

HYBRID SOCIAL SECURITY SYSTEM – INTEGRATING THE ISLAMIC MUTUAL (KHAIRAT) BENEVOLENT AND BEREAVEMENT SCHEME WITH SOCSO SOCIAL SECURITY SYSTEM FOR SELF EMPLOYED E-HAILING WORKERS

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ABSTRACT

For many years, social security has become a very effective source of protection available for the formal sector workers. A sustainable and stable income with a mandatory contribution to the social security system makes every formal sector worker covered by proper social protection. Unfortunately, the emergence of the GIG economy had shown a tremendous impact on the labour force when it seemed to disrupt the employee-employer relation in the workforce. The side effect of this current scenario leads to the hike of informal sector workers such as e-hailing workers with the absence of adequate formal social security coverage. To address this issue, Social Security Organization Malaysia (SOCSO) has introduced Self-employment Social Security Scheme in 2017. However, it remains less popular among self-employed workers, probably due to lack of awareness and the inability to pay the yearly or monthly social security contribution. Forty-six respondents among e-hailing workers participated in this survey through google forms. It is found that most respondents are willing to contribute to this proposed Hybrid system with minimum contribution by automated deduction through SOCSO. Thus, an affordable social protection scheme proposed by this paper called as "Hybrid Social Security System – An Integrated the Islamic Mutual (Khairat) Benevolent and Bereavement Scheme with Social Insurance Scheme for Self Employed E-Hailing Workers" is one of the best options for this group of workers to achieve social inclusion as stipulated in Sustainable Development Goals by United Nations.

Keywords: Social security, Islamic Mutual (Khairat) Benevolent, Bereavement Scheme, self-employment, e-hailing

1. INTRODUCTION

Since its inception, the social security system has gone through many reforms. The proposal for a more comprehensive system has always been in the eye of policymakers to ensure proper social security protection. Improving benefit coverage against critical contingencies such as old age, sickness and disability for the broad population has always been a social policy challenge ((Frölich et al., 2015) et al., 2015). The disruption of the traditional economy through the digital age increases self-employment and changes the master-servant relationship unclear employee-employer definitions. The new type of labour growth will pose severe social security coverage and sustainability issues. Supported by employment losses due to automation and robotisation, this crisis will get substantially worse if reliance on the existing social security system continues (Konkolewsky, 2017).

Admitting the trend, social security organisations worldwide, Malaysia included, have developed a program to support this self-employed, especially those under the Gig Economy. In Malaysia, specific programs were introduced, such as the SOCSO Self-employment Social Security Scheme or in Bahasa Malaysia, Skim Keselamatan Sosial Pekerjaan Sendiri (SKSPS) and i-SARAAN under KWSP. However, the suggestion and initiative to create a social security system supporting self-employed workers failed in many instances (Hawati Abdul Hamid, 2020). The reason is that most social security defined contribution systems require a systematic and periodic contribution. It is not an option suitable for most Gig or self-employed workers who do not have a steady income stream (International

Labour Organization, 2020; Spasova et al., 2017; Vanhercke et al., 2018). Thus, many of these workers decided to opt out of any social security program because of the contribution commitment.

Any excuse provided for failure to contribute and provide social protection cannot be considered. The protection of economically productive self-employed workers is a must. A pooling of affordable risks should be taken into consideration to protect these Gig workers. At the same time, gradually changing their mindset to accept the importance of social security protection. Thus, the Hybrid Islamic Khairat system consisting of Mutual Benevolent (Khairat Kebajikan) and Mutual Bereavement (Khairat Kematian) model is proposed to be integrated with the existing social security protection for the self-employed by SOCCO. The inclusion will aid in creating a system to support at least adequate temporary protection to the contributors and the dependent. The hybrid model will incentivise a group of individuals who face similar types of risk to devise a form of risk-sharing. Such sharing of risk pooling requires preparing a particular contract and needs to be managed by a reputable administrator. Thus, the hybrid model calls for innovation in the current SOCCO program for SKSPS and include the Islamic Benevolent system or Khairat. The tenet of the system is solidarity and affordability and a lifelong vision to induce self-protection awareness to those who are usually myopic, risk-averse and procrastinating when it comes to self-social security protection.

2. MATERIALS AND METHODS

A survey was conducted on a small group of e-hailing workers on their opinion of the current SKSPS system and the idea of integrating the khairat system. The feedback shows that many e-hailing workers were not protected in the current SKSPS system, albeit many intend to contribute. Questions were also asked about the Islamic benevolent or khairat system as additional protection. Many of the respondents agree to the less burdensome and more cost-friendly khairat system. The questionnaire was divided into three parts. The first parts collect the demographic of the respondent, and the second part is on the opinion on the available social protection system, and finally on the idea of introducing the khairat system to the e-hailing drivers.

3. RESULTS AND DISCUSSION

3.1: Descriptive Analysis

Items number 1 to 9 in Table 1 shows the demographic profiles of the respondents. Most self-employed e-hailing workers are between the age range of 31 to 50. Males (95 per cent) and Malays (91 per cent) make up most self-employed e-hailing workers. Grab is the most popular e-hailing service, with over 80% of respondents using it (Grabcar 69.6% and Grabfood 8.7%). Sixty per cent of respondents had no other permanent job, and nearly 80 per cent worked at least four days per week (Everyday including weekend (48%), every day excluding weekend (8.7%) and at least four days a week (21.7%). Cars are the most popular method of transportation (40 or 87% of respondents), followed by motorcycles (4.35%) and both (8.7%). Most self-employed e-hailing workers earn less than RM3000 per month, with 40% making between RM1000 and RM1999 per month.

Table 1. Demographic Profiles, Current System for Self Employed e-Hailing Workers & Intention to contribute to Khairat System

No	ITEMS	FRE Q.	(%)	No	ITEM	FRE Q.	(%)	
1	Age			11	Source of information on SKSPS			
	18-30	4	8.7		SKSPS AGENT	1	2.17	
	31-40	14	30.43		Platform Provider	13	28.26	
	41-50	16	34.78		Social media	15	32.61	
	51-60	8	17.39		Radio	1	2.17	
Above 60	4	8.7	Friend		2	4.35		
2	Gender				Newspaper	2	4.35	
	Male	44	95.65		Television	2	4.35	
	Female	2	4.35		Websites	2	4.35	
	3	Ethnicity				12	Currently contributing to SKSPS	
					Yes		14	30.43

	Malay	42	91.3	No	32	69.57
	Indian	4	8.7			
4	Main Platform Provider			13	Previously contributing to SOCSO	
	food panda	2	4.35		Yes	38 82.61
	Grabcar	32	69.57		No	8 17.39
	Grab food	4	8.7	14	currently contributing to KWSP	38 82.61
	Lalamove	6	13.04		No	8 17.39
	Sender	2	4.35		Yes	
5	Work Status			15	Intend to contribute to SKSPS	40 86.96
	Full time	30	65.22		No	6 13.04
	Part time	16	34.78		Yes	
6	Having other employment			16	Reason to Contribute	
	Yes	18	39.13		To ensure safety/provide protection	10 21.74
	No	28	60.87		Accident Contingencies	6 13.04
					Incident contingencies	3 6.52
7	Days of service (In a week)				Future benefit	5 10.87
	Everyday including weekend	22	47.83		Protection against sickness/illness	2 4.35
	Every day, excluding weekend	4	8.7		Dependent protection against Death	2 4.35
	A least four days a week	10	21.74	17	Reason for not contributing	
	Less than three days a week	4	8.7		Cannot find time to visit SOCSO	1 2.17
	Sometimes in a week	6	13.04		Do not know how to	2 4.35
8	Mode of Transportation				Insufficient Income	6 13.04
	Car	40	86.96	18	If the Khairat Scheme is introduced, what contribution are you willing to make monthly?	
	Motorcycle	2	4.35		Rm1-2	0 0
	Car and Motorcycle d	4	8.7		RM3-4	2 4.35
9	Income (In MYR)				RM5-6	12 26.09
	Less than 1000	8	17.39		RM7-8	1 2.17
	1000-1999	18	39.13		RM9-10	31 67.39
	2000-2999	8	17.39	19	Would you opt for automatic deduction if the Khairat Scheme is introduced?	
	3000-3999	4	8.7		I will pay on my own	8 17.39
	4000-4999	2	4.35		I will opt for automatic deduction	34 73.91
	More than 5000	6	13.04		I am not interested in the scheme	0 0
10	Having knowledge/exposure on SKSPS					
	Yes	30	65.22			
	No	16	34.78			

The current situation in Malaysia shows that many workers are protected under two mandatory social security systems; the provident fund managed by Kumpulan Wang Simpanan Pekerja (KWSP/EPF) and the Social Security insurance under the Social Security Organisation (SOCSO/PERKESO). Mandatory contributions ensure that traditional workers will have protection through contributions made by both the employers and employees. However, this is not the case for self-employed workers, especially in the e-hailing industries. Item number 10 to 17 in Table 1 shows that 65% of respondents know the SKSPS through information gathered chiefly from social media. However, only 30% of the respondent are contributing to SKSPS. Forty (86%) of the respondent intended to contribute to the SKSPS program for reasons such as protection against safety and contingencies such as sickness and death. Some of the respondents stated that sufficient income was one of the reasons for not joining the SKSPS program. While items number 18 and 19 in Table 1 indicate

that almost all respondents are interested in joining the Khairat Scheme if it is introduced. The majority will be willing to make a considerable contribution up to RM10 per month and opt for automatic deduction (34 (74%) respondents). All of the respondents in the survey are interested in the scheme.

1.1: HYBRID MODEL

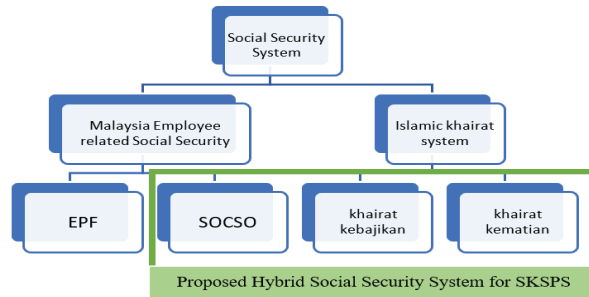


Figure 1. Proposed Hybrid SKSPS Social Security System

The innovation aims to develop a hybrid system that is attractive yet practical and does not pose a cost burden. This system alone will provide a protection pillar, albeit minimum, and combining it with the SOCSO SKSPS program will create holistic social security protection. The scheme is open to all self-employed workers in each category of work (in this case, the e-hailing workers) regardless of race, ethnicity, or religion. The applicant has the option of becoming a member at any time. Two deductions are suggested to be made automatically. The first contribution that will be made monthly is for the Khairat Kebajikan (Benevolence). A second deduction will be made to Khairat Kematian (Bereavement) only if a death occurs during the month. The khairat contribution is set very low, unlike the SOCSO contribution, to ensure that everyone can participate. The applicant has the option of joining either the Khairat Kematian or both the Khairat Kematian and Khairat Kebajikan. The information of contributors will be gathered through a new Mutual Benevolent and Bereavement system and is suggested to be administered by SOCSO.

“Khairat” is an Arabic term that means well-being or benevolence (AmirulAfif Muhamat, 2014; Katan et al., 2020). With the implementation of the Khairat Scheme, every member of the same self-employed category would be entitled to provide monetary assistance in the event of a family member's death or unforeseen circumstances. The standard death benefit in the Khairat Kematian is calculated depending on the amount collected each month through an actuarial calculation and morbidity schedule. The hybrid system also includes temporary short-term benefits over six months to a year under the Khairat Kebajikan to reduce the load of the contributors and the dependant in case of any contingencies. It will provide the dependent enough time to become acquainted with and ready for the new lifestyle while slowly increasing the self-employed workers' behaviour to get themselves protected. Table 4 shows the summary of the Hybrid model.

Table 2. Summary of The Hybrid Islamic Social Security System

MODEL		FINANCING				
		Type	Members' Contribution	Platform Providers' Contribution	Institutional Investment	Method of Contribution
HYBRID MODEL	AVAILABLE PROGRAM	EPF	EPF Monthly contribution			Voluntary
		SOCSCO (full)	Rate of contribution Employees' Social Security Act 1969 (Act 4)			Voluntary
		SOCSCO (SKSPS)	Rate of contribution rates for SKSPS			Voluntary
	KHAIRAT SYSTEM (NEW ELEMENT)	khairat kebajikan (Mutual benevolence) Monthly contribution	RM2-5 monthly or RM24 annually (Voluntary deduction from SOCSO contribution) OR by	RM2-RM5 monthly (RM24-RM60 annually). Compulsory for each	investment return	a. Voluntary - For members through a deduction made by platform providers. Mandatory - for platform providers

		(minimum benefit)	voluntary basis if not existing active SOCSO members or yet to be a SOCSO members	Khairat member account		
		Contribution for khairat kematian (Mutual Bereavement)	A 1-time monthly contribution of RM 1-5 (as agreed by the member)	None	Investment return	a. Automatic -if any accident happened in a particular month, members would receive a notification to contribution AND agree to make a contribution

LEGEND

	HYBRID MODEL
	AVAILABLE SYSTEM (SOCSCO/EPF)
	KHAIRAT MODEL
	KHAIRAT KEBAJIKAN (MUTUAL BENEVOLENCE)
	KHAIRAT KEMATIAN (MUTUAL BEREAVEMENT)

Table 2 (continuation). Summary of The Hybrid Islamic Social Security System

MODEL		Eligibility	COVERAG E	BENEFIT	COMPENSATIO N
HYBRID MODEL	AVAILABLE PROGRAM	Based on EPF qualifying condition	Retirement & Pre-retirement	1. Retirement Withdrawal 2. Preparation for retirement 3. Death Benefit	as per EPF qualifying condition
		Based on SOCSO qualifying condition	**IPS/EIS	1. permanent total disablement* 2. permanent partial disablement* 3. temporary disablement 4. Medical/Hospitalisation benefit 5. constant attendance allowance* 6. Rehabilitation benefit 7. Funeral Benefit - RM5000* 8. Education benefit	as per SOCSO qualifying condition
		Based on SOCSO (SKSPS) qualifying condition	SKSPS	**SAME AS IPS/EIS BENEFIT	as per SOCSO qualifying condition
	KHAIRAT SYSTEM (NEW ELEMENT)	Full continuous contribution OR 24 months from 40 months consecutively, OR 2/3 from the overall membership contribution. Partial 1/2 from the membership contribution for the last 24 months Not-entitled Members failed to contribute as above	Employment injury / due to accident while working	Short term benefit (6 months) - benefit as above except for 1,2, 5 & 7* (Chit fund benefit is dependent on the agreed amount collected from contribution) + Maternity allowance	Method of calculation for compensation/ benefits - as SOCSO conventional benefits but for a maximum of 6 months only

		Full Subject to contribution agreement provided that the member has made one payment (RM1-RM5) in the fund and agree to make contribution/ deduction in the case of death of other members.	Due to death for any reasons	Benevolent Dependent Benefit (ONE-OFF): Contribution made by all members in the course of death (on a particular month) will be given to the dependent based on the number actuary calculation and morbidity schedule (number of death).	Immediate reimbursement (At the end of the month)
				funeral benefit - RM5000	Immediate reimbursement

4. CONTRIBUTION AND USEFULNESS/COMMERCIALISATION

Self-employed people, particularly those in the same work category as e-hailing workers, will profit from incorporating the Islamic Benevolent Khairat Scheme into the total social security protection for self-employed workers. Because of its basic approach and cost-effective nature, the new model will deliver immediate value to e-hailing professionals.

With SOCSO in charge, the system will become more organised and less complex. Benefits can be disbursed with a correct actuarial and morbidity schedule if a hybrid initiative is developed. It will also be more accessible for people to accept the system if a reputable organisation like SOCSO runs it. Furthermore, it improves the existing system in a more effective manner and increases or encourages member contributions. Through the "Syariah-based" programme, it is also intended that the way death benefits are managed would become more transparent and professional.

The hybrid model prioritises the well-being of e-hailing workers and the cooperation of all its participants. As a result, everyone's unity, solidarity and sense of responsibility will be strengthened. In an emergency, the hybrid model will provide immediate short-term benefits to the member and their dependents. Members will not feel burdened and will contribute gladly, resulting in a rise in the fund. More importantly, the advantage will cultivate self-protection awareness among the usually myopic self-employed workers in the long run.

5. CONCLUSION

Because of their limitations, e-Hailing workers require a specialised social security system rather than relying on the traditional economy to fund social security. Social protection systems must adapt to changing forms of work to ensure comprehensive and adequate coverage for employees in all types of employment, including those in "new" types of employment. Economic and social progress is at stake if appropriate policy steps are not implemented to close social protection gaps for self-employed workers. It ensures that workers in all jobs, including digital platforms, are adequately and comprehensively protected. A hybrid model that combined an affordable Islamic Khairat model and supplemented the current national social insurance system will ensure adequate social protection for all.

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