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INTERNATIONAL SOCIAL SECURITY ASSOCIATION

Highlight 02



Social security in Asia and the Pacific keeps pace with rapid change

Perhaps more so than other regions, the rapid pace of change in the socio-economic environment of Asia and the Pacific presents particular challenges for social security systems. Against this backdrop, a new ISSA *Developments and Trends* regional report – *Asia and the Pacific: Strategic approaches to improve social security* – which accompanies the 2015 Regional Social Security Forum for Asia and the Pacific, to be held in Muscat, Oman, from 2 to 4 November, offers an in-depth look at the recent advances realised in better designing, financing and delivering adequate social security in Asia and the Pacific.

Home to over half the global population, the Asia and the Pacific region is very diverse in its economic, social and demographic development. Despite this, a number of key trends and developments are common to the majority of countries in the region. From an analysis of these as they relate to social security systems, the ISSA's 2015 *Developments and Trends* report for Asia and the Pacific draws out three themes for investigation: extension of coverage, excellence in administration, and the economic and social impacts of social security.

As the report elucidates, these themes are intrinsically interlinked and interdependent. For instance, the effective extension of coverage – as a human right and socio-economic necessity – requires not only sustainable financing and administration but also political support that, in turn, depends on the demonstrable and quantifiable positive social and economic impacts of social security programmes.

Coverage extension in Asia and the Pacific

Supported by strong economic growth in the region since at least the early 2000s, national capacities for financing, designing and delivering social security protection to ever greater numbers have increased. However, parallel regional processes – for instance, demographic ageing, greater migrant flows, the epidemiologic transition, income inequality, the rise of new middle-classes, stubbornly high levels of employment in the informal economy and the diverse and multiple impacts of natural disasters and climate change – also present complex challenges for policy-makers and administrators in the effective design and delivery of social security programmes.

In addition to the many continuing national efforts to better reach out to hard-to-cover populations in informal and rural economies, recent coverage extension efforts have focused particularly on access to health care and programmes supporting income security. In this regard, as the ISSA reports, greater effort is being placed on

Key facts and figures: Asia and the Pacific

- The region hosts the two most populous countries in the world (China with 1.4 billion people and India with 1.25 billion people), and is home to about 60 per cent of the global population, of which the urban population accounts for a figure close to the world average of 53.6 per cent.
- The elderly population (aged 65+) has nearly doubled (from 173 million to more than 330 million) between 1990 and 2014, and is expected to double again by 2045. The old-age dependency ratio for East and North East Asia is currently nearly 11 dependant elderly persons per 100 people of working age, which is twice as high as in South and South West Asia.
- At 4.6 per cent in 2013, the region has the lowest unemployment rate of any region, compared with the highest figure of 10.7 per cent in Europe. However, regional youth unemployment is trending upwards and was 11.3 per cent in 2013.
- The share of own account workers and contributing family workers, i.e. highly vulnerable forms of “self-employment”, is over 54 per cent of all persons employed, which can be taken as a rough proxy measure for regional informal employment. The proportion of the working-age population working in the informal economy has remained constant despite significant economic growth.
- The extreme poverty rate is projected to decline from 12.7 per cent in 2015 to around 5.8 per cent in 2020 and 2.5 per cent in 2025.
- In Asia and the Pacific, 47 per cent of older persons receive an old-age pension, compared to 16.9 per cent in sub-Saharan Africa, 36.7 per cent in North Africa, 56.1 per cent in Latin America and the Caribbean, and over 90 per cent in North America and Europe.
- The effective coverage rate under unemployment protection schemes (both contributory and non-contributory) is 5 per cent in Asia and the Pacific, compared to 3 per cent in Africa, 5 per cent in Latin America, 64 per cent in Western Europe and a global average of 12 per cent.
- Legal coverage under mandatory work injury programmes is available to 30 per cent of the total labour force in Asia and the Pacific, compared to 20 per cent in Africa, over 50 per cent in Latin America, and between 70 and 80 per cent in Europe and North America.
- On average, governments in Asia and the Pacific allocate 0.2 per cent of GDP to child and family benefits, similar to the level for Africa, compared to 2.2 per cent in Western Europe and a global average of 0.4 per cent.
- Non-health public social protection expenditure for people of working age in the region accounts for 1.5 per cent of GDP, compared to 0.5 per cent in Africa, 5.1 per cent in Latin America and the Caribbean, 5.9 per cent in Western Europe and a global average of 2.3 per cent.
- Health coverage in Asia and the Pacific is 58 per cent, compared to 24.7 per cent in Africa, over 90 per cent in Western Europe and North America and a global average of 52 per cent.

ensuring the development of social protection floors. Movement is also occurring towards the progressive development of comprehensive social security coverage through more integrated and effective national social protection strategies.

While much international attention has been focused on coverage extension efforts in China, progress has been made in the majority of the region's countries. Two observations from the region are of particular interest.

The first is that coverage successes are found not only in old-age benefit systems, but in other branches of social security. The report highlights the sea change in health coverage, with a number of developed and emerging economies achieving, or close to achieving, universal coverage. While China, the Republic of Korea, Malaysia, Oman, Sri Lanka and Thailand have reached ambitious coverage goals, others such as Cambodia, Indonesia and Viet Nam are on the way to doing so in the next decade. Other countries have introduced maternity (Jordan) and child benefits (Mongolia) while a number have new unemployment protection schemes (Kuwait, Lao People's Democratic Republic, Myanmar, Saudi Arabia and Viet Nam), often with accompanying labour market measures.

The second is an implicit recognition that economic growth in the region has not been accompanied by a corresponding improvement in the formalization of labour markets. Consequently, coverage efforts must reflect this in the way benefits are designed, financed and delivered. There are a number of positive examples of governments and social security organizations responding in a tailored and targeted manner to the reality of large informal economies and precarious jobs (e.g. Viet Nam), including the needs of domestic (Bahrain, India, Singapore, Thailand and Viet Nam), and to rural economies (China and India). Positive examples also relate to efforts to meet the social security needs of increasing flows of internal and international migrant workers. Similarly, social security programme design is adapting to changes in family structures and traditional support systems. The report highlights a number of important examples of non-contributory social pensions which have had a positive impact on alleviating poverty.

The expansion of social pensions financed in total or in the majority by public budgets raises three issues which will need to be monitored and addressed as programmes develop. The first is to ensure that the ongoing expansion of coverage remains financially sustainable. The second, to support the development of more comprehensive programmes and adequate provision, is to encourage and facilitate a greater role for employee and employer contributions in social security benefits financing.

This is also likely to be essential to bridge important remaining coverage gaps in the region, for example as regards disability and unemployment benefits. The third is the need for impact evaluation of social pensions and to ensure the effective coordination of all social programmes, roles that may be undertaken by the key national social security administration.

Excellence in administration

To support the development of adequate and sustainable coverage extension, important investments are being made to improve the performance of social security administrations. As the report affirms, excellence in administration and management is a prerequisite for effective coverage extension.

Significantly, to improve measurable outcomes, countries have adopted innovative and tailored approaches to reflect the realities of their own situation to better ensure that policy objectives can be met. In some countries, the traditional mandate of social security systems has broadened, not least to better target the needs of vulnerable groups. For the latter groups, and with informal economy employment remaining very important in the region, building trust in social security institutions and increasing the information provided to those covered – or with the potential to contribute to social security – is a vital element in successfully increasing coverage.

As part of raising the bar in administrative performance, all of which should be linked to greater transparency in management and governance, the report draws attention to benefit design changes and improvements in the delivery and communication of benefits. Citing national reform examples such as Australia, the report also pinpoints common goals including better record keeping; more effective inter-agency coordination; using ICT to manage data and improve access to benefits; community-level efforts to improve takeup and delivery, the diffusion of tailored information, and compliance with contribution collection; and the more timely and accurate payment of benefits to beneficiaries.

Although a great deal has been achieved, much more remains to be done. As one challenge to be addressed, in many countries large swathes of the population remain unaccounted for in official government registries. Unregistered populations are most likely to be active in rural or informal economies and often remain excluded from effective access to non-contributory benefits or benefits in kind. For instance, across the region, over 135 million children younger than age 5 are unregistered. Efforts to use ICT to improve administration are to be welcomed, but there is a risk of insufficient efforts being placed on improving other channels of communication. Despite a fourfold increase in the percentage of households with access to the Internet over the last decade, nearly two-thirds of households are still without access. Accordingly, appropriate investments in human resources, not least for front-office service delivery remain vital. Nowhere is this more necessary than in the day-to-day delivery of health care services in the region, which has an estimated current staffing deficit of over 7 million posts.

Positive social and economic impacts

A driver of significant coverage extension efforts in the region is increased public and political recognition of the positive socio-economic impacts of social security interventions. In this regard, four specific elements are identified.

First, social security is more widely and better understood to be an investment and not a cost. This is particularly true in Asia and the Pacific where many countries are moving from a “lowest cost” economic model to one based on “added value”. Proactive investment in human capital, including in education, training and return-to-work support such as in Malaysia and Indonesia, is a cornerstone of this approach.

Second, there is recognition that social security systems have a strong leverage effect, with nominal expenses having multiplier effects in the wider economy. By providing replacement income in retirement, greater financial support when ill or unemployed, or allowances for childbirth, access to social security benefits mitigates labour market and life-cycle risks and generates economic opportunities for the wider community.

Third, social security systems have proven to be essential instruments not only in responding to changes in the external environment but in anticipating such changes and their accompanying risks and reducing their negative impacts by means of preventive measures. Such interventions may partner curative and rehabilitative health support or public employment programmes and retraining in support of active and healthy living.

But this preventive role is also taking place on a wider and longer-term basis. The report highlights examples of the leading role social security organizations are playing in strategic responses to rapidly ageing populations, precarious labour markets, climate change-related events, greater urbanization, internal and international migration flows (China, Philippines, Sri Lanka), and poverty. With increasingly more comprehensive and effective approaches, social security systems have the capability to protect all, including the most vulnerable, strengthening social cohesion and supporting economic growth. Specific examples highlighted in the region include active ageing policies (Japan) and the extension of bilateral agreements (Republic of Korea) to protect the social security rights of migrant workers and their dependants.

Finally, owing to their national reach, political stability and operational efficiency, the potential of social security organizations to impact positively on society is inherent. In addition to social goals, their actions can have an important effect on national

Flexible, responsive and interconnected

The Philippines' Pantawid conditional cash transfer programme reaches out to families in poverty and, when required, to families negatively impacted by natural disasters, such as that associated with Typhoon Yolanda. Collaboration undertaken when using the database of the National Household Targeting System for Poverty Reduction was vital as part of the disaster response by the Social Security System, underlining the centrality of having access to comprehensive data to support the multiple objectives of social security administrations.

economies and a growing area where this is seen is in the investment of reserve fund and provident fund assets, which are often sizeable. In turn, an increasing focus on Socially Responsible Investment by fund managers has direct positive social impacts (for example, investment in infrastructure projects).

There remains a need to better recognize and measure the positive impacts of social security systems. Although the important leverage effect of directing cash transfers to low-income households is well known, it is equally important that the impacts of social security system design for middle- and higher-income households are identified, especially so if contributory models of provision are to develop sustainably. Given the growing financial constraints that government budgets and social security programmes may face in future, this is increasingly a key issue for social security administrations.

Future success requires excellence

In spite of recent progress, the next decade will be crucial for the region's social security administrations. In many countries, there is an alignment of a favourable (but in some countries, already closing) "demographic window", positive economic growth and strong political will, yet the future economic, social and environmental context is likely to be challenging. Social security systems will be expected to play a greater role in pushing forward socio-economic development, requiring increasing coordination with other stakeholders, tailored benefit design, and excellence in what they do and how they do it. Responding to new challenges such as extreme climatic events is already nascent in Asia and the Pacific (e.g. the Philippines) and will continue as social security organizations grow and develop in a rapidly changing region.

An important message of the report is that social security organizations need constantly to take into account the evolution of policy and external megatrends (e.g. labour markets, demography, natural environment) to ensure that their actions remain relevant and that policy objectives are met. In the first instance, this is a question of political will. A large number of socio-economic constraints suggest that conventional approaches to extend coverage face effective limits. These constraints include large informal and rural economies, increasing inequality (particularly in labour markets), demographic shifts, spatial density of populations, growing levels of migration, and the different logistical challenges of providing services in urban, peri-urban and rural areas. Added to this are the megatrends of increasing urbanization, the impacts of climate change, and evolving social structures with an observed weakening of traditional support mechanisms.

Future success will require excellence in all aspects of the activities of social security administrations, effective coverage extension efforts and a recognition that the positive social and economic impacts of social security systems are best achieved with the coordinated and timely use of reactive, proactive and preventive interventions associated with tailored benefits, broad financing mechanisms and innovative approaches to cover different groups of the population. In this regard, practical tools currently provided through the ISSA Centre for Excellence, such as the *ISSA Guidelines on Good Governance*, as well as the development of new guidelines for other core areas of social security administration, are expected to improve further the effectiveness and efficiency of resource management and the general capacities of social security administrations.

Source

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For more information: www.issa.int/asia-pacific/introduction

The **International Social Security Association** is the world's leading international organization for social security institutions, government departments and agencies. The ISSA promotes excellence in social security administration through professional guidelines, expert knowledge, services and support to enable its members to develop dynamic social security systems and policy throughout the world.

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