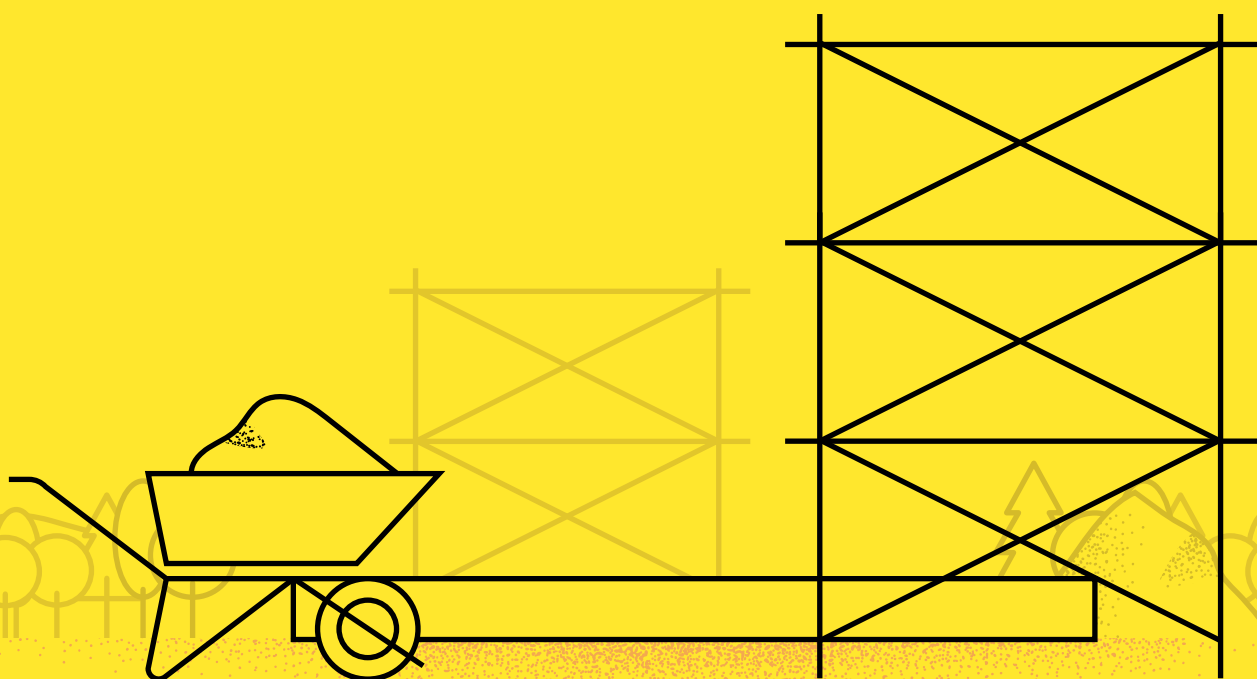


# Chapter 1

## The fundamental need for social protection



The ongoing COVID-19 pandemic has highlighted the role of well-designed, implemented and coordinated social protection systems in protecting people throughout their lives and promoting their well-being. The pandemic has also shown that social protection should be a right for all, rather than a privilege for a few.

As the world evolves and disruptions continue to affect the social fabric, the demand and need for social protection is soaring. With only a decade remaining to achieve the Sustainable Development Goals, social protection for all is a policy imperative to secure the prosperity and resilience of the Asia-Pacific region.

## 1.1 A rights-based argument for a healthy society

**Social protection is a human right.** Human rights instruments, including the Universal Declaration of Human Rights (1948) and the International Covenant on Economic, Social and Cultural Rights (1966), firmly anchor social protection as a right that States are obligated to guarantee and a right to be enjoyed by all without discrimination. These normative instruments recognize the critical role social protection plays in ensuring human dignity and well-being. They also recognize the role of social protection in enabling other human rights, including the right to health, education and development.

**Social protection schemes provide cash or in-kind support for people facing social and economic risks.** These risks — or contingencies — include having children, getting sick or acquiring a disability, losing a job or a breadwinner, and growing older. They also include covariate shocks, such as natural disasters, economic crises and pandemics. Many of these events are unpredictable and affect people in different ways. Leaving individuals and families to manage life's risks on their own breeds vulnerability. For example, a parent being laid off from his or her job may lead to a malnourished child; increasing care needs of an older person may result in a daughter having to drop out of school or sacrifice paid work; or a sick family member may lead to catastrophic health expenditure and unmanageable debt. As such, social protection systems are commonly organized around a package of benefits that address

life-cycle contingencies, namely medical care, sickness, invalidity, unemployment, employment injury, maternity, family, old-age and survivors' benefits.<sup>1</sup> Often, this contingency-dependent support is complemented by support for low-income households through social assistance.

**Social protection has a long history.** Formal social protection arrangements were first instituted in the late nineteenth and early twentieth centuries, during a period of rapid industrialization. Countries realized the limitations of informal support provided by families, communities and charities and gradually built social protection systems around the life-cycle contingencies described above. Many of the core social protection schemes in place today were established many decades ago.

**Over the past decade, renewed calls have been made to expand coverage through the establishment of a minimum floor of social protection for all.** Driven by the recognition of the major coverage gaps in systems across the world, the Social Protection Floors Recommendation, (R202), was adopted in 2012. In the recommendation, the International Labour Conference of the International Labour Organization (ILO) reaffirmed the human right to social security and emphasized the urgent need to extend a minimum level of social protection for all. Under the Recommendation, at least a basic level of social security for all is called for by establishing and maintaining a nationally defined social protection floor, as a fundamental element of national social protection systems.<sup>2</sup> The floor should include effective access to health care and a basic level of income security throughout life to prevent or alleviate poverty, vulnerability and social exclusion (figure 1.1).

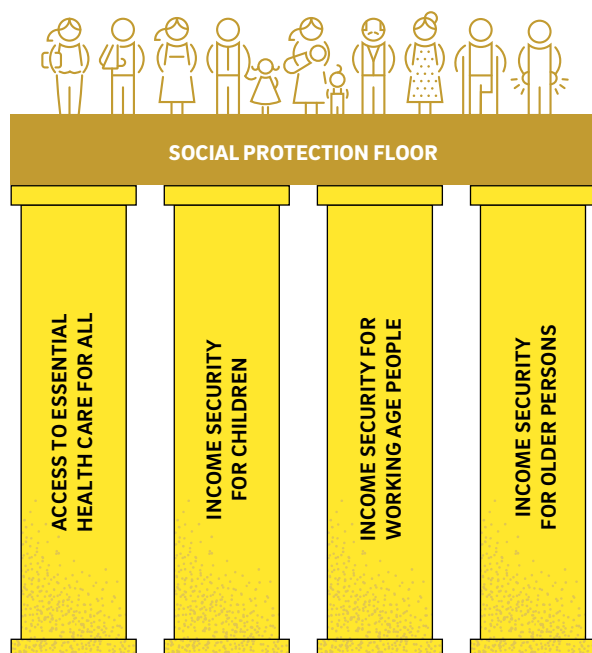
**The COVID-19 pandemic highlights the critical role of social protection.** Attempts to contain the spread of the coronavirus through travel restrictions and lockdown measures have disrupted supply chains, consumer demand, and economic and financial stability throughout Asia and the Pacific. An unprecedented decline in income opportunities, measured by the drop in working hours, has disproportionately affected workers in the informal sector, whose earnings declined by 22 per cent in the first months of the crisis.<sup>3</sup> The relative poverty rate of informal workers, who are already being paid

1 These nine life-cycle "contingencies" identified by ILO Convention 102 are reflected in the design of social protection systems globally.

2 The call for social protection systems, including floors, is also reflected in Sustainable Development Goal target 1.3.

3 International Labour Organization, "ILO Monitor: COVID and the world of work", 3rd ed., 29 April 2020. Available at [https://www.ilo.org/wcmsp5/groups/public/-/dgreports/-/dcomm/documents/briefingnote/wcms\\_743146.pdf](https://www.ilo.org/wcmsp5/groups/public/-/dgreports/-/dcomm/documents/briefingnote/wcms_743146.pdf).

**FIGURE 1.1 Foundations for a social protection floor: access to health care and basic income security throughout life**



low wages and have no access to social protection schemes, is expected to rise from 22 to 36 per cent, as a result of the pandemic.<sup>4</sup> Women are in a particularly vulnerable situation because they represent the majority of workers in frontline occupations, such as health and social work. Furthermore, a high proportion of women work in hard-hit sectors; they are also more likely to be engaged in unpaid family work and other undervalued jobs.

The pandemic has also compromised further the health, livelihoods and well-being of older persons, young people, persons with disabilities, migrants and domestic workers, many of whom were already living in precarious situations. In response, governments have introduced a range of new relief measures, and, when available, have built on existing social protection schemes.

## 1.2 A cornerstone of sustainable development

**Social protection is a key component and enabler of the 2030 Agenda for Sustainable Development.**

Four of the Goals (1, 3, 5 and 10) also have specific targets on social protection. Most prominently, Goal 1 on ending poverty includes target 1.3 to “implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.” Figure 1.2 illustrates the role of social protection as a key enabler of progress for the Sustainable Development Goals.

**Consequently, social protection contributes to the three dimensions of sustainable development.**

Investment in social protection systems better positions countries to advance social, economic and environmental progress towards achieving the 2030 Agenda.

*The social dimension:* A central focus of social protection is to prevent poverty and improve human well-being. Initiatives across the region and around the world to expand social protection have left a solid and growing evidence base, demonstrating the significant impact of social protection on social indicators, such as access to nutrition, health and education.<sup>5</sup> When provided at regular and predictable intervals, social protection helps shift behaviour towards a longer-term accumulation of assets and human capital that foster social progress. Overall, societies that advance social progress for all build a sense of belonging and promote trust, solidarity, well-being and risk-taking, which, in turn, facilitate upward mobility, also for disadvantaged groups.<sup>6</sup>

*The economic dimension:* Social protection also promotes inclusive economic growth. Income security allows individuals and households to accumulate assets and take financial risks to expand livelihood opportunities by, for example, starting up a company or investing in children’s education. It also discourages negative coping strategies during

4 The relative poverty rate is the “proportion of workers with monthly earning below 50 per cent of the median earnings of the population”. International Labour Organization (ILO) “ILO Monitor: COVID and the world of work”, 3rd ed., 29 April 2020. Available at [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms\\_743146.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_743146.pdf).

5 Francesca Bastagli and others, “Cash transfers: What does the evidence say? A rigorous review of programme impact and of the role of design and implementation features” (London, Overseas Development Institute, 2016).

6 Organisation for Economic Co-operation and Development, *Perspectives on Global Development 2012: Social Cohesion in a Shifting World* (Paris, OECD, 2011).

**FIGURE 1.2 Social protection will enable progress on several Sustainable Development Goals**



shocks, such as removing children from school and pushing them into child labour or selling productive assets.<sup>7, 8, 9</sup>

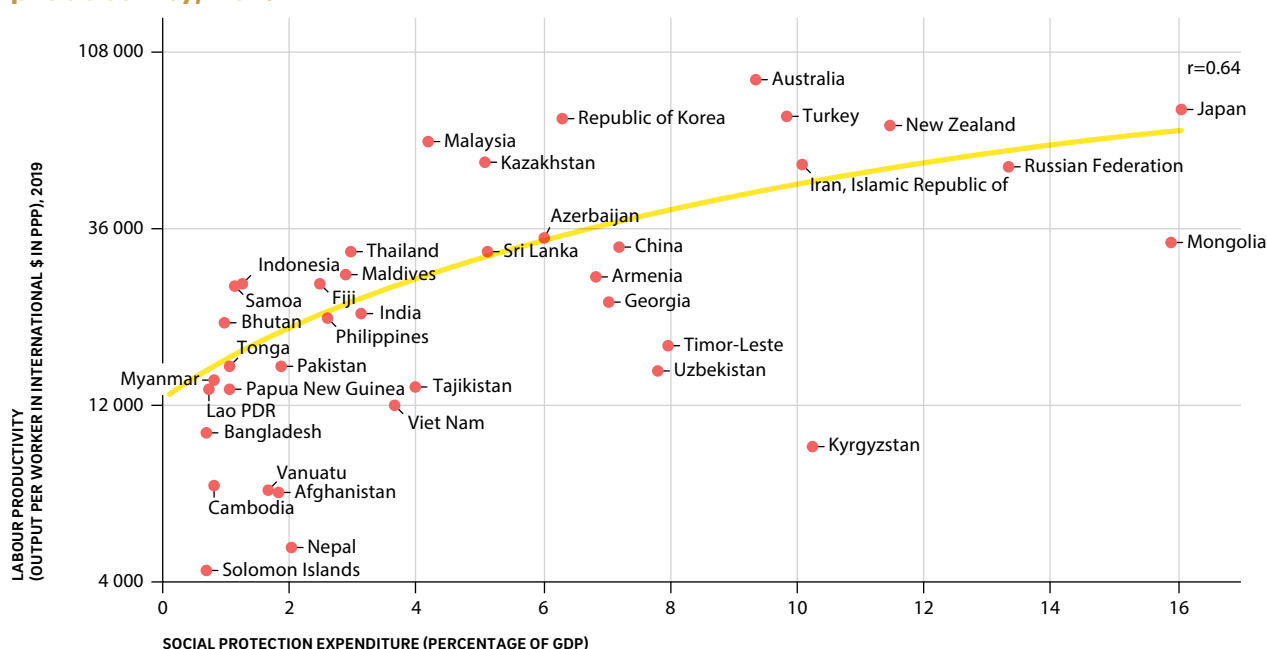
The positive impacts of social protection benefits on child well-being and education are well documented and contribute towards increasing opportunities, aspirations and future productivity.<sup>10</sup> Social protection systems also support women's labour force participation. Evidence from the Organisation for Economic Co-operation and Development (OECD) indicates that higher spending on social protection is closely correlated with labour productivity; similar findings are observed for the Asia-Pacific region (figure 1.3).<sup>11, 12</sup>

Evidence also suggests a positive link between social protection coverage and enterprise performance. A study in Viet Nam shows that firms that increased their workers' social protection coverage by

10 per cent experienced a per-worker revenue gain of between 1.2 and 1.5 per cent and a profit gain of up to 0.7 per cent. A similar study in Indonesia indicates that increased social protection spending of 10 per cent was associated with a per-worker revenue gain of up to 2 per cent.<sup>13, 14</sup> Through these and other pathways, social protection systems can make a positive contribution towards macroeconomic stability and growth (box 1.1).

*The environmental dimension:* Social protection can support adaptation to more environmentally sustainable social and economic development models and increase resilience against the impacts of climate change. Many households in the region rely on weather-dependent livelihoods and are affected by climate change-related hardship. Others face the loss of livelihoods resulting from the transition of industries towards carbon-neutral forms of production. Social protection can support the

**FIGURE 1.3 The positive link between social protection expenditure and labour productivity, 2019**



Source: ESCAP calculations based on labour productivity data from ILO STAT. Available at <https://ilostat.ilo.org/data/> (accessed 12 June 2020) and ILO, World Social Protection Database (see annex 1).

- 7 Overseas Development Institute, "Holding cash transfers to account: beneficiary and community perspectives" (London, Overseas Development Institute, 2013).
- 8 Independent Evaluation Group, Evidence and Lessons Learned from Impact Evaluations on Social Safety Net (Washington, D.C., The International Bank for Reconstruction and Development/The World Bank, 2011).
- 9 Nicholas Mathers and Rachel Slater, "Social protection and growth, Research synthesis. Available at <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9099.pdf>.
- 10 Francesca Bastagli and others, "Cash transfers: What does the evidence say? A rigorous review of programme impact and of the role of design and implementation features" (London, Overseas Development Institute, 2016).
- 11 Nicholas Mathers and Rachel Slater, "Social protection and growth: Research synthesis", Available at <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9099.pdf>.
- 12 United Nations, Economic and Social Commission for Asia and the Pacific, *Time for Equality: The Role of Social Protection in Reducing Inequalities in Asia and the Pacific* (Bangkok, ESCAP, 2015).
- 13 Nina Torm, *To What Extent Is Social Protection Associated with Better Firm Level Performance?: A Case Study Of SMS in Indonesia* (Indonesia, ILO, 2019).
- 14 Sangheon Lee and Nina Torm, "Social security and firm performance: the case of Vietnamese SMEs", *International Labour Review*, vol. 156, No. 2 (June 2017), pp 185–212.

**BOX 1.1      Macroeconomic impact of social protection systems**

For more than a century, well-governed social protection systems have helped to spur economic growth.<sup>a</sup> Social protection systems are also central in fostering economic transformation and increasing individual, household and national resilience against economic shocks. During economic downturns, social protection systems can work as an automatic stabilizer, stimulating demand and thereby helping to steady or even rekindle an economy.

A new study analysing multiplier effects of social protection in the Asia-Pacific region highlights its important role in stimulating the economy.<sup>b</sup> It shows that new investments in social protection in Japan, Mongolia, the Republic of Korea and Thailand have positive impacts on gross domestic product (GDP). In all countries studied, one dollar spent on social protection leads to a positive return, instantaneously and over a longer period.

In Japan, one additional dollar spent on social protection generates an accumulated expansion of GDP by \$1.7 after ten fiscal quarters — or two and a half years. The Republic of Korea has the highest multiplier effect, with an accumulated increase of \$3 after 10 quarters. In Mongolia, the accumulated multiplier effect is \$1.5 after eight quarters. Thailand has the smallest multiplier effect of \$1.4 after eight quarters.

To further understand these impacts, an estimate is made on how social protection expenditure affects household consumption and private investment. For example, in the Republic of Korea, an increase of one dollar on social protection spending generates a \$2.3 increase in the household consumption after 12 quarters, while the impact on private investment is estimated at \$0.8 in eight quarters. Disaggregated by social protection expenditure, the analysis for the Republic of Korea shows that the highest multiplier effect on GDP comes from an increase in health expenditure of (an increase of \$2.1). Expenditures on old-age pensions also shows a significant impact of \$1.4, followed by unemployment benefits at \$0.9.

a Zheng Gongcheng and Wolfgang Scholz, "Global social security and economic development: Retrospect and prospect". ILO Asia-Pacific Working Paper Series, September 2019. Available at: [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-beijing/documents/publication/wcms\\_723404.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-beijing/documents/publication/wcms_723404.pdf). USAID (2018).

b Laura Barbosa de Carvalho, Marina da Silva Sanches and Dante de Souza Cardoso, "Multiplier effects of social protection in Asia-Pacific".

coping strategies of households affected by climate change-related risks.<sup>15</sup> It enhances the "absorptive" capacity of households to cope with climate change-related shocks and stressors and also boosts their "anticipatory" ability to plan and prepare for disasters or other contingencies.

Well-designed social protection schemes also promote more sustainable consumption and production behaviour, which reduces the exploitation of the Earth's resources. In the short term, access to cash transfers can be designed to help smallholder farmers adopt more productive and climate-resilient

agricultural practices, as "cash plus" programmes do, by including training components.<sup>16</sup> Cash transfers can also promote more sustainable resource use.<sup>17</sup> In the short or medium term, public employment programmes, for example, can be directed to the conservation of natural resources to help improve water resource management, water harvesting and reforestation.<sup>18, 19</sup> In the longer term, social protection systems can promote livelihoods diversification and boost income security, so that farmers themselves adopt a more long-term outlook, which is necessary for sustainable natural resource management.

15 World Bank, *Building Resilience: Integrating Climate and Disaster Risk into Development. Lessons from World Bank Group Experience* (Washington D.C., The World Bank, 2013).

16 Janna Tenzing, "Integrating social protection and climate change adaptation: a review", *WIREs Climate Change*, vol. 11, No.2 (March/April 2020).

17 Frank Pega and others, "Climate change, cash transfers and health", *Bull World Health Organ*, vol. 93, No. 8 (August, 2015), pp. 559–565.

18 United Nations, Economic and Social Commission for Asia and the Pacific, *Time for Equality: The Role of Social Protection in Reducing Inequalities in Asia and the Pacific* (Bangkok, ESCAP, 2015).

19 Food and Agricultural Organization of the United Nations "Post-2015 and SDGs: nourishing people, nurturing the planet", FAO and the Post-2015 Development Agenda Issue Papers No. 14 (Rome, FAO, May 2015).



### 1.3 A mitigator against ongoing and emerging trends

The Asia-Pacific region is on a transformation trajectory that is set to continue over the next few decades. Technological progress is driving economic growth, but income inequality remains persistently high. A business as usual approach risks widening existing gaps in capabilities and opportunities between various population groups. Population ageing is changing family structures, while increased migratory flows and rapid urbanization are reshaping labour markets and creating different vulnerabilities. The regional and cross-boundary nature of disasters and climate change-related shocks underscore the need for regional and coordinated responses. Social protection will be key to adapting to these disruptions.

#### 1.3.1 A bulwark against inequality

##### **Levels of poverty and vulnerability remain unacceptably high throughout the region.**

Significant progress has been made in reducing poverty in recent decades, but the pace of reduction has slowed in recent years. An estimated 233 million people in Asia and the Pacific still live below the international extreme poverty line (less than \$1.90 a day). Approximately 1 billion live on incomes below \$3.20 a day (the poverty line for lower middle-income countries), and almost 2 billion, close to half of the region's population, live on less than \$5.50 per day (the international poverty line for upper middle-income countries).<sup>20</sup> More than two thirds of the region's population continue to live on less than \$10 a day, a benchmark of significant vulnerability of falling back into poverty when faced by a crisis.<sup>21, 22</sup>

**Income inequality is on the rise.** Despite strong and sustained economic growth, income inequality in Asia and the Pacific, measured by the region's weighted average of the Gini coefficient, increased by more than five percentage points over the past two decades. Persistent high-income inequality has implications for poverty reduction. According to ESCAP analysis of ten countries in the region, had income inequality not increased during the past decade, an additional 139 million people could have been lifted out of extreme poverty.<sup>23</sup>

**Inequality of opportunity lingers.** Despite important increases in access to opportunities, large inequalities persist across the region, particularly in completion of secondary education, financial inclusion and access to basic household services, such as clean fuels and basic sanitation. The growing divide in many countries is a result of advantaged groups gaining access to opportunities at a more rapid rate than disadvantaged ones.<sup>24</sup> Sizeable groups of rural, less educated and poorer people are left behind. Progress towards gender equality across the region also remains mixed. While women and men share similar levels of opportunities in North and Central Asia and in some North-East and South-East Asian countries, women lag in access to, for example, education and financial inclusion opportunities in much of South and South-West Asia.<sup>25</sup>

**The COVID-19 pandemic risks reversing progress in poverty reduction by almost a decade and exacerbating inequalities.** Contracting economies and declining household incomes will result in significant increases in poverty. ESCAP estimates indicate that an economic contraction of 5 per cent could increase the Asia-Pacific poverty headcount at the international poverty lines of \$3.20 and \$5.50 per day by approximately 93 and 90 million people,

20 ESCAP poverty estimates at international poverty lines of \$1.9, \$3.2 and \$5.5 per person per day, are based on SDG Global database for the \$1.9 poverty line and World Bank World Development Indicators (WDI) for the \$3.20 and \$5.50 poverty lines. When not available, World Bank PovcalNet figures were used as estimates for the year 2018 (available at <http://research.worldbank.org/PovcalNet/povOnDemand.aspx>). Note: Estimates for South and South-West Asia use 2015 poverty estimates of India from the same source.

21 ESCAP estimates based on: Orlando Roman, "An Emerging but vulnerable middle class: a description of trends in Asia and the Pacific", Social Development Working Papers 2019/204 (2019). Available at [https://www.unescap.org/sites/default/files/SDWP\\_2019-04\\_Middle%20Class\\_rev.pdf](https://www.unescap.org/sites/default/files/SDWP_2019-04_Middle%20Class_rev.pdf)

22 The threshold of vulnerability for those living under \$10 a day to fall back into poverty is based on evidence that a considerable share of households above any given poverty line have movements in and out of poverty over time. Based on evidence presented by Luis Lopez-Calva and Eduardo Ortiz-Juarez, "A vulnerability approach to the definition of the middle class", *The Journal of Economic Inequality*, vol. 12, No. 1 (2011), pp. 23–47, the \$10 a day threshold has been used as the cut-off income level between households considered as vulnerable to falling back into poverty and households considered to enjoy economic security. See Nancy Birdsall, "The (indispensable) middle class in developing countries", in *Equity and Growth in a Globalizing World*. Ravi Kanbur and Michael Spence, eds. (Washington, D.C., World Bank, 2010); Homi Kharas, "The emerging middle class in developing countries". OECD Development Centre Working Papers, No. 285 (Paris, OECD Publishing, 2010); Nancy Birdsall, Nora Lustig and Christian Meyer, "The strugglers: the new poor in Latin America?", *World Development*, vol. 60 (2014), pp. 132–146; Dean Jolliffe and Peter Lanjouw, "A measured approach to ending poverty and boosting shared prosperity: concepts, data, and the twin goals", Policy Research Report (Washington: D.C.: International Bank for Reconstruction/The World Bank Group); Rakesh Kochhar, "A global middle class is more promise than reality: from 2001 to 2011, nearly 700 million step out of poverty, but most only barely". Pew Research Center/Global Attitudes and Trends, 13 August 2015. Available [https://www.pewresearch.org/global/wp-content/uploads/sites/2/2015/08/Global-Middle-Class-Report\\_8-12-15-final.pdf](https://www.pewresearch.org/global/wp-content/uploads/sites/2/2015/08/Global-Middle-Class-Report_8-12-15-final.pdf); Raj Desai and Homi Kharas, "Is a growing middle class good for the poor? Social policy in a time of globalization", *Global Economy and Development Working Paper*, 105 (Washington, D.C., Brookings).

23 *Inequality in Asia and the Pacific in the Era of the 2030 Agenda for Sustainable Development* (United Nations publication, Sales No. E.18.II.F.13).

24 *Closing the Gap: Empowerment and Inclusion in Asia and the Pacific* (United Nations publication, Sales No. E.19.II.F.8).

25 *Inequality in Asia and the Pacific in the Era of the 2030 Agenda for Sustainable Development* (United Nations publication, Sales No. E.18.II.F.13).

respectively.<sup>26</sup> In a more extreme scenario, an economic contraction of 20 per cent could increase the Asia-Pacific poverty headcount by around 414 million people at the \$3.20 per day line and by 381 million people at the \$5.50 per day line.<sup>27</sup> Initial studies in Bangladesh and Sri Lanka find that the COVID-19 pandemic has reduced average incomes across the whole income distribution.<sup>28</sup> Women are being disproportionately impacted by the crisis. Globally, it is estimated that by the end of 2021, there will be almost 20 per cent more women than men living in extreme poverty in the age group 25 to 34.<sup>29</sup> The pandemic is also likely to exacerbate existing economic inequalities. A recent study of the distributional impact of previous pandemics reveals that, despite government efforts to redistribute income from richer to poorer households, the Gini coefficient is likely to increase up to 1.5 per cent in the five years following the event.<sup>30</sup>

**Social protection has a proven role in addressing poverty and inequalities.** In OECD countries, which tend to have more developed social protection systems, the combination of taxes and transfers reduces market income inequality by, on average, 25 per cent.<sup>31</sup> Significant impacts on inequality are also evident in low- and middle-income countries, such as Brazil, Georgia and South Africa, all of which have invested heavily in social protection.<sup>32</sup> While direct investment in other social sectors is important, social protection systems can also play a significant

role in reducing inequality of opportunity by supporting improved nutrition, education, health care and access to employment.

**Social protection systems also foster women's labour force participation.** This is particularly the case when schemes are coupled with provisions for childhood care, educational services and long-term care. As business owners, women usually have less access than men to digital technologies, financial services and assets, legal rights, business management skills and networking.<sup>33</sup> Social protection can enhance the livelihoods and skills of women, help them build their knowledge and give them greater access to social networks. Cash transfers have also helped mitigate against the risks of different forms of violence against women.<sup>34, 35</sup> On the negative side, however, social protection schemes that target women only in their classical roles as mothers and caregivers can reinforce gender stereotypes.<sup>36</sup>

### 1.3.2 A bridge to formal employment

**Informal employment dominates work in Asia and the Pacific.** Even though the region has the highest employment-to-population ratio globally,<sup>37</sup> more than two thirds of all workers, or 1.3 billion people, engage in informal employment.<sup>38</sup> Informal employment refers to work that is — in law or in

26 ESCAP calculations based on methodology presented in the report by Andy Sumner, Chris Hoy and Eduardo Ortiz-Juarez, "Estimates of the impact of COVID-19 on global poverty", WIDER Working Paper 2020/43, April 2020. Available at <https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2020-43.pdf>. COVID-19 pandemic-related contractions are captured by increasing the value of the international poverty lines of \$1.9, \$3.2 and \$5.5. The poverty line  $z$  is adjusted upwardly as  $z/(1-x)$ , for the per capita income or consumption contraction of  $x$  per cent. ESCAP poverty estimates at international poverty lines of \$1.9, \$3.2 and \$5.5 per person per day, based on World Bank PovcalNet figures (available at <http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx>). Note: Estimates for South and South-West Asia exclude India. All ESCAP estimates were based on the latest World Bank PovcalNet figures after considering the March 2020 global poverty update available at: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/407961584980637951/march-2020-povcalnet-update-whats-new>.

27 Ibid.

28 Stephen Kidd, Diloa Athias and Anh Tran, "Addressing the COVID-19 economic crisis in Asia through social protection" (UNDP, May 2020). Available at <https://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/addressing-covid-19-economic-crisis-in-asia-through-social-protection.html>.

29 United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), "From insights to Action: Gender Equality in the Wake of COVID-19" (2020).

30 IMF BLOG, "How pandemics leave the poor even farther behind", 11 May 2020. Available at <https://blogs.imf.org/2020/05/11/how-pandemics-leave-the-poor-even-farther-behind/>.

31 Orsetta Causa and Mikkei Hermansen, "Income redistribution through taxes and transfers across OECD countries", OECD Economics Department Working Papers, No. 1453 (Paris, OECD, 2018).

32 Charles Knox-Vydanov, "Why 'the poor' don't exist (and what this means for social protection policy)", *Pathways' Perspectives*, No. 15 (March 2014).

33 Naoyuki Yoshino and Farhad Taghizadeh-Hesary, "The role of SMEs in Asia and their difficulties in accessing finance", ADBI Working Paper 911 (Tokyo, Asian Development Bank Institute, 2018).

34 Karishma Huda and Sandeep Kaur, "It was as if we were drowning": shocks, stresses and safety nets in India", *Gender and Development*, vol. 19, No. 2 (July, 2011), pp. 213–227.

35 Shalini Roy and others, "Can transfers and behavior change communication reduce intimate partner violence four years post-program? Experimental evidence from Bangladesh", IFPRI Discussion Paper 01869 (Washington, D.C., International Food Policy Research Institute, 2019).

36 Conditional cash transfer programmes can reinforce gender roles by targeting women in their capacity as mothers only, for example setting conditions for mothers to take children to health check-ups or to school. Without other measures to support and share women's care responsibilities, these can increase the care burden on women and take time away from other paid and unpaid work. Nicola Jones and Rebecca Holmes, "Why is social protection gender-blind? The politics of gender and social protection", *IDS Bulletin*, vol. 42, No.6 (November 2011), pp. 45–52.

37 International Labour Organization, "Employment in Asia-Pacific continues to grow but often remains of poor quality", 22 January 2018. Available at [https://www.ilo.org/asia/media-centre/news/WCMS\\_615872/lang-en/index.htm](https://www.ilo.org/asia/media-centre/news/WCMS_615872/lang-en/index.htm).

38 International Labour Organization, *Women and Men in the Informal Economy: A Statistical Picture*, 3rd ed. (Geneva, ILO, 2018). Available at [https://www.ilo.org/global/publications/books/WCMS\\_626831/lang-en/index.htm](https://www.ilo.org/global/publications/books/WCMS_626831/lang-en/index.htm).



practice — not covered or insufficiently covered by formal arrangements. Typically, the jobs are associated with serious decent work deficits (box 1.2). Informal workers often perform low-paid and unskilled jobs and, by definition, are not contributing to social protection schemes. They are often self-employed or working in microenterprises, which together account for more than 80 per cent of all employment in the region.<sup>39, 40</sup> While important national and subregional differences exist, informal employment prevails in both agricultural and non-agricultural sectors in the region, such as construction, wholesale and retail trade, accommodation and restaurants.<sup>41</sup> Women in the informal economy are often engaged in more vulnerable jobs, as domestic workers, home-based workers or contributing family workers.<sup>42</sup>

**Levels of informal employment show no sign of abating.** Unless concerted policy efforts are made to promote formalization, informal jobs risk prevailing in labour markets in the region for the coming decade. With projected declines in the region's largest manufacturing industry, textiles and apparel, job losses are also anticipated for informal workers. Without any income protection, these workers will be more vulnerable to falling into poverty.<sup>43</sup>

**The emergence of new forms of work is also contributing to informality.** Digitization has enabled the expansion of the “gig economy”, mediated through online platforms, such as online taxi companies or crowd-work platforms.<sup>44, 45</sup> The Asia-Pacific region accounts for a large share of the global online workers, many of whom are from Bangladesh, India, Pakistan and the Philippines.<sup>46</sup> The conditions for workers in these new and quickly growing jobs are difficult to monitor. In cases in which no mechanisms are in place to formalize the sector, their work conditions tend to mimic the situation of informal sector workers.<sup>47</sup>

## BOX 1.2 The informal economy in Asia and the Pacific

The informal economy is defined as “...all economic activities by workers and economic units that are —in law or in practice — not covered or insufficiently covered by formal arrangements.” (17th International Conference of Labour Statisticians).

The informal sector consists of unincorporated enterprises operating at a small scale and low level of organization.<sup>a</sup> Some characteristics of informal sector enterprises are not having a complete set of accounts, not being registered under national legislation and not paying social security contributions or taxes on wages. Among the workers in the informal sector are own-account workers, and employers, employees and contributing family workers in those informal economic units. An estimated 59 per cent of all workers in Asia and the Pacific are engaged in the informal sector.

**Informal employment includes all workers in the informal sector, workers in the formal sector who are not covered by contributory social protection schemes, as well as contributing family workers.** In total, an additional 10 per cent of the labour force outside the informal sector is informally employed in Asia and the Pacific, bringing total informal employment to 68 per cent.

Adapted from: International Labour Organization, *Women and Men in the Informal Economy: A Statistical Picture*, 3rd ed. (Geneva, ILO, 2018) and Quynh Anh Nguyen and Nuno Meira Simoes da Cunha, *Extension of Social Security to Workers in Informal Employment in the ASEAN Region* (Geneva, ILO, 2019).

a Unincorporated enterprises are those not constituted as separate legal entities independently of their owners.

39 Microenterprises have two to nine employees while small enterprises have between 10 and 49 employees and medium-sized and large enterprises have at least 50 employees. International Labour Organization, “Small businesses and self-employed provide most jobs worldwide”, 11 October 2019. Available at [https://www.ilo.org/asia/media-centre/news/WCMS\\_723553/lang-en/index.htm](https://www.ilo.org/asia/media-centre/news/WCMS_723553/lang-en/index.htm).

40 International Labour Organization, *Small Matters: Global Evidence on the Contribution to Employment by The Self-employed, Micro-enterprises and SMEs* (Geneva, ILO, 2019).

41 International Labour Organization, *World Employment and Social Outlook: Trends 2018* (Geneva, ILO, 2018).

42 Ibid.

43 International Labour Organization, *World Employment and Social Outlook Trends 2020* (Geneva, ILO, 2020).

44 Global Commission on the Future of Work, *Work for a Brighter Future* (Geneva, ILO, 2019).

45 Christina Behrendt, Quynh Anh Nguyen and Uma Rani, “Social protection systems and the future of work: ensuring social security for digital platform workers”, *International Security Review*, vol. 72, No.3 (July, September 2019), pp. 7–41.

46 International Labour Organization, *World Employment and Social Outlook: Trends 2018* (Geneva, ILO, 2018).

47 Ibid.

**Automation will reshape labour markets and jobs in demand.** Labour-saving and higher value production technology, also known as automation, may have a significant impact on Asia-Pacific economies. One in five regional jobs are expected to be affected by automation, while one in eight are likely to be replaced.<sup>48</sup> In South-East Asia, automation could affect the job security of salaried workers in automotive and auto parts, electrical and electronics, textiles, clothing and footwear, business process outsourcing and retail.<sup>49</sup> While automation also leads to job creation and enhances the capacity and productivity of existing ones, without access to social protection, such as unemployment benefits, many workers will remain vulnerable in the short and medium term.

**Social protection can be a key lever for supporting formalization and navigating shifts in the labour market.** Careful design of social protection schemes can contribute to the expansion of formal employment and support workers and businesses in adapting to the changing shape of labour markets, as some jobs are replaced by others. As stated by the Centenary Declaration for the Future of Work, adopted by the International Labour Conference in 2019, developing social protection systems that are adapted to the developments in the world of work is an essential element in promoting a human-centred approach to the future of work.<sup>50</sup>

### 1.3.3 A shelter for the most vulnerable amidst demographic change

**The Asia-Pacific region is ageing at a more rapid pace than all other regions of the world.** Population ageing took place gradually over many decades in many advanced economies. In this region, the demographic shift will happen within two to three decades.<sup>51</sup> The percentage of older persons over the age of 60 in the region is projected to increase from

14 per cent in 2020 to 25 per cent in 2050. The largest percentage point increase is expected to occur in East and North-East Asia, from 19 per cent in 2020 to 35 per cent in 2050.<sup>52</sup> Projections also indicate that women will make up over half of older persons in the region, and almost two thirds of those aged 80 and over. Based on these projections, the regional old-age dependency ratio (the number of people aged 65 and over, per 100 persons aged 20 to 64) is projected to rise from 15.4 in 2020 to 32 in 2050.<sup>53</sup>

**Social protection provides older persons with income security and care.** Income security in old age is critical to ensure the dignity and active participation of older persons in society. Demand for long-term care is also increasing as people are living longer. Social protection can help share the increasing financial burden of care and income security across more population groups. Decent work opportunities will help foster the intergenerational solidarity needed for older persons to live in dignity.<sup>54</sup>

**Asia and the Pacific is also host to some of the world's largest migration corridors.** It is estimated that 65 million international migrants, defined as the foreign-born population, lived in the Asia-Pacific region in 2019, while almost 106 million people from the region lived outside their country of birth.<sup>55, 56</sup> Migration is likely to increase in terms of numbers, complexity and impact, driven by the search for better income, job and educational opportunities, but also shelter from conflict, climate change or disasters.

**Extending social protection schemes to migrant workers is a major challenge.** Temporary, circular and irregular patterns of migration expose migrants to vulnerabilities. Social protection and labour market regulations are often not enforced for migrants, who end up being excluded from social protection in both receiving countries and countries of origin. Lack of access to health care, maternity

48 MIT Technology Review, "Asia's AI Agenda: Human Capital and AI", 10 May 2019. Available at <https://www.technologyreview.com/2019/05/10/135421/asias-ai-agenda-ai-and-human-capital/>.

49 Jae-Hee Chang, Gary Rynhart and Phu Huynh, "ASEAN in transformation – How technology is changing jobs and enterprises", Bureau for Employers' Activities, Working Paper No. 10 (Geneva, ILO, July 2016).

50 International Labour Organization, Centenary Declaration for the Future of Work. Available at [https://www.ilo.org/wcmsp5/groups/public/@ed\\_norm/@relconf/documents/meetingdocument/wcms\\_711674.pdf](https://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_711674.pdf).

51 In France the share of older person as a per cent of the total population increased from 7 to 14 per cent over a 115 year period; in Asia-Pacific countries, the increase in the share of older persons will occur much faster, ranging from 18 years in the Republic of Korea to 33 years in Azerbaijan. *Addressing the Challenges of Population Ageing in Asia and the Pacific: Implementation of the Madrid International Plan of Action on Ageing* (United Nations publication, Sales No. E.17.II.F.17).

52 United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects 2019 - Special Aggregates, Online Edition. Rev. 1.* (2019). Available at <https://population.un.org/wpp/>.

53 World Population Ageing 2019, (United Nations publication, Sales No. E.20XIII.6).

54 Independent Evaluation Group, Evidence and Lessons Learned from Impact Evaluations on Social Safety Net (Washington, D.C., The International Bank for Reconstruction and Development/The World Bank, 2011).

55 ESCAP 2019 Population Data Sheet (<https://www.unescap.org/resources/2019-escap-population-data-sheet>).

56 International Organization for Migration, Regional Office for Asia and the Pacific (<https://www.iom.int/asia-and-pacific>).

protection and other benefits, as well as lack of portability of, for example, old-age pension benefits and accrued rights, also pose significant risks for migrant workers. The dire consequences of exclusion from health services have also heightened during the COVID-19 pandemic.<sup>57</sup>

**Rapid urbanization is a challenging trend throughout the region.** Cities in Asia and the Pacific are expected to grow by an additional 1.2 billion people, to reach a total of 3.5 billion urban residents by 2050.<sup>58</sup> This rapid expansion of urbanization in the region, often unplanned and haphazard, is creating large pockets of urban poverty. It is also increasing population density in cities and exacerbating risks of exposure to health and environmental disasters.<sup>59, 60</sup> Currently, close to one third of all urban residents in the region live in slums or slum-like conditions, with no access to improved water, basic sanitation and quality housing.<sup>61</sup>

**At the same time, the urban poor are more excluded from community-based networks and support mechanisms than the rural poor.**<sup>62</sup> The risks associated with urbanization have become even more evident during the COVID-19 pandemic. Living in crowded flats or urban slums, where disease is likely to spread more rapidly, the urban poor are more exposed to the virus.<sup>63</sup> Many also work in dense markets, streets or crowded factories, where hygiene is often compromised.

**In sum, these demographic trends require a shift towards comprehensive social protection systems.** A common feature of population ageing, migration and urbanization is that they stretch the ability of informal support mechanisms, such as family, community and charity, to provide adequate protection (box 1.3). These same dynamics led industrialized countries to significantly expand social protection systems in the late nineteenth and

### BOX 1.3 The role of informal support mechanisms

Throughout history, private or community initiatives have played an important role in providing protection from risks and crises. Family, close kin or social relations are often called upon to chip in cash or in-kind support in times of need. In other cases, kinship or community-based associations help to support costs accompanying life-cycle events, such as weddings and funerals. Religious customs or institutions also take on this role. Systems such as Zakat, have long been used to provide financial and in-kind support to poor and marginalized populations in Muslim-majority countries.

Whereas these mechanisms fulfil a critical role in society, they do not function as a replacement for formal social protection. Based on individual or community-based arrangements, social relations and cultural values, these informal forms of support can exclude others who, for example, do not fit the membership criteria of their network. Support offered through systems, such as patronage-based networks, may result in increased debt, further entrenching households in vulnerability. When the impact of covariate shock reverberates throughout communities, there is limited capacity and resources for these networks to provide the level of support required. In the light of trends, such as urbanization, migration, reduced family sizes and population ageing, these informal arrangements are also becoming increasingly insufficient.

In terms of the delivery of support measures, private companies are sometimes used. In some instances, they offer innovative technological solutions of administrative systems, such as through integrated management information systems or electronic cash transfers. When these companies are used, it is important to ensure that they adhere to principles of access, inclusion, good governance and transparency.

57 Migration Data Portal, "Migration data relevant for the COVID-19 pandemic", updated on 26 June 2020. Available at <https://migrationdataportal.org/themes/migration-data-relevant-covid-19-pandemic>.

58 The Future of Asian And Pacific Cities (United Nations publication Sales No. E.20.II.F.1).

59 United Nations, Department of Economic and Social Affairs, "The world's cities in 2018 – data booklet (2018). Available at [https://www.un.org/en/events/citiesday/assets/pdf/the\\_worlds\\_cities\\_in\\_2018\\_data\\_booklet.pdf](https://www.un.org/en/events/citiesday/assets/pdf/the_worlds_cities_in_2018_data_booklet.pdf). Safety Net and Urban Poor, 2015.

60 Ugo Gentilini, "Entering the city: emerging evidence and practices with safety nets in urban areas", Policy Research Working Paper Series 98253 (Washington, D.C., The World Bank).

61 The Future of Asian And Pacific Cities (United Nations publication Sales No. E.20.II.F.1).

62 Ugo Gentilini, "Entering the city: emerging evidence and practices with safety nets in urban areas", Policy Research Working Paper Series 98253 (Washington, D.C., The World Bank, 2015).

63 Vidya Diwakar, "From pandemics to poverty: the implications of coronavirus for the furthest behind". Overseas Development Institute blog, 10 March 2020. Available at <https://www.odi.org/blogs/16754-pandemics-poverty-implications-coronavirus-furthest-behind>.

twentieth centuries. The transformation currently taking place in low- and middle-income countries requires a similar shift.

### 1.3.4 A shield against shocks and crises

**Asia and the Pacific is a disaster-prone region.** In 2018, almost half of the 281 global natural disasters occurred in the region, including eight of the ten deadliest ones.<sup>64</sup> This high incidence of disasters can largely be attributed to extreme weather events. The anticipated increase in frequency and intensity of disasters, exacerbated by climate change, may trigger more migration for households and individuals as a way to adapt to climate change or in response to natural disasters. Most of this migration will be internal.

**Unless mitigated through increased access to social protection and other relief measures, disasters related to climate change will be a barrier to the achievement of the poverty targets of the Sustainable Development Goals.**<sup>65,66</sup> In 2017, the World Bank estimated that 26 million people were falling into poverty annually because of natural disasters, such as floods, drought and intense heatwaves.<sup>67</sup> Vulnerable populations are often concentrated in hazardous geographic locations. Lower income households lose a larger share of assets and income after floods and storms, often because they hold material assets as opposed to financial savings, and live in lower-quality, more exposed housing.<sup>68</sup>

### **Asia and the Pacific is no stranger to pandemics.**

However, the COVID-19 crisis is testing the limits of health-care systems in countries throughout the region. Lessons learned from the 2003 SARS crisis have already ensured better responses by some countries. Government capacities to detect, contain, treat and prevent the disease, and keep the public informed reflect the condition of the health system and its preparedness to control pandemics. Universal health systems can ensure that these initiatives are directed to all segments of the population.

**Economic crises have also become a regular occurrence in the region.** The economic crisis created by the COVID-19 pandemic is the third in two decades, following the Asian financial crisis (1997–1998) and the global financial crisis (2007–2009). With each crisis, social protection gains recognition as an effective tool to protect people from financial hardship and stabilize aggregate demand.<sup>69</sup>

While the pace of change in the region is unprecedented, there are many headwinds: inequality; informality; technological change; demographic shifts; and crises of various natures. Social protection will be the hinge on whether these trends will exacerbate vulnerabilities, or be addressed by building more cohesive, resilient and sustainable societies. One decade remains to take action to realize the 2030 Agenda. To succeed, governments should use this window to set in place the necessary structural frameworks, policies and schemes to smoothen the transition.

64 *The Disaster Riskscape Across Asia-Pacific, Pathways for Resilience, Inclusion, and Empowerment: Asia-Pacific Disaster Report 2019* (United Nations publication, Sales No. E.19.II.F.12).

65 Stephane Hallegatte, Marianne Fay and Edward B. Barbier, "Poverty and climate change: introduction", *Environment and Development Economics*, vol. 23, Special Issue 3 (June 2018), pp. 217–233.

66 *The Disaster Riskscape Across Asia-Pacific, Pathways for Resilience, Inclusion, and Empowerment: Asia-Pacific Disaster Report 2019* (United Nations publication, Sales No. E.19.II.F.12).

67 Stephane Hallegatte and others, *Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters* (Washington, D.C., World Bank, 2017).

68 A study of demographic and health surveys from 14 countries indicates that wealthier individuals are better able to protect their assets and well-being because they can avoid living in areas likely to be hit by disasters. Being in the poorer income brackets increases the likelihood of being more, or repeatedly, exposed to disasters and losing wealth and assets. ESCAP. *The Disaster Riskscape Across Asia-Pacific, Pathways for Resilience, Inclusion, and Empowerment: Asia-Pacific Disaster Report 2019* (United Nations publication, Sales No. E.19.II.F.12).

69 International Labour Organization, *Extending Social Security to All: A guide through Challenges and options* (Geneva, ILO, 2010).