Social Protection in aid of Corporations? The Filipino Workers' Dilemma with Social Security

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Ecumenical Institute for Labor Education and Research, Inc. (EILER)
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Background

The research study was conducted by the Ecumenical Institute for Labor Education in Research, Inc. (EILER) with the support of the Asia Monitor Resource Centre (AMRC) from November 2014 to February 2015. The study involved desk research and interviews with vulnerable workers in Metro Manila and Compostela Valley, a province in the southern region of Mindanao, in the Philippines, using qualitative techniques and purposive sampling.

The objectives of the research study on social protection are:

- To critically examine the current social protection framework and programmes in the Philippines, with emphasis on labour market interventions and social insurance and safety nets
- To identify and examine external policy influence on the Philippines' social protection system, in particular by multilateral agencies and institutions
- To probe the private sector's role in the Philippines' social protection system with respect to fund management
- To gather grassroots evaluation on the existing social protection programmes in the country

I. "Re-emergence" of social protection in the wake of the 2008 global financial crisis

The right to social security was formally recognised more than 60 years ago in the Universal Declaration on Human Rights, stipulated under Article 22. But it was only in the wake of the 2008 global financial crisis that development institutions started looking at it as a priority concern as massive joblessness affected vast swathes of the globe. As Cichon et al. (2011) wrote, "It took a global financial and economic crisis to push the social security development debate to the top of the international agenda." However, discussions on social protection in this context tended to focus more toward social security schemes as crisis response and market stabilising mechanisms rather than as tools to provide an enabling environment for human rights and social justice.

In 2009, the United Nations Chief Executives Board (CEB) endorsed the Social Protection Floor Initiative (SPF-I) as one of the nine joint initiatives in response to the global crisis.[1] The SPF-I consists of two main elements: 1) geographical and financial access to essential services, and 2) a basic set of essential social transfers in cash or in kind. In line with the SPF-I, various international development actors have taken up social protection as a policy approach that is integral to poverty reduction and crisis response strategies. During the same year, the ILO adopted a "Global Jobs Pact" during its 98th session in Geneva, putting emphasis on "sustainable social protection systems" for poverty reduction, employment, and economic stability.

During its 100th session in 2011, the ILO deliberated on the matter of social protection as key to social justice and fair globalisation. Interestingly, discussions focused on how the attainment of social security could be linked to the success of market economies. In its session report, the ILO said that social security schemes act as "automatic social and economic stabilizers."

> The short history of intensified globalisation over the past decades has shown that markets need to be embedded in a governance framework in order to be efficient and produce socially fair outcomes. A lesson learned from the economic and social development of industrialised countries throughout the last century is that social security and labour market institutions are part of the institutional tissue of successful market economies.

In quite a similar tune, the World Bank's Social Protection and Labor Strategy 2012-2022, which carried the theme "Resilience, Equity, and Opportunity," emphasised that a social protection floor "provides a foundation for inclusive growth." The document enumerated five pathways through which social protection supported economic growth: 1) building and protecting human capital, 2) empowering poor individuals to invest or to adopt higher risk-higher return activities, 3) promoting greater labour market mobility, 4) acting as stabilisers of aggregate demand or enhancing productive assets in infrastructure, and 5) reducing inequality in society and making growth-enhancing reforms more politically feasible. The strategy paper did not explicitly present social security as a basic human right. Rather, it regarded social protection as a counter-cyclical tool that could be instrumentalised to mitigate risks and support inclusive growth – again in the context of the lingering global crisis.

[1] http://www.socialprotectionfloor-gateway.org/4.htm

In 2012, the ILO adopted Social Protection Floors Recommendation (No. 202)[2] which recognised social security as a basic right and tool "to prevent and reduce poverty, inequality, social exclusion and social insecurity, to promote equal opportunity and gender and racial equality, and to support the transition from informal to formal employment." In the same breath, the recommendation noted that social security systems "act as automatic social and economic stabilizers, help stimulate aggregate demand in times of crisis and beyond, and help support a transition to a more sustainable economy."

Beyond being a stimulant of aggregate demand in the real economy, social protection is also viewed by the ILO as a source of investible capital in financial markets. In fact, the UN body came up in 2004 with a set of principles governing the investment of social security funds in speculative activities. Among these are safety, yield (return), liquidity, and social and economic utility.[3] Such framework is based on the presumption that by investing pension funds in capital markets, returns on investment can supposedly be used to expand and deepen social protection coverage and extend the life of the fund. However, this is not the case in many countries like the Philippines, as the succeeding portions will show.

Clearly, dominant discourse among international development agencies maintain that social protection has a dual role: a basic right and a market enabler. Such duality presents a range of possible impacts on the design of social protection schemes and the realisation of social security for all. The rights-based language may also be abused to promote a marketised social protection model that centers on addressing market failures, sustaining economic growth, and socialising risks at the expense of workers and the people.

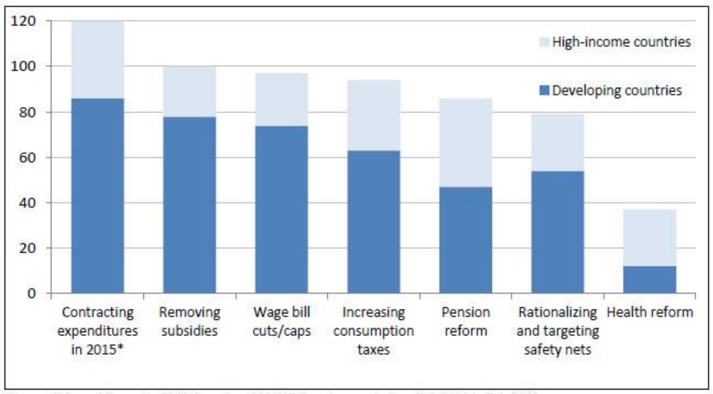
Social protection trends

Most countries remain caught in a bind as they continue to grapple with the effects of the global financial crisis. While development actors are calling for more inclusive social protection systems, several governments mostly in high-income countries have implemented fiscal consolidation measures as a response to the crisis, including cutbacks in public spending on health and social security, elimination of state subsidies, and increase in consumption taxes. Such austerity schemes combine dangerously with depressed household income levels, rising unemployment, and narrower access to social services – creating conditions for a highly combustible political climate. Most middle-income countries that include Brazil, meanwhile, have expanded their social protection systems to sustain their demand-led growth models. In developing countries, the ILO has noted an expansion in social security with the targeting more focused on the poorest segment of society.[4] In Southeast Asia, the depth of social insurance tends

[2] http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:3065524
[3] Cichon, Michael et al (2004). Financing Social Protection. International Labour Organization. http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_secsoc_8030.pdf
[4] http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_320651.pdf

to be significantly greater than the depth of social assistance or labour market programmes, implying that social insurance reaches a fairly small group of beneficiaries. The breadth of social insurance stands at about 47%, meaning that just under half of all intended beneficiaries receive benefits.

Figure 1.
Main adjustment measures in 174 countries, 2010-13 (by policy option)



Source: Ortiz and Cummins 2013, based on 314 IMF Country reports from Feb 2010 to Feb 2013.

The repercussions of the financial crisis on employment have put an emphasis on the role of unemployment benefits in helping people and economies adjust to shocks and spikes in unemployment rates. But only 12 percent of unemployed workers worldwide actually receive unemployment benefits, with effective coverage ranging from 64 percent of unemployment workers in Western Europe to just over 7 percent in the Asia and Pacific region. The rate is much lower in the Middle East and Africa (less than 3 percent).[5] ILO noted that in most regions except in Latin America, effective coverage rates have fallen since 2007 due to several factors, such as changes in the structure of unemployed population or changes in entitlement rules in unemployment benefit schemes. A high proportion of unemployed workers may also belong to categories often excluded from legal coverage such as domestic workers or part-time workers.

Some social protection measures recently rolled out are also aimed at reintegrating unemployed workers into the labour market. These measures focus on encouraging unemployed workers to participate in training, job matching, and subsidised employment programmes. Since 2010, most measures adopted in developed countries in particular have aimed at reducing unemployment by providing better support to the unemployed to enter or re-enter employment and by stimulating job creation. This is the case, for example, in measures introduced in pursuit of the objectives of the European Commission's "Social Investment Package" (SIP). In recent years, too, wage and job subsidies and credit provision have been initiated to encourage job creation in many countries, such as Argentina, Brazil, Canada, France, the Russian Federation, Saudi Arabia, South Africa

[5] ILO World Social Protection Report 2014-2015

and the United States.[6] It is worth asking, however, if these programmes facilitate the creation of decent jobs in the long stretch or just present short-term vulnerable employment opportunities.

Based on the Asia Development Bank's Social Protection Index (SPI) report, the social protection programmes in East Asia have had the broadest and deepest reach, with Japan spending about 42 percent of poverty-line expenditures for social protection. The report noted that only four countries in Asia and the Pacific have SPIs of 0.200 of higher, representing 20 percent or more of poverty-line expenditures or 5 percent of GDP per capita. These are Japan, South Korea, Mongolia, and Uzbekistan.

II. Social protection framework and programmes in the Philippines

The Philippines has institutionalised some form of social protection as early as the Commonwealth period with the creation of the Government Service Insurance System (GSIS) for state employees in 1936. This makes the country's social insurance programme one of the oldest in Asia. However, it was only in 2006 – 70 years later –when the government adopted a formal definition of social protection. Based on a series of consultations, the state economic planning agency National Economic Development Authority (NEDA) issued a resolution defining social protection as:

> policies and programs that seek to reduce poverty and vulnerability to risks and enhance the social status and rights of the marginalized by promoting and protecting livelihood and employment, protecting against hazards and sudden loss of income, and improving people's capacity to manage risks.

The NEDA resolution also identified four components of Philippine Social Protection: 1) labour market programmes or interventions; 2) social insurance (including Social Security System (SSS) and GSIS programmes); 3) social welfare (including cash transfers); and 4) social safety nets (emergency employment, emergency loans).

Following the outbreak of the global financial crisis, the Philippine government issued Administrative Orders 232 and 232-A in 2008 which clustered social welfare programmes in a National Social Welfare Program Cluster. The programme would be headed by the chairman of SSS at policy-level, while actual implementation will be run by the Department of Social Welfare and Development (DSWD).[7] There were, however, little information as to how the cluster

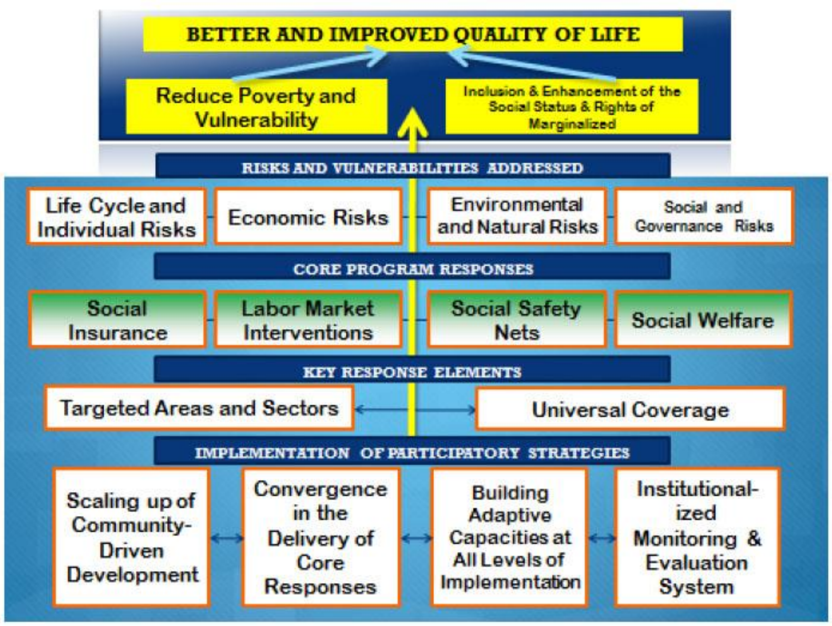
[6] Ibid.
[7] http://www.gov.ph/2008/07/28/administrative-order-no-232-s-2008/

functioned. Then President Gloria Arroyo's appointment of the SSS chairman to the cluster was also questioned by some groups.

In May 2012, NEDA's Social Development Cluster (SDC) approved Resolution no. 3 adopting the Social Protection Operational Framework. The framework has three elements: 1) identification and response to major risks and vulnerabilities 2) identification and response to priority targets and sectors through the National Household Targeting System for Poverty Reduction 3) working towards universal coverage. Already, the framework presents a possible contradiction; on one hand, its targeted approach identifies priority sectors and, on the other, one of its objectives is universal coverage.

The Social Protection Operational Framework uses a risk-based approach, reflecting the dominant global social risk management paradigm on social protection. Under this framework, social protection is seen as a tool to address risks and vulnerabilities arising from various sources. This simplifies poverty reduction into a form of risk management (risk prevention, mitigation, and coping) without addressing its root causes.

Figure 2.
Philippines' Social Protection Operational Framework



Social Protection Operational Framework and Strategy

Source: Villar, Florita. The Philippine Social Protection Framework and Strategy. NSCB

In an undated paper, Gonzales and Manasan described the social protection system in the Philippines as follows:

1. Participation is compulsory for all modern sector workers and public employees.
2. Benefit schemes are financed by contributory payroll taxes levied on both employers and workers. Employers finance employment injury insurance wholly. Contributions are accumulated in special funds out of which benefits are paid. Any excess funds are invested to earn further income.
3. Benefits (and contribution rates as well) are directly related to the level of earnings and/or length of employment.
4. A person's right to benefits is secured by his contribution record without any test of need or means.
5. Retirement benefits are designed to meet 'minimum income needs' during the retirement period and are paid out regularly (e.g. monthly) till death. The 'right to retire' involves providing compensation based upon years of service rather than upon need per se. The financial obligations are based on actuarial calculations that allow for the pooling and sharing of risk.

Box 1.
Implementation Strategies of the Social Protection Operational Framework

a. Convergence in the Delivery of Social Protection – DSWD internally started to orchestrate its social protection programmes by initially harmonising the implementation of KALAHI-CIDSS, Pantawid Pamilya and Sustainable Livelihood Program. Also, the localisation of convergence of poverty and SP programmes by the Human Development and Poverty Reduction Cluster (HDPRC) thru the bottom-up budgeting in focus municipalities.

b. Scaling Up Community Driven Development (CDD) - The leading CDD programme is the Kapit Bisig Laban sa Kahirapan – Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) and the Makamasang Tugon.

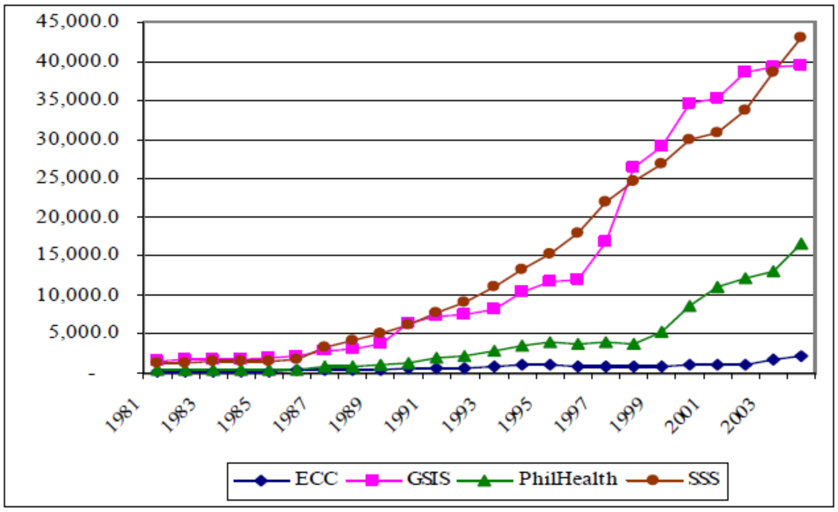
c. Building Adaptive Capacity - Social protection can build adaptive capacity through protective and preventive strategies for coping, as well as through promotive and transformative measures.

d. Institutionalized Monitoring and Evaluation System - This will facilitate the rationalisation of various social protection programmes according to the various key components. . A regular monitoring and evaluation system is also important to be able to adjust, refine or even terminate programmes so that appropriate responses to the various risks are implemented and sustained.

The country has both formal and informal social protection arrangements implemented by various government agencies. Two major institutions administer the government's social insurance programme for private and public employees: the aforementioned SSS for private employees, and the GSIS for public sector employees. Compensation for private workers who suffer work-related injuries, disability, sickness and death meanwhile is provided under the

Employees' Compensation (EC) programme. EC covers all private workers who are SSS members. On a broader scale, the Philippine Health Insurance Corporation (PhilHealth) administers the medical care programme for all formal sector employees. Other agencies cater to the specific needs of specific sectors and groups. The Armed Forces of the Philippines Retirement and Separation Benefits System (ADP-RSBS) provides the pension needs of military personnel, while the Overseas Workers Welfare Administration (OWWA) ensures the social security coverage of Filipino migrant workers.

Figure 3.
Contributions – ECC, GSIS, Philhealth, & SSS (in million pesos), 1981-2004



Among social protection measures, the Pantawid Pamilyang Pilipino Program (4Ps) – the local version of Latin America's conditional cash transfer programme – is the widely promoted social protection programme by the current administration. Under the programme, target families can avail of the monthly cash grants upon complying with a set of conditions that include sending their children to school and ensuring health checkups for the children. From its first run in 2008 under the Arroyo administration, its coverage grew from 337,416 households from 27 provinces to 3.95 million households in 79 provinces as of 2013[8]. In its review of 4Ps, the Global Network said the programme should not be a stand-alone anti-poverty measure. "The fact that its success depends also on supply-side factors such as the availability of health care and educational facilities implies that its functionality is also determined by the amount of support given to the overall development strategy, and not just on 4Ps." In other words, government support to education and health should also be adequate for a programme like 4Ps to work.

Financial resources for social protection programmes are typically derived from social contribution (from employers, employees, self-employed, and government contributions), and from investment and other income. The share of social contributions to total resources for social

[8] http://dirp4.pids.gov.ph/ris/dps/pidsdps1309_rev.pdf

protection have grown significantly since 1994 due to the increases in the salary base on which contributions are assessed, particularly for SSS and GSIS, as well as increases in premiums. SSS and GSIS derive resources mainly from social contributions plus income from its investments, with very minimal subsidy from the national government. Other institutions, such as the Philippine Amusement and Gaming Corp. derive income from lottery and gaming receipts.

Overview of the labour market

In the context of such perennially low state spending on social protection, a significant portion of the population suffers from unemployment and precarious working conditions. As of 2014, the number of unemployed Filipinos stands at 2.74 million or 6.8 percent – one of the highest in Asia – with 6.87 million more considered underemployed. This means that nearly 10 million are either jobless or are seeking additional work primarily due to insufficient wages. In addition, according to government estimates, around 4 out of 10 of the 22.6 million wage and salary workers as of October 2014 are non-regular workers.

Finally, 10.96 million are self-employed workers while 4.17 million are unpaid family workers, representing 39 percent of those employed. Since 2012, the number of informal workers in the narrow sense (self-employed plus unpaid family workers) has increased by 334,000 (2.26 percent). Of the jobs created in 2014, the labour department acknowledged that "much of the gains in employment this year occurred among self-employed persons" which amounted to 407,000 additional jobs or 4.1 percent growth.[9]

Given the enormous labour market challenge, social protection spending in the Philippines represents only 2.5 percent of the country's gross domestic product (GDP).[10] This is lower compared to that in Thailand (3.6 percent), Vietnam (4.7 percent) and China (5.4 percent), but higher than Cambodia (1 percent) and Indonesia (1.2 percent). Social protection programmes mostly cater to formal sector workers, although the national government has rolled out a number of new programmes addressing the needs of the informal sector. And unlike its ASEAN neighbors, the Philippines has no unemployment insurance programme.

III. Social Security System (SSS): A case of marketised social protection?

The SSS was established through the Social Security Act of 1954 (RA 1161) following a recommendation to Congress in 1948 to enact a law to establish a social security system for wage earners and low-salaried employees. It was first amended by RA 1762 in 1957. In 1997, the Social Security Act was again amended with RA 8282. The amendments "enabled SSS to expand its

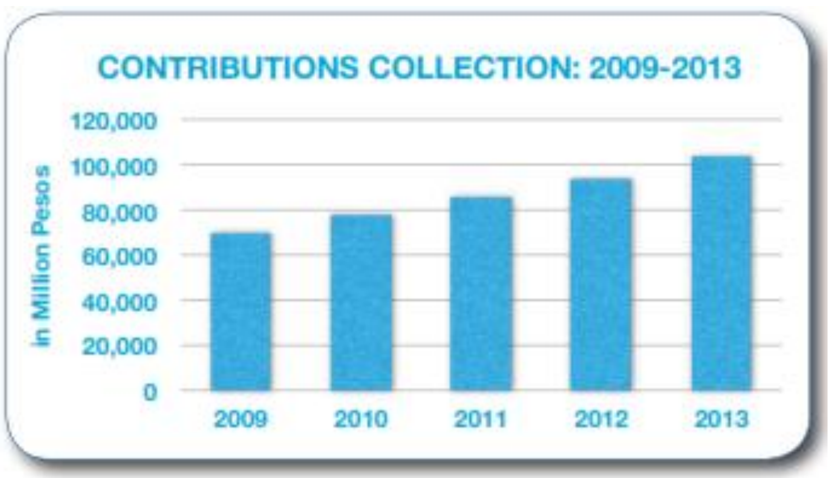
[9] http://www.bles.dole.gov.ph/PUBLICATIONS/LABSTAT%20UPDATES/vol19_1.pdf
[10] ADB Social Protection Index (SPI) 2009 report

coverage, provide substantial increases in social security benefits, extend more loan privileges, and establish a voluntary provident fund for its members, among others."[11]

Coverage in SSS is compulsory for employers and all private sector workers not over 60 years old regardless of employment status. Also covered are self-employed persons, household helpers with a monthly income of at least P1,000, Filipino seafarers, and employees of a foreign government, international organisation or their wholly-owned offices based in the Philippines. As of June 2014, there are over 31 million SSS members. Of this, 22.98 million are wage and salary workers, 4.17 million are self-employed, and 4.23 million are classified as voluntary members. As of June 2014, an SSS member's average basic monthly pension stands at P2,988, with P1,000 as minimum and P16,648 as maximum.

In 2013, the agency boasted of its intensified effort to reach out to existing and potential members, which resulted in P103 billion in total collections on the back of 1.26 million new members. This figure is 9.3 percent higher compared to the P94 billion collected the year before. In the same year, the agency announced its intensified implementation of the AlkanSSSya programme, to reach out to 521 informal sector groups with more than 52,934 members across the country. Total collections from the programme reached P31.3 million that year. As of May 2014, the programme has attracted more than 74,000 members from 748 informal sector groups.[12] AlkanSSSya members contribute at least P11 per day or around P330 per month based on the monthly salary credit of P3,000. The contributions are secured in box-type "piggy banks". At the end of every month, one representative from the association and another from SSS collect the contributions.

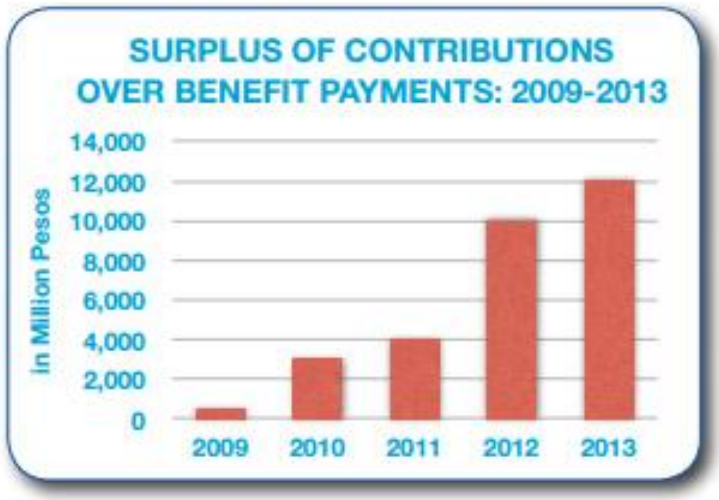
Figure 4.
Contributions Collections, 2009-2013



[11] Orbeta, Aniceto Jr. (2012). "Social Protection in the Phippines: Current State and Challenges," discussion paper series no. 2011-02. Philippine Institute for Development Studies (PIDS).
[12] http://www.ptvnews.ph/bottom-news-life2/11-11-nation-submenu/36000-affordable-sss-savings-scheme-reaches-74-000-workers-from-748-isgs#sthash.3G5oRarF.dpuf

As of 2013, contributions continued to outpace benefit payment, yielding a surplus of P11.6 billion, 16 times higher than the surplus posted in 2012 and five times more than in 2010. From 2009 to 2013, the spike in the surplus of contributions was staggering (see Figure 5). SSS has denied that this was a result of poor benefit disbursements. On the contrary, benefit payments reached P91.4 billion in 2013, 8.6 percent higher than the P84.2 billion in 2012. Of the total disbursements, more than half (P48.9 billion) went to retirement benefits, while nearly one-third (P30.1 billion) went to death benefits. The agency also explained that the surplus was also partly the result of stricter implementation of the pension programme that led to the suspension of around 32,800 ineligible pension accounts. Still, it remains to be assessed if benefit payments actually address the needs of SSS members in line with social protection goals.

Figure 5.
Surplus of contributions (total collections minus total benefit payments)



Despite the staggering increase in surplus in collections from 2009-2013, the SSS increased contribution rate for members from 10.4 percent to 11 percent in January 2014. SSS Circular No. 2013-010 mandated that the increase would be shouldered by the employer (7.37 percent) and the employee (3.63 percent). Under the new rates, minimum and maximum contributions went up to P110 and P1,760 respectively. The SSS premium rate hike was backed by President Benigno Aquino III and was opposed by labour groups, the most vocal of which was labour centre Kilusang Mayo Uno (KMU). In justifying the increase, SSS president Emilio de Quiros said the premium hike was necessary to extend the life span of the SSS fund. "If we don't do this, the life of SSS will last only until 2039 or 25 years from now, and that members will need to depend on the government to cover payment of benefits," de Quiros said.[13] He said the rate hike will expand SSS' asset base by P294 billion.

[13] http://www.philstar.com/headlines/2014/01/15/1279007/sc-orders-sss-answer-petition-vs-hike-premiums

Investing the surplus

Even as the SSS raised alarm over a projected depletion of its financial resources by 2039, the agency continues to invest a significant chunk of its surplus funds in different ventures. At the close of 2013, the agency's investment portfolio was worth P371 billion, with P136 billion in government securities, P99 billion in equities and P74 billion in member loans. That same year, income from its investments reached P34.4 billion, slightly higher than the P33.9 billion in 2012. In its report, it said equities yielded a much higher return on investment (ROI) of 13.8 percent compared to T-bonds and T-bills (4 percent and 0.72 percent, respectively). "The SSS took advantage of the stock market's bullish performance in the first half of 2013, generating considerable trading gains that made up for the market's bearish performance in the second half of the year. Government securities also posted a considerable income of ₱10 billion, contributing 30 percent of total investment income," it said.

Pursuing such investment schemes is authorised under Section 26 of the SSS Charter, which states that revenues not needed to meet the current administrative and operation expenses shall be accumulated in a "Reserve Fund." Portions of this deemed not needed in financing benefit obligations will be pooled as "Investment Reserve Fund", and income arising from investments activities will be exempt from taxes or any assessment fees.

"The Commission shall invest the funds to earn an annual income not less than the average rates of treasury bills or any other acceptable market yield indicator in any or in all of the following:

- 40% in private securities
- 35% in housing
- 30% in real estate related investments
- 10% in short and medium-term member loans
- 30% in government financial institutions and corporations
- 30% in infrastructure projects
- 15% in any particular industry
- 7.5% in foreign-currency denominated investments

In its latest fact sheet, the SSS disclosed that for the first quarter of 2014, it has invested P155.723 billion (36.43 percent) of its reserve fund in government securities, P104.097 billion (24.36 percent) in private equities, P43.513 (10.18 percent) in bank deposits, P27.854 billion in corporate notes and bonds (6.52 percent), P18.574 billion (4.34 percent) in real estate, while P77.636 billion (18.16 percent) is in its loan to members. These investments, which all amount to P427.397 billion, dwarf the social security benefits for its members (P27.284 billion) and for Employees' Compensation (P281 million). It is worth noting that of these modalities, investing in private equities poses the highest risk; the SSS is increasingly shifting a growing portion of its reserve fund to the stock market. SSS equity investments in particular grew by 82 percent from P58 billion in 2008 to P106 billion during the first half of 2014. This trend is reflective of the overall shift in many countries toward marketised social security programmes.

Table 1.
SSS Investment and Benefits (as of March 2015)

Investments		Benefits	
Government securities	P155.723 B	Social security	P27.284 B
Equities	P104.097 B	Employees' Compensation	P281 M
Loans to members	P77.636 B		
Bank deposits	P43.513 B		
Corporate notes and bonds	P27.854 B		
Real estate	P18.574 B		

Source: SSS Facts and Figures March 2015

A significant portion of SSS equity investments is ironically in the mining sector – known for hazardous work. The SSS directly owns 20.50 percent of the shares in Philex Mining Corp., the biggest mining corporation in the Philippines, through its board members Juan Santos, Eliza Bettina Antonio and Bienvenido Laguesma. Philex was incorporated in the Philippines in 1955 to engage primarily in mining activities. The company runs the only copper-gold operation in the Philippines, the Padcal mine in Benguet province in northern Philippines. It also operates in Negros Occidental and Surigao del Sur.

Part of the shares of the SSS is held through the PCD Nominee Corporation.

In August 2012, Philex Mining Corp.'s Padcal mine tailings pond in Itogon, Benguet leaked due to days of torrential rain. An estimated 21 metric tons of tailings spilled into the Balog River and San Roque Dam, a crucial reservoir in Luzon. Following the incident, mine operations were suspended. SSS received some P694 million in cash dividends from Philex a year earlier,[14] and so naturally must have incurred losses from the suspension. Not surprisingly, the agency had supported calls to resume the operations at Padcal despite lingering hazards posed to workers, communities, and the environment.[15] Following Philex's payment of some P1 billion in fines, the Mines and Geosciences Bureau allowed Padcal to resume operations in August 2014 despite strong opposition from various environmental groups who insist that the mine wastes had not been fully cleaned up.

[14] http://www.rappler.com/business/22061-big-loser-sss-suffers-philex-fate
[15] http://www.rappler.com/business/special-report/whymining/whymining-latest-stories/32619-sss-hopeful-govt-will-lift-philex-mine-suspension

Table 2.
Shareholders of Philex Mining (as of 2013)

Title of class	Name and address of record owner and relationship with issuer	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	%
Common	Asia Link, B. V. Prins Bemhardplein 200, 1097 JB Amsterdam, The Netherlands	First Pacific Company, Limited	Dutch	1,023,275,990	20.73%
Common	Social Security System, c/o Loans and Investment Office, 7/F SSS Bldg., Diliman, Quezon City	Social Security System	Filipino	1,012,011,432	20.50%
Common	PCD Nominee Corporation, 37/F Tower I, The Enterprise Center, 6766 Ayala Center, Makati City		Filipino/Other Alien	808,180,401 (exclusive of shares of SSS held through PCD)	16.37%
Common	The Two Rivers Pacific Holdings Corporation, 10/F MGO Bldg., Legaspi cor. DEla Rosa Sts., Legaspi Village, Makati City	Two Rivers Pacific Holding Corporation	Filipino	738,871,510	14.96%

Interlocking board membership

The corporate investment behaviour of SSS comes as no surprise if the background of its commissioners is scrutinised. At the helm of the pension fund agency is Emilio de Quiros Jr., SSS president and chief executive officer. Prior to his appointment to SSS, he had over 30 years of banking and finance experience, holding top positions at the Bank of the Philippine Islands (BPI) and the UnionBank of the Philippines. From November 2010 to December 21, 2012, he sat as a director of Philex, when he was already SSS chairman and a sizeable share of workers' funds were invested in the mining giant.

Another controversial figure in the SSS is its chairman Juan B. Santos, a long-time corporate manager. He served as chief executive officer, chairman, and president of Nestle Philippines, Inc. from 1987 to 2003. He also sits as a director of Philippine Long Distance Telephone Co. (PLDT), another recipient of SSS' investible funds. Since 2010, he has been the vice chairman of Philex.

De Quiros announced in 2014 that SSS may increase its P100-billion equity investments by a third as it boosts holdings of high-yielding banking, telecommunications, power, and consumer stocks. The SSS has also sold its 8,300-square meter property at the upscale Bonifacio Global City in Metro Manila, providing it with more investible funds for equities; benefit payments were not necessarily in the equation.[16]

Global trend: Pension funds for private equity

The Philippine pension fund's move to invest a growing portion of workers' contributions to private equities appears to reflect the global trend in pension funds. In several countries, the practice of investing workers' contributions to corporate ventures has also been institutionalised. From Chile to Quebec and to the UK, workers' funds are being channelled to equities of companies ironically engaged in extractive industries.

Among emerging market regions, Latin America has the longest history of pension fund participation in private equities. Chile set off a wave of reforms across Latin America in 1980, starting with the privatisation of pension plans. Regulators initially allowed, then gradually increased the ceilings for investments in equities and foreign assets, leading to the introduction of provisions for private equity in 1985. Twelve years later, Brazil's pension funds permitted investments in domestic private equity funds, and Colombia and Peru followed in 2005, with international funds also authorised as options. More recently Mexico entered the field; pension funds in the market make use of an innovative structure to commit funds to local private equity vehicles that are listed on the Mexican stock exchange via a public security.

In Indonesia, state-owned pension fund PT Jamsostek announced in August 2013 that it will invest a bigger share of its funds in private equities and will increase its holdings of shares from 22 percent to 25 percent of assets under management.[17] In 2006, the biggest pension fund in Indonesia invested 47 percent (US$5.3 billion) of its total investment funds in bank deposits while 36 percent went to equities. The following year, Jamsostek announced that it would buy a stake in toll operator and developer PT Jasa Marga amid a decline in bank interest rates.[18] Likewise, Malaysia's state-owned Employees Provident Fund (EPF), which is among the 20 biggest pension funds in the world, faces significant exposure to the stock market as allowed under Act 452 or the Employees Provident Fund Act of 1991. As of 2014, it has 42 percent of its assets invested in equities, 25 percent in both Malaysian government securities and bonds, while 8 percent is in a portfolio of money market instruments and real estate. It said that more than half

[16] http://www.philstar.com/business/2013/07/09/963124/sss-eyes-more-investments-listed-firms#ixzz3TJtgXWlA
[17] http://www.bloomberg.com/news/articles/2013-08-20/indonesia-s-top-state-fund-steps-up-stock-buying-after-plunge
[18] http://www.thejakartapost.com/news/2007/05/09/jamsostek-eyes-stakes-jasa-marga-other-soes.html#sthash.tkTxsLe4.dpuf

(58 percent) of its earnings in 2014 was derived from dividends from its stock market investments.

A 2011 report by GRAIN[19] revealed that pension funds, mostly in developed countries, have become major investors in commodities (US$100 billion) such as farmlands, with investments seen to double by 2015. Of this, some US$5-15 billion reportedly went into farmland acquisitions in Latin America, South America, and Australia. In June 2012, the world's biggest pension funds have joined the foray into farmland acquisitions. For instance, La Caisse du Dépôt et de Placement du Québec, Canada's second largest pension fund, announced its entry into farmland investing in May 2012 to the tune of C$ 250 million. Other pension funds in Canada have similar investment moves such as the British Columbia Investment Management Corp. (bCIMC), Canadian Pension Plan Investment Board (CPPIB), and Alberta Investment Management Company (AIMCo).

Table 3.
Examples of pension funds involved in farmland speculation

Pension fund	Country	Type	Total assets under management	Global farmland investment portion and status
CPPIB (Canadian Pension Plan Investment Board)	Canada	Public	US$ 157 billion	In late 2010, CPPIB was reportedly interested in looking at farmland acquisitions. In early 2012, it hired Angus Selby to manage a newly established agriculture investment portfolio. Selby was formerly in charge of agricultural investment at Altima Partners, a London-based hedge fund with farmland investments in Africa, Eastern Europe and South America. No further details are available.
PFZW (Pension Fund for Care and Well-Being, formerly PGGM)	Netherlands	Public	EUR 90 billion	As of 2012, farmland constitutes 0.3% of PFZW's vast portfolio. It has up to EUR 50 million invested in Rabo FARM, the farmland fund of Rabobank, which is buying up farmland in Eastern Europe for lease to global operators to

[19] http://www.grain.org/article/entries/4287-pension-funds-key-players-in-the-global-farmland-grab

				produce food for the global market. As of 31 Dec 2011, it holds 4.5 million shares (3.75%) of Adecoagro, which owns 300,000 ha of farmland in Argentina, Brazil and Uruguay.
PKA (Pensionskassernes Administration)	Denmark	Public	US$25 billion	Of its farmland portfolio of US$370 million (1.5% of total assets), PKA has committed $47.9 million to SilverStreet Capital's Silverland, which is primarily involved in Malawi, Mozambique, South Africa, Tanzania, Uganda, and Zambia, for production of cereals, soybeans, fruits, vegetables, sugar, tea and coffee.

Source: www.grain.org[20]

While the Philippine case does not entail farmland speculation, it is worth noting that pension funds on a global scale are being channelled to destructive enterprises, which necessitate vast tracts of lands and take up enormous natural resources for corporate gain, at the potential detriment and displacement of vulnerable sectors, such as small farmers, miners, and agricultural workers.

IV. Social protection to vulnerable workers: Case studies

Amid huge surpluses in collections and the billions invested in equities, Filipino workers grapple with problems in accessing benefits and loans from the state pension fund. Case studies reveal issues related to social protection access of workers as well the vulnerability faced by mining workers in an industry that ironically receives a sizeable share of workers' contributions.

[20] Full GRAIN report can be accessed at http://www.grain.org/article/entries/4287-pension-funds-key-players-in-the-global-farmland-grab

Case study 1: Contractual workers in AGC Flat Glass Corp.

Brief company profile

AGC Flat Glass Inc. (formerly Republic Glass Corporation), is the biggest glass manufacturer in the Philippines. It is located within a 28-hectare special economic zone along M.H. del Pilar St. in Pasig City, Metro Manila. The company became a wholly owned subsidiary of Japanese firm Asahi Glass Corp. in 2001. It has supplied glass panels and installations to major property development projects and buildings in the country, including the Nestle head office in Makati City, upscale commercial centre The Podium in Pasig City, and the Insular Life Corporate Center in Muntinlupa City. The company manufactures a wide array of glass panels for residential and commercial buildings that include figured glass, tinted glass, mirrors, tempered glass, and sunergy.

The company currently has over 1,000 workers, of which only around 200 are union members. The rest are hired through agencies or third-party service providers.

Missing contributions

Interviewed contractual workers of AGC Flat Glass Inc. complain that their SSS contributions are not remitted properly to the state pension fund. Worse, in some cases, the manpower agencies allegedly do not pay their counterparts as mandated by law.

Ricky* had worked for AGC for 10 years under Primus Interpares Multipurpose Cooperative, a subcontractor of United Terminal Services (UTS) tapped by the company for positions such as crane operators, forklift operators, glass handlers, glass cutters, and utilities. He was terminated along with hundreds more in June 16, 2014 after the service agreement with Primus Inter Pares was not renewed.

Prior to his termination, Ricky said he inquired with SSS on his payments of a salary loan. He said he was told by an SSS personnel that his contributions were irregular. "*Para siyang sirang piano, kulang-kulang ang pyesa. Palaktaw-laktaw ang hulog*" (It's like a broken piano with missing keys. There were skipped payments).

Under SSS rules,[21] the employer is responsible for the collection and remittance of the amortisation due on the member-borrower's salary loan through payroll deduction.

[21] https://www.sss.gov.ph/sss/appmanager/pages.jsp?page=salarydetails

After discovering the irregularity, he questioned UTS and Primus Inter Pares about the matter and was told to give the agency a week to resolve it. After a week, Ricky said he checked again with SSS and the agency and found out that his previously unpaid premiums had been remitted recently.

"Saan nila dinadala ang perang kinakaltas nila sa akin? Isipin nyo po ang abalang ginawa sakin, yung pagod, yung panahon, yung pamasahe pabalik-balik. Wala sanang ganung problema kung noon pa ay inihulog nila ang bayad ko," Ricky said.

(Where did they use the deductions in my salary? Imagine the hassle caused by this irregular remittance, my efforts, my time, and the costs of my back-and-forth trips. This would not have happened if the agency had regular remitted my SSS contributions.)

Ricky said he knows several other co-workers who had similar problems with their SSS contributions.

Another contractual employee, Krisha*, was hired by AGC Flat Glass through another manpower agency, Zanvel, and works in the quality control department. She said that when she checked with the SSS, she found out that she is shouldering the entire SSS premium without any counterpart from her agency.

"Ang kaltas sa 'min para sa SSS ay P150 kada kinsenas. Nung nagcheck kami sa SSS, P150 lang din kada kinsenas ang nagrereflect. Ibig sabihin, walang counterpart ang employer namin. Ang epekto, mas mababa ang bracketing namin. Mas mababa rin ang pwede naming ma-loan," Krisha said.

(The deductions from our salaries for SSS every 15 days is P150. When we checked with SSS, we found out that only P150 was being remitted as our SSS premium. This means that our employer was not providing its counterpart. As a result, we were put under a lower bracket. This means the salary loan we are eligible for is also lower.)

Another contractual employee under Zanvel complained of "misposted" payments in her salary loan. She said she discovered this when she inquired with SSS on availing a new salary loan. She was told that she had missing or "misposted" payments and therefore was not eligible for a new loan. Worse, she had to shoulder the payment of interests and penalties. SSS salary loans are charged 10% per annum and amortised over a period of 24 months or 2 years. Loan amortization not remitted on their due date bears a penalty of 1% per month until the loan is fully paid.[22]

[22] Ibid.

Case study 2: small-scale miners in Brgy. Diwata, Monkayo, Compostella Valley

To document the situation of workers in the mining sector and their access to social protection measures particularly those in small-scale mining operations, interviews were conducted among small-scale miners in Brgy. Diwata (Mt. Diwata) in Monkayo, Compostela Valley in Mindanao.

Brief profile of Mt. Diwata

Mt. Diwata (also known as Diwalwal) is known for its rich gold deposits, possibly the largest in the Philippines. It is the second most populous barangay in the town of Monkayo, Compostela Valley in southern Mindanao (18,702 as of May 2010), although local population reached 100,000 during the peak of the gold rush during the early 1980s. Mt. Diwata is said to be the largest small-scale mining site in the country, although large-scale mining companies also operate in the area. Because of its location, mining in the area is very environmentally sensitive. It is located at the upper part of the Mamunga river watershed. The creeks around Diwata flow into the Mamunga and Navoc rivers that in turn drain into the Agusan river, about 24 kilometers away from the mining site. During the onslaught of typhoon Pablo in December 2011, the area was one of the many towns in southern Philippines that were severely affected.

Miners in Mt. Diwata on board a truck going to a mining site in Mt. Diwata. Photo taken Nov. 2014.

Small-scale miners' need for social protection

While workers in large-scale mining companies are covered by the SSS, small-scale miners interviewed in Mt. Diwata have little awareness of social insurance programmes. Ricardo, a "timber man"[23] in his late 40's who has worked in the mines for more than 20 years, said he does not know anything about SSS, much less the process of applying for SSS membership. However, he said he is a member of PhilHealth, the government's health insurance programme, and his family is a beneficiary of the government's conditional cash transfer programme, or 4Ps, under which his family receives P3,000 in cash assistance every month.

Ricardo works with his brother in gathering, transporting, and installing timber inside mining tunnels, contracted by a large mining company. They transport and install loads of timber in the mining sites from 7 a.m. to 3 p.m., with each timber weighing more than 80 kilos and measuring six by eight inches. Each "set," as they call it, constitutes around 24 pieces of timber and requires at least three days to be transported and installed inside the mining tunnel. Under the *"pakyaw"* system, he and his brother earn P6,000 for a work done with one set, or P3,000 each. They earn a maximum of P40,000 per month (P20,000 each) and a minimum of P24,000 (P12,000 each). While earnings from timbering are relatively higher compared to the income of small farmers, he said he felt like he was often working in the brink of death.

"Mahirap talaga trabaho namin. Kapag nabuhusan kami ng lupa sa loob, patay na kami (Our job is really difficult. If the tunnel collapses, we will surely die)," Ricardo said. He recalled one instance when the walls of the mining tunnel caved in and he was almost killed.

While they wear personal protective gear, he said these are not sufficient to protect them from accidents while working inside the tunnels. He bought his own helmet, "spot" or custom flashlight for mining, gloves, and boots for his work several years ago and is now in need of new ones.

At the height of Typhoon Pablo's devastation, he said he was luckily not working and was at his house. Several people, he said, were killed in landslides and flooding in the lower portions of Mt. Diwata. After the calamity, he did not receive any assistance from the government except relief goods. He said there was no cash assistance to affected families, not even for the repair of broken or damaged homes.

This was shared by another miner, Erning. He said he only received relief goods from the government in the aftermath of Typhoon Pablo, plus used tarpaulins as temporary roof and walls for his heavily damaged house, which sits on a mountain slope.

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[23] In small-scale mining, a timber man is in charge of gathering timber to be used as foundations inside the mining tunnels, as well as setting it up inside.

Loads of timber to be used inside mining tunnels

Aside from facing the threat of rain-induced landslides, Mt. Diwata is known for fatal landslides in part due to the effects of incessant mining in the area. Recently, 57 people were evacuated to safer grounds and four houses were destroyed as a landslide hit the mining community.[24]

Jeffrey, a 25-year-old small-scare miner in Mt. Diwata, works with two friends in their mining tunnel. Unlike Ricardo who is contracted by a mining company, he works on his own and does all the steps involved in mining – from the transport and installation of timber, to the hauling of rocks potentially containing gold, to the processing of rocks for gold extraction. His work begins at 6 a.m. and ends at 4 p.m. with a three-hour break from 10 a.m. to 1 p.m.

Since he is an own-account miner, his income depends on the amount of gold that they are able to extract. He said he could sell a gram of gold for P1,200 or US$27, lower than prevailing market prices at P1,760 or US$38 per gram.

"Normally, we sell four grams of gold per week, equal to P4,800. We would divide that by three, so I will receive only P1,600 per week," Jeffery said.

Like Ricardo and Erning, Jeffrey only received relief goods from the government in the aftermath of Pablo. No cash assistance was extended to the affected families, including those whose homes were heavily damaged. Up to now, one portion of his roof remains open, covered only with a used tarpaulin.

[24] http://www.sunstar.com.ph/davao/local-news/2015/04/01/mt-diwata-landslide-displaces-57-400703

Perspectives on social protection

Big labour centres in the Philippines are taking up the issue of social protection in their campaigns. However,it remains to be assessed if their engagements are comprehensive enough. A notable case took place in 2013 when a report revealed that SSS commissioners each received over P1 million in bonuses based on a performance evaluation by the government. Labour centres condemned the incentive, citing the woes experienced by ordinary SSS members, who usually face problems accessing their own meagre benefits.

While labour centres generally call for universal social protection, a coherent framework for an alternative social protection system that is based on people's actual needs rather than based on marketised operations remains to be fleshed out.

For militant labour centre Kilusang Mayo Uno (KMU), the current social protection system does not sufficiently address the needs of Filipino workers. KMU chairperson Elmer Labog said that while the SSS provides benefits to its members, the support fund is not sufficient given the dire state of Filipino workers, especially during cases of emergency. KMU said social protection programmes must be financed by the government and not shouldered by workers out of their meagre wages.

"*Dapat sustenido ng gobyerno ang social protection, partikular ang SSS benefits. Hindi katulad sa nagaganap sa ngayon na ang socially protected ay mga board members tulad ng iskandalo kung saan inaanpproriate ng SSS commissioners ang P1 million* for a job well done umano," Labog said.

(Social protection, particularly SSS benefits, should be financed by the government. Unlike what is happening today. It's the SSS commissioners who are socially protected, as in the case of the P1 million that they appropriated for themselves, supposedly for a job well done.)

The act was self-serving, he added.

"*Saan ka naman nakakita ng nag-allot ng P1 million para sa allowances nila samantalang ang mga manggagawa ay napakahirap magclaim ng kanilang mga loans sa SSS?* (Where have you seen public officials allotting P1 million each for themselves while workers struggle hard to claim their loans from the SSS?)" Labog said.

SENTRO-Nagkaisa, a relatively new labour centre, described the SSS commissioners' P1-million bonus as scandalous. It is ironic, the group said, that the SSS boasts of billions of net income while "unfunded liabilities" or future financial obligations to SSS members worth P1.1-trillion sit at the backburner.

One of SENTRO's top leaders, Daniel Edralin of the Alliance of Progressive Labor (APL), sits as one of the commissioners of the SSS. But SENTRO said Edralin did not accept his P1-million bonus.

"SENTRO and APL reiterate this resolve and principled stand even if one of our top leaders – Daniel Edralin, the chair and vice chair of APL and SENTRO, respectively – sits as one of the three labor representatives in the SSS Commission. In fairness to him, the APL and SENTRO proudly announce to the public, especially the SSS members, that Danny Edralin has not accepted this 'bonus'," the group said in a statement.[25]

SSS investing in equities is akin to "gambling" the workers' funds at the expense of workers, KMU said.

"Isang malaking sugal ang ginagawa nila. Hindi tiyak kung anong mangyayari sa pondo ng mga manggagawa. Kaya nga nawawalan ng loans ang mga manggagawa. Iyong dapat na mapupunta sa kanya ay iniinvest kung saan-saan," Labog said.

(The SSS is engaging in a huge gamble. It is not clear what will happen to workers' funds. That's why loans supposedly for workers are unavailable. The funds that should be channeled to workers are being invested in various ventures.)

Finally, the group said an unemployment insurance assistance programme must be implemented with full subsidy from the national government.

Conclusion

While the Philippines has a long history of social protection initiatives, majority of Filipino workers today remain to be in vulnerable positions in need of relief from impacts of low and flexible wages, temporary employment, and environmental degradation. Social insurance programmes, which are contributory in nature rather than wholly-financed by the government, mostly cater to formal sector workers.

The SSS, a government-owned and controlled corporation that manages the pension fund for private sector workers, is led by top guns from the corporate sector. Not surprisingly, it operates like a huge corporation investing reserve funds, which are workers' contributions, in enterprises that are explicitly linked to the business interests of SSS commissioners. Ironically, the SSS is using social protection funds to help finance one of the biggest mining companies in the country, in a sector known for the vulnerabilities of its workers. Broadly speaking, the practice of investing SSS funds in equities is institutionalised and is guaranteed under the SSS Charter.

[25] http://www.apl.org.ph/?p=1812

On the workers' end, problems in accessing loans and benefits arise. There are accounts of irregular remittance of salary deductions for SSS contributions and questions on whether the company is really paying its counterpart of the SSS premium. In these scenarios, the company stands to benefit as it acquires additional funds to finance its operations in the short term. SSS oversight, regulation, and resolution on such anomalies have yet to be probed.

Currently, an alternative social protection model as proposed by workers' organisations in the Philippines has yet to be fleshed out. Social protection as a universal right has yet to be identified as one of the key battle cries of the country's organised labour movement. In particular, a campaign against the SSS practice of gambling workers' funds in equities has yet to materialise. In terms of policy, no legislation seeking to amend the SSS Charter from the perspective of workers has been filed.