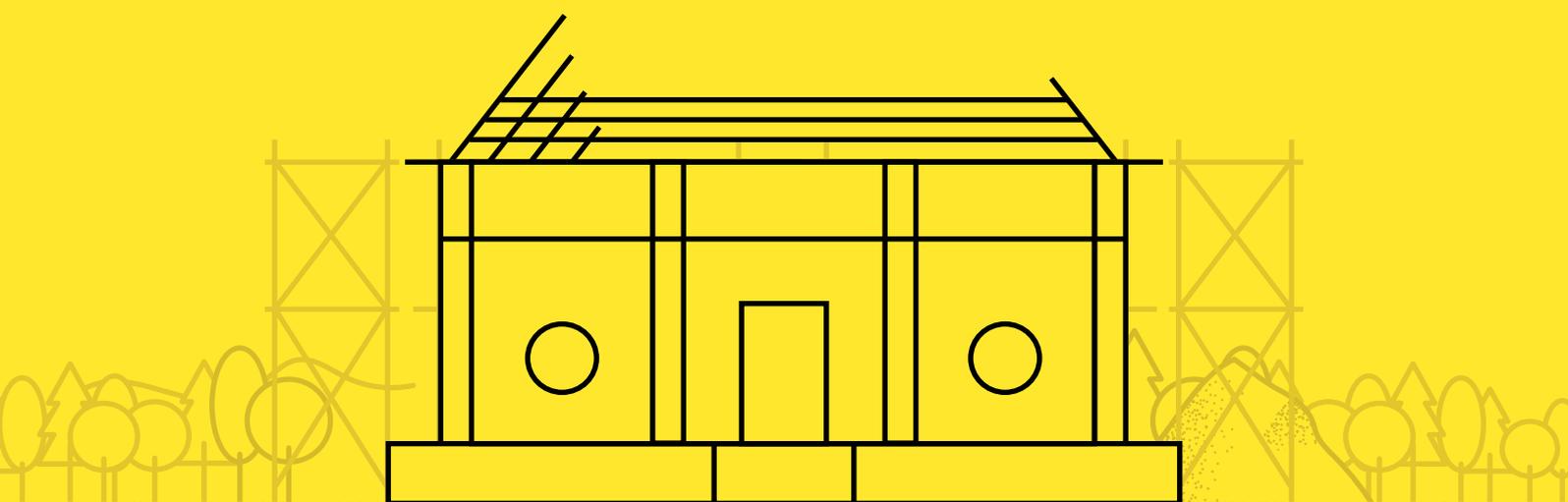# Chapter 7

The decisive impact of broadening social protection coverage

Social protection is an investment with significant benefits to individuals, families, societies and the economy at large. As the ongoing COVID-19 pandemic has shown, closing coverage gaps would significantly help mitigate the disproportional impacts felt by societies' poorest and most vulnerable population groups. Extending social protection coverage to key population groups would have a significant positive impact on people and society, all at a manageable cost.

7.1 Estimating the impact of universal social protection

For effective policymaking, it is critical to build the evidence base and better understand the impact a broader coverage and adequate benefit levels can have on people and society. The Social Protection Simulation Tool developed by ESCAP estimates this impact on poverty, inequality, and consumption (box 7.1). It does this by simulating universal benefits for: (1) all children below the age of 18; (2) all persons with severe disabilities aged 15 to 64; and (3) all persons aged 65 and above. Schemes for other contingencies are not covered in the estimations.

The estimations are based on national microdata from 13 Household Income and Expenditure Surveys in the Asia-Pacific region, covering all five subregions. Two different scenarios (packages) are considered: (1) basic benefit levels based on global averages;[155] and (2) enhanced benefit levels based on OECD averages. Administrative costs are kept at 5 per cent of each scheme's total transfer cost.

The benefit levels for the child scheme are set at 4 per cent of GDP per capita (same for basic and enhanced),[156] for the disability scheme they are 14 (basic) and 23 (enhanced)[157] per cent of GDP per capita, and for the old-age pension scheme they are 16 (basic) and 22 (enhanced)[158] per cent of GDP per capita. Tables 7.1 and 7.2 illustrate how these two sets of benefit levels relate to national currencies, international dollars and international dollars per day.

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155 Pensions Watch and HelpAge International Social Pensions Database, Development Pathways Disability Benefit Database, and own sources for child benefits.

156 Child benefits tend to range from 4 to 6 per cent of GDP per capita in most countries, including OECD countries.

157 Disability benefit schemes are based on James Browne and others, "Benefit generosity and work incentives for disability benefit recipients". Available at https://taxben.oecd.org/tax-ben-resources/Benefit-generosity-and-work-incentives-for-disability-benefit-recipients.pdf. Old-age pensions are based on data from the OECD/SOCX database (https://www.oecd.org/social/expenditure.htm).

158 Organisation for Economic Co-operation and Development, *Pensions at a Glance 2019: OECD and G20 Indicators* (Paris, OECD Publishing, 2019).

BOX 7.1 Methods and assumptions of the simulation model

To explore the possible implications of different policy options, researchers and policymakers must conduct *ex-ante* analyses of alternative policy scenarios.

Using nationally representative household surveys, the ESCAP Social Protection Simulation Tool provides estimations of how the introduction of social protection schemes could affect the welfare of household units that are benefiting from the programmes. The simulations present how households could benefit if the introduced schemes had been in place the year of the household survey.

The model is a linear approximation model that decomposes household expenditure to isolate the effect of a cash benefit to the household, conditional on a set of household sociodemographic characteristics, as outlined by Figari, Paulus and Sutherland.[a] For data sources, assumptions and limitations, see annex 2.

The unit of the analysis throughout the chapter is recipient households, defined as households in which at least one household member receives one of the benefits. The measure of welfare used is per capita household consumption expenditure, defined as household consumption expenditure divided by household size. Benefits are assumed to spill over to other household members.

Countries are grouped according to their level of development, as per the World Bank gross national income (GNI) per capita analytical classification for the fiscal year 2019/20, with appropriate international poverty lines for their average income levels:[b]

- Low income countries ($1.9 a day): Nepal;

- Lower-middle income countries ($3.2 a day): Bangladesh, India, Indonesia, Kyrgyzstan, Mongolia, Nepal, Pakistan, the Philippines and Viet Nam;

- Upper-middle income countries ($5.5 a day): Georgia, Maldives, Sri Lanka and Thailand.

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a   Francesco Figari, Alari Paulus and Holly Sutherland, "Microsimulation and policy analysis". In Handbook of Income Distribution (vol. 2) Anthony Atkinson and François Bourguignon, eds (Amsterdam, Elsevier, 2015).

b   Note that in the fiscal year 2020/21, Nepal is expected to move to the lower-middle income country grouping and Indonesia is expected to move to the upper-middle income country grouping.

TABLE 7.1 Basic benefit levels, based on world averages

COUNTRY	LOCAL CURRENCY	CHILD BENEFIT LEVELS — 4% OF GDP PER CAPITA			DISABILITY BENEFIT LEVELS — 14% OF GDP PER CAPITA			OLD-AGE PENSIONS — 16% OF GDP PER CAPITA		
		IN LOCAL CURRENCY PER MONTH	IN $ (PPP) PER MONTH	IN $ (PPP) PER DAY	IN LOCAL CURRENCY PER MONTH	IN $ (PPP) PER MONTH	IN $ (PPP) PER DAY	IN LOCAL CURRENCY	IN $ (PPP)	IN $ (PPP) PER DAY
Bangladesh	BDT	630	21	0.70	2 210	74	2.47	2 520	85	2.83
Georgia	GEL	40	47	1.57	140	166	5.53	160	190	6.33
India	INR	510	32	1.07	1 770	110	3.67	2 020	126	4.20
Indonesia	IDR	212 580	43	1.43	743 230	149	4.97	851 090	171	5.70
Kyrgyzstan	KGS	330	17	0.57	1 140	59	1.97	1 300	68	2.27
Maldives	MDV	600	59	1.97	2 090	206	6.87	2 390	235	7.83
Mongolia	MNT	42 800	51	1.70	149 640	177	5.90	171 350	203	6.77
Nepal	NPR	450	20	0.67	1 570	69	2.30	1 790	79	2.63
Pakistan	PKR	670	21	0.70	2 350	75	2.50	2 690	86	2.87
Philippines	PHP	620	32	1.07	2 180	111	3.70	2 480	126	4.20
Sri Lanka	LKR	2,600	51	1.70	9 100	180	6.00	10 420	206	6.87
Thailand	THB	840	68	2.27	2 930	237	7.90	3 350	271	9.03
Viet Nam	VND	230 140	25	0.83	801 730	88	2.93	915 970	101	3.37

Source: ESCAP elaboration, using Social Protection Simulation Tool. Details from the Household Income and Expenditure Surveys used for the simulation can be found in annex 2.

TABLE 7.2 Enhanced benefit levels, based on OECD averages

COUNTRY	LOCAL CURRENCY	DISABILITY BENEFIT LEVELS[a] — 23% OF GDP PER CAPITA			OLD-AGE PENSIONS[b] — 22% OF GDP PER CAPITA		
		IN LOCAL CURRENCY PER MONTH	IN $ (PPP) PER MONTH	IN $ (PPP) PER DAY	IN LOCAL CURRENCY PER MONTH	IN $ (PPP) PER MONTH	IN $ (PPP) PER DAY
Bangladesh	BDT	3 630	122	4.07	3 470	117	3.90
Georgia	GEL	230	273	9.10	220	261	8.70
India	INR	2 900	181	6.03	2 780	173	5.77
Indonesia	IDR	1 221 290	245	8.17	1 168 060	234	7.80
Kyrgyzstan	KGS	1 860	97	3.23	1 790	93	3.10
Maldives	MDV	3 430	338	11.27	3 290	324	10.80
Mongolia	MNT	245 890	291	9.70	235 320	279	9.30
Nepal	NPR	2 570	113	3.77	2 460	108	3.60
Pakistan	PKR	3 860	123	4.10	3 700	118	3.93
Philippines	PHP	3 590	183	6.10	3 420	174	5.80
Sri Lanka	LKR	14 960	295	9.83	14 310	283	9.43
Thailand	THB	4 820	390	13.00	4 610	373	12.43
Viet Nam	VND	1 317 400	145	4.83	1 261 150	139	4.63

Sources: ESCAP elaboration, using Social Protection Simulation Tool. Details from the Household Income and Expenditure Surveys used for the simulation can be found in annex 2.

a   Disability benefit schemes are based on James Browne and others, "Benefit generosity and work incentives for disability benefit recipients". Available at https://taxben.oecd.org/tax-ben-resources/Benefit-generosity-and-work-incentives-for-disability-benefit-recipients.pdf. Old-age pensions are based on data from the OECD/SOCX database (https://www.oecd.org/social/expenditure.htm). (https://www.oecd.org/social/expenditure.htm).

b   Organisation for Economic Co-operation and Development, *Pensions at a Glance 2019: OECD and* G20 Indicators (Paris, OECD Publishing, 2019).

Studies use different models, assumptions and benefit levels. The ESCAP Simulation Tool uses GDP per capita equivalents to benchmark benefit levels. Other studies use minimum income thresholds, such as national or international poverty lines. Figure 7.1 depicts the relationship between the international poverty lines and the benefit levels used by the Simulation Tool. The two different disability benefit levels and old-age pensions (basic and enhanced) used in the proposed scenarios are higher than the corresponding international poverty for all three country income groupings. Set above the poverty line, these levels reflect the sense expressed in ILO Recommendation No. 202 that the benefits should provide a minimum income with which individuals can meet their basic needs, allowing life in dignity.

The basic disability benefit levels of 14 per cent of GDP per capita are equal to $2.3, $3.5 and $6.6 PPP per day, in the above-mentioned three income groupings. Similarly, the basic old-age pensions in the three income groupings correspond to $2.6, $4 and $7.5 PPP per day, respectively. The benefit levels for children are set at the lower rate of 4 per cent of GDP per capita per day, as they tend to be designed to supplement other household incomes.

7.2 Comprehensive social protection slashes poverty levels

The proportion of households living in poverty would fall by up to 18 percentage points if governments were to offer universal coverage of child benefits, disability benefits and old-age pensions (figure 7.2). The reduction in poverty rates would be greatest in Indonesia, followed by Sri Lanka and Georgia. In Indonesia, Mongolia, Maldives and Thailand, the poverty rate among the recipient households would be halved. In Indonesia, the share of recipient households living in poverty would plunge from 32 per cent to 14 per cent. In Thailand the poverty rate would decline to 1 per cent among recipient households as the consolidated impact of the three schemes would lift 85 per cent of its poor recipient households out of poverty, at the poverty line of $5.5 per day.

With basic benefit levels in place, recipient households would also see marked improvements in their consumption, ranging from a 7 per cent increase in Kyrgyzstan, to a 24 per cent increase in Indonesia and Sri Lanka (figure 7.3). For households in the lowest decile, consumption would increase by approximately 50 per cent in Indonesia,
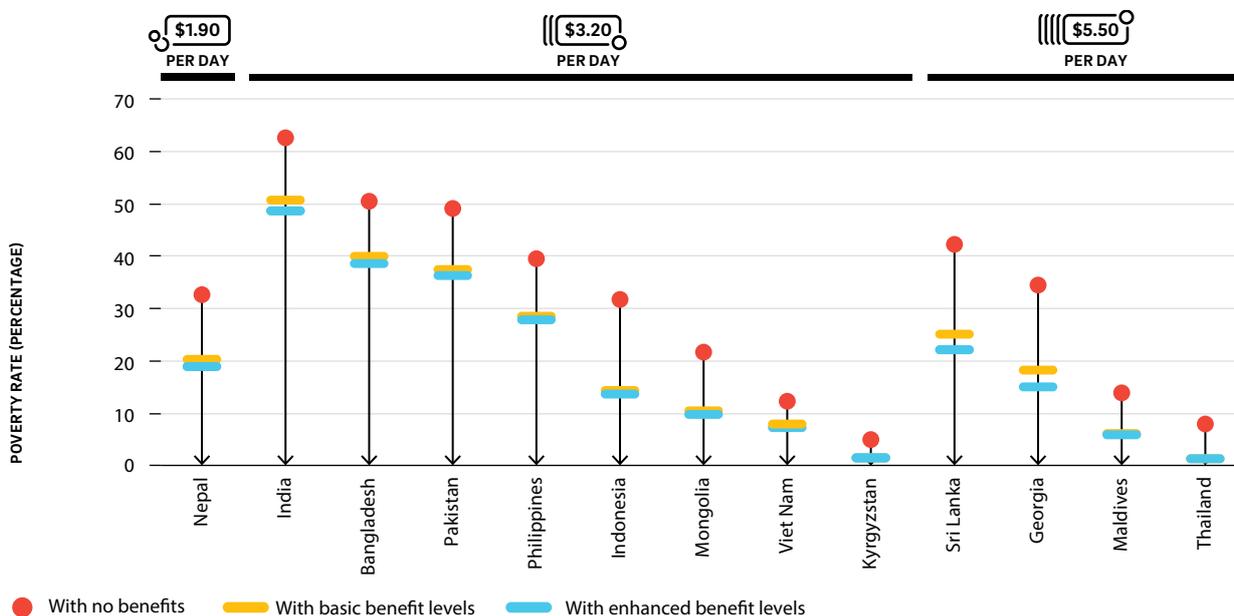
FIGURE 7.1 Average benefit levels in $ (PPP) per day and corresponding international poverty lines used in simulations

Sources: ESCAP calculations.

FIGURE 7.2 **A consolidated benefit package would reduce poverty rates considerably**

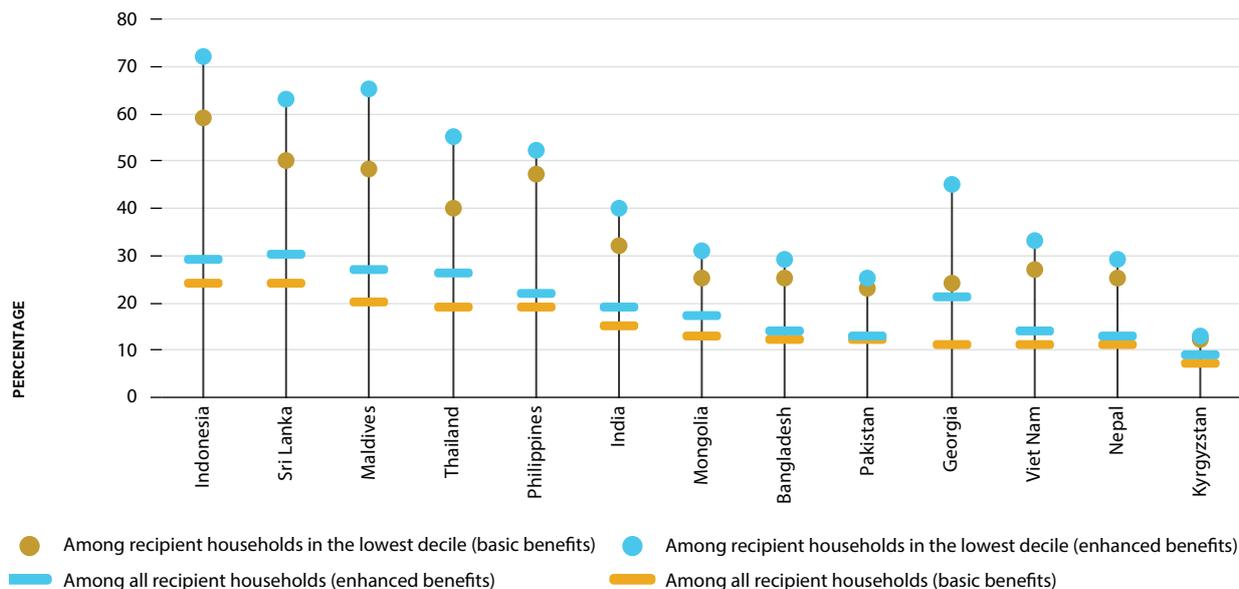Simulated reduction in poverty rates of *recipient* households

Source: ESCAP elaboration using Social Protection Simulation Tool. Details of the household income and expenditure surveys used for the estimations are in annex 2.
Note: Recipient households are all households in which at least one household member receives one of the benefits. As benefits are shared among all household members, these basic benefits would be high enough to pull some households out of poverty, but not others.

FIGURE 7.3 **Poorer households would see a great upswing in consumption from the consolidated benefit package**

Simulated increases in consumption of *recipient* households

Source: ESCAP elaboration using Social Protection Simulation Tool. Details of the Household Income and Expenditure Surveys used for the estimations are in annex 2.
Note: Recipient households are all households in which at least one household member receives one of the benefits. The measure of welfare used is per capita household consumption expenditure, namely household consumption expenditure divided by household size.

Maldives, the Philippines and Sri Lanka.[159] These impacts vary across countries as each simulation result relies on many underlying variables, such as GDP levels (on which the benefit levels are calculated), population data and household characteristics.

In 9 out of 13 countries analysed, more than one third of the total population currently living in poverty would be lifted out of poverty (figure 7.4). This would also include all upper middle-income countries covered in the estimations, for which the international poverty line is $5.5 per day. In Indonesia, more than half of the population would be lifted above the corresponding international poverty line of $3.2 per day. Also, the impact on income inequality, measured by the Gini coefficient, would be significant pushing it down by, on average, 10 per cent in the countries covered. This society-wide impact is possible because of the scale of the proposed schemes and the size and type of the recipient households.

FIGURE 7.4 **Reduction in poverty rates for the whole population would be substantial from a consolidated benefit package**

Simulated reduction in poverty rates among the *whole population*

SIMULATED REDUCTION OF THE POVERTY RATE, TOTAL POPULATION
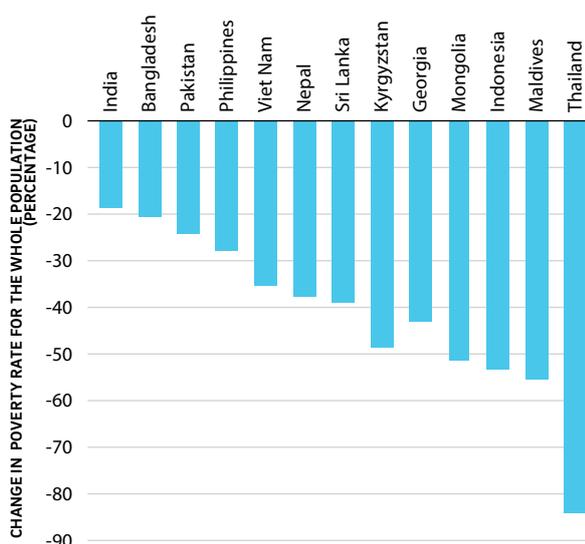
Source: ESCAP elaboration, using Social Protection Simulation Tool. Details of the Household Income and Expenditure Surveys used for the estimations are in the annex 2.
Note: Appropriate international poverty lines are used, as per World Bank GNI per capita analytical classification for the fiscal year 2019/20: $1.9 a day for Nepal, $3.2 a day for Bangladesh, India, Indonesia, Kyrgyzstan, Mongolia, Nepal, Pakistan, the Philippines and Viet Nam; and $5.5 a day for Georgia, Maldives, Sri Lanka and Thailand.

While a consolidated package of the three schemes would have the maximum impact, each individual scheme — for children, persons with disabilities and older persons — would alone yield measurable benefits for recipient households and society as a whole.

7.3 ## Universal child benefits lift households out of poverty

Introducing universal child benefits to all households with at least one child below the age of 18 years would contribute to poverty reduction. With a benefit level of only 4 per cent of per capita GDP, child benefits should not be seen as a way of eradicating poverty. Still, the results reveal that even with such modest benefit levels, the proportion of recipient households living in poverty would fall by up to 11 percentage points (figure 7.5). The effects are most evident in Indonesia, followed by Mongolia and Pakistan. In Indonesia, the share of recipient households living in poverty would decline from 32 per cent to 20 per cent.

Only a handful of mostly high-income countries in the region have universal or near-universal coverage of children in place. In most countries, less than one third of households with children, receive such benefits. Mongolia already has a near-universal child benefit in place. The Child Money Programme has also been effective in reducing the rate of poverty among its recipient households, from 23 per cent if the scheme had not existed, to 18 per cent, which is equivalent to a 19 per cent reduction in the poverty headcount.

In Nepal, the simulated benefit of 4 per cent of GDP per capita amounts to Nepalese rupee 450 (NPR), which is equivalent to $0.7 per day, almost one third of the international poverty line of $1.9. Still, it would reduce poverty in relative terms by 25 per cent. Alternative scenarios of the simulated impact of various child benefit levels in Nepal are described in more detail in box 7.2.

Recipient households of the simulated child benefits would also see an increase of their consumption expenditure, ranging from 5 per cent in Kyrgyzstan to 14 per cent in India. Recipient households in the lowest consumption decile would see the greatest increase, by up to 36 per cent in the Philippines and by more than 30 per cent in India and Indonesia (figure 7.6).

159 Deciles are defined as ten equally sized groups of a given variable. The Simulation Tool uses consumption expenditure deciles where the distribution of households by consumption expenditure is equally divided by 10 from poorest to richest households.

FIGURE 7.5 **Even a low child benefit would reduce poverty rates among recipient families**
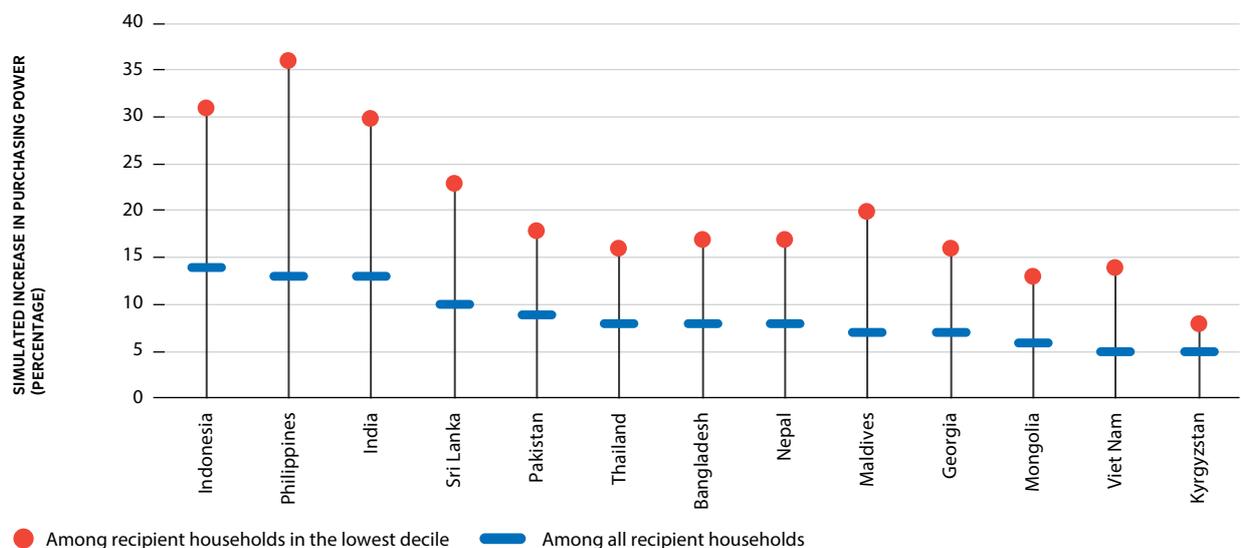
Simulated reduction in poverty rates among *recipient* households of a child benefit
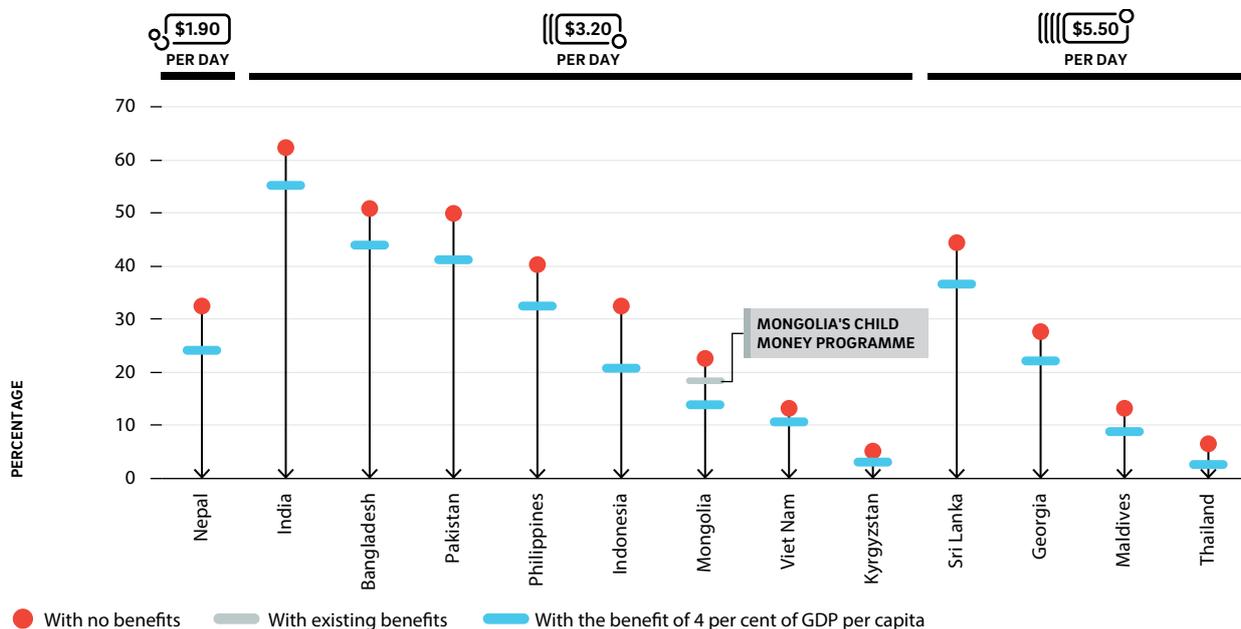
Source: ESCAP elaboration using Social Protection Simulation Tool. Details of the household income and expenditure surveys used for the estimations are in annex 2.
Note: Recipient households are all households in which at least one household member receives the benefit. Similar to Mongolia Nepal also offers a child benefit scheme, but its impact cannot be simulated and presented, as the scheme was not captured by the respective household survey.

FIGURE 7.6 **Child benefits significantly boost consumption among families, particularly the poorest**

Simulated increase in household consumption expenditure among *recipient* households of a child benefit

Source: ESCAP elaboration using Social Protection Simulation Tool. Details of the Household Income and Expenditure Surveys used for the estimations are in annex 2.
Note: Recipient households are all households in which at least one household member receives the benefit. The measure of welfare used is per capita household consumption expenditure, namely household consumption expenditure divided by household size.

BOX 7.2   The potential impact of increasing the child benefit in Nepal[a]

In 2009, Nepal introduced the Child Grant, a child benefit scheme, to support better nutrition for children under five years of age. It was targeted at all children under-five years of age in the Karnali region and Dalit children under-five years of age across the country. A cash benefit of NPR 800 was paid every four months to the mother or primary caregiver of eligible children (corresponding to NPR 200 per month, $9 per month or 1.8 per cent of GDP per capita).

Following the introduction of this scheme, the combination of positive results, evidence, local popularity and political legitimacy and opportunity, led to a government decision to expand the programme in 2016. The benefit amount was doubled to NPR 400 per month (or 3.6 per cent of GDP per capita). At the current rate of expansion, it is likely to take at least 10 years to achieve the goal of national coverage.[b]

Some evidence indicates that the impact of this child benefit has far-reaching results such as significantly increasing birth registrations and the ability of vulnerable families to buy food, clothes and other basic supplies.[c]

There is great potential for this child benefit to have an even stronger impact on the lives of families with children. The simulation exercise is therefore repeated with different benefit levels. The following table presents a summary of these estimated results. The simulation assumes extending full coverage to all the children below the age of 18.

The impact of universal child benefits in Nepal, given to families with at least one child below the age of 18, four different benefit levels

	MONTHLY BENEFIT LEVEL IN LOCAL CURRENCY (NPR)	MONTHLY BENEFIT LEVEL IN $ (PPP)	POVERTY RATE AMONG RECIPIENT HOUSEHOLDS ($1.9 A DAY)	POVERTY RATE AMONG RECIPIENT HOUSEHOLDS ($3.2 A DAY)	REDUCTION OF THE GINI COEFFICIENT	INCREASE IN CONSUMPTION
With no benefit	0	0	32.4%	69.2%	0.36	-
With a benefit of 1.8% of GDP per capita	200	9	29.2%	67.7%	0.35	3.1%
With a benefit of 3.6% of GDP per capita	400	18	25.6%	66.5%	0.34	6.3%
With a benefit of 7.2% of GDP per capita	800	36	18.7%	63.4%	0.32	12.5%
With a benefit of 10.8% of GDP per capita	1200	53	13.3%	60.7%	0.31	18.8%

Source: ESCAP elaboration, using Social Protection Simulation Tool, based on the Nepal Living Standards Survey 2010/11; United Nations Children's Fund: "Paying forward: benefits of Nepal's Child Grant for current and future generations, Policy brief (November, 2016); Maricar Garde and others, "The evolution of Nepal's child benefit: from humble beginnings to a real driver of change for children? Global Social Policy" (2017).
Notes: Recipient households are all households in which at least one household member receives the child benefit. The increase in consumption is estimated by calculating the per capita benefit level as a percentage of household's per capita consumption expenditure with no benefit in place.

a   Nepal also currently offers a child benefit scheme (Child Grant), but its specific impact cannot be presented in comparison with this chapter's simulations, as the scheme was not captured by the respective household survey.
b   United Nations Children's Fund, "Paying forward: benefits of Nepal's Child Grant for current and future generations", Policy brief (November, 2016).
c   Ibid.

7.4 Disability benefit schemes drastically improve livelihoods

Introducing universal disability benefits to all persons with severe disabilities would have a significant impact on improving their livelihoods. With the lower benefit level of 14 per cent of GDP per capita, poverty in recipient households would fall by up to 17 percentage points in Indonesia. Bangladesh, Mongolia and Sri Lanka would also experience a substantive decline in moderate poverty of approximately 14 percentage points. In Maldives, poverty among recipient households would be fully eradicated (figure 7.7). While the basic benefit level in both Indonesia and Mongolia would halve the poverty rates, the enhanced benefit level, of 23 per cent of GDP per capita, would push poverty down to a quarter of its original level.

Also consumption among recipient households would increase. At the basic benefit level, recipient households in Kyrgyzstan would see an increase in consumption of 6 per cent, while for those in Indonesia and Thailand, the increase could be as high as 27 per cent (figure 7.8). Among households in the lowest consumption decile, the impact would be greatest in Georgia, Indonesia and Thailand, where consumption would increase by more than 40 per cent. At the enhanced benefit level, recipient households belonging to the lowest decile would see substantial increases in consumption of 44 per cent on average.

Protecting persons with disabilities and promoting independent living and access to decent work are preconditions for achieving the Sustainable Development Goals and human rights. The provision of universal disability benefit schemes at both lower and higher benefit levels can clearly help break the cycle of poverty among recipient households that is a key barrier to achieving these goals.

7.5 Universal old-age pensions boost poverty eradication

Extending old-age pension to everyone would have a pronounced impact on the livelihoods of older persons. Compared to the situation with no schemes in place, simulated old-age social pensions at a basic benefit level of 16 per cent of GDP per capita would reduce extreme poverty rates of

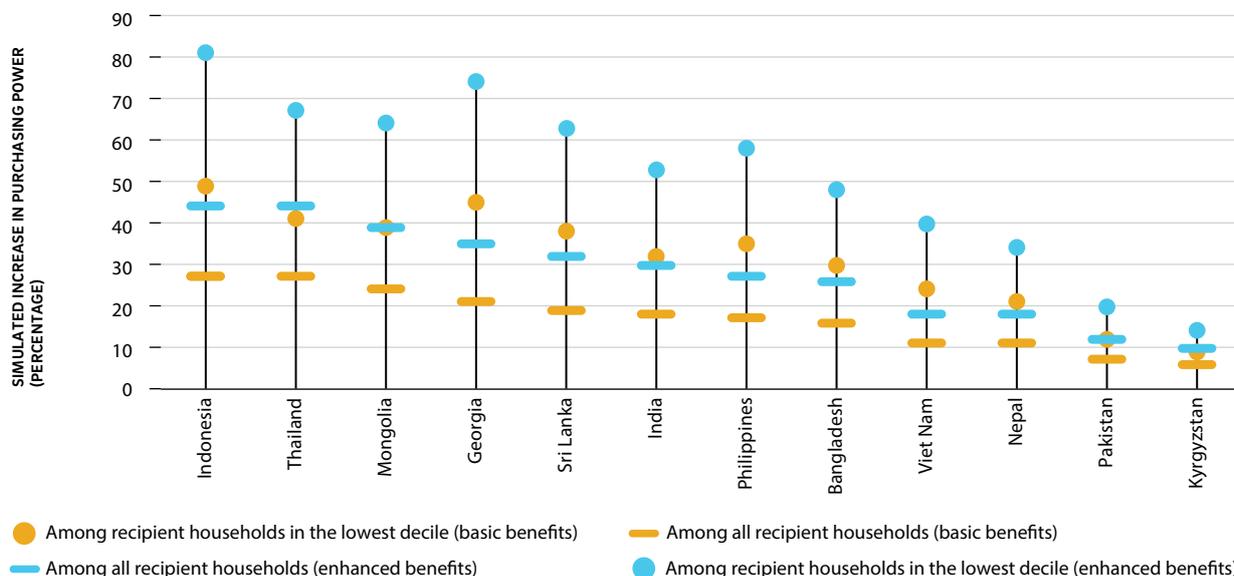**FIGURE 7.7** Receiving a disability benefit could halve the number of poor households

Simulated reduction in poverty rates among *recipient* households of a disability benefit scheme
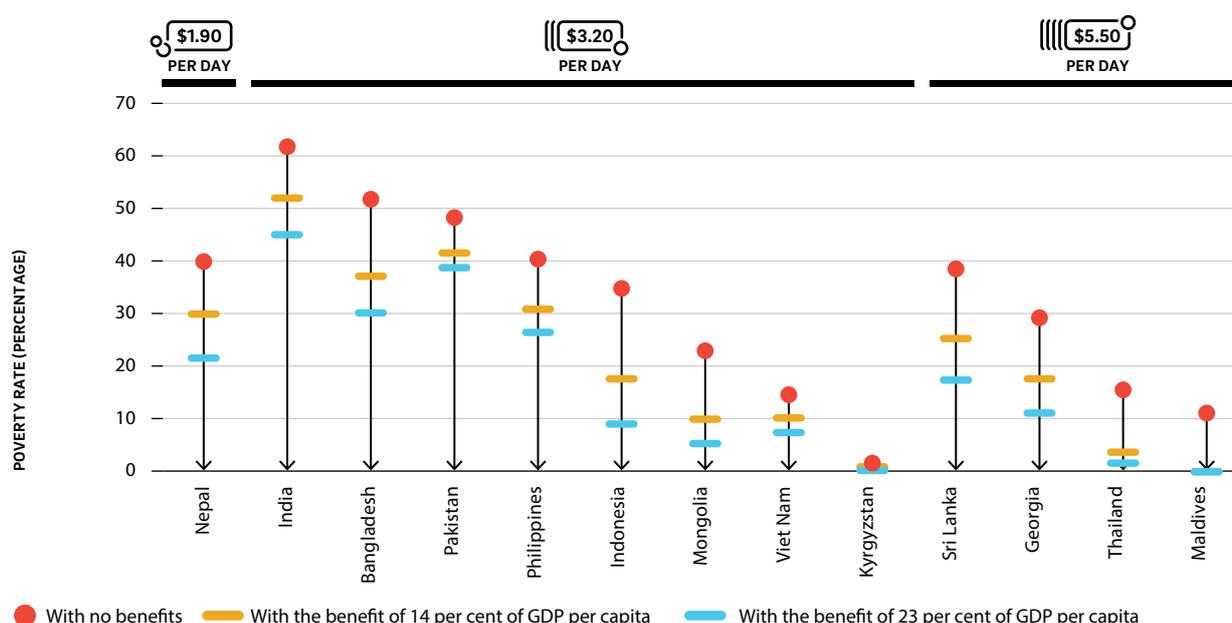
Source: ESCAP elaboration using the Social Protection Simulation Tool. Details of the household income and expenditure surveys used for the estimations are in annex 2.
Note: Recipient households are all households in which at least one household member receives the benefit.

FIGURE 7.8 A disability benefit could have a vital impact on household consumption

Simulated increases in consumption expenditure among *recipient* households of a disability benefit scheme

Among recipient households in the lowest decile (basic benefits) — Among all recipient households (basic benefits)

— Among all recipient households (enhanced benefits) Among recipient households in the lowest decile (enhanced benefits)

Source: ESCAP elaboration using the Social Protection Simulation Tool. Details of the household income and expenditure surveys used for the estimations are in annex 2.

Note: Recipient households are all households in which at least one household member receives the benefit. The measure of PPP household consumption expenditure is household consumption expenditure divided by household size.

recipient households by up to 24 percentage points. That is the case of Indonesia, a lower middle-income country, whose proportion of recipient households living in moderate poverty ($3.2 a day) would decline from 40 per cent to 16 per cent, a significant drop of 60 per cent. Mongolia, which already offers a universal pension system for men of more than 60 years and women more than 55 years, would halve its moderate poverty rate among recipients.[160]

Among upper middle-income countries, recipient households in Sri Lanka and Georgia would enjoy the greatest poverty-reduction impact. The existing universal (but pension-tested) social pension programme of Thailand is already estimated to be halving the poverty rate among the recipient households, although the additional boost would almost eradicate poverty rates among recipient households.

Extending full coverage of old-age pensions at the enhanced benefit level would further slash poverty rates. A higher benefit level in India and Indonesia would bring millions out of poverty. In fact, a staggering 77 per cent of recipient households would be lifted out of poverty in Indonesia. In Thailand, poverty would be fully eradicated for recipient households (figure 7.9).

Old-age social pensions would naturally also have a direct impact on recipient households' consumption (figure 7.10). The impact varies depending on the benefit level and country but appears to be particularly effective for beneficiaries in Indonesia, Mongolia and Sri Lanka. Those in the lowest decile would receive the highest benefits as a percentage of their existing consumption.

Pensions for older persons are the most widespread social protection scheme in the region. However, as shown in chapter 5, an old-age pension is not yet a reality for all.[161] A significant proportion of older persons in the region therefore still depends on other family members' support.

160   The Mongolia pension system is not included in the model because of its complexity due to it being both contributory and non-contributory.

161   International Labour Organization, *World Social Protection Report: Universal Social Protection to Achieve the Sustainable Development Goals, 2017–19* (Geneva, ILO, 2017).

FIGURE 7.9 **Receiving an old-age pension would lift millions out of poverty**
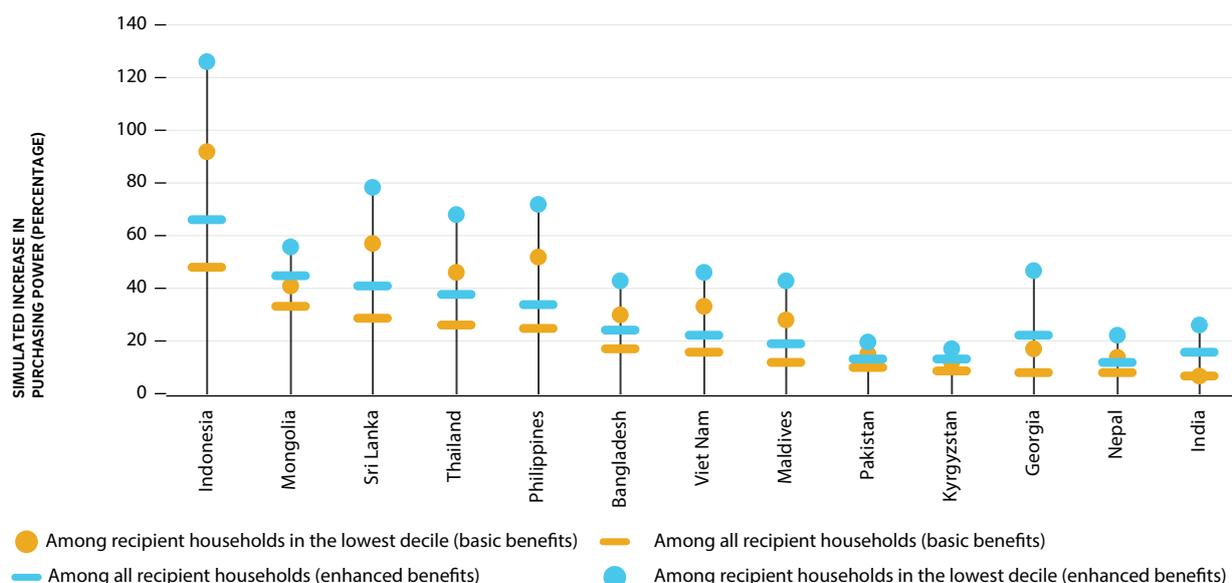
Simulated reduction of poverty rates among *recipient* households of an old-age pension
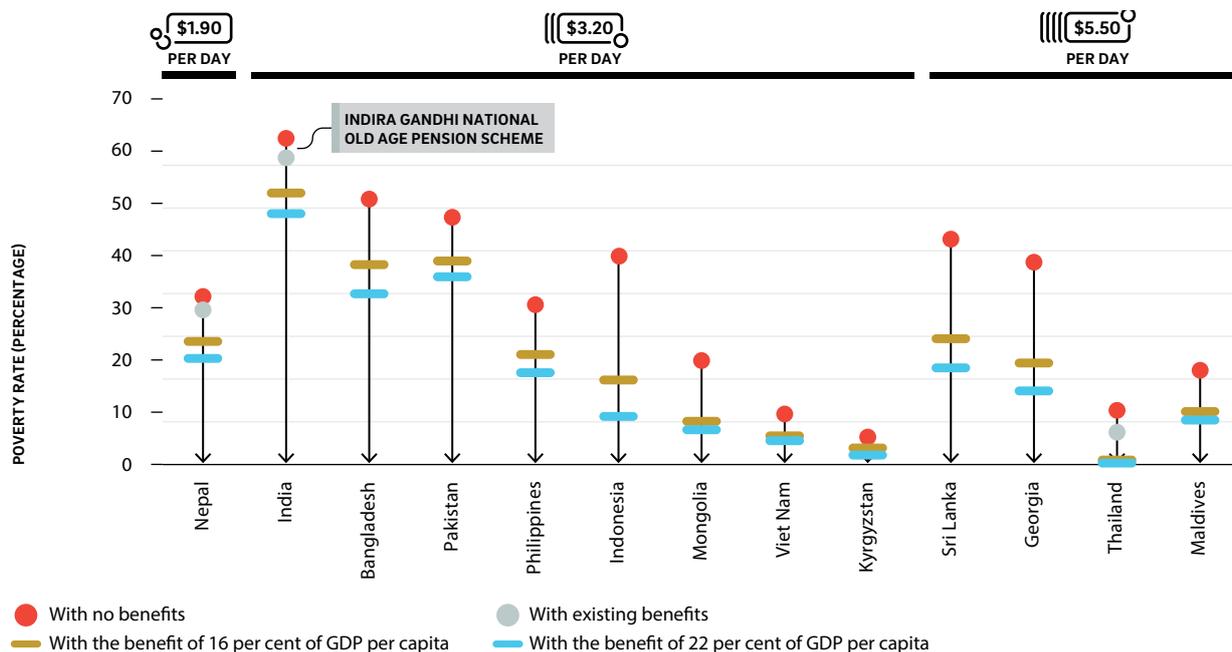
Source: ESCAP elaboration using the Social Protection Simulation Tool. Details of the household income and expenditure surveys used for the estimations are in annex 2.
Note: Recipient households are all households in which at least one household member receives the benefit

FIGURE 7.10 **Receiving an old-age pension could double a household's consumption**

Simulated increases in consumption expenditure among *recipient* households of an old-age pension

Source: ESCAP elaboration using the Social Protection Simulation Tool. Details of the household income and expenditure surveys used for the estimations are in annex 2.
Note: Recipient households are all households in which at least one household member receives the benefit. The measure of PPP household consumption expenditure is household consumption expenditure divided by household size.

BOX 7.3   **The potential impact of increasing the old-age pension in Georgia**

Georgia has a non-contributory old-age pension scheme, which provides a flat rate benefit to all citizens above the retirement age — currently set to 65 years for men and 60 years for women. The benefit level amounts to Georgian lari 160 (GEL) per month.

The analysis indicate that the existing universal old-age pension scheme is already very successful, halving the share of recipient households living below the $5.5 a day poverty line. The impact of the existing old-age pension is particularly noticeable in rural areas and among the lowest deciles of the consumption distribution.

While the pension has had a significant impact, it still leaves a significant share of households with older persons in poverty. The simulations are therefore repeated with two increased benefit levels of (1) GEL 240 per month which is 50 per cent higher than the current level and (2) a doubling of the benefit level to GEL 320 per month. For comparison, the average monthly salary in the first quarter of 2020 in Georgia was around GEL 1,200. The table below gives a summary of the impact of these higher benefit levels on poverty (at $5.5 per day), inequality and consumption. The simulations assume that the scheme is extended to all men and women aged 65 and above.

The impact of different benefit levels of the old-age pension programme of Georgia

	MONTHLY BENEFIT LEVEL IN LOCAL CURRENCY (GEL)	MONTHLY BENEFIT LEVEL IN $ (PPP)	REDUCTION IN POVERTY RATES OF RECIPIENT HOUSEHOLDS ($5.5 A DAY)	REDUCTION IN GINI COEFFICIENT	INCREASE IN CONSUMPTION
With no benefit	0	0	38.8	0.389	-
With a benefit of 16% of GDP per capita	160	190	19.5	0.354	-
With a benefit of 24% of GDP per capita	240	285	12.7	0.339	+27%
With a benefit of 32% of GDP per capita	320	380	8.4	0.333	+46%

Source: ESCAP elaboration, using the Social Protection Simulation Tool, based on the Georgia Welfare Monitoring Survey 2015; National Statistics Office of Georgia: Miglena Abels, "Universal old-age pensions in Georgia". Universal Social Protection Brief. Available at https://socialprotection.org/discover/publications/universal-social-protection-universal-old-age-pensions-georgia

Note: Recipient households are all households in which at least one household member receives the old-age pension. The increase in household consumption is estimated by calculating the per capita benefit level as a percentage of household's current per capita consumption expenditure. The results reveal that a doubling of the benefit levels would push the poverty rate down by an additional 11 percentage points, to 8.4 per cent. Compared to existing benefit levels, the increase in household consumption would increase by 46 per cent.

7.6 Expanding social protection is affordable

Extending social protection requires an increase in public expenditure. Despite the demonstrated positive impacts of extending benefits to all, there remains a debate as to whether closing the coverage gaps is within financial reach of countries in the region, in particular in low- and middle-income countries. Recent progress, including in low-income countries, suggests that this is mainly a question of political will and reallocation of resources. Many European countries also introduced social protection well before becoming rich. In fact, current GDP per capita levels in many developing countries in the region are similar to the levels of those in high-income countries when they established their systems.[162]

162   Isabel Ortiz and others, "Universal social protection floors: costing estimates and affordability in 57 lower income countries", ESS –Working Paper No. 58, Social Protection Department, ILO (2017). Available at https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_614407.pdf

The consolidated package of the three schemes described in this chapter would be affordable for most countries. To further understand the financial implications countries may face in delivering a basic social protection package, the results of three different cost estimations are compared. Each study has a different methodology and assumptions, including number of schemes, benefit levels, eligibility and countries covered. Two are estimations from ILO and ADB publications, while the third one is based on the ESCAP Social Protection Simulation Tool, used in this chapter to simulate the impacts of extending coverage (table 7.3).

While all studies use a life-cycle approach in defining core benefits of the social protection floor, the specific packages vary. All of them include at least three guarantees: benefits for children; benefits for persons with disabilities; and pensions to older persons. The ILO and the Asian Development Bank (ADB) estimates also include maternity benefits. The ADB estimates further include a public work scheme for all unemployed. The eligible age groups also vary across the benefits.

To determine the amount of the benefits of these packages, different benchmarks have been used. As described earlier, the ESCAP Social Protection Simulation Tool defines the assumed benefit levels as a share of GDP per capita, equivalent to the global average of these benefits, whereas the ILO and ADB studies use national poverty lines as the benchmark — or a share of it. Figure 7.11 depicts the national and international poverty lines and how these relate to the GDP per capita. For most countries in the region, the different benefit levels are fairly similar.

The estimations also differ in terms of the countries covered. The ILO study covers 40 regional low- and middle-income countries and territories, while the ADB study covers 16 regional countries. The ESCAP estimations were carried out for 13 countries in the region as describe above.

The three different cost estimations of a basic universal social protection package range from 2 to 6.1 per cent of GDP. Despite the variation of methodologies, geographical coverage and assumptions they generated relatively similar results:

- The ESCAP estimations range from 3.0 to 3.8 per cent of GDP in low-income countries, from 2.7 to 3.3 per cent in lower-middle-income countries and from 3.5 to 4.7 per cent of GDP in upper-middle-income;

- The ILO estimations range from 6.1 per cent of GDP in low-income countries, to 2.7 per cent in lower-middle-income countries and to 2.0 per cent in upper-middle-income countries; and

- The average cost for the higher estimate in the ADB study reached 5.9 per cent of GDP.[163]

**TABLE 7.3**   Assumptions of three cost estimation models

	ESCAP SOCIAL PROTECTION SIMULATION TOOL		ILO (2019)		ADB (2017) (UPPER COST ESTIMATE)	
	ELIGIBILITY	AMOUNT	ELIGIBILITY	AMOUNT	ELIGIBILITY	AMOUNT
Cash Benefits for all Children	0-18 years old	4% of GDPpc	0-5 years old	25% of NPL	0-16 years old	50% of the NPL
Maternity Benefit for women with newborns	-	-	All	100% of NPL	All	70%
Benefit levels for persons with severe disabilities	All	Two levels: 14% and 23% of GDPpc	All	100% of NPL	All	70%
Employment Guaranteed Scheme (100 days)	-	-	-	-	Unemployed persons	100% of the National MW
Pension to older persons	All 65 and above	Two levels: 16% and 22% of GDPpc	All 65 and above	100% of NPL	All 60 and above	70% of the NPL

Sources: Fabio Duran Valverde and others, "Measuring financing gaps in social protection for achieving SDG Target 1.3: global estimates and strategies for developing countries", Working paper 073. Extension of Social Security (ESS) Paper Series (Geneva, ILO, 2019); and Sri Handayani (ed.), "Financing the Social Protection Agenda of the Sustainable Development Goals (Manila, ADB, October 2018).
Note: NPL: national poverty line; MW: minimum wage; and GDPpc: gross domestic product per capita.

163   The ADB publication also includes a projection of a lower package that, instead of a universal package estimates the cost of a theoretical perfectly targeted social assistance scheme.

FIGURE 7.11 Relation between GDP per capita, national and international poverty lines, selected countries, 2016
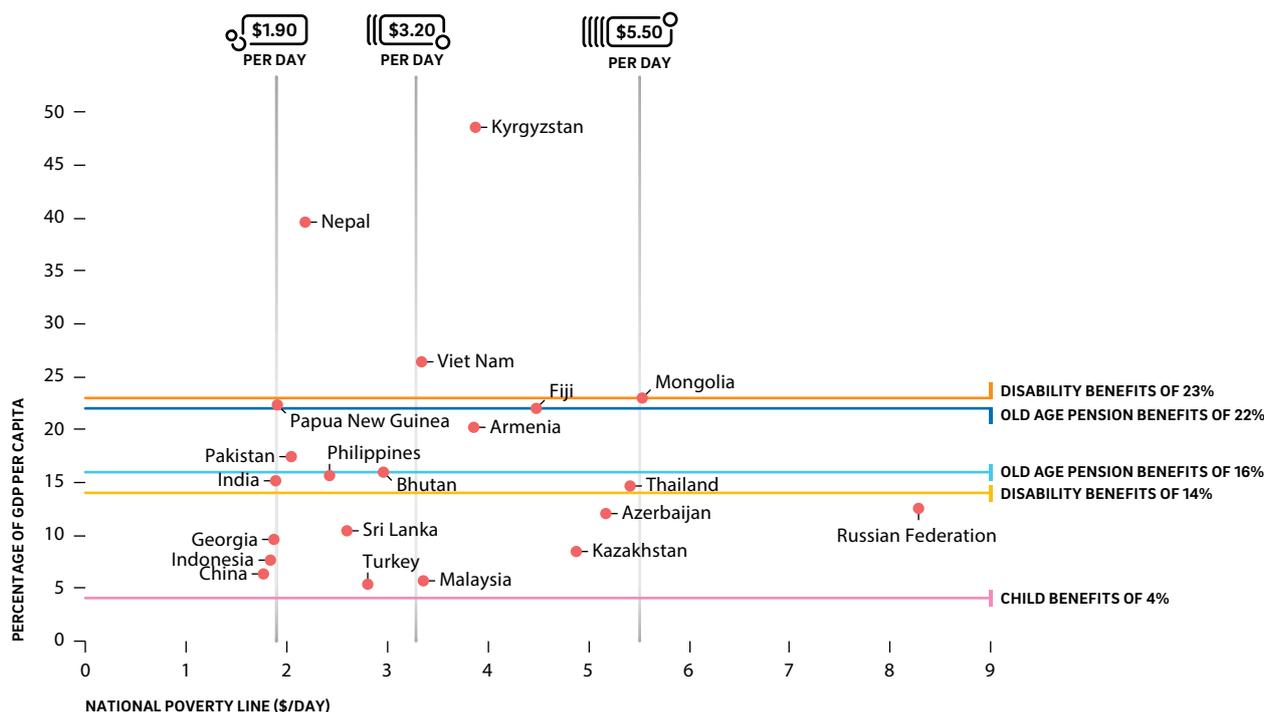
Source: Dean Jolliffe and Espen Prydz, "Estimating international poverty lines from comparable national thresholds", Policy Research working paper: no. WPS 7606 (Washington, D.C., World Bank Group, 2016).

The ADB study also estimated the costs of closing the gaps in essential health care at 1.2 per cent of the GDP, while the ILO study estimated the cost of health services in Asia and Pacific to cost 4.0 per cent of GDP.[164]

The ILO study also estimated the corresponding financing gap by comparing the costs of the proposed package (health care excluded) with current expenditures. For Asia-Pacific countries, the financing gap ranged from 4.8 per cent of GDP in low-income countries, to 2 per cent in lower-middle-income countries and to 1.3 per cent in upper-middle-income countries.

The cost of a basic social protection package is within reach for most countries in the region. Considering the immediate positive impact these schemes would have on poverty, inequality and consumption, it would be a critical investment for countries to pursue. As shown in previous chapters, boosting social protection would also contribute to economic growth and other societal improvements, including increasing education attainment, access to health care, and promoting gender equality and decent work.

Real progress towards adequate universal protection is financially and fiscally feasible. Countries should therefore conduct their own cost estimations and impact assessments, using more granular data and country-specific information based on political priorities, social dialogues and consultations.

7.7 Financing social protection

Allocating fiscal resources to finance social protection is mainly a question of political commitment. To secure resources, policymakers in countries with large shares of vulnerable population groups need to reallocate public expenditures from other sectors. This revenue-neutral approach requires only internal negotiations within government ministries or departments, underpinned by strong political commitment.[165]

164   It should be noted that ILO estimates are gross and ADB estimates are net.

165   Isabel Ortiz, Matthew Cummins, and Kalaivani Karunanethy, "Fiscal Space for social protection and the SDGS: options to expand social investments in 187 countries", ESS Working Paper No. 48 (Geneva, ILO, 2018).

Governments also need to identify new revenue streams, including increasing tax revenue, managing debt by borrowing or restructuring existing debt, expanding social security contributions through increased coverage, or using fiscal and foreign exchange reserves. Choices will depend on national economic contexts.[166] Considering the fiscal challenges posed by the COVID-19 crisis, for example, international solidarity through debt relief can be instrumental for many low- and middle-income countries.

Countries in the region have significant potential to increase tax revenues. The region has among the lowest tax-to-GDP ratios globally and only a minority of these taxes come from wealth, profits, property and financial returns. It is estimated that by simply improving national tax administrations, countries such as Myanmar and Tajikistan, could increase tax revenues levels by 5–8 per cent.[167] Expanding the tax base, including through formalizing the economy, also has an important role to play in a region where most of the jobs and enterprises operate outside of the formal sector. Directing growing tax revenues towards social protection and other social spending (education and health care, as well as the care economy) would strengthen the redistributive role played by governments, thereby helping to reduce the high and increasing levels of poverty and inequality.

Investing in social protection now will support a stronger recovery and lay the foundations of a resilient and inclusive future for all. With fiscal capacity significantly diminished in many countries across the region, the instinct may be to postpone investments in social protection.

The COVID-19 crisis could serve as an opportunity to strengthen long-term social protection systems, supporting households, businesses and the wider economy to recover faster than they might do otherwise. Social protection has been shown to stimulate the economy and build more resilient societies, thus contributing to healthier public finances within only a few fiscal quarters. Quantifying the positive impacts of expanding social protection, as this chapter has aimed to do, can build political buy-in and encourage a new beginning for countries in the region.

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166   Ibid.
167   Ibid.