

Executive Summary

Social protection is first and foremost a human right. Anchored in human rights instruments, social protection schemes provide cash or in-kind support for people facing contingencies associated with having children, getting sick, acquiring a disability, losing a job or a breadwinner, or growing older. Social protection also provides support against shocks, such as natural disasters, economic crises and pandemics. Many of these events are unpredictable. They affect people in different ways but leaving individuals and families to cope unprotected breeds vulnerability and perpetuates poverty and exclusion.

Social protection is society's primary line of defence. The COVID-19 pandemic, similar to the financial crises in 1997 and 2008, has demonstrated how a well-functioning social protection system can protect individuals and economies by acting as a social and economic stabilizer in times of crisis. To address the social, economic and health impacts of the crisis, which has disrupted supply chains, global demand and economic financial stability, many countries have strengthened existing schemes and introduced ad hoc social protection measures. Yet well-resourced social protection systems built over time are far better equipped to respond to the unexpected and shield the most vulnerable.

The pandemic is aggravating underlying ills. The region's extensive gains in economic growth in recent decades have not led to proportionate gains in the population's well-being. Many countries face high levels of inequality, both in outcomes and opportunities, which the pandemic has exacerbated. Poverty rates are stubbornly high in some countries and the pandemic risks reversing progress towards poverty reduction by almost a decade. Social protection systems are necessary to shield people's incomes and well-being as well as retain social development gains.

Several overlapping global trends are at work. Population ageing, migration, urbanization, technological progress, disasters and climate change are compounding challenges facing the region. Ageing populations are changing family structures. Increased migratory flows and rapid industrialization are reshaping labour markets and creating different vulnerabilities. The regional and cross-boundary nature of disasters and climate change-related shocks are underscoring the need for coordinated responses. Social protection will be key to adapting to these disruptions.

Critical gaps in social protection in the region

Despite their rapid socioeconomic ascent, most countries in the region have weak social protection systems riddled with gaps. About half of the region's population has no social protection coverage. Only a handful of countries have comprehensive social protection systems with relatively broad coverage. Most poverty-targeted schemes fail to reach the poorest families. Maternity, unemployment, sickness and disability benefits, mostly covered by contributory schemes, remain the preserve of workers with a formal job. While the majority of older persons receive a pension, significant gaps remain and benefits are often insufficient to cover basic needs. The lack of access to affordable health care is leaving individuals without treatment and households vulnerable to falling back into poverty.

Why do gaps in the provision of social protection exist? The first reason is significant underinvestment. Excluding health, many countries in the region spend less than 2 per cent of GDP on social protection. This low level of investment stands in stark contrast to the global average of 11 per cent. Policymakers have yet to recognize how universal social protection can underpin sustained socioeconomic advancement. Another key reason is the high prevalence of informal employment in the region, representing close to 70 per cent of all workers. Most of these workers and their employers are outside the legal framework of contributory schemes. The lower labour force participation among women accentuates gaps in coverage. While non-contributory social protection schemes have increased significantly in recent years, many schemes target only the poor, provide low benefits or are hampered by administration and fragmentation issues. Far too many intended beneficiaries are not reached.

Expanding social protection carries immense benefits at an affordable cost

Investment in basic social protection would have an immediate impact on reducing poverty, inequality and purchasing power disparities. Simulations based on 13 developing countries in the Asia-Pacific region show that if governments offered universal coverage for child benefits, disability benefits and old-age pensions at a basic benefit level, poverty rates would significantly drop across

the region. The proportion of recipient households living in poverty would fall by up to 18 percentage points. Recipient households would also see their purchasing power significantly increased, by up to 7 per cent in Kyrgyzstan and up to 24 per cent in Indonesia and Sri Lanka.

This investment is within reach for most countries in the region. Independent cost estimations from ESCAP, ILO and ADB, are all within the range of 2 to 6.1 per cent of GDP. The size of the investment required varies, depending on the benefit level chosen, the schemes covered and the demographic and economic situation of each country. Yet it is an affordable investment for countries of all income levels.

Recommendations to achieve social protection for all

- **Embed social protection in national development agendas and allocate more resources.** Effective social protection requires a significant but affordable increase of public spending. To secure the necessary resources, governments need to reprioritize existing expenditures and focus on increasing revenues, primarily by broadening the tax base, introducing progressive taxation, more strictly enforcing existing tax laws and extending contributory social insurance.
- **Build universal social protection systems.** Universality is key to effectively reaching those who need support, when they need it. Achieving it requires a mix of contributory and non-contributory benefit schemes in which coverage is addressed through a “horizontal” and a “vertical” dimension. The *horizontal* dimension requires everyone to have a minimum level of protection regardless of their previous income or employment status: a social protection floor. The *vertical* dimension relates to the progressive move to higher levels of protection, primarily through contributory schemes. Universal systems along the life course are better able to nurture social protection as part of a national social contract between the State and its people. This social contract is required to scale up investment in a sustainable way.
- **Provide adequate social protection to women throughout their lives.** Social protection design matters for gender equality. Mechanisms to recognize and reward care and unpaid work are necessary. For example, pension formulas could place a higher weight on the first years of contribution to support workers with frequent interruptions. Care credits can compensate women and men for time dedicated to caregiving. Public or subsidized childcare services should be significantly improved in many countries in Asia and the Pacific to allow women’s confident participation in the labour force.
- **Expand social protection to informal workers.** Mechanisms for participating in contributory social protection schemes should be adjusted to allow informal workers, often with modest and irregular incomes, to contribute. Subsidized health insurance schemes, often complemented by non-contributory schemes, are a notable example of such expansion to the informal economy. Extending contributory schemes to informal workers can promote the transition to decent jobs, particularly when done in parallel with other formalization efforts.
- **Leave no one behind.** Even in countries with well-developed schemes, the most vulnerable may not be covered. Life-cycle social protection schemes provide a strong foundation for leaving no one behind, but often exclude migrants and forcibly displaced individuals and families, ethnic minorities and those living in urban informal settlements, or in remote areas, as well as those who face legal and physical barriers to access. Concerted effort is needed to reach these groups. Social dialogue and the inclusion of organizations representing beneficiaries from these groups on the boards of the social security institutions is an established best practice.
- **Cover the “missing middle”.** The income of this group often disqualifies them from participating in poverty-targeted non-contributory schemes. At the same time, many do not participate in contributory schemes due to the informal nature of their work. While they make ends meet during prosperous periods, they face the risk of falling into poverty if they encounter modest shocks and stresses to their livelihoods. Coherent and complementary integration of contributory and non-contributory schemes is therefore key to including the “missing middle” in social protection.

- **Improve efficiency and effectiveness by using emerging technologies.** Technological change is driving the emergence of new forms of work, such as the gig economy, to which social protection systems need to adapt. It also creates major opportunities to enhance the design and delivery of social protection schemes. Modern ICT platforms and other technologies must be part of the solution. Technology can also facilitate the identification and registration of those contributing to and benefiting from social protection schemes. Linking social protection databases to national identification systems reduces the risks of fraud and duplication. While offering innovative options, ICT solutions should be guided by privacy policies and operational guidelines to ensure inclusive responses and the protection of personal data.
- **Low to medium coverage countries** should aim to close the coverage gaps left by existing schemes and ensure adequate benefit levels. Where possible, this should involve the integration of contributory and non-contributory schemes, the mainstreaming of gender considerations into social protection and the extension of contributory schemes to informal workers, which supports formalization efforts.
- **Medium to high coverage countries** should identify and close remaining coverage gaps and ensure benefit levels are adequate. Closing gaps in old-age pension coverage and protecting women and vulnerable populations, such as migrant workers, persons with disabilities and ethnic minorities, must be prioritized. Adapting existing systems to an ageing society to ensure adequate care provision and financial sustainability must lie at the heart of this effort.

Specific actions are required at the national level, depending on the level of coverage of existing schemes and the broader socioeconomic context:

- **Low coverage countries** should prioritize universal schemes covering health care, maternity, children, persons with disabilities and older persons. The coverage of contributory schemes should be extended gradually across the working-age population, including informal workers. Investment in building efficient social protection institutions is necessary to accompany this transition and ensure gender considerations are mainstreamed, rewarding caregiving and unlocking productivity.

As the countries of Asia and the Pacific focus on building back better after the COVID-19 pandemic, establishing a universal social protection floor should be a central ambition. It is affordable to almost all countries and has a proven track record of rapidly alleviating poverty and reducing inequality. Implementing universal social protection in the region could make a major contribution to a more inclusive, resilient and prosperous Asia and the Pacific.