Investing in social protection floors

One of the interventions costed in ESCAP’s *Economic and Social Survey of Asia and the Pacific 2019: Ambitions beyond growth* is social protection floors, to support the achievement of Sustainable Development Goal 1 of ending poverty in all its forms everywhere. Despite progress, the Asia-Pacific region remains home to some 400 million people living in extreme poverty and to at least 931 million people in conditions of multidimensional poverty (ESCAP, ADB and UNDP, 2017). This policy brief examines the cost estimates for providing basic income security to people.

Social protection consists of policies and programmes designed to reduce and prevent poverty and vulnerability throughout the life cycle. The 2030 Agenda for Sustainable Development commits countries to implement nationally appropriate universal social protection systems, including floors. SDG target 1.3 emphasises social protection for children, the unemployed, older persons, persons with disabilities, new mothers and work-injury victims.

Despite significant increases in social protection coverage, only 39 per cent of the Asia-Pacific region’s population is effectively covered by at least one social protection cash benefit (ILO, 2017). The level of social protection coverage in Asia and the Pacific is still half of that in North America (78.5 per cent), and even less than in Latin America and the Caribbean (61.4 per cent) and North Africa (39.2 per cent). Average regional public expenditure on social protection is only 6.6 per cent of GDP, nearly half the global average of 11.2 per cent and a third of that in OECD countries with 21 per cent coverage (ESCAP, 2018). Only 28 per cent children, 33.4 per cent new mothers, 22 per cent unemployed and 9.4 per cent persons with disabilities in the region, receive social protection benefits (ILO, 2017).

This analysis uses the ILO *Social Protection Floors Calculator* to explore the cost of universal social protection options comprising five social security guarantees (Table 1), for 22 countries in Asia and the Pacific (Figure 1). The reasons for the inclusion of these social protection categories are: (1) children in poor households have higher mortality and illiteracy levels, trapping them in poverty; (2) some 800 women die every day from preventable ailments related to pregnancy and childbirth and 99 per cent of all maternal deaths are in developing countries; (3) social protection promotes independent living and access to decent work for persons with disabilities who comprise 15 per cent of the world’s population, many of them in developing countries; (4) social protection ensures the rights and dignity of older persons by guaranteeing them income security and access to essential services; (5) social protection helps ensure human rights and security to the vulnerable, including the unemployed and work-injury victims.

Beneficiaries are determined by eligibility criteria and not a means-test. Thus, a member of a vulnerable group, such as persons with disabilities, is automatically eligible for the benefit for that category. The unit cost of the benefit depends on whether it is set at the national poverty line or a percentage of it. The cost estimates show that countries with similar demographic structure and levels of development, have very different costs for a comparable set of benefits. This may be due to the use of the national poverty line as the basis for calculation of the benefit (Ortiz and others, 2017). There is no standardised methodology for national poverty lines with significant variations across countries. The cost of a basket of basic goods and services, usually represents the national poverty line but this cost may vary across countries for many reasons, including the influence of national policy on the price of certain goods and services through taxes or subsidies.
Universal child and old-age pension benefits account for most of the cost of universal social protection floors. On average, for countries in Asia and the Pacific, child and old-age pension benefits, each, require about 35 per cent of total investment in social protection. The total investment required for universal social protection in the region, averages 4.3 per cent of GDP, ranging from 0.6 per cent of GDP for Mongolia to 12.4 per cent of GDP in Afghanistan.

The average cost of providing universal child benefits in the region, is estimated at 1.7 per cent of GDP whereas past public expenditure on child protection in the region averaged only 0.4 per cent of GDP. Mongolia and Georgia stand out, having spent more than the estimated costs to ensure universal child protection (Figure 2, panel A). Mongolia’s universal Child Money Programme (CMP) provides a monthly benefit of 20,000 Mongolian tugriks (about $8 in November 2018) to all children up to the age of 18 who are recorded by the civil registration department. For the remaining 18 countries, past public expenditure on child protection is below the estimated cost.

The average cost of universal unemployment benefits is estimated at 0.5 per cent of GDP, whereas average past public social protection expenditure for unemployment was 0.03 per cent of GDP. Only 8 of the 22 countries have data on public social protection expenditure for unemployment, while the remaining either have no data or reported zero expenditures. Although the Calculator produces relatively low cost estimates for unemployment benefits, the estimates may increase dramatically if unemployment benefits take into account...
those working in agriculture and informal sectors.

The average cost of universal disability and maternity benefits is estimated at 0.7 per cent of GDP compared to average past public expenditure on sickness, maternity, employment injury and disability benefits of 0.4 per cent of GDP. Six countries (China, Georgia, Kazakhstan, Kyrgyzstan, Mongolia and Thailand) have spent more than the estimated cost to ensure universal disability and maternity benefits.

The average cost of universal old-age pension benefits is estimated at 1.4 per cent of GDP, ranging from 0.1 per cent for Mongolia to 3.6 per cent for Armenia (Figure 2, panel B). Average past public social protection expenditure for older persons was 3 per cent of GDP, ranging from 0.1 per cent in Bangladesh to 9 per cent in Kyrgyzstan. Fifteen countries spent more than the estimated cost to ensure universal social pensions. This may be due to past public expenditure including contributory benefits that are higher than the benefit used in the cost estimation. However, high level of public expenditure does not imply universal coverage and many countries current composition is heavily geared towards pensions for a small group of the population.

Figure 2. Cost of universal social protection floor compared with current expenditures on social protection (as a percentage of GDP)

Source: Calculated using ILO’s Social Protection Floors Calculator and ILO’s World Social Protection Report 2017-19 data on public expenditure on social protection by guarantee
This policy brief found that some countries in Asia and the Pacific are spending more than the expenditure required for universal basic social protection. But current schemes do not have a wide coverage of the population. This suggests that there is room for reallocation of resources, in addition to overall increases in social protection expenditures through taxation and social contributions. Countries could also tap innovative measures, including blending user fees and grants, micro-finance mechanisms and dedicated funds from extractive industries (ESCAP, 2017). For least developed countries, official development assistance (ODA) will also be important.

Endnotes

1 Currently, only 21 of 49 countries in Asia and the Pacific offer benefits to children and families, contributing to high levels of stunting, malnutrition, and child mortality (ESCAP, 2018).

2 Administration costs are included in benefit expenditures and assumed at 15 per cent for universal benefits in a standard year of operation. Such expenses are significantly higher in initial years of implementation. For targeted benefits, administration charges are assumed at 30 per cent of benefit expenses. This assumption is based on experience from universal and targeted social protection programmes around the world. Administrative costs for targeted benefits are higher due to costs of identifying beneficiaries such as means testing of households or conducting a survey.

3 Such child benefits may be combined with other benefits. or conducting a survey.

References


The MPFD Policy Briefs aim at generating a forward-looking discussion among policymakers, researchers and other stakeholders to help forge political will and build a regional consensus on needed policy actions and pressing reforms. Policy Briefs are issued without formal editing. This issue was prepared by Dyah Savitri Pritadrajati and Daniel Jeongdae Lee (MPFD). It benefitted from comments by colleagues in ESCAP Social Development Division and the International Labour Organization, especially Andres Acuna-Ulate. For further information on this issue, please contact Hamza Ali Malik, Director, Macroeconomic Policy and Financing for Development Division, ESCAP (esca mpdd@un.org).

www.unescap.org