

**DRAFT
NATIONAL SOCIAL
PROTECTION POLICY FOR
WORKERS IN BHUTAN**

**MINISTRY OF LABOUR AND HUMAN
RESOURCES**

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Table of Contents

1.Introduction	1
2.Background	2
2.1Situationalanalysis	2
2.2Constitutional, legal and policy context	4
3.PolicyVisionandMission	6
3.1Vision	6
3.2Mission	6
4.Policy Objectives	6
5.PrinciplesforSocialProtection	7
6. Policy Framework	8
7.Policy ScopeandPriorities	9
8.Policy Statements	10
8.1 Workers' Compensation	11
8.2DisabilityInsurance	11
8.3Unemployment Insurance	12
8.4Retirement Scheme for the National Workforce	13
8.5Pension Scheme for the Private Sector	14
8.6Support for Older Persons	15
9.Monitoring and Evaluation	15
10.Monitoring and Evaluation	16
11. Glossary	17
12. References	18

1. INTRODUCTION

Social Protection is an expression of citizens' right to a standard of living that does not threaten the health and wellbeing of their families and the assurance that the state will protect them from falling into destitution. It is integral to ensuring the wellbeing of citizens in times of crisis, be it a nationwide economic crisis or a personal one such as injury, sickness or job loss.

Community-based social support forms the foundation of social protection in Bhutanese society and contributed to social security and cohesion long before any formal institution existed. Even today, it plays an important role in promoting individual and family welfare and should serve as an overall guide for policymakers in that it is a representation of the social and cultural values of the Bhutanese people.

On the whole, Bhutanese citizens enjoy a relatively high level of social security owing to the availability of basic social services such as free healthcare and education and the strong bonds that exist among Bhutanese families and communities. Moreover, under the leadership of the DrukGyalpo, the *kidu* system serves as a crucial safety net for the most vulnerable members of our society. *Kidu* has served as an enduring source of comfort and welfare for the most vulnerable sections of the Bhutanese population.

However, relying on the *kidu* system or the strong social fabric in Bhutanese culture to solve every social problem or relieve the misfortunes of victims of accidents or natural hazards is an unsustainable proposition. A lasting and effective formal social protection system must exist in order to ensure the long term security of all citizens and ensure that our institutions function in an efficient and coordinated manner in their delivery of services to the people.

The Royal Government of Bhutan intends to strengthen social protection administration in the state through improvements in the institutions and systems for program delivery. The proposed interventions are designed to strengthen systems for delivery across selected Social Protection programs: Workers' Compensation, Disability Insurance, Unemployment Insurance, Retirement scheme for the National Workforce, Pension scheme for the private sector, and Services for older persons.

The 11th Five Year Plan document directs the Department of Labour to institute a social protection system for the country through the development and implementation of a Social Protection Policy and National Pension Policy for the Private Sector. In addition, the department has also been directed to review the national minimum wage and introduce retirement benefits to the National Workforce, and introduce

insurance schemes for unemployed and disabled workers.

Whereas the scope of this policy is currently limited to workers in the formal sector, it has been designed with a view towards eventually expanding coverage to all workers in Bhutan. In this regard, the policy should not be seen as being restricted to a section of the population that already enjoys a relatively high level of protection, but rather as a means towards building a strong foundation for social protection in the country from which other policies and programs can be established.

The Social Protection Policy should be viewed as part of the larger development agenda of the country. It must work in tandem with the country's social and economic development policy. Just as economic growth should not be pursued at the cost of creating inequality and social exclusion, policies to protect citizens and workers must not stifle the growth of businesses or infringe on an individual's right to choose.

The Social Protection Policy will support Bhutan's coordinated response to poverty and vulnerability and contribute to the poverty reduction efforts under the 11th Five Year Plan. Further, the policy aims to promote equality of opportunity for all workers and eliminate discrimination in the workplace. As a result, the policy will contribute strongly towards strengthening the two pillars of Good Governance and Equitable and Sustainable Development under our national development philosophy of Gross National Happiness.

2. BACKGROUND

2.1 Situational Analysis

In the decade spanning 2002-2012, Bhutan's real economic growth was 9.2 percent. With a poverty rate that is nearly a third of what it was in 2004 and the Royal Government's commitment to public investment in health, education and infrastructure development, there is little doubt that Bhutanese citizens today enjoy a higher standard of living and greater security.

Bhutan currently has a population of about 720,000 (projected from the 2005 census) that is expected to grow to 886,000 by 2030 at an average growth rate of 1.3 percent per annum. 63 percent of people live in

rural areas. 51 percent of the population is under the age of 25, while 7 percent are over the age of 65.¹

The poverty rate decreased from 31.7 percent in 2004 to 23.2 percent in 2007. Between 2004 and 2007, the Gini Coefficient decreased from 0.41 to 0.35, indicating a decrease in income inequality². According to the Prime Minister's State of the Nation Report 2013, the poverty rate in 2012 was 12 percent.

The number of disabled persons was estimated to be 21,894 in 2005³, representing 3.4 percent of the country's population. No data exists on what share of this population is in the workforce.

Unemployment – and youth unemployment in particular – is a major concern for the Royal Government. The national unemployment rate in 2012 was 2.1 percent (representing 6,904 persons), with rural unemployment at 1.5 percent and urban unemployment at 3.5 percent. Youth unemployment in 2012 was estimated to be 7.3 percent, representing 3,476 persons. In urban areas, youth unemployment is even higher, at 13.5 percent. Unemployment is highest amongst the age 20–29 cohort, accounting for 66 percent of the unemployed population. However, female unemployment (2.2 percent) is only slightly higher than male unemployment (1.9 percent), marking a big improvement from 2009 when unemployment for females was twice as high (5.3 percent) as male unemployment (2.6)⁴.

The labour market in Bhutan is not well-developed, with 62.2 percent of the labour force employed in the agriculture and forestry sector. Consequently, the current rules and regulations relating to labour and social protection effectively cover less than 40 percent of the labour force at best. Workers are particularly vulnerable to inadequate protection against injury or sickness while on the job, time spent in unemployment, and insufficient income in retirement.

Today, while employees in the civil service, armed forces and state-owned enterprises enjoy a level of security in retirement and old age through their enrolment in the National Pension and Provident Fund, no such pension scheme exists for the private sector or the National Workforce. This disparity in benefits for workers is believed to be a major reason why workers entering the labour force prefer public sector jobs to private sector jobs, which in turn limits the private sector's growth and their ability to generate more jobs. Likewise, there is a strong need for social protection programs for unemployed workers and workers with disabilities to prevent them from falling from destitution and help them become productive members

¹Population and Housing Census of Bhutan 2005, National Statistics Bureau

²Poverty Analysis Report – 2004 and Poverty Analysis Report – 2007, National Statistics Bureau

³Population and Housing Census of Bhutan – 2005, National Statistics Bureau

⁴Labour Force Survey – 2012, Ministry of Labour and Human Resources

of the labour force.

A strong social protection system requires a well-developed financial sector that is able to provide insurance and savings schemes designed to help workers protect themselves against unforeseen shocks and smooth consumption over their lifetime. Since its inception in 1962 and a later restructuring in 2000, the National Pension and Provident Fund has functioned as the primary source of retirement security for members of the civil service, armed forces, and state-owned enterprises. With 47,109 contributing members in 2012 – 90 percent of whom are in the age 30-35 cohort – the NPPF Plan covers about 14 percent of the labour force and only 6.64 percent of the total population.⁵

The Royal Insurance Corporation of Bhutan (Estd. 1975) and Bhutan Insurance Limited (Estd. 2009) provide life and non-life insurance schemes that allow individuals to insure against disabilities due to accidents, total permanent disabilities, and death. The RICB and BIL also provide provident fund schemes for the private sector into which employers and employees can contribute a minimum of 5 percent of an employee's monthly basic salary.

Beginning in February 2013, the RICB began providing a Life Annuity Scheme, which is a positive first step towards providing a viable retirement saving scheme for workers who are not covered by the NPPF Plan.

On the whole, designing an insurance scheme for old age, disability, and unemployment requires a thorough analysis and long term projections of the Bhutanese demography, the structure of the labour force, and considerations of program design, cost and implementation. It requires a greater degree of collaboration and information sharing between public and private sector agencies and greater awareness among Bhutanese citizens.

2.2 Constitutional, Legal and Policy Context

Under Article 9 of the Constitution of the Kingdom of Bhutan, Section 7 states:

“The State shall endeavour to develop and execute policies to minimize inequalities of income, concentration of wealth, and promote equitable distribution of public facilities among individuals

⁵12th Annual Report 2011-2012, National Pension & Provident Fund.
http://www.nppf.org.bt/nppf.org.bt/downloads/Annual_percent20Reports/Twelve_percent20Annual_report20Report.pdf (Last accessed: March 13, 2013)

and people living in different parts of the Kingdom”

Section 22 under the same Article states:

“The State shall endeavour to provide security in the event of sickness and disability or lack of adequate means of livelihood for reasons beyond one’s control”

The spirit enshrined in these sections of the Constitution represent Bhutan’s strong commitment to providing for the welfare and protection of its citizens, especially those in vulnerable circumstances, and the pursuit of policies that promote equal access to and distribution of public facilities.

Bhutan’s development philosophy of Gross National Happiness promotes equitable development as one of its main pillars. Development activities are planned with a view to ensure equal access and opportunities for citizens. The Tenth Five Year Plan for 2008–2013 identified reduction of poverty as its main theme, aiming the poverty rate from 23.2 percent in 2007 to less than 15 percent by 2013. The Guidelines for Preparation of the Eleventh Five Year Plan too identifies poverty reduction as a key challenge and has set a target poverty rate below 10 percent by 2018.

The 11th Five Year Plan document directs the Department of Labour to institute a social protection system for the country through the development and implementation of a Social Protection Policy and National Pension Policy for the Private Sector. In addition, the department has also been directed to review the national minimum wage and introduce retirement benefits to the National Workforce, and introduce insurance schemes for unemployed and disabled workers.

The National Employment Policy aims to improve the quality of jobs in the country by, among other things, providing work-safety insurance for “occupations which are deemed to be hazardous and accident-prone, to ensure that compensation for workers is safeguarded” and designing targeted policies for persons with disabilities so they can be productive members of the workforce. The Economic Development Policy (2010) and the Accelerating Bhutan’s Socio-Economic Development (ABSD) Project were also conceived in order to improve quality of life for citizens through achieving full employment and sustained economic growth.

The Labour and Employment Act of 2007 contains provisions for mandatory workers’ compensation, pensions, wages and hours including overtime; universal rules on leave, including maternity and nursing leave; and comprehensive provisions on employment contracts and related rights and remedies. The law

explicitly places the financial burden of ensuring occupational health and safety on the employer, and requires accident and safety reporting.

The Act also permits the formation of workers' associations by any group of 12 or more workers under a legal work contract. These labour associations are permitted to engage in collective bargaining, and to be represented by a non-management employee of their ranks. In the event of an irresolvable dispute, the Chief Labour Administrator is empowered to intervene as conciliator. Settlement may otherwise be reached by resorting to the Royal Court of Justice.

In addition, Bhutan has ratified the following international conventions that concern the welfare, rights and protection of citizens: Charter of the United Nations, International Convention on the Elimination of All Forms of Racial Discrimination, International Convention on the Elimination of All Forms of Discrimination against Women, United Nations Convention on the Rights of the Child, SAARC Convention on Regional Arrangements for the Promotion of Child Welfare in South Asia, Convention on the Rights of Persons with Disabilities, Convention on the Rights of the Child (CRC) and the two CRC Optional Protocols on the Sale of Children, Child Prostitution and Child Pornography, and on the Involvement of Children in Armed Conflict.

Finally, the *kidu* system under the aegis of the Druk Gyalpo is a critical social safety net and way out of poverty for some of the most vulnerable sections of the Bhutanese population.

3. POLICY VISION AND MISSION

3.1 Vision

A vibrant and resilient public which contributes to economic development and the realization of Gross National Happiness through social justice, equality and protection for all.

3.2 Mission

To protect workers and reduce poverty by strengthening the delivery of social protection programs that promotesocial justice, equality, economic security, employment, and productive capacity.

4. POLICY OBJECTIVES

The National Social Protection Policy has five main objectives:

- 4.1 To strengthen the protection of workers from the adverse effects of economic shocks and destitution;
- 4.2 To create and promote benefits for poor and vulnerable members of the labour force including older persons and persons with disabilities;
- 4.3 To increase the scope of social protection programs to a greater section of the labour force;
- 4.4 To promote economic security in retirement through development of pension schemes for the private sector; and
- 4.5 To enable job creation, job mobility, and growth in the private sector.

5. PRINCIPLES FOR SOCIAL PROTECTION

- 5.1 **Governance:** The Royal Government bears the primary responsibility and authority for social protection and thus shall provide leadership and direction in the implementation of the National Social Protection Policy. The Royal Government shall facilitate and oversee all social protection programs to ensure coordination and non-duplication of efforts.
- 5.2 **Responsiveness:** The National Social Protection Policy should be responsive to the needs, realities and living conditions of its intended beneficiaries.
- 5.3 **Inclusiveness:** Social protection interventions shall be implemented in a manner that addresses social as well as economic issues and does not discriminate against any citizen based on gender, religion, or ethnicity.
- 5.4 **Human Rights:** Social protection services shall respect the rights of all citizens as laid down in the

Universal Declaration of Human Rights and the Constitution of the Kingdom of Bhutan;

- 5.5 Sustainability: The state's role in social protection shall be a reflection of public support and shall not contradict other national policies or infringe on citizens' rights. Social protection programs must be designed to alleviate poverty and empower citizens and be affordable in the context of public finance.
- 5.6 Empowerment: Social protection interventions shall avoid creating dependency and moral hazard among the intended beneficiaries, but instead empower them through equal access to opportunities and developing human capital.

6. POLICY FRAMEWORK

The Policy adopts the World Bank's "3P" framework in building the foundation for a long term approach to social protection: *Prevention* against a fall into poverty, *Protection* against destitution and catastrophic losses of human capital, and *Promotion* of opportunities and livelihoods.⁶

As outlined in a 2011 World Bank concept note⁷ and later embraced by a number of institutions and countries, the 3P framework for social protection was developed in response to new global realities and priorities in the 21st century. This framework serves as the basis for the World Bank's new social protection and labour strategy for 2012-2022. The strategy identifies three overarching goals:

- 1) Resilience: helping people insure against different shocks to their wellbeing;
- 2) Equity: reducing poverty and providing equal opportunities; and
- 3) Opportunity: improving human capital and access to jobs and services.

Social Insurance programs are key to developing resilience against a range of shocks to citizens' wellbeing. Old-age pensions and unemployment insurance help to mitigate the negative impacts of

⁶ *Resilience, Equity and Opportunity: The World Bank 2012-2022 Social Protection and Labor Strategy.* http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/280558-1274453001167/7089867-1279223745454/7253917-1291314603217/SPL_Strategy_2012-22_FINAL.pdf

⁷ *The Jobs Crisis: Household and Government Responses to the Great Recession in Eastern Europe and Central Asia.* Washington, DC: World Bank.

economic shocks. Likewise, private sector programs such as retirement savings schemes, supplementary health insurance, and asset building programs help individuals and families to attain a greater sense of economic security.

Equity is achieved through safety net programs that protect citizens from falling into poverty and through policies and programs that promote equality of opportunity, so that every individual has the same chance to improve his or her situation without discrimination based on gender, ethnicity, or religion.

Opportunity must be made available to citizens to improve human capital and earning capacity through programs that build skills, assist with job searches, and ensuring non-discrimination through improved regulations.

A public mandate alone cannot deliver on achieving these goals. A systematic approach is required in order to promote coordination and collaboration at the policy and program levels. Additional collaboration with other sectors such as financial institutions (including the National Pension and Provident Fund) will be integral in designing policies that promote the growth of financial services aimed at fostering economic security for citizens.

By adopting this strategic framework from an early stage, the National Social Protection Policy will help move Bhutan towards a coherent system for social protection that emphasises responsiveness, productivity, and inclusiveness. The Policy will serve as a guiding document for establishing a comprehensive and integrated long-term approach to strengthening social protection in Bhutan.

7. POLICY SCOPE AND PRIORITIES

In its immediate scope, the Policy will focus on promoting the welfare and protection of the formal Bhutanese workforce and will specifically aim to promote programs designed to reduce the vulnerability of workers during their working years and improve security in their old age. The formal workforce comprises workers in the civil service, state-owned corporations and joint venture companies, non-governmental organisations, and salaried workers in the private sector. The informal workforce thus consists of daily wage workers, farmers and self-employed persons.

The 11th Five Year Plan document identifies the appeal of public sector jobs over private sector jobs as a

major hurdle in the growth of the private sector. Jobseekers – especially young college graduates – cite the availability of benefits such as pension and provident fund schemes in the public sector as a deciding factor when choosing between joining the public or private sector. Enhancing social protection in the private sector through provision of similar schemes and strengthening the delivery of legally mandated programs such as Workers’ Compensation will promote greater economic security for workers in the private sector. As a result, the private sector will be able to attract more skilled workers and thus achieve greater growth, thereby contributing to the national development through creation of jobs and sustained growth.

The second immediate goal of the Policy is to enhance protection for the most vulnerable sections of the population. Hence, the policy prioritises programs that would enhance the welfare of the National Workforce, workers who fall into unemployment, persons with disabilities and older persons living in poverty. Only once these priorities have been met can we expand the scope of the Policy to reach the rest of the workforce.

To that end, the National Social Protection Policy will focus on six specific social protection programs that have been identified as key to improving the welfare of the formal workforce: Workers’ Compensation, Disability Insurance, Retirement Scheme for the National Workforce, Pension schemes for the private sector, Unemployment Insurance, and Services for older persons.

8. POLICY STATEMENTS

To address the immediate goal of enhancing social protection for workers in the formal private sector, the Royal Government of Bhutan intends to strengthen social protection administration in the state through improvements in the institutions and systems for program delivery. The Policy identifies six areas of intervention to address critical gaps in the current system:

- Workers’ Compensation;
- Disability Insurance;
- Unemployment insurance;
- Retirement scheme for the National Workforce;
- Pension schemes for the private sector; and
- Support for older persons living in poverty; and

While these proposed programs preclude the participation of those that are employed in the informal sector such as undocumented workers, daily wage workers, and self-employed persons, –who form the majority of Bhutan’s total labour force today –it is expected that amendments to the Policy in the future will address the importance of providing the same level of social protection to this group as is available to the formal workforce.

8.1 Workers’ Compensation

Workers' Compensation is an important form of insurance that ensures an employee’s entitlement to payments from an employer to make up for economic loss and medical costs if they are injured or contract a disease in the course of employment. If an employee dies while performing his duties on the job, the compensation is paid to his or her immediate surviving dependent.

8.1.1 All Bhutanese workers are entitled to a minimum of accident compensation in line with section 96, 142 and 143 of the *Labour and Employment Act, 2007*.

8.1.2 Workers’ Compensation shall comprise compensation for loss of income due to injury or illness, and payment to cover costs of medical care and rehabilitation as laid down in the *Workers’ Compensation Regulation, 2009* at the minimum, which may be revised, as required, by the Ministry of Labour and Human Resources.

8.1.3 The Ministry of Labour and Human Resources shall be responsible for raising awareness on the right to Workers’ Compensation and the legal obligation of employers to insure and compensate workers.

8.1.4 The financial institutions shall provide Workers’ Compensation schemes for employers to insure themselves and their employees. This shall be based on risk factors.

8.1.5 The employer shall be required pay the premium for the insurance scheme and this shall not be deducted from the employee’s wages.

8.1.5.1 Establishments that do not wish to join workers insurance schemes shall make alternate provisions –to provide workers compensations, should the need arise- approved by the MoLHR.

8.1.5.2 The premium paid for providing workers compensation schemes shall be tax-deductible for the

employer.

- 8.1.6 The Royal Government shall pursue supplementary policies and programs to support workers who are unable to return to the workforce beyond the duration covered by Workers' Compensation.

8.2 Disability Insurance

Disability Insurance schemes can serve as an effective supplementary program to Workers' Compensation. They serve to protect workers against the loss of work ability due to disabilities that may occur – whether on the job or not – and ensure that an income source exists beyond what is provided by Workers' Compensation claims, especially for chronic or permanent disabilities that go beyond the time covered by Workers' Compensation.

- 8.2.1 Employers of workers in high risk occupations shall be required to ensure disability insurance coverage for employees, which is separate from life insurance policy..
- 8.2.2 The premium for disability insurance coverage shall be paid by the employer.
- 8.2.3 The premium rates for disability insurance shall be determined by financial institutions based on type of coverage and sector-specific risks.
- 8.2.4 The premium paid for providing disability insurance to an employee shall be tax-deductible for the employer.

8.3 Unemployment Insurance

Unemployment Insurance provides support to workers who lose their jobs or are in between jobs. It protects workers and their families from dramatic shocks to their living standard when the family's bread-earner loses his or her job. In addition to protecting citizens during economic downturns and financial crises, providing unemployment compensation is an important tool for the government to facilitate the labour market in matching workers to the right jobs based on skill and qualification. In the absence of unemployment compensation, a worker is likely to take the first job available so he/she can meet costs of

living even though he may be overqualified or inappropriately matched to the job. Access to unemployment compensation allows the worker the time necessary to consider several opportunities and choose the most suitable job for him/her, thus making the labour market more efficient and raising the productive capacity of workers. However, the government must be careful not to create disincentives for workers to re-join the workforce by providing compensations that are too generous or cover unemployed workers for too long.

- 8.3.1 The Ministry of Labour and Human Resources shall establish and administer the Unemployment Insurance program.
- 8.3.2 This program shall be funded by an Unemployment Insurance tax that is collected from all employers in the formal private sector. Both the employer and employee shall pay an equal part. This shall be matched by the Royal Government.
- 8.3.3 All employers in the formal sector shall pay Unemployment Insurance taxes as a percentage of the wage or salary paid to his/her worker. The tax rate shall be determined by Parliament.
- 8.3.4 All proceeds from the Unemployment Insurance taxes shall be deposited in an Unemployment Insurance Fund.
- 8.3.5 The Unemployment Insurance Fund shall be managed by an autonomous trust fund.
- 8.3.6 All workers in the formal sector who are determined to have lost their jobs through no fault of their own shall be eligible for unemployment compensation.
- 8.3.7 An unemployed worker shall have access to unemployment compensation within two weeks of applying.
- 8.3.8 An unemployed worker is eligible for unemployment compensation for a maximum of 24 weeks.
- 8.3.9 The level of compensation shall be determined by the Ministry of Labour and Human Resources. The modality of determining unemployment compensation shall be laid down in the rules and regulations of the Unemployment Compensation program. These rules and regulations may be revised, as required, by the Ministry of Labour and Human Resources.

8.4 Retirement Scheme for the National Workforce

The Ministry of Labour and Human Resources defines the National Workforce as “those Bhutanese employed by government agencies for projects/works executed directly by government agencies themselves.” The National Workforce currently comprises of approximately workers.⁸ The National Workforce is a very vulnerable section of the population, with most workers earning minimum wage.

Whereas all civil service employees are covered under the National Pension and Provident Fund Plan, no retirement savings or pension scheme currently exist that cover the National Workforce. As workers employed by the Royal Government, it is important to provide for the welfare of this small but integral section of the Bhutanese work force by ensuring that they are covered by the same provisions as the rest of the civil service.

8.4.1 The National Workforce shall be covered under the National Pension and Provident Fund. The pension scheme which covers this category of workers shall be a defined benefits, fully funded pension scheme.

8.4.2 The National Workforce shall be entitled to all benefits and compensation as an employee of the Royal Government.

8.5 Pension Scheme for the Private Sector

The labour force is expanding as a result of increase in the population of the nation, and has grown from 230,100 in 2006 to 323,700 in 2011. Concurrently, the expectations for higher financial rewards, incentives, better working condition and job mobility have grown. Moreover, the Labour and Employment Act of 2007 assure the employees of private sector access to gratuity and provident fund schemes and/or pension benefits. Therefore it is imperative to introduce regulations and policies that enable private sector employees to access pension and/or provident fund schemes that are sustainable in the long run. Extension of the current National Pension Plan administered by the NPPF to cover private employees is not recommended as it is an unsustainable partially funded, pay-as-you-go, defined benefit scheme.

⁸Estimate from DoR Official

- 8.5.1 The Ministry of Labour and Human Resources shall establish and administer the Private Sector Pension scheme.
- 8.5.2 This pension scheme shall be a fully funded defined-contribution scheme that provides retirement benefits through annuities.
- 8.5.3 This pension scheme shall be funded by matching contributions from both the employer and employee.
- 8.5.4. The Ministry of Labour and Human Resources shall establish the threshold for the rate of contributions.
- 8.5.5 The Ministry of Labour and Human Resources, in collaboration with the Royal Monetary Authority, shall establish a licensing mechanism whereby financial institutions can provide pension schemes to private sector employees.
- 8.5.6 The contributions made to the pension scheme and the payment of pension benefits shall be tax-exempt for employees as well employers.
- 8.5.7 An employee's pension benefits shall not be permitted to be used as a lien against dues to the employer.
- 8.5.8 This scheme shall be supplemented by establishing voluntary retirement savings schemes. This scheme shall be extended to all workers including the self-employed and government employees.
- 8.5.9 The income accrued from this voluntary retirement savings scheme shall be tax deductible.

8.6 Support for Older Persons

Older persons living without income are among the most vulnerable members of society. As the population grows and the social fabric weakens, more individuals will be susceptible to falling into destitution as their families become unable or unwilling to support them in old age.

To extend coverage to those who are unable to accumulate adequate savings in their retirement schemes,

it maybe prudent to institute a means-tested social pension to protect against old age poverty. However it is imperative that any such schemes be evaluated for sustainability and affordability before it is established.

8.6.1 The Ministry of Labour and Human Resources shall establish and administer a program to provide income support to old persons without income.

8.6.2 The eligibility criteria and benefits for this program shall be determined by the Ministry of Labour and Human Resources and indexed against the Bhutan Living Standards Survey and Poverty Assessment Report.

8.6.3 The Ministry of Labour and Human Resources shall institute concession programs for persons over age 60 on public transport.

9. MONITORING AND EVALUATION

As the implementing agency, the Ministry of Labour and Human Resources shall take overall responsibility in the coordination, monitoring and evaluation of this policy. A periodic review of the Policy shall be conducted to ensure that it is in keeping with changes in social and economic realities and to align with the country's development goals and priorities.

9.1 The Ministry of Labour and Human Resources shall be the implementing agency of this policy.

9.2 The Ministry of Labour and Human Resources shall be responsible for the coordination, monitoring, evaluation and review of this policy.

9.3 The Ministry of Labour and Human Resources shall conduct sector-wide consultations and involve all stakeholders in the implementation and review of this policy.

9.5 The Ministry of Labour and Human Resources shall appoint an independent committee to conduct periodic evaluation and review of this policy.

9.4 A management information system shall be established for proper targeting and tracking of program beneficiaries and for monitoring and evaluation of this policy.

10. RESEARCH

- 10.1 The Ministry of Labour and Human Resources shall conduct and support periodic research to promote expertise and operational proficiency of the Policy.
- 10.2 The Ministry of Labour and Human Resources shall publish and disseminate annual statistics relating to all aspects of the Policy in order to evaluate its effectiveness and identify changing needs and priorities.
- 10.3 The Ministry of Labour and Human Resources, in consultation with the Gross National Happiness Commission, shall review the Policy periodically.
- 10.4 The Ministry of Labour and Human Resources shall collaborate with the Royal University of Bhutan and other tertiary institutions to collect data and conduct research on social protection in the country.

11. GLOSSARY

Formal sector – The formal sector is the part of an economy that is comprised of recognized income sources on which income taxes must be paid.

Formal workforce – Workers in the civil service, state-owned corporations and joint venture companies, non-governmental organisations, and salaried workers in the private sector.

Gini coefficient – A numerical measure of income inequality ranging from 0 (absolute equality) to 1 (absolute inequality).

Gratuity – A lump sum payment made to an employee by an employer at the time of separation from service.

Informal sector – The informal sector is the part of an economy that is not taxed, not included in the Gross National Product, and not monitored by any form of government.

Informal workforce – Daily wage workers, farmers and self-employed persons.

Kidu– The Constitution defines *Kiduas* “benefits granted by the King or the Government of Bhutan.” *Kiduis* a form of welfare under the prerogative of the Druk Gyalpo. It can be in the form of land grants, monthly living allowances, and scholarships.

National Workforce (NWF) – Bhutanese that are employed by government agencies for projects/works executed directly by government agencies themselves.

Provident Fund – A scheme whereby the benefits paid are determined by the amount of contributions

made plus the interest or investment earnings accruing to an employees' account.

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