Good Practices in Social Security

Good practice in operation since: 2016

Enforcement transformation initiative

Social Security Organisation
Malaysia

Published 2018

www.issa.int
Summary

As part of the social security establishment, it is a statutory requirement that every qualified employee should be registered by a registered and qualified employer. Apparently, there are still employers who fail to register their employees. The failure by employers to register their employees will result in the non-coverage of the employees, unfairly depriving them of social security coverage and benefits in the event that they were to become unfit to work or worse, if they were to suffer permanent disability or invalidity. The responsibility to detect and identify unregistered employers and employees has been placed on the Enforcement Section and the key performance indicator of inspectors is measured in terms of detecting unregistered employers as well as the collection of contributions.

The issue or challenge

What was the issue or challenge addressed by your good practice? Please provide a short description.

There was no specific method to detect nor identify unregistered employers and employees. The common practice that was mainly used to identify them was the good old “door-to-door” inspection. Each year, the Social Security Organisation (SOCSO) holds an annual enforcement operation called OPS Kesan to ensure that employers and employees are registered, and that employees are covered. During an OPS Kesan, all inspectors and staff throughout the nation do a massive nationwide door-to-door operation to detect the unregistered employers and employees. It is a bulldoze operation because we enter and inspect all business premises whether they are registered or not. No mechanism or tools are used to identify beforehand those who are already registered.

More often than not, most of the unregistered employers that are identified are fully operational, with some having been so for years. We had never considered the idea of identifying and registering them before they commenced their businesses. Hence, the next challenge was to identify all these “employers-to-be” during their business registration or at least at the early stage of their business.

- Detection of employees under the “once in, always in” (OIAI) qualification principle: Generally, the OIAI is embedded in the law, that is, if an employee has previously paid at least one contribution under a previous employer, then the person is continuously defined as an employee under the Act and would therefore continue to contribute even if the person’s salary exceeds the monthly ceiling limit of 3,000 Malaysian ringgits (MYR).
  - The first challenge is that there is no proper method to detect such employees as many of them have no recent employment and contribution records with SOCSO once their salary exceeds the legal limit to contribute of MYR 3,000.
  - Secondly, filtering information on employees who have contributed at least once to SOCSO is a manual, excruciating eyeball process where verification involves looking at each employee’s record in the database.
  - Thirdly, to legalise contribution arrears, a Statement of Arrears in Contribution (PSK(F)47) needs to be completed. The preparation is time-consuming because details for each employee inclusive of each month of contribution for each of the years with contribution arrears need to be provided.
Ascertaining and calculating the benefit qualification of employees: Inspectors from the Enforcement Section are frequently attached to third parties such as employers and employees nationwide as it is the nature of their work. They often come across questions from employers as well as employees asking for historical contribution records and benefit qualifications. Historical contribution records involves the historical database that can only be accessed within the office network. As for benefit qualifications for employees, it involves certain formulas based on the monthly contribution which have to be done manually. The calculation has to be done during office hours because it involves printing the employee’s contribution records to enable officers to manually calculate the benefit qualification. It is a tedious and time-consuming process.

Addressing the challenge

What were the main objectives of the plan or strategy to resolve the issue or challenge? List and briefly describe the main elements of the plan or strategy, focusing especially on their innovative feature(s) and expected or intended effects.

- Revolutionizing the archaic function of inspectors to detect unregistered employers and employees – First, the plan is to develop a system based on mobile application that can automatically identify from the database whether the employer or employee is registered or not. The system should be able to promptly identify and separate the registered from the unregistered employers and employees without the need for officers to call their offices just to confirm the registration status of employers and employees. The application can also automatically calculate the employees’ benefit qualification. All these can now be done through a mobile application called “Nforce Refuge”.

The use of the mobile application “Nforce Refuge” for online reporting during the OPS Kesat has enabled each team to submit reports in real-time and which are accessible immediately.

- Developing the unregistered employer pooled database with the ability to synchronize with the inspectors’ smartphones – Inspectors each have a list of unregistered employers which they choose from the pooled database, equipped with a GPS pin location function via Google map. These functions are available in the enhanced “IDEAL” mobile application.

- Detection of unregistered employers at the early stage of their operations – This is to enable the filtering of newly registered businesses from data taken from various sources and the database of registered employers to identify unregistered employers. The detection is not only for unregistered employers but also for registered employers that never pay for their employees’ contributions. The system would then create an unregistered employers data pool and automatically generate an Instruction Letter to the unregistered employers to remind them to register with SOCSO within a specific period of time to avoid legal action. These functions have been built into the system called “Smart Detection System”.

- To identify all employees under OIAI qualifying principle: SOCSO has developed a system that automatically matches with the employees database to filter out those that have previously paid contributions to automatically generate a Statement of Arrears in Contribution PKS(F)47. All these functions are available under the system called “E-effisyen”.
Targets to be achieved

What were the quantitative and/or qualitative targets or key performance indicators that were set for the plan or strategy? Please describe briefly.

Detection and registration of new employers has been put as one of the Key Performance Indicators (KPI) for contract inspectors. Each of the contract inspectors has to detect at least 200 unregistered employers each year.

The KPI for the collection of contribution for each inspector is fixed at the range of between MYR 250,000 and MYR 350,000 per year, based on locality.

Evaluating the results

Has there been an evaluation of the good practice? Please provide data on the impact and outcomes of the good practice by comparing targets vs actual performance, before-and-after indicators, and/or other types of statistics or measurements.

The introduction of Nforce Refuge (the mobile application to verify employer and employee registration) and IDEAL (the mobile application that locates unregistered employers with a GPS via Google map) have significantly reduced the time to detect and verify unregistered employers and employees. The enforcement operation is now more focused, and unregistered employers are located accurately.

Submitting reports during an OPS Kesan are now done in real time using the mobile application, lowering the time and hassle of collecting all the reports from each group.

In 2016, a total of 18,295 employer premises were visited and 2,052 were found to be unregistered compared to 2015 where a total of 16,063 employers were visited and 1,670 were not registered. The used use of the mobile application has had a positive impact on our ability to detect unregistered employers with an 18.62 per cent increase. As such, the total number of unregistered employers detected during the OPS Kesan in 2016 and 2017 was 3,152. From these unregistered employers, SOCSO managed to register and cover 12,810 employees.

With all these projects in place, the total number of unregistered employers detected and registered by SOCSO was 14,045 and the total number of their employees covered under our social security scheme was 115,291. Out of the total employees being covered following the enforcement operations, 4,218 had submitted their benefit claims, which saw a total benefit pay-out amounting to MYR 2,867,628. These employees represent 24.89 per cent of the total 463,257 employees registered in 2016. The total amount of contributions collected from all the projects is MYR 50,186,807.

As for evaluation of the project, Nforce Refuge has been recognized as the Champion in the SOCSO Innovative and Creative Convention 2016 as well as the recipient of the highest 5-Star Award in the Ministry of Human Resources Innovative Convention 2017. Nforce Refuge has also been recognized by the ISSA. For IDEAL, the project was recognized as the Champion in the SOCSO Innovative and Creative Convention 2017.
In the meantime, SOCSO’s social security counterparts from Asia have visited the Enforcement Section to learn more about our mobile applications. These include National Social Security Administering Body for Employment *(BPJS Ketenagakerjaan)* from Indonesia on 21 December 2016 and Inspectorate Division Social Security of Vietnam on 15 and 16 August 2017 who came to SOCSO to benefit from our experiences and methods especially the use of our mobile applications Nforce Refuge and IDEAL in enforcement activities.

**Lessons learned**

*Based on the organization’s experience, name up to three factors which you consider as indispensable to replicate this good practice. Name up to three risks that arose/could arise in implementing this good practice. Please explain these factors and/or risks briefly.*

Three factors essential to replicate:

- Method of detection and identifying unregistered employers and employees are very useful and quite similar to those agencies dealing with registration and other statutory duties of business entities such as the Employees’ Provident Fund (EPF), the Labour Department and the Local Government.

- The mobile applications such as Nforce Refuge and IDEAL can be accessed and used without the constraint of time and space such as working days or office hours, and reports can be submitted on real time.

- The used of GPS pin location via Google map allows users to locate unregistered employers accurately, hence it minimizes the time spent to locate them.

Three risks that could arise:

- Access to registered employers and employees database – the issue of database security should be properly addressed.

- Mobile applications depend on network accessibility.

- Fully dependent on the database.