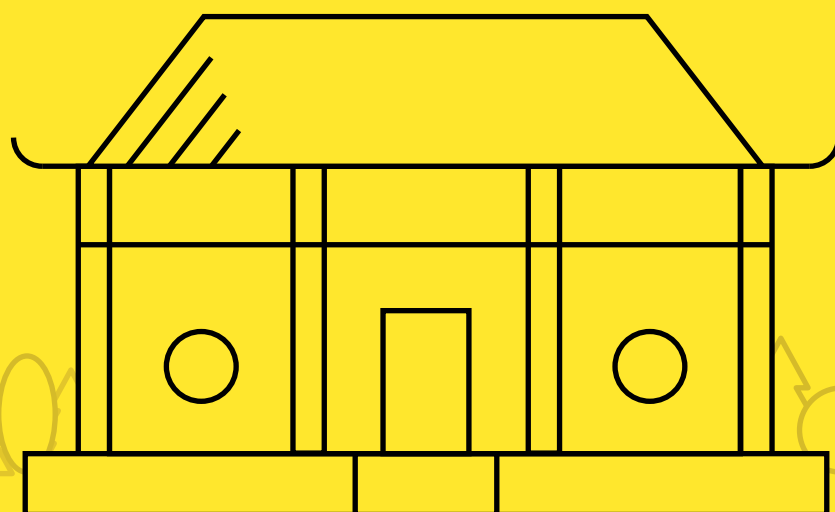


# Chapter 8

## Planning for the future of social protection: not enough to hope for the best



**The persistent gaps in social protection are impeding the region’s socioeconomic potential.**

Social protection systems need to be strengthened to achieve the Sustainable Development Goals by 2030 and to address ongoing and emerging challenges, including the COVID-19 pandemic.

## 8.1 Prioritizing investment in people

**Effective social protection requires a significant but affordable increase in public social protection expenditure.** The previous chapter showed that the price tag for establishing basic social protection scheme for children, older persons and persons with disabilities is between 2 and 6 per cent of GDP. Governments should consider re-allocating public expenditures, but also secure additional resources by increasing the general revenue intake along with expanding employer and worker contributions to social protection schemes.

**To enable more resources to be allocated to people, social protection needs to be centrally embedded into national economic and social development agendas.** China and the Republic of Korea, for example, have expanded social protection as part of a wider strategy towards a more inclusive income-led growth. In doing so, they recognize the role of social protection in boosting aggregate domestic demand, as opposed to export-led growth, which is now seen to make economies more vulnerable to external factors and to crises.<sup>168</sup> Even for countries dependent on export-led growth, social protection plays a key role in buffering societies from external shocks. Social protection is also critical to boost productivity by increasing child well-being and education, ensuring a healthier workforce, supporting women’s participation in the labour force and unlocking hitherto economic potential.

**Social protection must also be recognized as essential for adapting to transformations of economies and labour markets.**<sup>169</sup> In the coming decades, new forms of employment, adjustments to technological change, and adaptations to

demographic change will evolve in Asia and the Pacific. Such transitions are likely to result in the reduction — or even disappearance — of some jobs and the creation of new ones. As discussed in chapter 4, unemployment insurance schemes can support a more dynamic labour market by smoothening transitions and shifts to new sectors, including to more environmentally sustainable and productive employment.

**Greater investment in social protection systems will also make countries more resilient to crises.** During the COVID-19 pandemic, countries with comprehensive systems were able to better respond to the unemployment spike and to channel short-term initiatives through existing registration and payment systems. By maintaining aggregate demand in economic downturns, social protection acts as a counter-cyclical fiscal policy. Recognition of this role in Asia and the Pacific increased during the financial crises of 1997 and 2008–2009 and is increasing further in response to the COVID-19 pandemic.<sup>170</sup>

## 8.2 Building universal social protection floors

**To tackle ongoing and future challenges, social protection systems need to be universal.** Universality is essential to effectively support those who need social protection, when they need it. Universal systems along the life course are also better able to nurture social protection as part of a national social contract between the State and its people. This social contract, in turn, is required to scale up investment in a sustainable way.

Effective social protection systems require a mix of contributory and non-contributory benefit schemes in which coverage is extended through both a “horizontal” as well as a “vertical” dimension.<sup>171</sup> The *horizontal* dimension ensures that everyone — regardless of their previous income or employment status — should have at least a minimum level of protection, namely the social protection floor, as defined by ILO Recommendation 202. The *vertical*

168 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).

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

170 Nicola Jones and Hannah Marsden, “Assessing the impacts of and response to the 1997-98 asian financial crisis through a child rights lens”, Working paper 1002, UNICEF, Division of Policy and Practice. Available at <https://www.childimpact.unicef-irc.org/documents/view/id/97/lang/en>.

171 International Labour Organization, *Social Security for All: Building Social Protection Floors and Comprehensive Social Security Systems. The Strategy of the International Labour Organization* (Geneva, ILO, 2012).

dimension relates to the progressive improvement of social protection systems to provide higher levels of protection, primarily through contributory schemes.

Non-contributory schemes can effectively boost coverage within a short time frame. Especially for low- and middle-income countries, experience demonstrates that non-contributory coverage is more effective and inclusive if it is focused on life-cycle schemes on a universal basis, such as old age, disability and child benefit schemes, as opposed to schemes targeted at poor households.

There are innovative ways to establish universal (not means-tested) benefit schemes from the outset, even with a small budget. Social pensions in Fiji and Nepal are a case in point. Both countries started with a high eligibility age, but are now gradually reducing it. Myanmar and Papua province in Indonesia are using a similar approach for extending child and maternity benefits. This way, governments can avoid complex and expensive poverty targeting mechanisms that often exclude the most vulnerable.

### 8.3 Engineering greater equality

**In building universal social protection systems, no one should be left behind.** Life-cycle social protection schemes provide a strong foundation for leaving no one behind as they seek to reach particularly vulnerable groups including children, older persons and persons with disabilities. Nevertheless, they often leave out migrants and forcibly displaced individuals and families, ethnic minorities and those living in remote areas who face legal and physical barriers to access. Concerted effort is needed to reach these groups. The transition to the formal economy is also key to expanding coverage of contributory schemes to a larger share of the labour force.

**Social protection systems need to provide adequate protection to women throughout their lives.** Women tend to participate in the labour force to a lower extent. They often have to interrupt their paid work to take care of children or older family members. As a result, they miss out on opportunities to contribute to social protection schemes. Non-contributory schemes are critical to addressing these gaps, as are innovations to make contributory schemes more gender sensitive. Innovative solutions in, for example Cambodia and Viet Nam, are being considered to ensure that women are better included and not penalized for allocating time to others. These include mechanisms to recognize and reward care and unpaid work. For example, pension formulas could place a higher weight on first years of contribution to support workers with frequent interruptions. Care credits can also compensate women and men for time dedicated to taking care of their children and older relatives.<sup>172</sup>

**A complementary area that deserves greater attention is the provision of care services.** Despite increasing recognition of their benefits and need, public or subsidized childcare services remain limited in many countries in Asia and the Pacific. Lack of availability, access and affordability of quality childcare services can lead to lower labour force participation and reduced economic productivity of women, which, in turn, puts a drag on the country's economic development.<sup>173</sup> In terms of long-term care, regional initiatives include the provision of subsidies to care providers and financial assistance to users of care.<sup>174</sup>

**Social protection systems also reduce reliance on informal family arrangements.** These forms of support are often inadequate and when networks are stretched the impact may be lower nutrition, poorer education and worse life chances. This can exacerbate inequality of opportunity and economic inequalities. In the first half of the twentieth century, many rapidly industrializing countries made a concerted shift away from informal support mechanisms to social protection. Studies have shown that family ties have benefited from these policies. Given the existing and emerging challenges the Asia-Pacific region is facing, time is right to follow a similar path.

172 International Labour Organization, 2019. *Cambodia and Viet Nam: Improving women's access to old-age pension*. Available at: [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-hanoi/documents/publication/wcms\\_716009.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-hanoi/documents/publication/wcms_716009.pdf)

173 Eva Zhang and Tianlei Huang, "Gender Discrimination at the work is dragging China's growth", Peterson Institute for International Economics, 16 June. Available at <https://www.piie.com/blogs/china-economic-watch/gender-discrimination-work-dragging-chinas-growth>.

174 United Nations, Economic and Social Commission for Asia and the Pacific, "Financing for long-term care in Asia and the Pacific", Social Development Policy Brief (1 October 2018). Available at <https://www.unescap.org/resources/social-development-policy-brief-financing-long-term-care-asia-and-pacific>.

## 8.4 Transitioning to the formal economy

### Effective and comprehensive social protection systems must reach the informal economy.

Successful extension of social protection schemes to the informal economy entails addressing important legal, financial and administrative barriers. It requires strengthening legal frameworks and employment policies, including enforcement of existing labour and social security laws.<sup>175</sup> The design of social protection systems also has a central part in this transition.<sup>176</sup> There are three effective ways in which coverage can be extended by removing the barriers discussed in box 2.1:<sup>177, 178, 179</sup>

- Remove legal barriers so that workers in a diverse range of circumstances are covered, including self-employed workers.
- Adjust financing mechanisms to fit the modest and irregular incomes of workers in the informal economy.
- Simplify administrative and operational frameworks and remove barriers to participation for workers in the informal economy.

**Despite the challenges, there are some positive signs regarding the extension of coverage of contributory social protection.** Countries like Thailand have seen in recent years an increase in the percentage of the labour force contributing to social security. In less than 10 years, the percentage of the labour force contributing moved from around 25 per cent to close to 45 per cent. This was the result of a combination of efforts to increase compliance, improve communication and subsidization of contributions.<sup>180</sup> The expansion of Article 40, which targets mostly self-employed and covers now more than 3 million workers also contributed to this increase.

### Success relies on the creation of decent jobs.

Expansion of the formal economy can provide higher levels of social protection to more people in two different ways. First, it can bring more workers into formal jobs, which increases the share of workers who finance — and are eligible for — contributory social protection schemes, thereby limiting pressures for non-contributory (tax-funded) schemes. Second, the formalization of enterprises and employment can also increase tax revenue that could be used to fund non-contributory schemes.

## 8.5 Driving a coherent and coordinated approach

### Fragmentation and weak coordination are important barriers to universal coverage.

In most countries across the region, no institutionally coherent vision of social protection exists. Often, schemes tend to be located across a range of institutions, often with overlapping and incoherent objectives, but also with weak coordination mechanisms. Contributory and non-contributory schemes tend to be managed by different institutions, with distinct mandates, histories, reporting lines, organizational cultures and purpose. Poverty-targeted schemes are usually managed by social welfare ministries that operate in parallel to life-cycle programmes managed by social security institutions. This fragmentation is also prevalent within and between non-contributory and contributory schemes that are intended to cover different groups of people and contingencies, but also in relation to other areas critical for its effective implementation, such as civil registration, tax regimes and business registration.

Greater coherence and integration is essential for expanding social protection to the “missing middle”. Where social protection systems are limited to contributory schemes for formal workers, and targeted assistance for “the poor”, the case for coordination is less obvious. Yet coordination becomes critical when expanding systems to the missing middle. Many of those who are currently in informal employment will have income to make some form of contribution to social protection, yet

175 See <http://informaleconomy.social-protection.org>.

176 ILO, Recommendation 204.

177 Quynh Anh Nguyen and Nuno Meira Simoes Da Cunha, “Extension Of Social Security To Workers In Informal Employment In The Asean Region” (ILO, Geneva, 2019).

178 See <http://informaleconomy.social-protection.org>.

179 International Labour Organization, “Extending social security to workers in the informal economy: lessons from international experience” (November, 2019). Available at <https://www.social-protection.org/gimi/ShowResource.action?id=55728>.

180 Thailand, Social Security Office and Labour Force Surveys (various years). Available at [http://nsotraining.nso.go.th/urlEN.php?NQUser=p\\_outside&NQPassword=nso999999](http://nsotraining.nso.go.th/urlEN.php?NQUser=p_outside&NQPassword=nso999999) and [https://www.nesdc.go.th/more\\_news.php?cid=75](https://www.nesdc.go.th/more_news.php?cid=75).

they may still require some form of non-contributory support. Coherent and complementary integration of contributory and non-contributory schemes is therefore key. Three key practical approaches to support integration and coordination of social protection are the following:

- Invest in governance and coordination arrangements. In Cambodia, a ten-year social protection policy framework aimed at major reform of the social protection system included the establishment of the National Social Protection Council. Social dialogue with workers' and employers' organizations makes it possible to incorporate their knowledge and build political support.<sup>181</sup> A good practice is also to include organizations representing beneficiaries, such as older persons and persons with disabilities, on the boards of the social security institutions.
- Avoid creating new schemes unless necessary. A common instinct among governments and international actors is to create new schemes to reach distinct groups within the population, such as informal sector workers. This approach, however, can create further fragmentation and provide only limited portability to workers who move between occupational groups, and as a result, obstruct the formalization of the economy. Where possible, it is preferable to strengthen and expand existing schemes and progressively ensure universal coverage in a sustainable and equitable way.
- Expand collaboration between social protection institutions and other government sectors. For contributory schemes, coordination with tax administrations can help align processes for contribution and compliance, while creating opportunities for innovation and simplification of tax and social insurance contribution.

## 8.6 Harnessing innovation and technology

**Emerging technologies provide opportunities to improve the efficiency and effectiveness of social protection.** Technological change is driving the emergence of new forms of work — including in the gig economy — to which social protection systems need to adapt. Technological advances, however, also create major opportunities to enhance the design and delivery of social protection schemes, for example through modern information and communications technology (ICT) platforms, unified online databases and mobile telephone technologies. These can be used to better understand and identify people's needs, help support accessibility and delivery, as well as strengthen trust in the system.

### **Technology can facilitate the identification and registration of contributors and beneficiaries.**

Compared to paper-based systems, digitalization can reduce errors while simplifying and speeding up processes. Digital registries can also support greater integration between different social protection schemes. Notable innovations include: (i) social registries, which primarily focus on providing a standardized targeting and registration tool for multiple programmes; and (ii) integrated beneficiary registries, which make it possible to consolidate information on beneficiaries across existing programmes that may use different registration modalities. In many countries, registries are used to combine both functions.<sup>182</sup> Georgia, Indonesia, Malaysia, Pakistan and Turkey have developed social registries, which in some cases also function as integrated beneficiary registries. For example, the Unified Database of Beneficiaries of Indonesia (developed in 2011) stores data on 24.7 million households (approximately 40 per cent of the population) and is used to target recipients of a variety of schemes, including health insurance cards, the conditional cash transfer (PKH) and the extensive rice-subsidy programme (Raskin).<sup>183, 184</sup> It is also currently being used to extend coverage of short-term assistance in response to the COVID-19 crisis.<sup>185, 186</sup>

181 International Labour Organization, "Country update for 2016", Social Protection Country Brief – Cambodia, Issue 1 (January 2017). Available at <https://www.usp2030.org/gimi/RessourcePDF.action;jsessionid=Srb4Ufg8FfgV5EL6G0SoHK6bzE3M2KpEla8LaiZ9lh6f3sr7OkpZl-692971084?id=54243>.

182 Valentina Barca and Richard Chirchir, "Building an integrated and digital social protection information system" (Bonn, German Agency for International Cooperation, 2020).

183 Ibid.

184 ESCAP Social Protection Toolbox 2020. Good Practices Map: Coordination and Delivery Systems component. Available at <https://www.socialprotection-toolbox.org/good-practices-map>

185 The Jakarta Post, "Govt to disburse money to laid-off workers, families to curb economic impacts of COVID-19". 25 March 2020. Available at <https://www.thejakartapost.com/news/2020/03/25/govt-to-disburse-money-to-laid-off-workers-families-to-curb-economic-impacts-of-covid-19.html>.

186 John McBeth, "Indonesia seeks to pre-empt Covid-19 social unrest", *Asia Times*, 30 March 2020, Available at <https://asiatimes.com/2020/03/indonesia-seeks-to-pre-empt-covid-19-social-unrest/>.

**Linking social protection databases to national identification (ID) systems reduces the risks of fraud and duplication.** One notable example is the Aadhaar registry in India, a biometrically enabled digital ID system, which covers 1.2 billion people, more than 90 per cent of the population. The registry is being used across programmes to enable transfers directly to beneficiaries' bank accounts and to authenticate and authorize the payment of transfers to beneficiaries.

**Innovations in payment can improve administrative effectiveness.** Effective electronic payments (e-payments) are superior to manual systems, especially in their ability to reach people living in remote areas. Mobile banking and other forms of e-payment systems have been used to enable more efficient and transparent delivery of benefits. For example, workers who receive electronic wage payments have the option to avail of automated saving tools and pension plans.<sup>187</sup> These innovations can also contribute to the broader goal of improving financial inclusion. In 2011, Fiji introduced an e-payment system for non-contributory social protection payments, which operates through savings-linked, flexible and no-fee bank accounts opened for recipients. The approach is effective in addressing issues related to time lags between payments, distant travel to reach social welfare offices, long queues and extending bank transaction accounts.<sup>188</sup>

**Despite these opportunities, technological solutions require careful assessment to ensure they do not create new challenges and embed exclusion.** Social registries usually rely on targeting mechanisms (particularly proxy means testing), which have significant exclusion and inclusion errors. One risk of social registries is that such errors are incorporated across a range of programmes, thus systematizing exclusion. Similarly, linking to civil registration systems may still leave significant populations excluded. In the case of the Aadhaar registry in India, 8 per cent of residents are still not included, and these are commonly the most marginalized groups, and children. There have also been issues of recipients failing to authenticate biometrically as a result of, for example, worn out fingerprints and other technical issues. For registries

and management and information systems, privacy policies and operational guidelines must be in place to ensure the protection of integrity and personal data concerns.

## 8.7 Recommendations

To enable the Asia-Pacific region to become more inclusive, resilient and prosperous, the vast majority of countries need to step up their commitments to universal social protection.<sup>189</sup> By doing so, they would also be taking a critical step towards achieving the Sustainable Development Goals, while being better prepared to deal with current and emerging challenges. The following seven broad recommendations include actions countries in the region should consider taking:

- 1 Integrate social protection as a core strategy for social and economic development, including the protection against economy-wide risks and crises.
- 2 Show political will by stepping up investments in social protection for all.
- 3 Make concerted efforts to leave no one behind by closing existing coverage gaps.
- 4 Promote the transition from the informal to the formal economy.
- 5 Strengthen the gender-responsiveness of social protection systems by ensuring that schemes address the specific vulnerabilities faced by women, men, girls and boys.
- 6 Emphasize good governance and embed social dialogue at all steps from design and implementation to follow-up and evaluation.
- 7 Take advantage of new technology to enhance the effectiveness, efficiency and accessibility of social protection.

187 Leora Klapper and Jake Hess, Development Research Group, World Bank, Better Than Cash Alliance, "The Role of Digital Financial Inclusion in Preparing for Older Age and Retirement" July 2019.

188 ESCAP Social Protection Toolbox 2020. Good Practices Map: Coordination and Delivery Systems component. Available at <https://www.socialprotection-toolbox.org/good-practices-map>

189 International Labour Organization, "Universal social protection: key concepts and international framework". Social Protection for All Issue Brief (Geneva: ILO, April 2019).

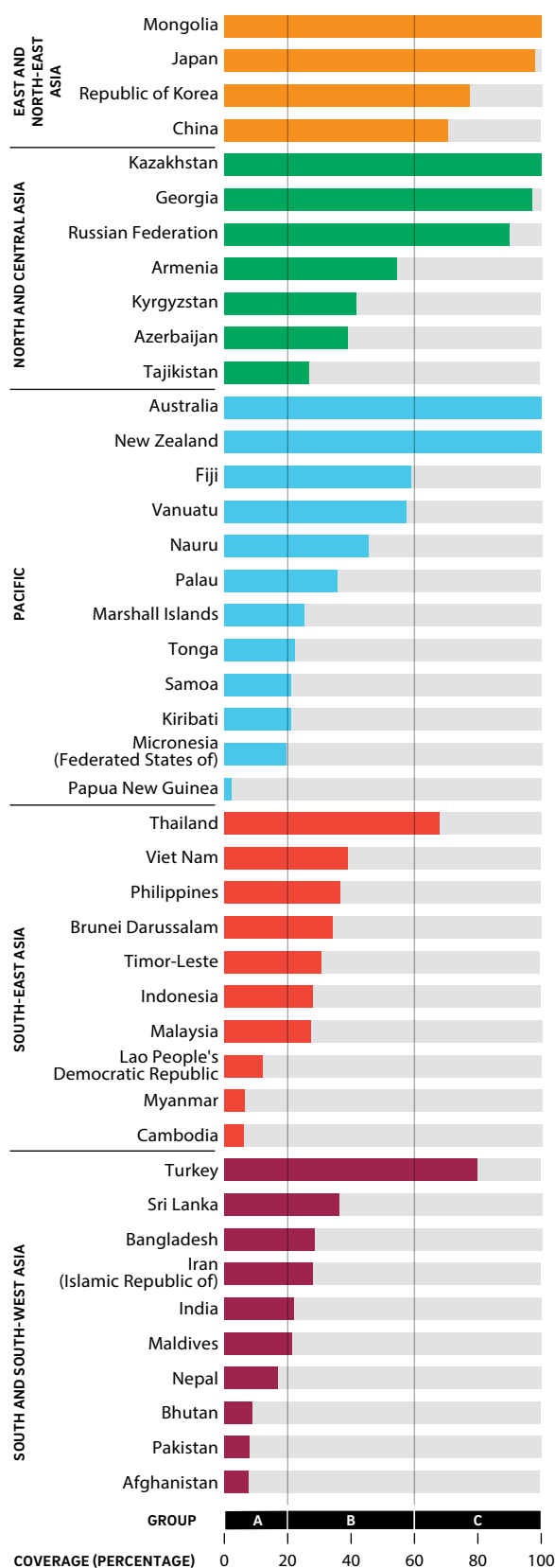
Given the diversity in the development of social protection systems, a set of more contextual national actions are also needed. Different sets of recommendations are provided to country-groupings based on the overall level of social protection coverage as defined in the aggregate indicator for target 1.3 of the Sustainable Development Goal 1 (figure 8.1).

The country groups are the following: Group A (countries where less than 20 per cent of the population is covered by at least one social protection scheme); Group B (countries where more than 20 per cent, but less than 60 per cent of the population is covered by at least one social protection scheme); and Group C (countries where more than 60 per cent of the population is covered by at least one social protection scheme). Countries in these three groups tend to differ in terms of GDP per capita and level of formal employment.

**GROUP A: LOW COVERAGE COUNTRIES**

- Establish and rapidly extend non-contributory schemes to close existing gaps. Prioritize universal schemes covering health care, maternity, children, disability and old age. This will in many cases require increases in tax revenue through policy and administrative reforms (section 8.2).
- Gradually extend coverage of contributory schemes to the working-age population. Prioritize those closest to formal employment and expand contributory schemes when they do not exist or are limited, such as reliance on employer liability (section 8.4).
- Invest in building efficient social protection institutions. Ensure the effectiveness of systems by building capable and reliable institutions. Countries at an earlier stage of social protection system development may consider applying institutional arrangements that support integration and avoid administrative complexities (section 8.5).

**FIGURE 8.1 Aggregate social protection coverage of at least one scheme in the Asia-Pacific region**



Source: International Labour Organization, World Social Protection Database (<https://www.social-protection.org/gimi/WSPDB.action?id=32>).  
 Note: Group A countries: less than 20 per cent of the population is covered by at least one social protection scheme; Group B countries: between 20 and 60 per cent of the population is covered; Group C countries: more than 60 per cent is covered.

## GROUP B: LOW TO MEDIUM COVERAGE COUNTRIES

- Strive towards closing remaining coverage gaps and ensure that people receive adequate benefit levels. Prioritize strategies that combine contributory and non-contributory schemes and develop methods to identify those excluded from existing schemes (section 8.2).
- Develop comprehensive strategies for employment and enterprise formalization. Extend contributory schemes that promote the formalization of employment opportunities, in parallel with an effort to formalize economic units. Begin by focusing on including workers closest to the formal economy through legal adjustments, adaptation of financing mechanisms, innovative adjustments to administrative processes, awareness-raising and building of trust (section 8.4).
- Enhance integration and coherence of schemes. Prioritize the design and functioning of integrated schemes by strengthening the coherence of institutional arrangements to ensure that separate schemes are focused on the same goal. The approach should concentrate on the integration of contributory and non-contributory schemes (section 8.5).
- Strengthen formal and affordable care opportunities. Recognize the positive impact affordable child- and long-term care have for people and society. This will be particularly important in the context of the rapid population ageing (section 8.3).

## GROUP C: MEDIUM TO HIGH COVERAGE COUNTRIES

- Identify and fill remaining coverage gaps. Prioritize the identification of contingencies not addressed, and population groups not reached, such as migrant workers, persons with disabilities and ethnic minorities. Address existing gender gaps in old-age pension coverage (section 8.3).

- Adapt systems for an ageing society. Build effective long-term care systems and ensure that old-age pension schemes are financially sustainable (section 8.3).
- Ensure that benefit levels are adequate. Assess living standards, calculate replacement rates for people in different income groupings and ensure that benefits do not fall short in terms of adequacy (section 8.1).
- Respond to the emergence of new forms of work. Ensure that new jobs that are being created also result in more formal employment with access to a full range of social protection schemes (section 8.5).

## 8.8 Conclusion

Evidence from Asia and the Pacific and other regions indicates that social protection is a social and economic necessity as well as a facilitator of socioeconomic progress. The COVID-19 crisis, like the financial crises in 1997 and 2008, demonstrates how a well-functioning social protection system acts as a stabilizer during major disruptions. Countries with social protection systems that are solidly financed, well organized and coherent are in a much better position to cope with the social fallout of crises than those that need to resort to inevitably imprecise, inefficient and costly ad hoc measures of social relief. As in other aspects of life, being prepared saves cost and limits agony when a calamity occurs.

Building a social protection floor is affordable for almost all countries, as this report has shown. Easy-to-introduce universal benefit schemes, such as child benefits schemes and social pensions, usually have a rapid, direct and significant positive impact on efforts to alleviate poverty and inequality.

To be effective, social protection systems need to have a transparent governance structure, underpinned by a consensus-based overarching national social protection masterplan based on an inclusive process of social dialogue. Most of all, social protection systems need to be based on principles of solidarity between generations and across groups of different socioeconomic status, but also across countries.