

POLICY BRIEF

STUDY ON CONTRIBUTARY CAPACITY OF SMALL-SCALE FARMERS TO NATIONAL SOCIAL SECURITY FUND

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1. WHAT'S AT STAKE?

Agriculture is the backbone of the Cambodian economy, contributing 22.8 percent to the nation's Gross Domestic Product (GDP) in 2021 and providing 38.9 percent of total employment. The sector plays a crucial role in ensuring food security and societal stability[1]. Considering the importance of agriculture to the national economy in terms of poverty reduction and export earnings, the government's primary strategy in agriculture is to focus primarily on productivity enhancement and competition[2]. However, this sector is confronted with multifaceted challenges that undermine the well-being of small-scale farmers, posing significant risks to their livelihoods and the nation's economic prosperity. Among several vulnerabilities faced by farmers exposure to climate changes, environmental hazards, physical and social vulnerabilities, and economic instability are amongst the most pressing and challenging to address.



Climate change emerges as a major threat, with Cambodia ranking 12th globally in vulnerability[3]. Small-scale farmers, relying heavily on agriculture, bear the brunt of disastrous and non-disastrous climate effects, resulting in crop failures, income loss, and food shortages, forcing farmers into debt and compromising food security.



The challenges of Cambodian small-scale farmers are exacerbated by both **health risks and work-related injuries.** High reliance on chemical pesticides poses health risks for farmers, with unsafe handling contributing to severe health issues. Farmers' exposure to these risks through inadequate protection leads to severe health consequences, affecting not only the farmers themselves but also their families and consumers[4].

Age-related risks further exacerbate the vulnerability of small-scale farmers. Engaging in physically demanding agricultural work, many elderly farmers continue working despite risks beyond their capacity. The inevitability of demographic changes, with a rising proportion

1 (World Bank 2023).
2 (Royal Government of Cambodia 2022).
3 (Eckstein et al., (2019).
4 Sim et al. (2021)

of the older population[5], emphasizes the need for addressing the health and occupational challenges faced by elderly farmers.



Income insecurity and economic instability present persistent challenges. The rural poverty rate, while decreasing, faces setbacks from factors like volatile market prices, crop failures, and external shocks such as the COVID-19 pandemic. Limited access to credit and financial services, including crop insurance, hinders farmers' ability to invest in essential resources, exacerbating income insecurity.

Additionally, despite their critical role in society, and in the face of these challenges small-scale farmers in Cambodia face **exclusion from social protection schemes.** This exclusion is rooted in legal, financial, and informational barriers.

To address these challenges, there is an urgent need for extending social protection to small-scale farmers.

2. OVERVIEW OF THE STUDY

To assess the overall social protection needs and monetary capacity of small-scale farmers to contribute to the current National Social Security Fund, a study was commissioned by Oxfam. The study, conducted from December 2022 to March 2023, involved analyzing responses from a total of 384 small-scale farmers across five provinces (Cham, Kampong Chhnang, Kampong Speu, Kampot, and Prey Veng, encompassing 45 communes). The study focused on assessing the risks and vulnerabilities encountered by small-scale farmers, their understanding of the NSSF, identifying their needs and priorities for social protection, and evaluating their financial ability to contribute to the NSSF.



[5] (NIS, 2019).

3. KEY FINDINGS

Self-assessment of risk and vulnerabilities: *On climate changes and environmental vulnerabilities,* the average mean score is 4.8 on a scale of 1 to 10 covered several vital sources: extreme weather events (cyclones), natural disasters, flooding, drought, fire, unseasonal weather, and pest and disease outbreaks. Pest and disease outbreaks were cited as the most significant concerns, receiving the highest mean score of 6.2. Drought, unseasonal weather, and extreme weather events followed closely. *Physical vulnerability factors,* encompassing access to water, electric power, communication means, and transportation, scored an overall mean of 3.9, with water resource accessibility being the most pronounced concern. *Social vulnerability,* covering factors such as sickness, maternity, childcare, and hazardous work conditions, obtained an average score of 3.8, with caregivers dealing with family members with disabilities facing the highest vulnerability. Economic vulnerability, which included issues like loan access, market price volatility, and crop failures, received an overall mean score of 5.0. Market price volatility emerged as the most impactful economic factor, with a mean score of 6.2. These findings underscore the complex interplay of risks faced by small-scale farmers, necessitating targeted policy interventions to bolster resilience in the face of environmental and economic uncertainties.

Coping Mechanisms and plans for futures: In light of potential risks, such as occupational, life cycle risks, natural, and environmental risks, respondents have identified several coping mechanisms and plans to secure their future including:



Loss of Income: The study reveals that **46.4%** of small-scale farmers resort to tapping into their savings to mitigate the impact of adverse conditions. Additionally, **41.2%** consider borrowing from others, with a noteworthy gender disparity as **44.6%** of female farmers express a preference for borrowing to handle long-term sickness, injury, or disability, including those resulting from natural disasters.



Old Age Livelihood Planning: Despite concerns about securing their old age livelihoods, small-scale farmers demonstrate a preference for a diversified approach. Over **61.5%**, both male (**63.3%**) and female (**60.7%**), contemplate using their savings, while **37.8%** consider relying on family support, particularly from children.



Maternity and Healthcare: Female small-scale farmers, facing the dual challenges of maternity and healthcare expenses, contemplate leveraging their savings (**53.6%**) and the income of their spouse or family (**41.6%**) to meet these financial demands.



Household Expense Management: To manage household expenses surpassing their income, the surveyed respondents adopt various strategies. Nearly half (**48.7%**) engage in additional work, while **37.4%** adjust their meal patterns, eating fewer times a day or consuming smaller meals. Additionally, **31.6%** resort to borrowing money.

Preferred Social Protection Schemes:

The findings show that the three most preferred schemes are

1) healthcare (**60.2** percent)
2) pension (**32.3** percent)
3) employment injury (**8.6** percent)

Healthcare is considered the most suitable scheme due to the lack of universal healthcare coverage and expensive medical care/treatment.

NSSF Knowledge and Information: The surveyed small-scale farmers show a substantial limited awareness regarding NSSF scheme. From membership registration to the specifics of social security schemes, contribution amounts, and the process of claiming benefits, a significant information
gap persists. More than 94% of respondents emphasize the vital need for information, with a notable 80.7% expressing a preference for local awareness sessions and meetings facilitated by village authorities.

Barriers to NSSF participation. The findings show that the top three barriers to participating in the NSSF for both male and female small-scale farmers include:

- Lack of access to accurate information about the NSSF **(70.8%)**
- Lack of understanding of the administrative process regarding membership registration **(60.2%)**
- Lack of knowledge about the benefits of schemes **(47.4%)**

Challenges to Regular Contributions: Based on the average monthly income and expense, it is revealed from the survey that more than half (56.7 percent) of the sample small-scale farmers do not have monthly savings. Thus, the findings show that the majority of the surveyed respondents do not have a surplus of income over their monthly expenses to save for their future security and, in another way, to contribute to the NSSF membership. Small-scale farmers identify significant impediments to regular NSSF contributions. The biggest among them are low income (40.1%), unstable income (31.3%), and the burden of rising household expenses (18.8%).



Ability to contribute to NSSF: Based on the current income and expenses, concerning NSSF contributions, **84.9%** of small-scale farmers express a preference to contribute up to **USD 2 per month.** Furthermore, more than three-quarters **(84.4%)**, irrespective of gender, prefer contributing monthly.

In response to the identified challenges, **68.5%** of respondents advocate for legal exemptions from membership fees for small-scale farmers. Furthermore, **64.1%** stress the need for legislation that facilitates small-scale farmers' access to and contribution to the NSSF. Additional suggestions include amendments to allow family members to avail healthcare benefits **(36.5%)** and proposing government involvement in sharing a portion of the contribution amount **(20.6%)**

4. POLICY SOLUTIONS AND RECOMMENDATIONS

On the basis of the key findings, and in the light of the recent government plans to extend voluntary social insurance to informal workers, this comprehensive contributory study considers the following recommendations as crucial for an inclusive extension of coverage to small-scale farmers:



For the Royal Government of Cambodia (RGC)

- **Amendments to the law on Social Security Schemes 2019 to include small-scale farmers to access the NSSF:** To effectively cover small-scale farmers into the current social protection system and facilitate their access to the NSSF, the government needs to enact provisions and amendments in the existing law on Social Security Schemes 2019. Although the scope of the law covers the self-employed, it does not specifically mention the case of small-scale farmers. To include small-scale farmers under the purview of the law, their economic activities, including income levels, should be considered. In addition, necessary provisions that enable family members of small-scale farmers to benefit from healthcare benefits should be made.
- **Adopt appropriate funding mechanisms/ and contributory payments to tackle affordability challenges:** Considering small-scale farmers' unstable and low-income levels, at the entry level, the government should consider subsidizing a part of their contribution and enable gradual scale-up of contributions. Further, from a humanitarian point of view, during adverse shocks and extreme weather events, to overcome the vulnerabilities, the government should consider fully subsidizing the contributions to the NSSF to enable small-scale farmers to maintain their livelihoods.
- **Adopt flexible contributory payments:** To respond to the adverse challenges that small-scale farmers face in agricultural operations and encourage adherence to the NSSF, the government should consider adopting adjustable levels and timing of contributions to the NSSF.
- **Adequacy of the benefits:** To ensure attractiveness and adherence, the government must consider adopting life cycle benefits and incentives for small-scale farmers, starting with health and maternity benefits and occupational risks and gradually introducing new benefits and services. In addition, public transportation facilities should be made available to ensure that needy small-scale farmers living in remote areas avail timely healthcare services. Without public transport provision, the government should reimburse the transportation costs the service seekers bear to visit hospitals/ healthcare centers.
- **Incorporate specific gender-responsive dimensions into the NSSF extension mechanisms:** Considering the additional risks that female small-scale farmers bear during reproductive age, including maternity, post-delivery, childcare, and

reproductive health, the NSSF laws and extension provisions for farmers must strive to be gender-responsive. The government should consider different appro-aches, such as subsidizing the contribution, providing maternity protection benefits, adopting flexible payment modalities, and ensuring flexible administrative requirements by collecting gender-disaggregated data.

- **Harness digital and mobile technology to facilitate access to social protection:** Using mobile technology will significantly enhance social security delivery to support small-scale farmers. The government should consider using digital means to extend social security coverage in terms of membership registration, contribution payment, benefits claims, and others for the efficient and effective delivery of services.
- **Ensure easier and more accessible registration:** Considering the widespread presence of small-scale farmers in the country, their registration process to the NSSF should be made at the commune level. This provision would make their registration more accessible and hassle-free. In addition, adequate provision should be made at the commune level so that small-scale farmers can get updated information, including lodge complaints and/or provide feedback.
- **Conduct a nationwide larger-scale study:** The NSSF should consider conducting a national survey of the contributory capacity of small-scale farmers, consideringthe level of risks and vulnerabilities they face in different regions.
- **Monitor and evaluate the performance of service providers:** Ensuring quality service requires monitoring and periodic evaluation of the NSSF partners' performance, such as the service providers, like hospitals, healthcare centres, and others. This would also build trust among small-scale farmers of the service deliveries.

For RGC, CSOs and NGOs

- **Disseminate information to build stronger awareness, understanding, and knowledge among small-scale farmers about several provisions of the NSSF:** Information on social security provisions, regulations, schemes, benefits, eligibility conditions, membership contribution, administrative procedures, as well as members' rights and obligations should be widely disseminated among small-scale farmers even though they are currently not able to access the NSSF. This should be done through local-level meetings with the village authorities. In addition, the other ways to disseminate the information effectively among small-scale farmers are through village-level organizations, such as agricultural cooperatives/ associations, including self-help groups (SHGs).
- **Capitalize the services of agricultural cooperatives and self-help groups:** Several physical and economic risks and vulnerabilities faced by small-scale farmers can be addressed jointly by utilizing agricultural cooperatives/associations and self-help groups at the village level. In addition, these village-level organizations can help build awareness among the farmers about the need and membership benefits of social protection, including shock-responsive social protection. As an intermediary between the farmers and the government, they can support the farmers' collective registration to the NSSF by facilitating enrolment.



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