



Recent Developments of NSSF and Extension Strategies Toward the Introduction of Unemployment Scheme

Strengthening Social Security Systems for Improving Labour
Market Resilience and Fostering Formalization

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I. INTRODUCTION (cont.)



Sector	Launching of Different Social Security Schemes in Cambodia			
	Work Injury	Healthcare	Pension	UNEMPLOYMENT
Private Sector (compulsory)	1 st November 2008	1 st May 2016	1 st July 2022	Not Yet Launched
Public Sector (compulsory)	1 st January 2021	1 st January 2018	6 th October 1997 (Ministry of Social Affairs)	Not Applicable
Self-Employed and Dependents (voluntary)	Not Yet Launched	20 th June 2023	Not Yet Launched	Not Applicable



Cambodia Vs ILO Convention No. 102

No.	Benefits according to ILO	Cambodia
1	Medical Care	✓
2	Sickness Benefit	✓
3	Unemployment benefit	Not yet launched
4	Old-ages benefit	✓
5	Employment injury benefit	✓
6	Family benefit	✗
7	Maternity benefit	✓
8	Invalidity benefit	✓
9	Survivors' benefit	✓

II. Cambodia's Labour Market: Challenges and Opportunities



Size of Economic Agent or Enterprise Registered

Economic Agent or Enterprise by Number of Workers	Share	
	2021	2022
1-4	1.90%	6.50%
5-9	14%	83.70%
10-99	33.50%	97.30%
> 100	78.80%	100%

II. Cambodia's Labour Market: Challenges and Opportunities (cont.)



LABOUR MARKET STRUCTURE

FORMAL EMPLOYMENT

900,000+ WORKERS

The formal employment is dominated by manufacturing, employing **900,000+ workers**, particularly in the garment industry.

INFORMALITY

Economic Census by NIS 2022: 87.6% of **753,670 enterprises** not registered with any ministry or institution.

And **97.6%** of these enterprises employed fewer than 10 workers. Informal employment, characterized by low wages, limited job security, and no access to formal benefits.

II. Cambodia's Labour Market: Challenges and Opportunities (cont.)



YOUTH EMPLOYMENT



64.6%
< 34 YEARS OLD

Cambodia has a young workforce (demographic dividends); over **64.6%** of the population is **under 34 years** old in 2023. However, youth unemployment and underemployment remain challenges, particularly in rural areas.

ECONOMIC SHOCKS

COVID-19 exposed vulnerabilities in Cambodia's labour market, leading to **job losses** in **tourism**, **garment**, and **construction** sectors.

FORMALIZATION OPPORTUNITIES

Economic diversification and regional integration (e.g., ASEAN) present opportunities to foster formalization through targeted policy interventions.

III. Recent Developments in Cambodia's Social Security System



Healthcare Scheme

Covers 2.6+ million beneficiaries, including workers and dependents in the formal sector.

Expanded access to preventive care and chronic disease management.

Occupational Risk Scheme

Provides benefits to over 1.9+ million workers, ensuring medical care, compensation, and rehabilitation.

Pension Scheme

Covers 2+ million members. Launched to secure retirement income for formal workers.

Contributions set at 4% of salaries, with gradual increases planned for sustainability.

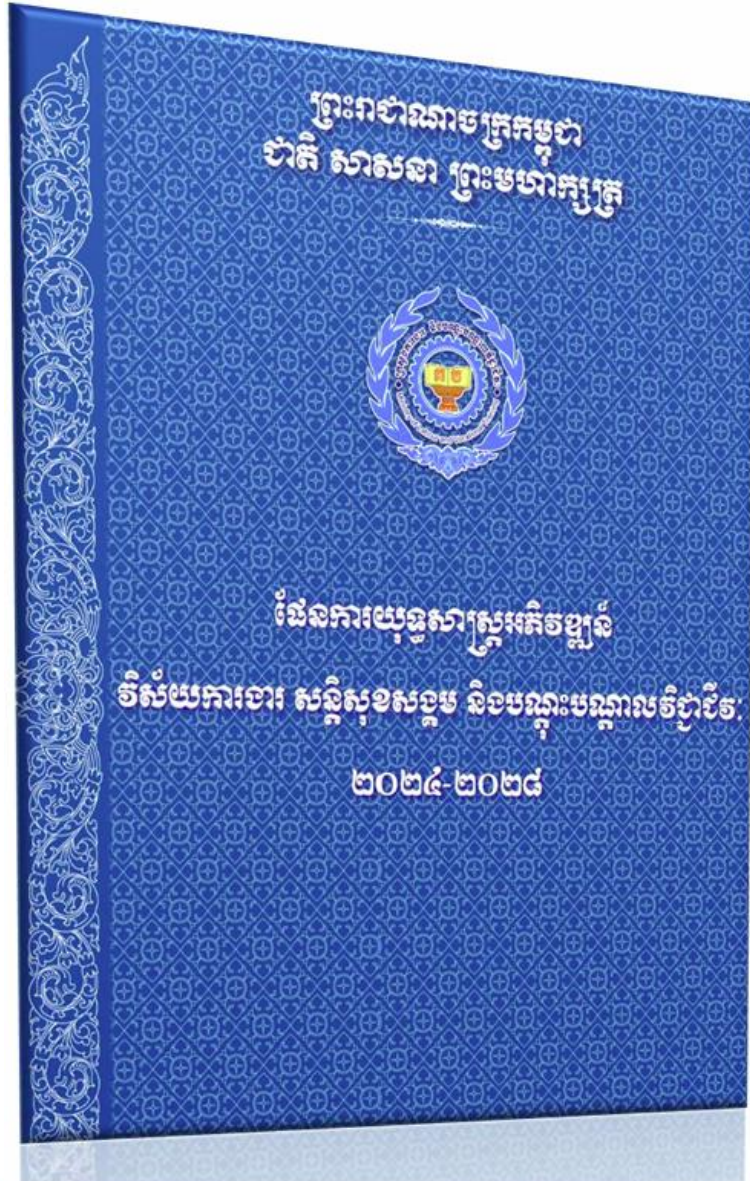
Digital Transformation

Implementation of IT systems for registration, claims processing, and data integration to improve service delivery.

Aiming to become the NSSF Platform Ecosystem.



III. Recent Developments in Cambodia's Social Security System (cont.)



Strategic Development Plan for Labour, Social Security, and Vocational Training 2024-2028

Strategy #5: Developing the social security system in line with the evolving socio-economic situation

1. Strengthening and expanding the scope of social security implementation in line with the evolving socio-economic situation
2. Strengthening and increasing the quality and capacity of social security services
3. Raising awareness and strengthening the implementation of social security laws (compliance)
4. Strengthening the administration of social security funds to increase the benefits for members of the CSC and the professional relations sector
5. National Social Security Capacity Development

IV. Why Introduce Unemployment Schemes?



NSSF as Labour Market Institution

- 1. Worker Protection:** healthcare, work injury insurance, pension schemes, and unemployment schemes.
- 2. Risk Management for the Labour Market:** workers (secure employment and insured by NSSF in face of risks in their lives), employers (healthier and more secure workforce, productivity, less absenteeism)
- 3. Promoting Formalization:** workers (access to healthcare, work injury insurance, pension scheme), employers (compliance to labour law and social security law)
- 4. Enhancing Labour Market Resilience:** providing safety nets, reducing inequality
- 5. Supporting Economic Development:** human capital development, domestic demand stability
- 6. Compliance with International Labour Standards:** implement social protection floors to guarantee basic rights for workers and support ILO conventions on labour rights and social security.

NSSF is a critical labour market institution in Cambodia

due to its role in managing risks, protecting workers, and promoting formalization and resilience in the labour market. By ensuring social protection, NSSF fosters a more equitable and productive labour market, contributing to national economic stability and growth.

IV. Why Introduce Unemployment Schemes? (cont.)



RELATIONSHIP BETWEEN FORMALIZATION AND UNEMPLOYMENT SCHEMES IS SYMBIOTIC.

UNEMPLOYMENT SCHEMES PROMOTE FORMALIZATION

Access to Benefits

- Workers in the formal sector gain access to unemployment insurance benefits, such as income replacement, retraining programs, and job placement services.
- These benefits reduce the risks associated with job loss, making formal employment more attractive.

Employer Compliance Incentives

- Employers who register their businesses and employees with unemployment schemes can ensure workforce stability, as workers are more likely to remain in jobs that offer security.

Reduction of Vulnerabilities

- Informal workers often face significant vulnerabilities during economic downturns or job loss. Access to unemployment schemes through formalization addresses these vulnerabilities, creating a strong incentive for workers to formalize.

Linking Social Protection Systems

- Unemployment schemes are often linked to other formal sector benefits, such as pensions, healthcare, or employment injury insurance. Workers see formalization as a gateway to a broader safety net.

IV. Why Introduce Unemployment Schemes? (cont.)



FORMALIZATION STRENGTHENS UNEMPLOYMENT SCHEMES

RELATIONSHIP BETWEEN FORMALIZATION AND UNEMPLOYMENT SCHEMES IS SYMBIOTIC.

Broader Contribution Base

- Formalization increases the number of workers and employers contributing to the unemployment fund, enhancing its financial sustainability.
- A larger pool of contributors reduces the financial burden on individual participants.

Reduced Informal Sector Strain

- Workers in the informal sector are more likely to rely on informal support systems or government assistance during unemployment. Formalizing these workers reduces pressure on limited public resources.

Administrative Efficiency

- Formal employment relationships are easier to monitor and manage, ensuring accurate contribution collection and benefit disbursement.

Improved Data Collection

- Formal employment systems facilitate better tracking of worker contributions, employment trends, and unemployment risks, enabling data-driven decision-making for scheme improvement.

V. Challenges in Implementing Unemployment Schemes



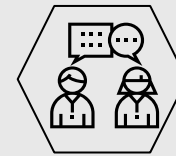
High Informality Rates

Reaching informal workers is difficult due to irregular incomes and lack of records. Informal employers and workers may resist formalization due to perceived administrative burdens or costs.



Financial Sustainability

Ensuring balanced contributions and benefits to avoid fund deficits.



Administrative Capacity

Limited infrastructure and human resources to handle additional claims. Effective implementation requires robust administrative systems.



Awareness and Trust

Many workers and employers may not understand formal employment and are unaware of their rights or skeptical about scheme benefits.

VI. Should Formalization or Unemployment Scheme Be Implemented First?



ACTIONABLE APPROACHES FOR PHASED DUAL IMPLEMENTATION

01 Strengthen Formalization Efforts

- Simplify Registration for Employers and Workers.
- Expand Existing Social Security Coverage.
- Awareness Campaigns.

02 Pilot the Scheme in Targeted Sectors

- Start with Formal Sectors.
- Test Funding and Administration Models.
- Build Administrative Capacity.

03 Phase 3: Scale Up the Scheme

- Gradual Inclusion of Informal Workers.
- Integrate with Public Employment Services.

VII. Regional Comparison of Unemployment Insurance



LAOS:

Contribution: Employer **1%**, Employee **1%**.

MYANMAR:

Contribution: Employer **1%**, Employee **1%**,
Self-employed **2%**.

THAILAND:

Contribution: Employer **0.5%**,
Employee **0.5%**, Government **0.25%**.

Benefits: Income replacement for up to
6 months and access to re-skilling.

INDONESIA:

Contribution: Employer **0.24%**,
Government **0.22%**

Benefits: Temporary cash support and skill
enhancement programs.

LESSONS FOR CAMBODIA

Focus on phased dual implementation
with sustainable funding mechanisms.

Integrate training and job placement
to enhance employability.

VIETNAM:

Contribution: Employer **1%**, Employee **1%**.

MALAYSIA:

Contribution: **0.2%** each from
employer and employee.

Benefits: Job search allowances
and vocational training.



VIII. Next Steps for NSSF: Strategic Roadmap



Feasibility Studies



Partner with ILO and ASEAN counterparts to assess implementation strategies.

Legislative Framework



Develop a legal foundation for unemployment insurance.

Stakeholder Engagement



Contribution: Actuarial Valuation and Funding Mechanisms.
Benefits: Job search allowances and vocational training costing.

Pilot Implementation



Focus on phased implementation with sustainable funding mechanisms.
Integrate training (TVET) and job placement (NEA) to enhance employability.

IX. Key Takeaways



01

Unemployment Scheme is a vital tool for improving labour market resilience and fostering formalization in Cambodia. NSSF is part of the labour market institutions.

02

Collaboration with international experts and regional partners is essential to ensure successful implementation.

03

Let us build a robust social security system that leaves no worker behind.



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More info: <https://www.nssf.gov.kh>



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