere.
- The social security schemes can be a resource for investment. As there is positive correlation between number contributors and amount of social security fund revenue, the more workers are covered the more will be the fund. The more people are covered, schemes will be more viable. Therefore it is necessary for the government to initiate for universal coverage either for the health care or for retirement pension. Further the fund can be invested for a long term in productive sector strengthening Nepal's economic basis.
- Contribution based social security schemes for the formal sectors employees should be a starting point and not to be an end point. In one hand, this will encourage the informal workers to join formal sector. On the other hand, informal sector will try to offer some sort of social security otherwise it will lose its key employee. This will trigger the social security schemes towards universal coverage.
- Maternal mortality is found much lower if deliveries are conducted at the hospitals

(Chapter2). Maternity benefits, if arranged payable only through the hospitals, will encourage the pregnant mothers to have delivery at the hospitals. The SSF can restrict or defer the maternity benefits for the deliveries conducted outside of the hospitals, except there is no hospital nearby.

- The higher the replacement rate the higher is the incentive to feign and hence a moderate replacement rate is set for the schemes.
- Decrease in the household size, increase in youth but increase in old dependency rate and transferring traditional joint family system into modern unit family requires a well organized social security schemes. Therefore there is good chance of support from the all the stake holder in favor of the Social Security Fund in the nation.

8.2 Recommendations

This report leads to the following recommendations.

1. Need to establish a very independent, autonomous and fully equipped IT system based Social Security (Fund Secretariat) Institution with professionals, non-political, Board of Directors.
2. More systematic form of universal social security system without any duplication. The social security benefit must be uniform, fair and without any discrimination and based on means-test.
3. There must be one door policy for getting any types of social security benefits. For this there is need to establish an autonomous 'Social Security Institution' to encompass all forms of social security existing in the country.
4. We recommend establishing three divisions: family and child division, social insurance division and retirement division (pensions). The welfare fund also be integrated in the SSF in any form so that there will be financially sound Social Security Fund.
5. Immediate step is needed for informal sectors workers since bulk of the working force is relying on this sector.
6. To maintain balance between the beneficiary and contributors, we recommend to establish a 'Unit' within the Social Security Fund office where all the employer will post their online job vacancies so that anyone who is claiming unemployment benefit can go for job hunting and the SSF staff can check whether or not he has applied for a vacant post advertised on their list before granting him/her an unemployment benefits (if unemployment benefit scheme came into effect in future)
7. There should be strong data base archiving system on premium collection and claims so that this will further help to estimate any contribution needed in future for any additional schemes extended to the existing coverage..
8. All the stakeholders: the government, trade unions and employers should work together so that social security for all can be achieved at a faster pace.
9. The government should be responsible for the operational cost. The benefits should only be paid after the launch of the schemes and not from the date an employee did contributed and fell sick before the launch of the schemes.
10. We recommend outsourcing the operational work of all the proposed schemes as the SSF apparently is not in a position to carry out claims process for all the schemes throughout

the nation. However, in some regions it is better for the SSF to own the operational responsibility for its experience.

11. In order to provide better, faster and decentralized customer care services, we recommend to set up five regional offices of the SSF, one in each development region. In the mean time it is essential for the government to establish fully equipped large regional hospitals outside of Kathmandu valley. This will help the Medicare scheme offered by the SSF.

References

Books and papers

National Population and Housing Census 2011, (National Report).

Annual Report, Department of Health Service, MOHP, (2068), Nepali version.

Annual Report , Department of Health Service, MOHP, (2010/2011)

Demographic and Health Survey, 2011 (MOHP)

Report on Nepal Labor Force Survey 2008, Central Bureau of Statistics, NPC.

Economic Survey, Fiscal year 2011/012, (MOF)

Edward Tamango, *Strengthen Social Protection for ASEAN Migrant Workers Through Social Society Agreements.*

K. Black Jr. &H.D.Skipper Jr., *Life and Health Insurance.*

S. Rajan, *Social Security for the Elderly (Experience from South Asia).*

Assessment of Social Security Allowance Program in Nepal. National Planning Commission, Government of Nepal, Singh Durbar, Nepal.

Social Security schemes in Nepal, Report prepared by Mr. Arthur van de Meerendonk.

International guidelines for the actuarial analysis of a national social security pension scheme., ILO

E. Reynaud, *The extension of Social Security Coverage, ILO.*

M. Chaabane, *Towards the Universalization of Social Security (Experience of Tunisia), ILO.*

Sooman Kwon, *Achieving Health Insurance for ALL Lessons from The Republic of Korea, ILO.*

Social Protection for a Fair and Industry Globalization, ILO.

A. Pongsapich, R. Leechanawanichphan& N. Bunjongjit, *Social Protection in Thailand.*

Social Security in Srilanka.

A review of the Social Security System for the Ministry of Labor Relation& Man power. Social Security Department, ILO.

A study proposal related to Social Security Plan.

Sunil Kumar Joshi, *Final Report on Situation Analysis to Strengthen & Establish Effective Injury Surveillance System in Two Districts (Kathmandu & Bhaktapur)*.

M.R. Hardy, D.C.M. Dixon & H.R. Warer, *Supplementary Notes for Actuarial Mathematics for Life Contingent Risks*.

G.E. Rejda, *Principle of Risk Management & Insurance*, 9th Edition.

2010-2011, *Flash II Report*, Department of Education, Ministry of Education Government of Nepal, Sanathimi Bhaktapur.

2011-2012, *Flash I Report*, Department of Education, Ministry of Education Government of Nepal, Sanathimi Bhaktapur.

E. Palmer, *Public Policy for Pension, Health Sickness, Potential Lessons from Sweden for Latin America*.

World Social Security Report, ILO, Providing coverage in time of crisis.

Estimating the Economic costs of Occupational Injuries and Illness. Developing Countries. Essential Information for Decision Makers. ILO, EU.

R.P. Gautam, J.N. Prasain, *Current Situation of Occupational Safety and Health in Nepal*.

2011, *Demographic & Health Survey Nepal*.

M.S. Dortman, *Risk Management & Insurance* 9th Edition.

Actuarial Practice in Social Security, ILO

ST1, Combined material Pack, Institute of actuary of India.

ST4, Combined material Pack, Institute of actuary of India.

2011, *Nepal Population Report*, Ministry of Health and Population, Government of Nepal, Ramsahpath Kathmandu.

Social Security, A New Census, ILO.

2008 -2009, *Nepal Health Accounts*, Ministry of Health and Population, Government of Nepal Policy Planning & International Cooperation Division Ramsah Path, Kathmandu Nepal.

2011, *Nepal Demographic and Health Survey Key Findings*.

2011. *Status Report*, Ministry of Education, Sanathimi Bhaktapur.

National Census Brief Report

Nepal Living Standard Survey Vol. I & II 2010/11, National Planning Commission secretariat, Central Bureau of Statics, Kathmandu.

The Yearly Report of the Employment Provident Fund, 2064, 067,068, 069 and Golden Jubilee issue 2068.

Websites:

www.ilo.org.

www.wb.org

www.undp.org

www.issa.org

FORM-I

Company/Employer Detail

Name of Company/Employer:

Address of Company: District: VDC/Municipal: Ward No:

Tel No: Fax No: PAN No:

Direct Tel No: Mobile No: Email ID:

Number of Employees:

Type of employer: a) governmental
b) Non-governmental
c) Public organization
d) Private sector
e) Self-employment
f) Foreign based-employment
g) Family based-employment

Types of job: a) Service oriented b) Manufacturing d) Temporary
c) Permanent Contract d) Contract e) Others

Verification, review, renews and update on record of employees by Employer/ Human Resource Department (HRD) regularly and submitted to the Social Security Fund:

Signature of the HRD:

Name of the Human Resource Manager:

Stamp of the Company: Date:

.....
Approved and Registered by Social Security Fund

Employee's Name:

Employees' Social Security Code No:

Employer Name and Address:

Employer Social Security Code no.

Personal Registration form

Application to enroll as a beneficiary of Social Security Insurance Schemes

Personal Detail

Photo with
employer
verified

To

Social Security Fund Secretariat, Babarmahal, Singhadurbar, Kathmandu

Sir:

I am applying to enroll myself as a beneficiary of contribution based social security insurance benefits with the following information.

Name of Employee:

English (capital)

Nepali:

PAN No:

Contact No.:

Email ID:

Date of Birth:

Male/Female:

Nationality:

Blood group:

Married/Unmarried:

Number of Children:

Parent/spouse:

Permanent Address: District:

VDC/Municipal:

Ward No.

Temporary Address: District:

VDC/Municipal:

Ward No.

Mailing Address:

Bank Account Detail:

Name of Bank and Account Type:

Signature of employee:

Name of the Company (Employer) with location:

Public/Private sector:

Designation of employee: a) Permanent. b) Temporary. c) Contract. d) Others

Date of the join in the company:

Date of the insured:

Verification, review, renews and update by Employer/ Human Resource Department (HRD) regularly.....

Name of the Human Resource Manager:

Stamp of employer:

Signature of the HRD:

Date:

.....

Identity Card Approved and Issued by Social Security Fund:

Name of the Issued officer:

Signature of the issued officer:

Employee's Name:

Employees' Social Security Code No:

Date:

Sickness Benefits Claim Form

1. Company Details:

Name of company (employer):

Address of company:

District

Tel No:

Fax No:

Employer (Social security) Code

PAN no:

Name of Human Resource Manager:

Direct Tel No

Mobile no:

email:

Type of employer:**a) governmental****b) public organization****c) private****2. Personal Details:**

a) General details.

Name of Employee:

Social Security ID:

PAN no:

Date of Birth:

Sex: Male/Female:

Age at present:

Height:

Weight:

Blood Group:

Nationality:

Blood group:

Permanent Address:

Mailing address:

Tele No.

Mobile:

email ID:

Bank Account Detail : Name of Bank-

Account No:

Account type:

b). Life Style: Smoking: yes/no

Drinking (Alcohol): yes / no.

Smoked in last 12 month: yes /no.

Physical Activities : yes/no if yes please

mention. Food(Diet) habit: vegetarian or non-vegetarian.

c). Family history: Does your family members suffer or died from any one of the following disease? Please tick: a) Cancer b) Heart Attack c) High Blood pressure d) Diabetes. e) HIV**3. Employment Details:**

a) Current employer name:

Date of joining:

Designation:

Type of job

b) Previous employer name:

Date of joining:

Date of exit:

Cause of exit:

c) When did you join the Social Security scheme:

Name and address of employer:

Social security contribution payment start date:

Salary at the time of paying contribution:- a) Basic b) Gross c) insurable salary:

d) Contribution detail:

SN	year	Employer name	DOJ	DOE	Basic salary	Gross salary	Insurable salary	Total contribution
1	current							
2	previous							
3	Following							

e). Salary details:

SN	Employer name (current first)	Current Basic Salary	Current gross salary	Insurable salary (1% taxable)	Remarks
1					
2					
3					

4. Sickness and Claim details:

a.)Current and previous sickness

SN		Date: first time fall in sick	Date of hospital check up	Cause of sickness	How long it will take to recover (as per doctor)	Need follow up? What duration	Doctor's recommendation (rest, medication, rehabilitation)
1	Latest sickness						
2	Previous sickness						

b). Previous claim details:

SN	Employer name (most current first)	Name of hospital	Name of doctor	Duration of sick	Causes of sick	Benefits amount paid (Rs)	Benefits period (month)	Duration beyond the covered period
1								
2								

5. Current claim amount details (For Employer's Office Use Only):

Normal duty hours per day : -----hrs per day. Working time from --
-----hrs to -----hrs. Wage /Salary Payment: daily/Monthly/quartely:
Basic salary (Insurable Salary) Rs-----, Sick from ----- to
-----, Total days of sick (a): waiting period (b): 3 days

Total number of benefit payable days: (a) – (b)

Total amount payable = basic salary (monthly) x months/days x 70% =

Tax deductible = Rs---

Net sickness benefit amount payable from the SSF: Rs-----

Amount in words: Rs-----

This form contains information relating to employee's health and must be used in a manner that protects the confidentiality of employees to the extent it is possible while the information is being used for occupational safety and health purposes

6. Medical Attend Doctor's Report (To be filled by Medical Doctor)

I.....Medical attendant of the contributors (patient) Mr/Mrs
.....DO HEREBY SOLEMNLY DECLARE that the foregoing statement on
regarding the patient's sickness are True and correct to the best of my knowledge and
belief.

Dated at.....this.....day of

.....

Name:.....

Name of Hospital

Council Registration No:

Qualification:.....

Address:.....

Signature of Medical Attendant

Hospital's Stamp

7. Declaration (by contributor)

I declare that I read and understand all the information regarding sickness benefits provided by the social security scheme. To my best knowledge the foregoing particulars are in true and correct. I agree that I will be liable for any misrepresentation or misinformation as per the rules of the government of Nepal.

Name of employee:

Signature:

Date:

8. HR Manager's Report (To Be filled by HR Manager)

I..... Human Resource Manager of the contributors (patient) Mr/Mrs Who has been fallen sick since date Todo hereby declare that the foregoing information are true and correct to the best of my knowledge and belief.

Name :.....

Social Security ID no.

Company Name:

Company Address:

Tel No.

Fax no

Date:

Signature of HR Manager

Company stamp

9. Information Verified by the SSF(To be checked and approved by the SSF office only)

Amount payable in number:

Amount in payable in word:

Amount verified by:

Name:

Designation

Signature:

Date:

—

10. Check list:

- a) Proof of identity (citizenship, employer's ID).**
 - b) Pay slip**
 - c) Medical certificate (Hospital certificate).**
 - d) Proof of absent (to be supplied by employer).**
-

11. Exclusions and Restrictions

- 1 Falling sick or ill during leave is excluded. S/he must be on duty at the time s/he falls sick
 - 2 If receiving occupational injury benefits, then he is not eligible to receive the Sickness benefits.
 - 3 But this will not be applicable for those who leave their job/employer otherwise there will be conflict among employer and employees because employer cannot trace them whether they are sick or not But those who are paid on quarterly basis, the employer must prove that the employee is working until the date of falling sick.
 - 4 Reach retirement age on the benefits commencement date.
 - 5 If your claim is for a psychiatric condition.
-

Note:

- 1 If it is confusion /suspicious to the SSF staff during /after the claim process, they will visit the relevant company for quality check and fraud control.
- 2 The claim form must be returned with all fields completed .No action will be taken to the Incomplete or any missing information .
- 3 Salary detail of each weekly/fortnightly wage for the 12 months prior to the date of your total disablement
- 4 Medical certificates need to be original and must state the condition for which the contributor is claiming scheme benefits.
- 5 If you are in receipt of any other benefits as a result of your condition ,please provide copies of all benefits paid.
- 6 In order for us to process any payments in relation to your claim, please complete bank detail in the personal section.
- 7 The schemes benefits are kind of additional benefits to the contributors and it is not his/her right.

- 8 The SSF deserves all the right whether or not to grant any benefits to the claimants.
- 9 The foreigners who are employed by any company (whether domestic, joint Venture or multinational or subsidiary of any international brand) in Nepal need to submit a proof of photo Identity issued by the respective Embassy based in Nepal/abroad.
- 10 In order for us to process any payments in relation to your claim, please complete bank detail in the personal section.

Maternity Benefits Claim Form**1. Company Details**

Name of company (employer):

Address of company:

District

Tel No:

Fax No:

Employer (Social security) Code

PAN no:

Name of Human Resource Manager:

Direct Tel No

Mobile no:

email:

Type of employer:**a) governmental****b) public organization****c) private****2. Personal Details:**

Name of Employee:

Social Security ID:

PAN no:

Date of Birth:

Sex:

Age at present:

Height:

Weight:

Blood group:

Nationality:

Marital Status: married/unmarried, separated/divorced.

Pregnancy detail: Tentative pregnancy date (as specified by the hospital medical doctor):

Number of children: 1st child (age....), 2nd child age (.....), 3rd child (age.....)

Permanent Address:

Mailing address:

Tele No.

Mobile:

email ID:

Bank Account Detail : Name of Bank-

Account No:

Account type:

Name of husband:

occupation,

Name company (if employed)

3. Employment Details:

e) Current employer name:

Date of joining:

Designation:

Type of job

f) Previous employer name:

Date of joining:

Date of exit:

Cause of exit:

g) When did you join the Social Security scheme:

Name and address of employer:

Social security contribution payment start date:

Salary at the time of paying contribution:- a) Basic

b) Gross

c) insurable

salary:

h) Contribution detail:

SN	year	Employer name	DOJ	DOE	Basic salary	Gross salary	Insurable salary	Total contribution
1	current							
2	previous							
3								

e). Salary details:

SN	Employer name (most current first)	Current Basic Salary	Current gross salary	Insurable salary (1% taxable)	Remarks
1					
2					
3					

4. Type of birth

- a) Live birth b) stillbirth c) miscarriage birth d) abortion (excluded) e) caesarian

5. Place of birth:

- a) Name of hospital: Is it private or governmental? :.....
b) Name of nursing home (if delivery was).
c) Name of the doctor if delivery was taken outside of hospital or nursing home.
d) Name of midwives who help delivery if delivery was done under his/her supervision.

6. Employers facility:

- a) Does your employer offer maternity leave?
b) Had informed your employer about your pregnancy? If yes: mention the date you have informed.
c) Have taken any leave for the purposes of antenatal visit? If yes mention the date you visited a hospital.

7. Current claim amount details (For Employer's Office Use Only):-

Normal duty hours per day : -----hrs per day. Working time from --
-----hrs to -----hrs. Wage /Salary Payment: daily/Monthly/quartely:

Basic salary (Insurable Salary) Rs-----, Pregnancy conceive
date-----

Total amount payable = basic salary (monthly) x2 months x 50% =

Tax deductible = Rs---

Net maternity benefit amount payable from the SSF: Rs-----

Amount in words: Rs-----

This form contains information relating to employee's health and must be used in a manner that protects the confidentiality of employees to the extent it is possible while the information is being used for occupational safety and health purposes

8. HR Manager's Report (To Be filled by HR Manager)

I..... Human Resource Manager of the contributors (patient) Who has been fallen sick since date Todo hereby declare that the foregoing information are true and correct to the best of my knowledge and belief. I will be liable for any misinformation or any concealment of the information thereof.

Name :.....

Social Security ID no.

Company Name:

Company Address:

Tel No.

Fax no

Date:

Signature of HR Manager

Company stamp

9. Medical Attend Doctor's Report (To be filled by Medical Doctor)

I.....Medical attendant of the contributors (patient) Mr/Mrs.....DO HEREBY SOLEMNLY DECLARE that the foregoing statement on regarding the delivery (of maternity) are True and correct to the best of my knowledge and belief. I will be liable for any misinformation and concealment of the fact thereof.

Dated at.....this.....day of

.....

Name:.....

Name of Hospital

Council Registration No:

Qualification:.....

Address:.....

Signature of Medical Attendant

Hospital's Stamp

10. Declaration:

I declare that I read and understand all the information regarding sickness benefits provided by the social security scheme. To my best knowledge the foregoing particulars are in true and correct. I agree that I will be liable for any misrepresentation or misinformation as per the rules of the government of Nepal.

Name of employee:

Signature:

Date:

11. Information Verified by the SSF(To be checked and approved by the SSF office only)

Amount payable in number:

Amount in payable in word:

Amount verified by:

Name:

Designation

Signature:

Date:

12. Check list:

- e) Birth certificate/Vital Registration.**
 - f) Proof of identity (citizenship, employer's ID).**
 - g) Pay slip**
 - h) Medical certificate (Hospital certificate).**
 - i) Proof of absent (to be supplied by employer).**
-

Note:

- 11 If it is confusion /suspicious to the SSF staff during /after the claim process, they will visit the relevant company for quality check and fraud control.
- 12 The claim form must be returned with all fields completed .No action will be taken to the incomplete or any missing information.
- 13 Salary detail of each weekly/fortnightly wage for the 12 months prior to the date of your pregnancy must be supplied in order to check actual salary paid.
- 14 Medical certificates need to be original and must state the condition for which the contributor is claiming scheme benefits.

- 15 If you are in receipt of any other benefits as a result of your condition, please provide copies of all benefits paid.
- 16 In order for us to process any payments in relation to your claim, please complete bank detail in the personal section.
- 17 The schemes benefits are kind of additional benefits to the contributors and it is not his/her right.
- 18 The SSF deserves all the right whether or not to grant any benefits to the claimants.
- 19 The foreigners who are employed by any company (whether domestic, joint Venture or multinational or subsidiary of any international brand) in Nepal need to submit a proof of photo Identity issued by the respective Embassy based in Nepal/abroad.
- 20 In order for us to process any payments in relation to your claim, please complete bank detail in the personal section.

Exclusions and Restrictions

1. Intentional abortions (unwanted) are excluded unless and otherwise there is risk to the life of mother. This must be proved by medical doctors and approved by medical committee.
2. Those who are on the study leave or receiving any other form of social security benefits such as permanent disability benefits.
3. Reach retirement data on the benefit commencement date.
4. But this will not be applicable for those who leave their job/employer otherwise there will be conflict among employer and employees because employer cannot trace them whether they are sick or not
5. If maternity benefit is already claimed for two children, then the scheme will not pay third maternity benefit.
6. Still births or miscarriages conducted outside of the hospital are not covered.

Workplace Accident or Injury Benefit Form**1. Company (Employer) Details**

Name of company (employer) :-

Address of company: -

District

Tel No:

Fax No:

Employer (Social security) Code

PAN no:

Name of Human Resource Manager:

Direct Tel No

Mobile no:

email:

Type of employer:

a) governmental

b) public organization

c) private

2. Personal Details:

Name of Employee:

Title

First name

last

name

Social Security ID:

PAN no:

Date of Birth:

Sex:

Age at present:

Height:

Weight:

Blood group:

Nationality:

Permanent Address:

Mailing address:

Tele No.

Mobile:

email ID:

Bank Account Detail: Name of Bank-

Account No:

Account type:

Name of Beneficiary in case of death:

Type of ability: - active
worker,

differently able

Dependant and part time

Living on social security (single woman).

3. Life style:

Smoking: yes/no

Drinking (alcohol): yes / no.

Smoked in last

12 month: yes /no.

Physical activities : yes/no if yes please mention.

Food (Diet) habit: vegetarian or non-vegetarian.

Unable to work for at least one full day after the date of injury: yes/no

Date last worked:

Date returned to work:

If still off work: yes /no

3 a) Family History: Do your family members suffer or died from any one of the following disease? Please tick: a) Cancer b) Heart Attack c) High Blood pressure d) Diabetes. e) HIV

b) Witness: Please supply a person's name who was present at the time of accident

Name of witness:

4. Employment Details:

- i) Current employer name:
 Date of joining: _____ Date of contribution: _____
 Occupation /job title: _____ Location of work/duty: _____
- j) Previous employer name:
 Date of joining: _____ Date of exit: _____ Cause of exit: _____
 When did you join the Social Security scheme: first time: _____ 2nd time: _____ 3rd time: _____
- k) Name and address of previous employer: _____ Date of exit: _____ Cause of exit: _____

l) Contribution detail:

SN	year	Employer name	DOJ	DOE	Basic salary	Gross salary	Insurable salary	Date of contribution	Total contribution
1	current								
2	previous								

m) Salary details:

SN		employer	Basic Salary	gross salary	Insurable salary (1% taxable)	Remarks
1	Current					
2	Previous					

5. Injury Detail (To be filled by contributor)

a) Time component

SN	Date of injury	Time of injury	Working hour (time)	Date employer was notified	Date last worked	Date return to work.	Duration of injury	Leave used	Days or moths used for calculation
			5 am to 10 pm						

**b) Hospitalization detail (To be filled by Medical Doctor) :- Admitted to hospital ?
emergency Hospitalization in patient**

Name of hospital: Address detail tel : fax: email:

Causes of Injury:

If you doubt what is said by the insured (contributor): State reason

Name of Attending Doctor: Mobile No: Council regd. no:

c) Injury component (To be filled by Medical Doctor

I) The time s/he started to work:

II) Type of injury:

III) Location of injury: On employer's premises : Outside premises:

IV) Cause of injury:

V) All the equipment, material and /or chemical employee was using when accident or illness exposure occurred:

VI) Specify activity and /or work process employee was engaged in when accident or illness exposure occurred.

VII) Describe in sequence of level how injury/illness occurred, the object that directly caused the injury.

VIII) Present situation of employee: working In hospital (brought
by- ambulance company vehicle, public service ill and
in home.

d) Degree of injury:- fatal severe moderate

e) Body location of injury: head Back Legs Arms
Left side Right side other (specify):

If employee died, date and time of death:

6. For Employee's Office Use Only

Employee works : -----hrs per day.

From -----hrs to -----hrs.

Payment : Monthly/daily: Rs.....,

Contributing from----- to ----- to

SSF. Basic Salary: Rs-----

Insurable Sal Rs-----,

Injured from ----- to -----,

leave used -----days during the injury.

Total months and days for calculation @50% = basic salary x months/days x 50% =

Total paid by the employer to insured: Rs---

Total Claim amount from SSF: Rs-----

Amount in words: Rs-----

This form contains information relating to employee health and must be used in a manner that protects the confidentiality of employees to the extent possible while the information is being used for occupational safety and health purposes

7. Medical Attend Doctor's Report (To be filled by Medical Doctor)

I.....Medical attendant of the contributors (patient) Mr/MrsDO HEREBY SOLEMNLY DECLARE that the foregoing statement on regarding the patient's sickness are True and correct to the best of my knowledge and belief.

Dated at.....this.....day of

.....

Name:.....

Name of Hospital

Council Registration No:

Qualification:.....

Address:.....

Signature of Medical Attendant

Hospital's Stamp

8. Declaration(by contributor)

I declare that I read and understand all the information regarding sickness benefits provided by the social security scheme. To my best knowledge the foregoing particulars are in true and correct. I agree that I will be liable for any misrepresentation or misinformation as per the rules of the government of Nepal.

Name of employee:

Signature:

Date:

9. HR Manager's Report (To Be filled by HR Manager)

I..... Human Resource Manager of the contributors (patient) Mr/Mrs who suffered an accident/injury on date and still under treatment from date Todo hereby declare that the foregoing information are true and correct to the best of my knowledge and belief.

Name :.....

Social Security ID no.

Company Name:

Company Address:

Tel No. Fax no

Date:

Signature of HR Manager

Company stamp

10. Information Verified by the SSF(To be checked by the SSF office only)

Amount payable in number:

Amount in payable in word:

Amount verified by:

Name:

Designation

Signature:

Date:

11. Check list:

- a) **Proof of identity (citizenship, employer's ID).**
- b) **Pay slip**
- c) **Medical certificate (Hospital certificate)**
- d) **Police Verification Report (if accident)**
- e) **Death certificate (in case of death) (vital or hospital)**

12. Exclusion and Restrictions

- a. Self- inflicted injuries or accident resulting from employee's intoxication.
- b. Injured off duty or on leave.
- c. Injured by the duty which is not assigned to him by the employment letter.
- d. Injured by violence or fighting within the premises that resulted injury.
- e. Reach retirement age on the benefits commencement date.

- f. Reach retirement age on the benefits commencement date.
 - g. If accident is main cause of Psychiatric disease, no claim will be paid.
-

Note:

- 21 If it is confusion /suspicious to the SSF staff during /after the claim process, they will visit the relevant company for quality check and fraud control.
- 22 The claim form must be returned with all fields completed .No action will be taken to the incomplete or any missing information.
- 23 Salary detail of each weekly/fortnightly wage for the 12 months prior to the date of your total disablement will be checked for actual benefit payable.
- 24 Medical certificates need to be original and must state the condition for which the contributor is claiming scheme benefits.
- 25 If you are in receipt of any other benefits as a result of your condition ,please provide copies of all benefits paid.
- 26 The schemes benefits are kind of additional benefits to the contributors and it is not his/her right.
- 27 The SSF deserves all the right whether or not to grant any benefits to the claimants.
- 28 The foreigners who are employed by any company (whether domestic, joint Venture or multinational or subsidiary of any international brand) in Nepal need to submit a proof of photo Identity issued by the respective Embassy based in Nepal/abroad.
- 29 In order for us to process any payments in relation to your claim, please complete bank detail in the personal section.

Some definitions and notes:

Accident means, it must be violent, outward, external, and visible and must have occurred in the course of carrying duty that is beneficial to the employer.

Disability:

- a) Own occupation: The employee is called disable if she/he cannot perform his assigned duty by his education, qualification experience. The scheme will provide benefits only for the income loss to the employee due to disability (definition based on the own occupation)
- b) Any occupation: If the contributors cannot perform any sort of gainful occupation then he /she is called disable. The may be applicable after 2 years and hence the scheme will not cover it.

Temporary disabilities are not covered under the scheme.

Permanent Total Disability is covered.

Permanent Partial Disability is covered.

Note 1: Whatsoever written on the policy, the SSF deserve the right to accept or decline benefits. It is not an obligation of the SSF to pay a claim. The claim may be accepted or rejected totally based on the contingency (event), papers submitted and decision made by the committed.

FORM -VI**Medicare Benefit Claim Form (Hospitalization and Diagnosis)****1. Company Details:**

Name of company (employer):

Address of company:

District

Tel No:

Fax No:

Employer (Social security) Code

PAN no:

Name of Human Resource Manager:

Direct Tel No

Mobile no:

email:

Type of employer:

a) governmental

b) public organization

c) private

2. Personal Details:

Name of Employee:

Social Security ID:

PAN no:

Date of Birth:

Sex:

Age at time of

sick:

Height:

Weight:

Blood group

Nationality:

Permanent Address:.....

Mailing address:

Tele No.

Mobile:

email:

3. Life style:

Smoking: yes/no

Drinking (Alcohol): yes / no.

Smoked in last

12 month: yes /no.

Physical Activities : yes/no if yes please mention.

Food (Diet) habit:

vegetarian or non-vegetarian.

4. Sickness details:

SN		Date: first time fall in sick	hospital check up date	Cause of sickness	How long it will take to recover (as per doctor)	Need follow up? What duration	Doctor's recommendation (rest, medication, rehabilitation)
1	Latest sickness						

- i) Total amount paid by contributor (g+h): Rs.
j) Amount paid by the scheme (f-i): Rs.

9. Medical Attend Doctor's Report (To be filled by Medical Doctor)

I.....Medical attendant of the contributors (patient)
Mr/Mrs.....DO HEREBY SOLEMNLY DECLARE that the foregoing
statement on regarding the patient's sickness are True and correct to the best of my
knowledge and belief.

Dated at.....this.....day of

.....

Name:.....

Name of Hospital

Council Registration No:

Qualification:.....

Address:.....

Signature of Medical Attendant

Hospital's Stamp

10. Declaration (by contributor)

I declare that I read and understand all the information regarding sickness benefits
provided by the social security scheme. To my best knowledge the foregoing particulars
are in true and correct. I agree that I will be liable for any misrepresentation or
misinformation as per the rules of the government of Nepal.

Name of employee:

Signature:

Date:

11. HR Manager's Report (To Be filled by HR Manager)

I..... Human Resource Manager of the contributor
(patient) Mr/Mrs..... Who has been fallen sick since date To
.....do hereby declare that the foregoing information are true and correct to the
best of my knowledge and belief.

Name :.....

Social Security ID no.

Company Name:

Company Address:

Tel No.

Fax no

Date:

Signature of HR Manager

Company stamp

12. Information Verified by the SSF(To be checked by the SSF office only)

Main Cause of hospitalization/OPD:.....

Amount payable in number:

Amount in payable in word:

Amount verified by:

Name:

Designation:

Signature:

Date:

13. Check list:

f) Proof of identity (citizenship, employer's ID).

g) Pay slip

h) Medical certificate (Hospital certificate).

i) Proof of absent (to be supplied by employer).

j) Proof of expenditure (Hospital Bills/receipt):

14. Exclusions and Restrictions

1. Falling sick or ill during leave is excluded. S/he must be on duty at the time s/he falls sick
2. If receiving occupational injury benefits, then he is not eligible to receive the Sickness benefits.
3. But this will not be applicable for those who leave their job/employer otherwise there will be conflict among employer and employees because employer cannot trace them whether they are sick or not But those who are paid on quarterly basis, the employer must prove that the employee is working until the date of falling sick.
4. Reach retirement age on the benefits commencement date.
5. If your claim is for a psychiatric condition.

Note:

- 1 If it is confusion /suspicious to the SSF staff during /after the claim process, they will visit the relevant company for quality check and fraud control.

- 2 The claim form must be returned with all fields completed .No action will be taken to the Incomplete or any missing information.
- 3 Salary detail of each weekly/fortnightly wage for the 12 months prior to the date of your total disablement
- 4 Medical certificates need to be original and must state the condition for which the contributor is claiming scheme benefits.
- 5 If you are in receipt of any other benefits as a result of your health conditions ,please provide copies of all benefits paid.
- 6 In order for us to process any payments in relation to your claim, please complete bank detail in the personal section.
- 7 The schemes benefits are kind of additional benefits to the contributors and it is not his/her right.
- 8 The SSF deserves all the right whether or not to grant any benefits to the claimants.
- 9 The foreigners who are employed by any company (whether domestic, joint Venture or multinational or subsidiary of any international brand) in Nepal need to submit a proof of photo Identity issued by the respective Embassy based in Nepal/abroad.
- 10 In order for us to process any payments in relation to your claim, please complete bank detail in the personal section.

FORM-VII

Social Security Fund Identity card of beneficiaries:

Name of the Employee:

Father's/Husband's Name:

Date of Birth:

Address:

Designation of work:

Name of the Employer:

Blood Group:

Social Security Identity Card No:

Note: If anybody found this social security fund identity card; please handover to the nearest police post or Social Security Fund Secretariat Office Babarmahal, Singhadurbar, Kathmandu, Nepal.

Photo

1.