Chapter 2

Social protection in Asia and the Pacific: work in progress
Despite recent progress, there are significant gaps in social protection systems in Asia and the Pacific. In the past decade, some noticeable efforts were directed towards expanding social protection across the region. Still, only a handful of countries in the region have relatively comprehensive systems with broad coverage. Consequently, the majority of people have no or very limited access to social protection when they need it. As a response to the COVID-19 pandemic, countries are mobilizing significant short-term relief measures, many of which have the potential to contribute to strengthening social protection systems in the long term. There is now enough evidence that countries can significantly expand the reach of social protection in a short period of time.

2.1 Half the region remains unprotected

Less than half of the population in the region is protected by at least one social protection scheme. Excluding China, the figure falls to one third (figure 2.1). There is, however, a significant variation, depending on the social protection contingency. Old age is the only contingency in which the majority of the population is covered. Coverage of children, unemployment, employment injury and severe disability are below one-third, with slightly higher coverage of maternity benefits. Similarly, only about one-in-five vulnerable persons - defined as those neither contributing to, nor benefiting from, contributory schemes - are receiving some form of a non-contributory benefit. Box 2.1 gives a description of the core menu of schemes that make up a social protection system.

Despite the paramount importance of health care, more than one quarter of the population is left uncovered. Only seven out of ten people in the region have access to some form of health-care protection, either contributory health insurance or non-contributory schemes that provide services for free or at low cost. As discussed in chapter 6, even those affiliated to such schemes may still incur barriers to access and high out-of-pocket expenditures.

FIGURE 2.1 Less than half of the population in the region is protected by social protection

Indicators of effective social protection coverage as per Sustainable Development Goal target 1.3 and health care (population weighted), Asia and the Pacific, latest available year

Social protection coverage is generally higher in North and Central Asia and East and North-East Asia than in other subregions of the Asia-Pacific region (figure 2.2). In addition to having more developed social protection systems, countries in these subregions also tend to have schemes for most contingencies, often based on a mix of contributory and non-contributory schemes.

70 The aggregate indicator in figure 2.1 refers to “Proportion of the population protected in at least one area: proportion of the total population receiving cash benefits under at least one of the contingencies (contributory or non-contributory benefits) or actively contributing to at least one social security scheme”. See annex 1 for the full definition of this and sub-indicators.
Overall, South and South-West Asia and South-East Asia have a significantly lower level of coverage. However, there is a large variation among countries. The Islamic Republic of Iran, the Philippines, Thailand, Turkey and Viet Nam all have relatively comprehensive contributory social protection systems. Cambodia, the Lao People’s Democratic Republic and Timor-Leste have more recently established contributory social protection schemes. On the other hand, Bangladesh, Nepal and Sri Lanka in South Asia, and Malaysia and Singapore in South-East Asia, have historically focused on employer liability and mandatory savings through, for example, provident funds. Coverage in the Pacific tends to be very low. The relatively high average levels are driven by higher coverage in the two most populous countries, Australia and New Zealand.

In many countries no schemes exist for numerous social protection contingencies. In several countries, the provision in place is the responsibility of an employer (“employer liability”). This is particularly common for maternity, sickness, unemployment and employment injury benefits. These arrangements can create perverse incentives for employers. For example, employer-liability arrangements for maternity benefits can lead to discrimination against women of reproductive age (see chapter 4).

### 2.2 Reasons for low coverage

**Low coverage is strongly related to underinvestment in social protection.** Achieving universal social protection has yet to become a priority for policymakers throughout the region. Accordingly, public expenditure on these schemes is relatively lower than in most other regions, but with significant variation across countries (figure 2.3).

On average, public spending on social protection in the region (excluding health) is 7 per cent of GDP, which is lower than the global average of 11 per cent, less than half the level in Europe (17.7 per cent), and also lower than in Latin America (9.7 per cent). The comparison with Latin America is notable as — much like Asia and the Pacific — the region is comprised of many emerging economies. There are, however, notable examples of progress in recent decades. One is China, which increased expenditure levels from 3.2 per cent of GDP in 1995 to 7.2 per cent in 2017.71

### Many countries in the region continue to spend less than two per cent of GDP on social protection.

Such low levels of expenditure are more common in countries in the Pacific, South-East Asia and South and South-West Asia. Low expenditure on social protection sometimes correlates with low levels of general government revenue. For example, Indonesia has recorded significant economic growth in recent decades, but the country’s tax revenue remains low, at only 11.5 per cent of GDP. This level is far below the regional average and it inherently limits the scale of tax-financed schemes.72 Increasing government revenue can therefore be instrumental to creating the fiscal space required to expand coverage.

### Social protection is a low priority in national budgets.

With sufficient political will, increasing investments in social protection can often be achieved within existing government resources. In many countries, the lion’s share of the already low expenditure is directed to public service pensions, reaching only a small share of the population. For example, almost all social protection expenditure in Myanmar is allocated to pensions for government servants.73 The outlay on pensions schemes for government servants in central and state governments in India, including civil pensions

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BOX 2.1 Key types of social protection schemes

Social protection schemes can provide benefits either in cash, such as old-age pensions, child and unemployment benefits or in-kind, such as health care, food subsidies and school feeding programmes. An important distinction among social protection schemes is whether they are contributory or non-contributory.

**Contributory schemes provide benefits to individuals who have made regular financial contributions to a scheme.** Cash benefits from contributory schemes tend to be based on previous earnings or contribution levels, but they often include minimum guaranteed benefits.

**Social insurance schemes are the most common form of a contributory scheme.** Under these schemes, risk is pooled among contributors and their dependents based on the principle of solidarity. In contrast, schemes, such as provident funds, have no or limited pooling of risks. Contributory schemes are usually funded by contributions shared between the employer and the employee, although sources of finance can also include self-employed workers, and subsidies from the State.

**Non-contributory schemes (sometimes referred to as “social assistance” or “safety nets”) are provided to individuals and households regardless of any previous financial contributions.** They are usually financed from the general government budget. These benefits tend to be lower than those from a contributory scheme and are usually flat-rate benefits.\(^1\) The criteria for receiving a benefit often include being a citizen or resident (universal schemes for all residents), belonging to a specific population group (categorical scheme), or experiencing a specific resource condition, such as being poor (social assistance).

**Universal social protection systems refer to the integrated set of policies designed to ensure income security and support throughout the life cycle.** Universal protection can be achieved through different combinations of contributory and non-contributory schemes, depending on national circumstances, including both cash and in-kind benefits. The term universal schemes refers to specific schemes that provide coverage to all residents. Categorical schemes may also be grouped as universal if they cover all residents belonging to a certain category, such as a universal old-age pension provided to all persons over a given age.\(^2\)

**Universal social protection does not only mean all people should be covered against the various social and economic risks they may face, but also that support is adequate.** Adequacy of benefits is defined as a minimum level of protection needed to live a life in dignity according to national circumstances. It can be measured in absolute terms or relatively to selected benchmark values, such as previous incomes, average incomes, the poverty line and GDP per capita.

The social protection floor is a related concept, established under ILO Recommendation 202, which recommends the establishment of basic social protection guarantees that ensure at a minimum that, over the life cycle, all people in need have access to essential health care and basic income security.

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1. This means that the same benefits are paid to all recipients regardless of previous earnings. In some cases, benefit levels may be adjusted according to other criteria including age, levels of disability, household composition and other indicators of vulnerability.
and defense pensions, exceeds the salary bill of the government. Reorienting and refocusing present expenditure and expanding the share of expenditure on social protection is required to reach more workers and their families.

Social protection also remains a marginal area of public policy in most countries. Despite positive initiatives to expand social protection in recent years, when seen within the bigger picture of public policy, they often remain residual. Non-contributory schemes, which have increased notably in coverage, remain largely focused on the reduction of abject poverty. Meanwhile, contributory schemes tend to only be available for workers in the formal sector. As a result, social protection cannot fully realize its potential of supporting a more inclusive, resilient and sustainable socioeconomic development.

Administrative hurdles further contribute to gaps in social protection systems. Even in countries with a relatively comprehensive package of schemes in place, effectiveness is often hampered by administrative weaknesses. Success of a given scheme depends on a range of processes, including identification, registration, contribution collection, delivery of benefits, service quality, and functioning grievance and redress mechanisms. Success may also be affected by weaknesses in other systems, such as civil registration and financial services. Civil registration systems support social protection administrations to correctly include people and families in their systems. Yet, across the region, 135 million children under the age of five are not registered. Access to bank accounts can also support delivery of social protection benefits, however, large unbanked populations are present throughout the region. Poorer households, with lower levels of education, women and minority populations are less likely to have a bank account.

Technology is providing new ways to reach people in remote areas. Common approaches are building digital registries, linking civil registration systems to social protection administration and the use of digital payments (further discussed in chapter 8). Nevertheless,
Effective governance both at scheme and system levels is critical. Systems across the region commonly suffer from a high degree of fragmentation in which multiple schemes exist with incoherent mandates and contradictory approaches. This fragmentation can significantly limit the impact of a given social protection scheme, while providing a confusing landscape for people to navigate. Building more coherent and integrated social protection systems is key to their effectiveness and to extending coverage.

2.3 How low coverage is manifested

2.3.1 Limited access to contributory benefits

In most countries in the region, only a minority of workers are contributing to a social protection scheme. Coverage is highest across East and North-East Asia, while in other subregions, there is significant variation (figure 2.4). Coverage is low in most countries in South-East Asia and South and South-West Asia, with only the Islamic Republic of Iran, Singapore and Turkey extending coverage to more than half of the labour force.

Low contributory coverage is strongly associated with the scale of informal employment. Many workers and employers are outside the legal framework of contributory schemes. These workers often depend on relatively low and irregular incomes. Box 2.2 gives a summary of the key barriers to contributory social protection schemes in the region.

Coverage of contributory schemes tends to be the lowest for vulnerable workers and those in small and medium-sized enterprises. Vulnerable employment refers to own-account workers and contributing family workers. These workers comprise a significant share of total and informal employment in many countries in the region. Typically, only a small minority of vulnerable workers contribute to social protection schemes. In the region, approximately 930 million workers — almost half of all workers — were engaged in vulnerable employment in 2017.  

In Viet Nam, only 0.1 per cent of own-account workers and 0.3 per cent of contributing family workers were contributing to a social protection scheme. There is also a strong association between the size of an enterprise and contribution to a social protection scheme. In larger enterprises (with 50 workers or more) nine out of ten workers are covered by a contributory scheme, compared to less than one in one hundred of those working in enterprises with fewer than five workers.  

Contributors to a social insurance scheme tend to have relatively higher incomes. In Indonesia, Sri Lanka and Viet Nam, more than eight in ten employees in the highest quintile contribute to a social protection scheme, compared to less than one-fifth of those in the two lowest income quintiles (figure 2.5). Coverage has increased in all three countries over time, with the most progress made among workers in the third and the fourth income quintiles. This suggests that coverage is increasing more rapidly among middle-class workers. The change, however, is slow. At this rate, it would take several decades before universal coverage would be achieved.

Those contributing to social protection schemes are also more likely to live in an urban area and have a higher education. This can be observed by analysing trends in full-time employment, which is a proxy for contributing to social protection schemes. Figure 2.6 depicts such an example, illustrated

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**BOX 2.2 Barriers to contributory social protection schemes for informal workers**

**Legal barriers:** Legislation can explicitly exclude certain groups of workers from contributory social protection schemes. Commonly excluded categories are domestic workers, migrant workers, own-account workers and workers in the agricultural sector as well as casual and temporary workers. Enterprises below a certain size, and workers with short contracts or below a certain salary threshold are also sometimes excluded. These restrictions particularly affect working women, of which two thirds are in the informal sector.

**Weak law enforcement:** Even when legislation is inclusive, it is often weakly enforced, which can result in poor compliance among employers and workers.

**Contributory capacity:** While there is significant diversity among informal workers, they tend to have lower and less predictable incomes, which create barriers to regularly contributing to social protection schemes.

**Lack of incentives:** Workers and employers may not recognize the value of registering for contributory social protection schemes, or more generally to formalization. The problem may lie in the scheme (and benefit) design or be the result of poor information and communication about the benefits. For voluntary schemes, lack of incentives is a greater issue.

**Administration and implementation:** Existing schemes may not be accessible or adequately adapted to the working patterns and location of workers and employers. Administrative procedures can be lengthy and burdensome, which limits registration and compliance, but also undermines public trust in the system.

**Knowledge, awareness and representation:** A common challenge is the lack of knowledge and awareness among informal workers and policymakers of the importance of social protection, which hinders initiatives to extend coverage. This is compounded by the low levels of representation and organization among informal workers.

Source: Adapted from Quynh Nguyen and Nuno Meira Simoes da Cunha, Extension of Social Security to Workers in Informal Employment in the ASEAN Region (Geneva, ILO, 2019).
through a classification and regression tree (CART) of full-time employment in Viet Nam. The tree shows the compounded impact of various circumstances on the probability of being in full-time employment. Only 14 per cent of women living in rural areas who have attained a primary or secondary education and do not have any children are in full-time employment. This rate stands in sharp contrast to that of people with a higher education, among whom 64 per cent are in full-time employment.

Repeating this exercise for countries where data are available reveals significant inequalities in access to full-time work between the best-off and worst-off groups (figure 2.7). Again, full-time employment serves as a proxy indicator for the probability that these different groups enjoy reliable, comprehensive and adequate social protection. High-income countries, such as Japan and Singapore, have the highest average level of full-time employment, while Afghanistan, the Islamic Republic of Iran and Nepal have the lowest average levels. In each country, the furthest behind groups typically consist of women, people with lower levels of education and those in younger (15–24) or older (over 50) age groups. They frequently also live in rural areas. These furthest behind groups are therefore expected to be the most likely to lack access to social protection.

The lower labour force participation among women accentuates gaps in coverage. Many women are unprotected because they are not in the labour force to begin with. Labour force participation of women aged 25 and older in the Asia-Pacific region is 50 per cent, compared with 84 per cent for men of the same age group. This gap has many explanations, with gender and cultural norms playing a prominent role in keeping women out of the labour force. Unpaid work remains a gender-segregated role, where women in the Asia-Pacific region are spending 30 per cent more time in unpaid work than in paid work, partly because of the lack of affordable care services for children and older family members. Women in the region also do four times more unpaid care work than men (compared to three times more in the rest of the world).

79 Having full-time employment can be a proxy for contributing to social protection schemes. Analysis of data from 33 Asia-Pacific countries reveals the profiles of the groups least likely to be in full-time employment and contribute to a social protection scheme.
82 ESCAP calculations based on data from International Labour Organization, Care Work and Care Jobs for the Future of Decent Work (Geneva, ILO, 2018).
83 Ibid.
FIGURE 2.6 Full-time employment is lowest among women and the less educated

Classification tree for full-time employment, Viet Nam, 2016

Source: ESCAP calculations based on Gallup World Poll, 2016.
Note: For more information on the methodology, please see: ESCAP (2020). Leaving No One Behind: A methodology to identify the furthest behind in Asia and the Pacific. Social Development Division Working Paper 2020/01.

FIGURE 2.7 Significant gaps in full-time employment rates

Average, highest group and lowest group full-time employment rates, Asia-Pacific countries, 2016

Source: ESCAP calculations based on ILO and the latest Gallup World Poll.
2.3.2 Limited access to non-contributory benefits

In recent decades, the region has seen a significant expansion of non-contributory social protection schemes. Examples of new initiatives (discussed in detail in chapters 3 to 6) are the introduction and expansion of schemes addressing life-cycle contingencies, health care and poverty.

Many non-contributory schemes target only the poorest individuals and households. Many countries across the region offer no or only a few non-contributory schemes to address specific life contingencies. Where they do, they make them only available for poor households. A common argument for prioritizing this approach is that, by targeting households below a given poverty threshold, they reach those in need regardless of the cause. They also consider this approach as a more efficient use of resources. However, schemes targeted at the poor commonly result in substantial targeting errors, meaning that many of those most in need are not reached (figure 2.8). Many of these schemes therefore become fundamentally unfair. Strikingly, even the best performing poverty targeted schemes in the region exclude approximately half of those they intend to reach. The result is that the efficiency of such schemes in reducing poverty is significantly lower than often anticipated.

Social assistance schemes targeted at poor households are not responsive to specific life-cycle contingencies. Life-cycle schemes, such as child, unemployment, disability and old-age benefits, that respond to specific situations are generally much better adapted to reach the target group than broader schemes that are set out to include all of the poor. For example, a non-contributory pension entitlement has much greater potential to boost the dignity and autonomy of an older person than a targeted benefit paid to another household member.

2.3.3 Falling between the cracks

Existing contributory and non-contributory schemes often leave a significant “missing middle” uncovered. This group is comprised of people who may have incomes higher than those required to qualify for poverty-targeted non-contributory schemes but who do not participate in any contributory schemes. Typically, they work in informal employment and make ends meet during prosperous periods but face the risk of falling into poverty when they encounter modest shocks and stress to their livelihoods. This group strongly aligns with the significant population vulnerable to poverty described in the previous chapter. The size of this missing middle varies substantially, but in many countries makes up the majority of the population.

Migrant workers face exceptionally high levels of exclusion from social protection. Typically, migrants are disproportionally employed in sectors with high informality and, therefore, lack protection against working injury, maternity, sickness or unemployment.

These significant targeting errors result from the dynamic nature of poverty and the difficulty in distinguishing the poorest from other low-income and vulnerable individuals and households. Throughout the region, differences in income levels are relatively small among the bottom 60 to 80 per cent of the population. This means it is often difficult to distinguish those defined as poor by national poverty thresholds from those defined as non-poor. Commonly, there is a lack of accurate data and administrative systems for this purpose. In addition, the movement in and out of poverty over time is significant.

FIGURE 2.8 Poverty-targeted schemes commonly miss half of intended beneficiaries

Exclusion errors for selected poverty-targeted social protection programmes, selected countries, latest year

<table>
<thead>
<tr>
<th>Country</th>
<th>Exclusion Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia: PKH</td>
<td>81.8</td>
</tr>
<tr>
<td>India: OAP</td>
<td>68.2</td>
</tr>
<tr>
<td>Bangladesh: OAP</td>
<td>59.4</td>
</tr>
<tr>
<td>Sri Lanka: Samurdhi</td>
<td>57.9</td>
</tr>
<tr>
<td>Uzbekistan: CA</td>
<td>57.2</td>
</tr>
<tr>
<td>Georgia: TSA</td>
<td>52.7</td>
</tr>
<tr>
<td>Viet Nam: Poor List</td>
<td>48.8</td>
</tr>
<tr>
<td>Philippines: 4Ps</td>
<td>47.9</td>
</tr>
</tbody>
</table>

Source: Stephen Kidd and Diloá Athias, “Hit and miss: an assessment of targeting effectiveness in social protection with additional analysis”, working paper (Orpington, UK, Development Pathways, 2020). Note: Schemes in the figure are set out to target the poorest 25 per cent or less. For the full names of the social protection schemes please see annex 2.

programmes, including health care, is also seldom granted to migrants. Lack of access to social services and portable social rights also creates distortions in labour markets and migration decisions. If the long-term benefits from social security contributions or tax payments are not portable or accessible to them, they may opt to not contribute at all and instead work informally.85

2.4 The COVID-19 wake-up call

The COVID-19 crisis has resulted in a significant response from countries across the region. As of September 2020, the ILO Social Protection Responses to COVID-19 monitor had identified 309 social protection measures across 40 Asia-Pacific countries.86 These primarily short-term measures included expansion of coverage or adequacy of existing provisions, but also the creation of new temporary schemes that reached people previously uncovered by social protection (table 2.1). The design of these measures has varied significantly in terms of the type (contributory or non-contributory schemes) and function (figure 2.2).

| TABLE 2.1 Top 10 announced COVID-19 social protection measures in the Asia-Pacific region |
|-----------------------------------------------|----------|
| MEASURE                                               | NUMBER   |
| Benefits for workers and/or dependents           | 52       |
| Benefits for poor or vulnerable populations     | 37       |
| Increased benefit levels                         | 26       |
| Subsidies, deferring or reducing the cost of necessities/utilities | 25       |
| Deferring, reducing or waiving social contributions | 24       |
| Subsidies to wages                              | 23       |
| Extending coverage                              | 22       |
| Improving delivery mechanism/capacity           | 22       |
| Increasing resources/budget allocations         | 15       |
| Relaxing or suspending eligibility criteria or conditionals | 12       |

The social protection response to the COVID-19 pandemic is unprecedented. Countries have recognized, and sought to fill, significant coverage gaps in their existing social protection systems. In many cases, responses have — for the first time — represented a comprehensive approach, with the aim to reach the whole population through an overlapping package of contributory and non-contributory schemes. Expenditures for these schemes have been significant compared to social protection expenditures in normal times. In Malaysia, for example, expenditure on the Bantuan Prihatin Nasional scheme increased to 0.7 per cent of GDP, close to double the 0.4 per cent of GDP spent annually on non-contributory benefits in the country. Still, this is still a relatively modest fraction of the overall COVID-19 stimulus package of 16 per cent of GDP.

Generally, countries with the most effective responses to the pandemic are those that had robust systems in place before the crisis. While these countries have rapidly deployed support through existing registration and delivery systems, countries with weaker social protection systems have struggled to reach large swathes of the population with new measures. Many governments have also been innovative in the mechanisms

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86 The data relates to the ILO definition of the Asia and the Pacific region. For more information, see https://www.ilo.org/global/regions/lang–en/index.htm
used to deliver benefits, such as digital payment technologies and introducing social distancing at pay points. Nevertheless, countries have commonly come up against the hard realities of building new systems during a crisis. For example, while the Social Amelioration Program in the Philippines was able to reach beneficiaries of the existing conditional cash transfers relatively quickly, payments to more than 13 million additional families faced significant delays. Such examples highlight the need to build social protection systems for normal times that can respond to future crises.

The ongoing pandemic has created an opportunity to strengthen social protection systems for the future. The economic and employment shock countries are facing as a result of the COVID-19 pandemic means that social protection will remain a critical policy tool in the recovery. Social protection therefore needs to be an integral component of any economic recovery plan to boost aggregate demand and build back better. In particular, strengthening social protection floors can provide a way to reach some of those most vulnerable to the ongoing crisis, while generating spillover and multiplier effects for households and the economy.87