

# Feasibility Study of Electronic Money Remittance to Extend Social Security Coverage for Migrant Workers:

## The Case of the Philippines

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## Presentation Outline

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## Background of Study

- Objective : To determine the feasibility of using electronic money remittance services to extend social security and health insurance coverage to Phil. migrant workers
- Institutions covered : SSS and PhilHealth
- Sources of data :
  - 1) Interviews w/ key executives and officers of SSS, PhilHealth, GLOBE Telecoms, SMART Communications, Bank of the Philippine Islands (BPI), Phil. Nat'l Bank (PNB)
  - 2) Secondary sources of data : Nat'l Statistics Office (NSO), Phil. Overseas Employment Admin (POEA), Bangko Sentral ng Pilipinas (BSP)
- Study was undertaken from March to June 2007
- ILO commissioned study, which arose from collaboration of ILO and ISSA to pursue further a technical paper that was first presented in an ISSA forum in 2005, on the same subject.



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## OFW Membership in SSS and PhilHealth, as of December 2006

	<b>Migrant Workers</b>	<b>SSS Membership</b>	<b>PhilHealth Membership</b>
<b>OFWs</b>	3.8 M	.7 M	1.2 M
<b>Undocumented OFWs</b>	.8 M	no data	no data
<b>Total Migrant workers</b>	4.6 M		
<b>Total Membership</b>		27.5 M	17 M
<b>Percentage OFWs</b>		2.5 %	7 %

Source : POEA , SSS and PhilHealth



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## Present Payment and Collection Processes, Infrastructure and Future Plans

	<b>SSS</b>	<b>PhilHealth</b>
<b>OFW Coverage</b>	Sea based OFWs subject to mandatory coverage Land based OFWs coverage is voluntary	OFWs first year premium payment is mandatory
<b>Minimum annual contribution</b>	Php 6,200 or USD 94	Php 900 or USD 20



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## Present Payment and Collection Processes, Infrastructure and Future Plans (cont'd)

	<b>SSS</b>	<b>PhilHealth</b>
<b>Collection of contributions thru</b>	Auto debit accts in local banks Auth. Overseas partners of local banks	Local banks I-Remit in selected Locations (HK, Taiwan, Sing, Aus)
<b>Charges for collecting contributions</b>	Foregone interest Transaction based fee if overseas	Foregone interest OFW pays remittance charges if thru I-Remit
<b>Posting of contributions</b>	Data provided by banks and other authorized agents in electronic format	



## Present Payment and Collection Processes, Infrastructure and Future Plans (cont'd)

	<b>SSS</b>	<b>PhilHealth</b>
<b>Inquiring on Contributions</b>	Via SMS or Internet	Over the phone or at the PhilHealth office
<b>IT Support</b>	Computerized systems for recording and tracking memberships and contributions. Internal IT staff for developing and maintaining software applications	
<b>Future Plans/ Initiatives</b>	Implement web based payment module	Implement web based payment and registration modules



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## Present Payment and Collection Processes, Infrastructure and Future Plans (cont'd)

	<b>SSS</b>	<b>PhilHealth</b>
<b>Future Plans / Initiatives</b>	Appoint more collection agents overseas  Use of bank ATM machines	Appoint more collection agents overseas  Notify immediate family of OFW prior to expiry of membership  Further study on extension of mandatory contribution period



## Alternative Payment Schemes for SSS and PhilHealth Contributions

- 1) Pay by Proxy
- 2) Payment via Internet
- 3) Remittance Piggyback
- 4) Use of auto-debit bank accounts
- 5) Over-the-counter



## Mobile Payment Solutions

### Definition of Mobile Payments :

Payments that involve the use of a mobile device to transfer funds from a payor to a payee via an intermediary.

### Main advantage:

Payment instructions can be triggered anytime, anywhere.



## Mobile Payment solutions from GLOBE Telecommunications and SMART Communications

	GLOBE	SMART
Remittance service	G-CASH International Remittance via SMS	SMART Padala International
Mobile Payment Platform	G-Cash	SMART Money
Settlement between accounts	G-Xchange Inc	Banco de Oro

### Cost factors :

- 1) Remittance fees charged by overseas remittance partners
- 2) Processing fee for converting G-CASH/SMART Money values to cash
- 3) Telecomms charges for those using their own SMART or GLOBE cellphones



## Mobile Payment solutions from Philippine Banks

- 1) SMS based mobile banking services through SMART or GLOBE cellphones
- 2) Mobile Banking using WAP and Java Enabled Phones with Java based applications

### Cost Factors :

- 1) Remittance fees charged by overseas branches of local banks or partners
- 2) Telecommunications charges



## Some Considerations for a System of Collecting SSS and PhilHealth Contributions from OFWs

- 1) Cost to OFW of making contribution payments to SSS and PhilHealth should be low.
- 2) OFW should be able to maintain bank or account balance for remittance and payments, close to his place of work or residence and should be able to transact 6 days a week.
- 3) OFW should be able to issue payment instructions using SIM of cellular phone operator in host country.
- 4) OFW should be able to access customer service facility where he can obtain information on the status of contribution payments



## Limitations of Current Mobile Payment Solutions offered by Telcos and Banks

### 1. *High remittance costs relative to SSS and PhilHealth contributions*

Comparative Remittance Fees, in US\$, 2004.

Country	Bank Services			Telco Services	
	Credit to Bank Acct	Door to Door	Branch Pick-up	G-CASH Int'l Remittance	SMART Padala
USA	7-14	12-16	10-12	NA	6-8
Singapore	1.70-3.41	4.78-10.25	6.83-13.67	1.67-2.05	5.46
Hongkong	2.32-3.22	3.22-4.51	3.86-5.15	1.80-2.57	1.93-2.57
Taiwan	6.13-7.67	7.67-9.20	9.20-10.74	4.60	NA

Source : " Int'l Remittance through Technology " by R. Nieva, Bangko Sentral ng Pilipinas



## Limitations of Current Mobile Solutions offered by Telcos and Banks

### 2. *Carrier Dependence* :

Mobile payment solutions cannot be accessed from overseas unless OFW is using SMART or GLOBE cellphone.



## New Developments on Mobile Payment Solutions from Telcos

- SMART and GLOBE are partnering with telcos and banks overseas to enable OFWs to make remittances thru their mobile phones via SMS , using local cellular phone providers' SIMs.
- SMART partners : MTC Vodaphone and Ahli United Bank in Bahrain
- GLOBE partner : Maxis in Malaysia
- Services available July 2007.
- Estimated cost to sender (in US\$) :

	GLOBE MAXIS Tie-up	SMART Vodaphone Tie-up
SMS charge	0.04	.08
Cash In fee	1.49	0 if thru Vodaphone partner bank
Total	1.53	.08





## Summary of Conclusions

- 1) If OFW membership is voluntary then they must have compelling reasons for enrolling as members.
- 2) OFWs should be able to pay their SSS and PhilHealth contributions using a payment mechanism that is easy to use, convenient and low cost.
- 3) Study the comparative costs and advantages of the different ways of collecting OFW contributions, including potential use of mobile payment systems.
- 4) Use of mobile payment systems is accelerating with global, regional and local initiatives being pursued.
- 5) It is technically feasible to make SSS and PhilHealth contributions from Malaysia and Bahrain using local cellphones of those countries.
- 6) Telecommunications companies and Philippine banks would be able to meet the data requirements of SSS and PhilHealth as far as recording and tracking contribution payments of OFWs are concerned.



**Thank you !**

