

Income Security for the Elderly and not -so-elderly in the Asia-Pacific Region

**Asia-Pacific Regional High-Level Meeting on Socially Inclusive
Strategies to Extend Social Security Coverage**

New Delhi, India, 19-20 May 2008

1. Introduction

1.1 *Giants*

At a recent forum coincidentally also concerned with social security and held in New Delhi,¹ the scene was set by tracing significant elements of the historical development of social security in its typical, present-day institutional form. In his address² the keynote speaker spoke of the “giants” identified by Sir William (later Lord) Beveridge, in writing his ground-breaking report, which he hoped to see slain by the development of a comprehensive social security system in the United Kingdom the giants of want, squalor, idleness, ignorance and disease. The speaker suggested that, while the giants may have dressed in new clothes as poverty, inadequate housing, unemployment and informal employment, illiteracy and low skills, and ill health (not least in the form of HIV/AIDS) they still tread heavily across not only Asia-Pacific, but also other regions of the world.

Moreover, he continued, the giants hold hands poverty will not be overcome if unemployment is not slain, and that is unlikely without tackling ill health and killing off illiteracy. Furthermore, there are other giants lurking in the shadows: inequitable growth, corruption, discrimination (in the context of social or cultural diversity), and population ageing. Their influence multiplies the impact of the primary giants.

The message, then, is that the weapons available to fight the giants in particular, social security must be brought to bear against them, more forcefully now than hitherto, and in a fully targeted and coordinated way.

1.2 *Principles*

Social security, as a central component of the world of work, has represented the mandate of the ILO since the very foundation of the Organization in 1919. Although the roots of socially organized provision for those in need by reason of, for example, ill health, disablement, old age, or loss of the family breadwinner, can be traced back for centuries, in 1919 the principles of social security in the form of nationally organized schemes were relatively recent, having been formulated explicitly for the first time in Bismarck's model of the early 1880s. Over the succeeding period, now more than a century, a good deal of flesh has accrued to the early, skeletal framework. Crucial steps the addition of new knowledge and crystallization of new concepts include, among others:

- 1944 Beveridge Report (United Kingdom)
- 1944 Declaration of Philadelphia (ILO)
- 1948 Universal Declaration of Human Rights (United Nations)
- 1952 Convention No. 152 concerning Minimum Standards of Social Security (ILO)
- 1966 International Covenant on Economic, Social and Cultural Rights (United Nations)

It is entirely naturally that over this period not only have knowledge and concepts developed, but the environment in which social security schemes operate has changed radically. Most importantly, perhaps, an understanding has developed of the dual nature of the world of work the formal economy on the one hand and the informal³ on the other and the constraints which this imposes on the modalities of social security provision.

¹ Fourteenth International Social Security Association (ISSA) Regional Conference for Asia and the Pacific, December 2006.

² Walker (2007).

³ Corresponding fairly closely to the terminology and concept (as used in India and elsewhere) of the “unorganized sector”.

Accordingly, in common with other actors in the field of social security, the ILO has recognized the need to review its own approach to the subject of social security in terms of both policy and practice. Many aspects of the existing framework retain their relevance but may need to be reinforced or supplemented by new thinking. A focal point in the review process was the general discussion held at the 89th Session of the International Labour Conference in June 2001, which promulgated a set of 21 conclusions encapsulating in broad terms the ILO's vision for social security in the new millennium. The ILO Social Security Department is consequently in the process of translating that vision into an up-to-date policy and programme approach, which must be both principled and practical, and has embarked on the publication of a set of consultative documents, the first of which was issued in August 2006.⁴ From the review process, five elements have been distilled as representing the most basic principles upon which, it is envisaged, each nation has built or will build an appropriate system of social security provision.

We begin with a brief survey of these five basic elements, together with (in the sections following) a selection of the cornerstones within the ILO's structure on which they rest.

Coverage should be universal and benefits adequate.

These requirements simply and directly reflect the realization of access to social security as a de facto human right and as is asserted in a range of international instruments, not least the 1948 Universal Declaration of Human Rights.⁵

Each nation State bears the ultimate and general responsibility of guaranteeing a framework of good governance [in relation to social security provision] and the assurance that benefits will be paid as and when due.

The requirements, likewise, reflect the conceptualization of access to social security as a human right; the responsibilities of the State in this regard arise from the commitments undertaken by States in adhering to the Universal Declaration of Human Rights.

Social security should be organized on the basis of social solidarity between, inter alia, men and women, different generations, those in and out of work, and the rich and poor.

The principles of non-discrimination set out here reflect, we would argue, more or less universally held values of “fairness”. Broadly, what is at stake here is the assertion by the State [and its citizens] that it will use its best efforts to eliminate poverty. In the present era, the world's States have in effect collectively agreed to a system of accountability to this principle within the framework of the Millennium Development Goals (MDGs),⁶ the first of which (MDG 1) sets specific targets for the reduction of the level of poverty in every country. The principle of non-discrimination between men and women is the subject of a range of instruments, not least MDG 3, but also including several international labour Conventions.⁷

Social security systems must be sustainable.

That social security systems must be sustainable in financial terms is a sine qua non. The technical capacity of the ILO Social Security Department is uniquely suited to the assessment specifically, but not solely, actuarial of the long-term financial balance of social security schemes. However,

⁴ILO (2006).

⁵Article 22. The full text of the Declaration is available at: <http://www.un.org/Overview/rights.html>

⁶The full text of the MDGs is available at: <http://www.un.org/millenniumgoals/>

⁷Notably two of the fundamental Conventions, the Equal Remuneration Convention (No. 100), 1951, and the Discrimination (Employment and Occupation) Convention (No. 111), 1958.

there are other functions – technical and administrative – which must be assured if any social security scheme is to be continuously effective in the long term, and the capacity for which must therefore be properly institutionalized.

The rule of law must prevail at both the national and international levels.

Social security schemes, as ruled-based entities, must inevitably be framed within the context of national laws. In many if not most countries the specific laws reflect rather general directive principles set out in the national constitution, requiring the provision of social security benefits in specified circumstances; it seems, however, rather rare that such requirements reflect in full the commitment undertaken by States in ratifying or otherwise assenting to the various relevant international declarations and covenants.

In wider terms, the ILO has the capacity to support these principles by linking to, inter alia, the following capacities:

The body of ILO legal instruments

Over a dozen ILO Conventions are classified as relating to social security, and are supported by a similar number of Recommendations. Together, they provide a relatively detailed framework within which member countries may construct more or less “comprehensive” systems of social security, dealing broadly with at least the nine specific contingencies listed therein.⁸ The Social Security (Minimum Standards) Convention (No. 102), 1952, provides the most extensive description of such a comprehensive system, with fairly detailed guidance as to the level of benefits (in relation to most contingencies, specified as target percentages of individual workers' earnings levels).

The Decent Work framework

Over the last decade, the ILO has framed its approach to the “world of work” in terms of the concept of Decent Work, which sums up the aspirations of people in their working lives – their aspirations for opportunity and income; rights, voice and recognition; family stability and personal development; and fairness and gender equality. Decent work is captured in an integrated approach to four strategic objectives: fundamental principles and rights at work and international labour standards; employment and income opportunities; social protection and social security; and social dialogue and tripartism. These objectives hold for all workers, women and men, in both formal and informal economies, in wage employment or working on their own account.

Social dialogue

The ILO has a unique advantage, arising from its constitutional structure, in providing a natural forum bringing together representatives of workers and employers. The *social dialogue* that takes place in this way ensures a system that is responsive jointly to the needs of the two groups.

1.3 Relationship to other perspectives

Next, we observe briefly that the quest for extension of coverage under inclusive and effective systems of social security (or, more broadly, social protection) overlaps to a considerable degree with a number of other agendas.

⁸“Social security” in this sense comprises nine branches: health care, benefits payable to protected persons during sickness, unemployment, old age, employment injury, maternity, and invalidity, benefits payable on the death of protected persons to their survivors, and family benefits.

Millennium Development Goals

The drive to extend social security coverage is aligned with the MDGs in terms, inter alia, of the strong focus on combating poverty. This is reflected in MDG 1: *eradicate extreme poverty and hunger*, within which target 1 is to *halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day*.

Social risk management

Social risk management is a conceptual framework, publicized in recent years largely by the World Bank, which facilitates the analysis of the approach of society and individuals to dealing with unpredictable contingencies. Social security arrangements, particularly those based on the principles of social insurance, represent major elements of the framework, which does, however, claim a rather wider scope, extending for example to the ways in which nations, communities and individuals deal with natural and other disasters.

Other frameworks

A number of bilateral and multilateral agencies – among which the Asian Development Bank (ADB) has been prominent – have developed distinctive approaches to social security and social protection. Some such approaches, including that of the ADB, seek an increasingly close degree of integration of policy development in the social security arena with labour market measures.

1.4 *The cast of actors*

Social security is the quintessential example of a subject which calls for a tripartite approach, and has therefore formed a central part of the ILO's mandate virtually since its founding. The ILO Conventions regarding social security do, however, insist that the ultimate responsibility, either for the direct provision of social security arrangements or to see that arrangements through other institutions are in fact made, must rest with national governments. Nevertheless, many other actors play a role, and with increasing importance, in encouraging, developing and facilitating the implementation of social security schemes, in the broadest sense; a few of them are noted in the following paragraphs.

International financial institutions (IFIs)

Here we may mention the World Bank (see section 1.3 above), which has been increasingly active in technical cooperation activities in this field, and – most importantly in Asia – the ADB.

Bilateral agencies

The larger bilateral agencies, including major donor organizations such as DfID and GTZ, have been taking an increasing interest in the subject of social security in recent years, noting the important links to enterprise development and human capital issues. A striking aspect of their recent approach to social security provision has been a trend towards interventions that are strongly focused on specific contingencies or vulnerabilities, in such a way that disengagement in future years is likely to be much more straightforward than would be the case for projects or programmes working with broader, more comprehensive and longer-term schemes.

Cash transfer programmes

The trend towards initiatives with some form of a specific focus is reflected in the notable growth of so-called cash transfer (or “social transfer”) programmes. These tend to be targeted on individuals in selected geographical locations or occupations and, through means testing, on those

who are very poor or exposed to some specific vulnerability. Within a particular country, such a programme may form part of the social assistance component of the overall system of social protection, and various examples, such as the *bolsa familia* in Brazil, are becoming fairly well-known. In Sri Lanka, the Samurdhi programme has been in existence for a number of years. However, in the context of a donor-supported or donor-funded programme, such as that centred on Kalomo (Zambia),⁹ the scope tends to be set within an envelope which is sharply focused in terms of any or all of the beneficiaries, the benefits, and the timescale.

“Micro” approaches

There is growing¹⁰ interest in, and successful implementation of, small-scale, “grassroots” initiatives of the kind increasingly described as “micro-insurance”. Many of the concepts and aspects of micro-insurance have developed within the sphere of microfinance or microcredit. Micro-insurance may be transacted on a similar premium-rated basis to largescale insurances; however, in the context of social security provision, arrangements of the type described as “social insurance”¹¹ may be more appropriate.

1.5 Affordability

It is of course obvious that a social security or social protection scheme can be sustainable only if it can be financed in the long term, generally through contributions paid by the members and their employers, or in the case of social assistance benefits and some other, limited instances, by government (through direct subventions from the treasury). This observation holds true whatever system of benefit rules and mechanism of “funding” may be adopted for the scheme. Nevertheless, the long-term nature of social security schemes means that the overall costs may be spread over time in, essentially, a wide variety of patterns. This aspect of complexity leads to widespread misunderstandings, and has resulted over the years to a range of “myths”. The most important of these is the belief that the provision of social security, specifically if financed by contributions at least partly by employers, represents such a burden on enterprise in any given country as to render businesses in that country uncompetitive as against other countries.

Fiscal space

In recent years, economists working in the field of social security have increasingly developed the concept of “fiscal space” as a framework within which to quantify the affordability of specific social security provisions or proposals. This concept looks at affordability of social programmes at the national level, i.e., in a collective sense, rather than affordability for individual scheme members or employers, and balances such provision against other calls on the national budget, including needs such as defence and general security. With clear and careful analysis this conceptual approach can in particular clarify the alternative approaches to financing social security through competition for existing levels of financial resource, by comparison with what may be achieved in an environment characterized by growing fiscal space.

⁹See, for example, DfID (2005).

¹⁰In the sense of acting with responsibility to, and in response to the needs of, their members.

¹¹Insurance/risk-pooling arrangements whose equity principle is that of solidarity.

Basic provision

Recent research, including studies conducted by the ILO Social Security Department of selected countries in both Africa¹² and Asia¹³ suggests, increasingly strongly, that the assertion that any country is “too poor” to provide at least some level of basic provision through social security is itself a myth. These quantitative studies indicate that with possibly some temporary support from wealthier countries, even countries at the lowest levels of comparative wealth can afford a basic package what may be described as a “social floor” of benefits consisting, for example, of child benefits (or school attendance support), ready access to adequate health care for those in the usual working-age range, and some form of basic pension provision for the elderly.

1.6 Recent trends

In such a multidimensional subject as social security, it would of course be possible to identify any number of trends of interest and relevance to one aspect or another. Here, we pick out just a few such trends, which highlight certain aspects of the policy-making process as it has crystallized in countries which have focused on social security in recent years.

Ageing

Demographic patterns are changing in every country of the world, in many cases rapidly and dramatically. Of particular concern with regard to systems of income security is the observed ageing of national populations, where the proportion of the elderly (those living beyond a specified age such as 60, 65 or 70 years)¹⁴ is increasing rapidly. In general, this is the product of a combination of fundamental trends, notably of declining fertility rates and of increasing longevity of those who reach advanced ages. It is fairly well known that these trends have exerted a strong impact in a highly developed country such as (most evidently) Japan; however, their impact is significant even among less wealthy countries where Sri Lanka offers a striking example of this the so-called “demographic transition” has taken place very rapidly. On the other hand, it may be seen that in certain countries India, for one the changes in demographic patterns are apparently leading to a much slower ageing process on average; this effect *may* be interpreted to mean that the adjustment process of allocating through suitable policy measures an appropriate proportion of national income to the older proportion of the population can take place in a relatively gradual manner (by comparison with countries experiencing more rapid demographic transitions), representing a so-called “demographic dividend.”¹⁵

Defined benefit or defined contribution schemes

There has been much debate as to whether the *defined benefit* (DB) or the *defined contribution* (DC) model offers the “best” approach for provision of pension benefits (through national social security or occupational schemes). More fundamentally, the question may be posed in the following terms: “Is the quantum of finance being put into a pension scheme sufficient to ensure the payment of the appropriate level of benefits?” From this perspective, whether the scheme is organized on a DB or a DC basis should have little effect on the long-term, average level of benefits provided. However, there are important effects in the short term, and in regard to the

¹² Pal et al. (2005).

¹³ Mizuyoni (2006).

¹⁴ A so-called “normal retirement age” has typically been fixed for the national scheme of old-age benefit provision in each country, but does not necessarily align with actual and current retirement practice.

¹⁵ See also ILO (2007).

distribution of risks between the stakeholders if the financial experience of the scheme turns out to be adverse. Moreover, the framework envisaged in ILO Conventions, notably Convention No. 102, can be properly satisfied only by a DB arrangement. In current conditions, however, schemes in many countries are in the process of being converted from a DB to a DC model; simultaneously a quantum reduction in the level of pension promises is in fact taking place, but may be to some extent disguised in the debate as to whether the mechanism of the scheme should be DB or DC.

Minimizing costs

Two aspects may be highlighted in this regard. First, in a global environment where the costs of social security are rising (in particular, but not solely, by reason of ageing populations), increasing attention is paid to the effective and efficient use of funds. In the past, regrettably, social security institutions have not always taken sufficient care in this regard, and all too often a large proportion of the trust of stakeholders, and indeed national populations, has been forfeited. Second, the fact that social security systems usually (and during certain phases in their “life cycle”) accumulate large monetary funds, provides the capacity to invest those funds remuneratively and so support to a greater or lesser extent the financing needs of the schemes. However, it is critically important, and not by any means easy, to find the optimum balance between high-yielding investment and speculative excess.

Multi-pillar approaches

The need to balance considerations of social need and financial affordability means that all approaches to social security provision inevitably have both advantages and disadvantages. In recent years it has become generally accepted that, in moving beyond the most basic levels of provision, for most countries the best means of finding an optimal balance is to construct a system with “multiple pillars”, combining in different proportions as is found appropriate to national circumstances elements of, say, DB and DC provision, pre-funded and pay-as-you-go elements, contributory (for individual members) and non-contributory, and compulsory as against voluntary participation.

1.7 Geographical spectrum

The countries of the Asia-Pacific region display a wide spectrum of approaches to social security and social protection, reflecting differing experiences in both demographic and economic development. A general trend has been seen around the world in recent years, in the context of globalization, towards market-oriented economic policy models. This represents a form of policy convergence, approached by countries from a wide variety of former policies. The fact that countries start from such different points of the policy spectrum is strongly reflected in differing approaches to social security provision, with very different implications for the problems of managing a transition, where required, to an approach which reflects modern needs and conditions. In the following chapter we seek to analyse the several dimensions of these trends, but at a first level of analysis we may look at the countries of the region in relation to their history of economic development.

Traditional market economies

The larger national economies of East Asia may be categorized thus, although in some cases there has been a component of the economic system which may be described as paternalistic. Countries such as the Republic of Korea and Thailand have been able to take advantage of conditions favouring economic growth, and in the process to devote a significant proportion of the

increment in national wealth to social protection financing with, it is widely agreed, gratifying results. In cases such as Singapore and Malaysia, economic growth has been such that even without a strong basis of solidarity to social provision the problems of individual poverty have been minimized, while in Indonesia and the Philippines sufficient “policy space” is visible to allow continuing progress in the social sphere.

Socially oriented market economies

In the Asia-Pacific region we see a number of countries in which, while the economic ground rules have always been those of the market economy, the purely financial scope of competition has been tempered by attention to social needs and concerns. Sri Lanka has perhaps been pre-eminent among such countries, but a similar orientation may be seen to have characterized a good deal of the policy-making in India through the 1950s, 1960s and 1970s. It is arguable that some scope for rapid economic growth was sacrificed by India for this and other reason(s); in recent years, however, there has been no obvious constraint to economic growth in that country.

Decentralizing and traditionally socialist economies in transition

Almost all the members of the group of countries in Eastern Europe have moved very sharply, over the last 20 years, from a centrally planned to an open-market economic system, with major consequences for their systems of social provision and social protection. There are relatively few countries in the Asia-Pacific region which have seen such wide-ranging political changes, but a number of countries have experienced a comparable transition to market economies, with a corresponding response in terms of social security reform. The largest of these countries are China which of course must deal with the special issues arising from the sheer size of its labour force and Viet Nam, which has built major new social security institutions in recent decades.

1.8 Formality and informality, and other framework considerations

Finally, in this introductory survey, we must pay attention to the difficult issues raised by the predominance, in the enterprise scenarios of the great majority of countries in the Asia-Pacific region, of the informal economy.¹⁶

Growth of the informal economy

In many, perhaps the majority of, countries of the Asia-Pacific region, the informal economy predominates proportionately, and has grown in recent years. That growth has resulted from many influences, reflecting every aspect of the labour market, and it cannot be expected that this trend will be reversed in the foreseeable future.¹⁷ Such large-scale trends pay little heed to such considerations as social needs, and can only be seen as part of the environment in which we seek to develop effective, even if limited, means of social protection for the workers and families concerned.

¹⁶ The so-called “informal economy” in most countries corresponds fairly closely to the concept, statistical in its origins, which in India and some other countries in South Asia is described as the “unorganized sector”. Used in this sense, the expression makes no reference as to whether or not the workers concerned are “organized” in terms of trade union membership.

¹⁷ See also ILO (2007).

Casual work, wage and salary issues

An important aspect of the growth of the informal economy has been the trend towards the hiring of workers on casual, seasonal or temporary terms in general a trend away from the engagement of workers on formal, contractual terms with well-defined and regularly paid wages or salaries. This creates difficulties in designing social security systems on the “traditional” models, in which both benefit rights and contribution obligations are expressed through formulae in which they are related to weekly or monthly wages or salaries. The impact varies amongst the different contingencies and branches of social security, but it is clearly necessary to think in terms of the possibilities of broader, more flexible scheme designs.

Capacity for coverage under institutional social security

In a similar vein, there is thought to be a great, if not insuperable, level of difficulty in covering the social security needs of workers in the informal economy through the formal institutions which have existed for many years in most countries, because the legislative or other statutory foundation of such institutions ties the right of membership firmly to contractual and wage-based employment. Officials in many countries are gradually developing means of overcoming such constraints; however, in general it is not easy to find simple solutions to the issues which inevitably arise regarding equitable treatment between different categories of workers.

Wider attempts at outreach and “grassroots” initiatives

In the light of the difficulties noted above, many proposals have been put forward for alternative, or “non-traditional”, approaches to the provision of social protection. Broadly, these may be seen to fall into two categories: firstly, initiatives under national, or government auspices (for example, the palette of provisions developed in China in recent years) and, secondly, approaches which may develop at the initiative of other groups within society. These may include initiatives of a religious nature, such as the Islamic obligation of Zakat, while at the community level “grassroots” initiatives have multiplied; of these, the schemes often described as “micro-insurance” (see also section 1.4 above) have shown considerable promise.

Towards a “social floor”

Recent work to quantify a basic, lifetime package of social protection has pointed to the conclusion as noted in section 1.5 above that such a system of support is affordable, or not far beyond the means of almost every country, no matter how far the country may lag in the development “race”. Whether an individual country wishes to put in place such a basic scheme now or in the future very much depends on a wide range of considerations. However, the realization that such provision is almost certainly affordable may be valuable in underpinning an open-minded and innovative approach to analysing and addressing the country's social needs.

Wider aspects of the policy framework

In analysing needs and policy choices, a number of underlying or “cross-cutting” themes must be given due consideration. To a greater or lesser extent, in line with each country's own circumstances, these are likely to include:

- Gender issues including the right of women workers to accrue pensions on the same terms as men, and to have their particular health needs properly met;
- “Green jobs” the growing recognition that in addressing the needs to provide decent work, properly remunerated and protected, the issues of environmental impact must also be taken into account;

- Labour migration – the trend of movement of workers from countries where work is scarce or poorly paid to those where enterprise provides more opportunities, albeit with many risks and special needs in relation to social protection.

2. Asia-Pacific regional perspective

2.1 *Where do we stand now?*

Most countries of the Asia-Pacific region presently make provision by way of benefits which are recognizable as, or very similar in character to, social security contingency-related income benefits, or benefits in kind (notably health care), for civil servants and other government employees, including the security forces, and in many cases workers in the “social” sectors of education and health.

In addition, many, but by no means all, countries in the region mandate some provision, through schemes administered either by government or by private sector organizations (under the government's authority) for specified, employed (sometimes including self-employed) workers in the formal economy.

Recognizing the question of equity implicitly posed by the provision of benefits for what is in most cases a minority of the labour force, countries are increasingly making arrangements for at least a limited level of coverage of the wider working population. Such initiatives include the old-age benefit, paid unconditionally in principle, in Nepal, and similar benefits paid, albeit conditionally, in a range of countries including India and Bangladesh. There is growing interest in the potential for poverty alleviation through the mechanisms of social security networks, of relatively straightforward, often single-contingency, benefits paid in the form of cash, or “social” transfers (CTs/STs). Such initiatives build on a foundation of successful experience in, for example, several countries of Latin America and increasingly in Africa; within the Asia-Pacific region, schemes have been devised, at least to the pilot stage, in a number of countries, including Indonesia. The National Rural Employment Guarantee Scheme in India – which from an analytical viewpoint may of course be analysed in relation to a number of different dimensions – may nevertheless be regarded as a form of conditional CT scheme.

From the perspective of policy-makers in most countries of the Asia-Pacific region, the most challenging topical issue is clearly that of providing, with some attention to social equity at the national level, some level of social protection for workers in both the formal and informal economies. In a country such as China, that imperative parallels the challenge of developing social protection schemes which meet the needs of respectively urban-based and rural-based workers. For a certain group of countries, the prevailing challenge is seen in the ageing and longevity of their populations, which has already led to growing demands on the available funds, or on the national exchequer for sufficient resources to meet the needs of increasing numbers of pensioners.

2.2 *Whither social security in the Asia-Pacific region?*

The issues identified above as being those of greatest current significance for social security provision – the formal versus informal dichotomy and the implications on social security pension provision of increasing longevity – both reflect ongoing trends whose impact in many countries continues to intensify. It is inescapable that systems of social security in the Asia-Pacific region must pay regard to the inevitability that high levels of informalization of the economy and the

labour market will themselves persist in the coming years. Likewise, the concentration of populations into relatively older age brackets will continue to have the greatest impact on those countries in which the proportionate reduction of the population of active working age and correspondingly in the fertile age brackets compounds the impact of increasing (per capita) costs.

2.3 *Geographical spectrum across the region*

The three dozen or so countries in the region delineated by the ILO as “Asia-Pacific”¹⁸ show great diversity, along several “dimensions”, not only in relation to the economic systems and philosophy, past and present, but also to the demographic trends observed in each. The latter dimension is of particular importance in relation to the funding of pensions in countries where the “demographic transition” (the combined effect of increasing longevity with decreasing total fertility rates, leading to the proportionate increase of elderly persons in the population as fraction of those of working age whose economic effort generates the consumable wealth for all) has taken place relatively rapidly; in the Asia-Pacific region such countries include, for example, Japan and Sri Lanka.

2.4 *Economic spectrum*

Historically market-oriented economies

In this group, we consider ASEAN countries, including the so-called “tiger” economies, most of which have shown strong economic growth over the past 20 years, with a major discontinuity however at the time of the 1997-98 Asian financial crisis. Table 2.1A shows key economic indicators, as well as a rough indication of the relative proportionate size of the informal component of the respective national economies.

Most of these countries have in fact developed social security systems of reasonably wide scope; those of the Republic of Korea and Thailand are fairly “classical” in design, while those in Singapore and Malaysia rely on large-scale savings arrangements through their provident fund institutions. In each case, these arrangements seem reasonably well adapted to offer coverage on a wide scale.

Table 2.1A Economic status, selected countries (I)

Country	Per capita GDP (US\$) ^a	Average annual growth rate (%) ^b	Informal economy (%) ^c
Indonesia	3 581	5.1	78
Korea, Republic of	20 459	4.8	n.a.
Malaysia	10 091	5.6	n.a.
Philippines	4 549	5.2	72
Singapore	28 514	6.1	n.a.
Thailand	7 977	5.7	51
n.a. = not available			

^a Figures relate to 2006, expressed in year 2000 International dollars equivalent

^b Average (arithmetic) of figures for five years to 2006

^c By estimated number of workers; for more details, see footnote¹⁹

Source: Column 1: ILO calculations, based on *World development indicators 2007* (World Bank); Column 2: ILO calculations, based on *World economic outlook database* (IMF, October 2007); Column 3: ILO (2002); KILM 2nd edition, 2001-2002.

¹⁸ At present, the ILO numbers 31 of its member States in this region, but it also maintains a “watching brief” over social security (and other world-of-work matters) in several other countries, including several Pacific island States, which geographically fall within the region.

¹⁹ While the “formal” and “informal” components of a national economy are relatively easy to conceptualize in a very broad way, it is in fact very difficult either to frame a satisfactory definition or to identify statistical data which allows for meaningful
(contd...)

Historically socially oriented market economies

By far the biggest country which may be categorized in this way is India. For many years, its rate of economic growth lagged well behind those of the “tiger” economies, but in the last ten years it has accelerated rapidly. As a result, India has begun, and expects to continue, to rise up the economic “league table” of countries based on the average per capita income. At the same time, some concern exists about growing income disparity amongst the country's workforce.

The same level of economic gain has not, on the whole, been felt by other countries of the region which have started from a similar socio-economic “philosophy”. The economy of Sri Lanka, for instance, has been considerably affected by the circumstances of civil disturbance. Some relevant indicators are shown in table 2.1B.

In India and Sri Lanka, it was seen from a fairly early stage to be important that social security be widely offered, at least to the majority of formal economy workers, and this has been done for around the past fifty years through the respective countries' provident funds; in India the Employees' Provident Fund has more recently been partly modified to provide a (DB-based) pension. For historical reasons, this has not been the case for Bangladesh, which even now has only very limited social assistance pension arrangements. At the policy-making level, there is awareness of the demand that the existing schemes provide outreach to much greater proportions of the respective workforces. However, the rather meticulous nature of the statutory foundations of the provident funds and the assumed basis of regular wages or salaries forming the basis for contribution calculations have thus far limited the success of efforts to extend coverage through these institutions.

Table 2.1B Economic status, selected countries (II)

Country	Per capita GDP (US\$)	Average annual growth rate (%)	Informal economy (%)
Bangladesh	1 867	5.9	n.a. ²⁰
India	3 369	7.6	83 ²¹
Sri Lanka	4 370	5.7	n.a.

n.a. = not available

Source and basis of figures as for table 2.1A

(contd. from previous page)

cross-country comparisons. In particular, any quantitative assessment of “informality” is greatly complicated by the question as to how we should allow for the predominance of workers, who may be occasionally or seasonally paid, in the agricultural sector. The ILO's publication *Key Indicators of the Labour Market* (KILM) 5th edition of 2007 sets out the most recent available data, with a discussion of the conceptual and statistical issues.

ILO (2002) sets out estimates where possible for a range of countries of *informal employment as a percentage of total non-agricultural employment*; these are the figures shown in the table above. KILM sets out a detailed picture of employment in the informal economy. The 5th edition presents several data series, which unfortunately allow for very little by way of cross-country comparisons. The KILM 2nd edition of 2001-2002 set out a broader categorization, where those (few) countries for which sufficient data could be gathered were grouped in five categories, from A (most formal) to E (most informal), which confirmed for example that while Thailand experiences a moderate degree of informality, the one in India is clearly greater.

²⁰ The KILM 2nd edition does show a classification (see previous footnote) for Bangladesh (rather low level of informality), but this is clearly at variance with direct observation.

²¹ A commonly quoted measure of the size of the informal/unorganized economy in India derives from figures published by the Government of India (Ministry of Labour see website www.nic.gov.in) indicating that the estimated size of the “unorganized sector”, as measured by the National Sample Survey Organization in the 1999-2000 “round”, represents about 92 per cent of the labour force.

Historically centralized economies, now decentralizing

In the countries formerly governed according to centralized, socialist principles, little or nothing was arguably required by way of formal provisions for income security (although access to health-care facilities would be needed), since the relevant support was provided to those in need through their community ties.

As the majority of these countries have moved towards a more decentralized economic model, and communes or other community structures of similar type have faded away, it has however become increasingly necessary to provide protection against the same contingencies covered by social security anywhere else in the world. However, the institutional structures through which to administer benefits have simply not existed in the past, and have to be created from scratch. In Viet Nam, the social security schemes which have been designed in recent years (to provide income benefits and health facilities, respectively) are modelled largely on the long-established scheme in the more developed countries, but deal rather weakly with some features of the rather idiosyncratic and hardly matured labour market, particularly the wide divergence in the mix of wages/salaries, assorted allowances and benefits in kind, including facilitated access to health care.

Meanwhile, the measures taken in China to develop the urgently needed institutional, administrative systems to underpin social protection are being developed in a way which owes little to practice in other countries. Responsibility for creating schemes, within a broadly specified framework, has been devolved to the local authorities responsible for the different individuals requiring coverage.

able 2.1C Economic status, selected countries (III)

Country	Per capita GDP (US\$)	Annual average Informal growth rate (%)	economy
China	6 492	10.1	n.a. ²²
Lao PDRo	2 065	6.6	n.a.
Mongolia	2 165	7.3	n.a.
Viet Nam	2 923	7.8	n.a.

n.a. = not available

Source and basis of figures as for table 2.1A.

2.5 Demographic spectrum

Ageing

Table 2.2A sets out some key demographic indicators for selected countries. It shows, most dramatically, the extent to which the population of Japan has now “greyed”. Already, more than 20 per cent of the population is living beyond retirement age²³ and that figure will continue to increase. At the same time the proportion of the population falling within the normal age range for active work has declined. Whether or not the pensions required by the elderly are financed out of their own, prior saving, the cash income actually to be allocated to the elderly each week or month has to be met somehow from the overall disposable national income, which is “earned” by

²² The structure of the labour market in China is very distinctive, and estimates comparable with other countries are particularly difficult. Estimates suggest, however, that rather less than 50 per cent of the *urban* labour force in China are registered in the official statistics; thus the informal component is likely to approach 50 per cent (J. Jutting and T. Xenogiani, *Informal employment and internal migration: The case of China* (OECD Development Centre, Nov. 2007), citing Cai, Du and Wang (2006).

²³ The pensionable age for the National Pension Programme in Japan is 65 years.

the active workers. Hence, as has been observed in an increasing number of countries the national-level base of “active” workers over which the day-to-day cost of pensions has to be spread is reducing, while the number of pensioners is in fact increasing. Thus the funding system for social security pension benefits in many countries has been coming under severe strain, which can be resolved *only* by increasing contributions (or taxes), decreasing benefits, or by taking other action (for example, raising the age at which pensions may become payable) which indirectly has one or the other of these effects (i.e., increasing contributions or decreasing benefits).

Table 2.2A Demographic status, selected countries (I)

Country	Total population (million) 2007 estimate	Population aged 15-65 (%) 2007 estimate	Population over age 65 (%) 2007 estimate	Population over age 65 (%) 2030 estimate
China	1 328.6	71.4	7.9	16.2
India	1 169.0	62.8	5.1	8.8
Japan	128.0	65.6	20.8	30.6
Sri Lanka	19.3	69.9	6.7	15.9

Source: *World Population Prospects. The 2006 Revision* (United Nations, Population Division).

Demographic dividend

There are a limited number of countries where it is observed that the demographic transition is not yet complete, in the sense that fertility rates, while falling, have not yet declined to levels representing effective population “replacement rates” (i.e., a little more than two children per lifetime per woman). In table 2.2B the focus is on countries, in particular India, where the elderly proportion of the population is fairly low and expected to remain so for some time; in such a projected population pattern, among others, the funding of old-age benefits in the broad national picture should be *relatively* straightforward. Such countries therefore project a period of years during which they can expect to see a *comparative* advantage over those having undergone the demographic transition more completely, and may be able to take advantage in competitive markets of the relatively smaller contributions which may be needed by respective national social security administrations. This effect is sometimes described as a “demographic dividend”. In the case of India and others it is expected, although the relevant calculation is inevitably somewhat speculative, that a noticeable competitive advantage may last for several decades.²⁴

Table 2.2B Demographic status, selected countries (II)

Country	Total population (million) 2007 estimate	Population aged 15-65 (%) 2007 estimate	Population over age 65 (%) 2007 estimate	Population over age 65 (%) 2030 estimate
China	1 328.6	71.4	7.9	16.2
India	1 169.0	62.8	5.1	8.8
Bangladesh	158.7	62.1	3.7	6.8
Cambodia	14.4	60.9	3.3	5.8
Lao PDR	5.9	58.4	3.5	5.6
Nepal	128.2	58.3	3.7	5.6
Pakistan	163.9	60.4	4.0	6.4
Papua New Guinea	6.3	57.6	2.4	4.4
Philippines	88.0	60.6	4.0	7.5

Source as for table 2.2A.

²⁴ A full economic analysis would, of course, be considerably more complex, and is subject to caveats regarding, for example, the possibility of changing patterns of labour force participation by gender.

Ageing further comments

One aspect of increasing longevity which leads to considerable misunderstandings is that of “life expectancy”. It is noted that in many countries the overall life expectancy quoted (which is usually the “life expectancy at birth” and may in some countries, albeit only a few in the Asia-Pacific region, be less than 60 years) is lower than the usual pensionable or retirement age, and it is therefore questioned whether many scheme members are expected to survive to draw pensions at all. However, visibly, many do live to retirement age, and having done so are showing quite rapidly increasing longevity, which may be regarded as the contingency with which pension schemes are required to deal.

Now, “traditional” social security pension schemes, as devised in Europe, America and Japan, envisaged that individuals would reach retirement age and draw pension for perhaps a little more than 8-10 years averaged across all beneficiaries. In modern conditions, an individual retiring even at age 65 may typically have a further outstanding life expectancy of 15 years or more. Thus the relative cost of a fixed quantum of pension benefits may be regarded as having doubled on account of, simply, demographic advances, *in addition to* the cost impacts of wage and/or price inflation, increasing numbers of retiring personnel, and so on. In these circumstances it is questioned whether it would not be “fair”, or equitable, to restore the original design profile of the scheme by mandating an increase in the normal retirement age. For reference, it may be noted that, broadly, a change of this kind is being gradually enacted in the United States, while in the United Kingdom normal retirement age is in the process of being increased for women. Such a change must be handled sensitively at both administrative and political levels, and it may be that no country of the Asia-Pacific region is yet ready to make such a radical change. In any case, change must depend on the continuing or new availability of remunerative jobs for those who wish to continue in active work, and to that extent social security policy must be firmly integrated with job creation and other aspects of the employment agenda. This theme is briefly revisited in the next section.

Finally, it may be noted that in the light of increasing longevity, at least two other social security-related issues of wide concern will arise. First, it needs to be asked and ascertained whether the available health-care facilities provide adequate treatment, monitoring and counselling in relation to the specific illnesses and disorders of old age. Second, in light of the inescapable trend towards nuclear families and away from lifestyles in which elderly individuals may find roles for themselves within an extend family setting, there is likely to be a rather urgent need for additional places in residential care homes for the elderly.

2.6 Social protection and employment in relation to development, vulnerability and poverty

Policy-makers tend to put forward the assertion that if workers could simply and easily find remunerative work, many of the problems of social security extension would be more or less automatically resolved. However, the Decent Work concept repeatedly reiterates that, while enterprise and economic growth are clearly vital in themselves to the capacity to provide employment opportunities, the provision of decent, remunerative and stable employment must be complemented by adequate arrangements for social protection and, indeed, for appropriate social dialogue.

2.2 Migration

We should note the importance of labour migration for many countries in the Asia-Pacific region either as senders or receivers of such workers. In the case of the larger countries, China and India,

substantial numbers of workers move from one part of the country to another, often from rural to urban areas; such “internal migrants” may face many issues in common with workers crossing international borders. This is a very large subject indeed, to be addressed in forums other than this, but it is worth noting that the provision of social protection, in particular through access to social security schemes, is a complex matter. A start has been made on addressing these complexities through, in some cases, bilateral agreements or Memoranda of Understanding, and through multilateral initiatives in forums such as ASEAN (albeit still at a nascent stage).

Internal / external migrati^{on}

A migrant is usually thought of as a person crossing at least one national border to work in a country other than her or his own. Typically, therefore, such workers face issues of nationality, which in addition to their many other difficulties have a variety of implications in relation to social protection. Firstly, the rules of any social security scheme in the “receiving” country may deny them access to benefits in part or in full; secondly, even if the rules of a scheme permit them to join, their employers may not make the necessary arrangements; thirdly, they may not be able to repatriate any earned long-term benefit rights to their home countries. Resolving these problems requires agreements between countries,²⁵ whether bilateral or multilateral, which can be formalized in various ways, including Memoranda of Understanding. There seems to be valuable scope for developing framework agreements through the regional forums of ASEAN and SAARC.

There are, however, several countries in the Asia-Pacific region where workers commonly move from their original homes, typically rural villages, to other locations within the same country, often the urban areas. In doing so, they may encounter many problems similar to those faced by international migrant workers, not least in the possibility of access to social security schemes. This matter is beginning to occupy the attention of policy-makers in China, where social security arrangements differ sharply for rural- and urban-based workers, respectively, and in India, where significant parts of the social protection system are administered at the level of state government, rather than at the Union level.

Social security for migrant workers

When workers migrate from one country (or region of a country) to another, their social security needs and those of their families need to be assessed rather differently. For the workers, generally located far from their homes, there is a need for coverage, in the ordinary way for long-term aspects such as pensions (often difficult to claim, after a period of years, when the worker concerned will probably have left the country in which the social security entitlement was earned), and short-term coverage for sickness and, perhaps, maternity. On the other hand, provision for social security benefits in the case of injury or death in the course of employment assumes considerable importance. There is likely to be a need for specific provision to facilitate return to the worker's home country; “sending” countries such as Nepal, the Philippines and Sri Lanka have made attempts to mandate suitable insurance coverage for workers on their departure, with varying degrees of success.

Social security for families of migrant workers

Just as important as the problem of providing social security coverage for workers outside their home countries is that of providing suitable coverage for family members “left behind” and who

²⁵At least two ILO Conventions are relevant in this regard, namely, Migration for Employment (Revised) Convention (No. 97), 1949, and Migrant workers (Supplementary Provisions) Convention (No. 143), 1975.

may, in the absence of the breadwinner, have no statutory basis on which to affiliate to the relevant national social security. The most urgent need is likely to be for access to and financial capacity for health care; innovative developments in this area are investigating the possibility of making effective use for this purpose of remittances sent by the workers who have migrated abroad.

3. The coverage deficit

The previous chapter presented a broad-brush survey, setting out features of the economic and demographic status of selected countries in the Asia-Pacific region which may be regarded as key indicators in relation to the general level of provision of social security. In some sense, the “complementary” account is the deficit, or “gap”, in the provision of or access to social protection arrangements. It is important to remember that any assessment across the region made on an “average” basis will inevitably reflect strongly the predominance, in both population and economic terms, of China and India. While it is not the purpose of this paper to conduct a country-by-country analysis, it is important to keep in mind the specific features of the experience of each country (and the variation in patterns of vulnerability within each), because for all countries other than China and India these will inevitably fail to be reflected in any significant way in overall, averaged statistics of a purely numerical nature.

The ILO has in fact conducted much work in the last few years to identify, across national experiences, the whole spectrum of “decent work deficits”, of which the social security coverage deficit or “gap” is a critical component, but it is only one amongst a package of elements designed to give a broader picture of employment conditions.

In this brief and essentially descriptive chapter, we seek to provide an indication of the several dimensional “axes” along which the social protection gap stands to be assessed for each country.

3.1 Coverage of population

Formal economy

Provided that some form of formal social security exists for formal economy workers as is the case in the majority, but not all, of the countries of the Asia-Pacific region then it is likely that the major source of exclusion is by reason of statutory minimum levels of staffing at an individual enterprise (or workplace). While such rules were introduced to avoid gross inefficiencies in administrations, the effect has been long-term exclusion of too many workers who could be covered with relative ease through existing, formal schemes. Increasing worker mobility between jobs, including transfers between civil service and private sector employment, means that “portability” of social security rights as workers change jobs becomes a critical need.

Informal economy

In the case of informal economy workers, it is often easier and seemingly more “natural” for scheme administrators to simply exclude them than to find possibly innovative or imaginative ways in which, perhaps with a minimum of administrative help and facilitation, these workers might be enabled to take up membership. However, the conditions which prevail for most informal economy workers often employed on casual or seasonal terms, and with widely fluctuating working hours, and hence fluctuating incomes week by week or month by month are such that considerable difficulties arise in interpreting the application of rules of most formal social security institutions in relation to such workers.

An alternative mode of coverage, which has gained a good deal of popularity in recent years, is to promote small-scale, community- or occupation-based schemes of the kind described as “micro-insurance”. In fact, by the very nature of such entities, it is rare that a micro-insurance scheme may achieve coverage of a sufficiently wide cross-section of the labour force as to make, in itself, a significant impact on the coverage deficit. Accordingly, the way forward appears to lie in promoting wide networks of schemes, aiming to reach all workers through any one of many schemes, and finding ways effective in terms of practical administration and investment of funds, and in conformity with the relevant laws through which the many schemes may federate.

3.2 *Coverage of contingencies*

Very few countries in the Asia-Pacific region have developed their systems of social protection to the point of covering all of the contingencies listed in ILO Convention No. 102 and other Conventions relating to social security, let alone the social needs, such as shelter and nutrition, envisaged by some commentators and researchers as potentially embraced in a wider conception. Taking public and community-based measures together, the most common single contingency likely to be found covered across the countries of the region is the need for health care. The majority of countries have some provision for old-age benefits, either through pension schemes or provident funds, or on a social assistance basis. For formal economy workers, it is likely that statutory provisions formalize employers' liability for work injury and sickness benefits, and perhaps maternity benefits. However, provision for the remaining contingencies general accident or disablement, survivors' benefits, family/child benefits, and unemployment is very limited indeed.

3.3 *Adequacy of benefits*

The remaining major “dimension” of social security coverage is the question of whether benefits, if paid, are in fact adequate. Like so many other issues in the context of the present discussion, this question is highly dependent on the specific details of each country's condition, and is not easy to answer directly. In practice, it is clearly only in the developed economies of Australia, Japan, New Zealand, Singapore, and possibly Republic of Korea that most individuals claiming social security benefits are likely to find the amount to be anything more than a basic support to fend off destitution. Simply, it is unlikely that financial resources are available to achieve more than this across the whole spectrum of claimants. Moreover, there may be real difficulties in establishing what level of benefits would in fact keep a specified proportion of claimants/beneficiaries out of (deep) poverty; this is likely to be easier in the cases of countries which maintain effective mechanisms for establishing the appropriate level of and payment provisions for minimum wages.

3.4 *Trends and priorities*

Within this conceptual framework of several dimensions of social security and trends, at least in the long term, towards strengthening and development of provisions, the further question arises as to how to prioritize initiatives within each country once resources can be devoted to this objective. In general, it is to be expected that efforts will focus on those aspects of social security most strongly demanded by the workforce and the wider population. However, it cannot simply be taken for granted that priorities established in this way will necessarily correspond to the objective needs. This is in particular because many individuals will place a high level of priority on the most pressing present needs, such as health care, and (unless they are themselves already elderly) relatively little weight on needs which seem distant in time, such as old-age pensions. It is necessary, therefore, to add into the policy-making process objective and quantitative assessment methods; these are likely to include, broadly, actuarial or similar assessments.

4. The need for extension of coverage

4.1 *Universal access*

The necessity for all workers, their families, and other members of any national population to have access to at least a minimum level of social protection might be thought almost sufficiently obvious to need no explicit justification. Without at least a minimum of provision by way of social protection, no country is likely to limit vulnerability and hence poverty in a way which is consistent with its obligations, whether expressed in terms of the human rights of its citizens and residents, or the MDGs, or indeed as is the case for many countries its own national constitution.

However, in conditions of financial constraint which many countries of the Asia-Pacific region have experienced in recent years, social protection has perhaps been less successful than might be hoped in competing against other claims on the national budget for the generosity of treasury ministers and budget directors. For this reason we will say more in Chapter 5 about the global policy framework for social security which has been (and continues to be) developed by the ILO. The essential feature, however, derives from the fact that amongst countries the world over we can observe – and increasingly analytical studies confirm – a positive correlation between long records of economic growth and well-developed systems of social security. This is in contradiction to the generally negative correlation which we would expect to observe if social security simply represented a cost burden on enterprise; we interpret the situation accordingly in terms of social security as not only a countermeasure to vulnerability and poverty, but also in essence as a factor of productivity at the national level. The question, therefore, is not *whether* each country should seek to provide adequate social protection to all of its citizens and residents, but *how to do so*.

Conditional / unconditional benefits

While there is generally little argument as to the long-term need to achieve universal access to social protection, there is much more debate regarding the terms on which access should be provided. While, to the extent possible, countries seek to organize social income security through systems of social insurance (or ones that operate in a very similar manner), the spectrum of vulnerable individuals in all countries includes a proportion of people who are too poor to participate effectively in such arrangements and must be supported by the general funds, usually the state treasury. In relation to such social assistance in particular there is a good deal of discussion as to whether benefits should be paid on a conditional (usually, but not exclusively, based on a financial means test) or an unconditional basis. The former is thought to be perhaps more “fair” as between claimants and non-claimants and to use limited resources in the most effective, targeted manner. However, it gives rise to rather difficult issues of maintaining personal dignity or avoiding stigmatizing the poor and vulnerable within the whole population, and experience has shown means testing to be an expensive process with often inadequate governance characteristics.

Institutional questions

Social insurance has many advantages as a mechanism for social security provision and is the preferred vehicle in the design of most schemes. However, the insurance process itself is not well understood in many less developed countries, and the distinction between social insurance and individually premium-rated insurances of the kind transacted by commercial companies is understood even less. Hence it may be said that there is a considerable unmet need for education in social security concepts and issues.

Over the years there have been too many experiences in many countries of improper, even corrupt, administration of social security benefits, whether through social insurance institutions or social assistance administration. The need is clear for adequate training of officials and effective and transparent governance, supervised by the stakeholders on a tripartite basis²⁶ and supported by effective quantitative (actuarial) analysis.

The provision of health care raises additional issues in this regard, if only because in addition to the financing systems the institutional basis – physically including hospitals and clinics and in terms of human resources encompassing doctors, nurses, paramedics, and so on – is so important. However, these issues are addressed in the companion thematic paper.

4.2 *Balancing social and economic / fiscal concerns*

It is obvious that social security systems can be sustainable only if affordable in the long term. Equally, there is no point in creating large-scale institutions of the kind represented by social security schemes if they are to be regarded as actors *only* in the financial framework of any country. It is necessary that each country find the appropriate balance between the financial and social considerations in establishing the place of the relevant schemes in the overall institutional infrastructure.

4.3 *Setting priorities*

The choice of priorities in relation to social protection is clearly a matter of national circumstances and preferences. However, empirical enquiries and evidence repeatedly show that for the majority of workers and their families the most pressing perceived needs to be met through mechanisms of social protection comprise access to satisfactory levels of health care and income security in old age.²⁷

Health

This subject is covered in the companion thematic paper, and therefore does not require further detailed discussion here.

Old age

Provision in regard to this contingency is, almost inevitably and for every country, the component of the social security system to which the greatest proportion of funds must be devoted in the long term. Unfortunately, except for those relatively close to the normal retirement age, there is a strong tendency to discount the perceived value of benefits payable far into the future and hence to downgrade the importance of this branch of social security. Here is another element in regard to which further educational or “awareness-raising” effort should be devoted.

Unemployment

A very difficult issue arises in defining a contingency of “unemployment” as an *event*, in the light of unemployment as a general *condition* of large numbers of potential members of the labour force in less developed countries. Nevertheless, it has been possible to develop valuable schemes of

²⁶ See, in particular, Article 72 of Convention No. 102 and Section 27 of Recommendation No. 67.

²⁷ For the purposes of this discussion, attention is confined for the most part to the nine “traditional” contingencies listed in Convention No. 102. In the conditions prevailing in particular in the Asia-Pacific region, a case is increasingly made for including within the scope of “social security” needs such as education, housing and nutrition, so as to deal with the “social sector” in an integrated way. These needs are not so well suited, however, to provision through social insurance.

unemployment insurance in the Republic of Korea and more recently Thailand. Preparatory studies have been made elsewhere, including Sri Lanka. These initiatives relate exclusively to the formal economy, however. A mould-breaking initiative may be seen, however, in the Indian National Rural Employment Guarantee Scheme.

Other contingencies

Coverage against most of the remaining contingencies listed in Convention No. 102 has been mandated in the law of many countries, most often on the basis of employer liability. An employer could in turn usually obtain commercial insurance to protect against the risk of having to make expensive payments; the difficulty is that too often entrepreneurs have failed either to take out such insurance cover or to make due payments to employees in case of accidents suffered, sickness, or maternity. Social insurance would, in most cases, provide a more reliable solution.

4.4 *Social security and provision in relation to natural or man-made disasters*

There may be additional lessons to be learned from the social security response and claims in relation to disasters and crises, whether natural or man-made. In the Asia-Pacific region, several experiences in recent years may merit reassessment in this light, including:

- The tsunami of December 2004 (Indonesia, Sri Lanka, etc.)
- The earthquake of October 2005 (Pakistan)
- Repeatedly vulnerable countries (Bangladesh)

5. Lessons, strategies and policies

5.1 *Introduction*

The diversity of countries in the Asia-Pacific region, which display different economic frameworks, different population dynamics, and not least in importance different cultural and religious foundations, has led to a wide range of different approaches to providing social security. To a large extent, each country has developed a set of laws and schemes designed to suit its own social needs and economic status, and such a package of social security provision can be fully assessed only in relation to the relevant country background. However, social security is a highly dynamic subject by nature, and policy-makers must take an approach that ensures as far as possible the long-term sustainability of provision while at the same time allowing responsiveness to significant changes in the economic and/or demographic outlook. It is therefore of interest to policy-makers in each country to assess the relative success achieved by any specific approach or scheme format, even if designed for a different set of national circumstances. In the following commentary, accordingly, we try to highlight those aspects of the general policy approach taken in the different groups of countries that are most distinctive and which may offer scope for adaptation to other conditions.

5.2 *Long-time market economies*

In the Republic of Korea and Thailand the main approach to the development of social security systems has been through the creation of “classical”, national, formal institutions providing a reasonably comprehensive set of social security benefits through, conceptually, the social insurance mechanism. In particular, in their “package” both countries have included coverage (albeit under different titles) against the contingency of unemployment (redundancy).

The outcome of this approach is generally seen to have been successful, notably in the Republic of Korea. With the help of some additional negotiation with trade unions, the country's system of social security was able to ward off in large measure the potential destitution of many workers in the aftermath of the 1997-98 Asian financial crisis and it is thought likely to be for this reason to enter and traverse the recovery phase after that crisis relatively much more rapidly than the other affected countries.

In Thailand, the development of a reasonably comprehensive system of social security has taken place more recently than in the case of the Republic of Korea. The building of the scheme itself has proceeded well. However, it is only in the next few years that large numbers of claims for pension benefits are expected; this build-up will test the administration fully, and it will be important to ensure that monitoring systems work effectively. There are likely to be growing interactions between formal and informal components of the economy; hints of potential complications may be seen in the steps which were taken to support through the formal social security system the special ("30 Baht") health-care financing scheme designed for the informal economy.

A very distinctive approach to funding of social needs has been taken by Malaysia and Singapore, where workers have been required, in association with their employers, to make allocations directly from their periodical earnings to individual accounts in the respective countries' large-scale provident funds; members who need income support (or other financial facilitation) during any period when suffering a listed contingency are required as a first measure (and up to a certain level of cost) to access their own provident fund savings account. This pragmatic policy approach appears to have worked reasonably well over a fairly long period of time, but it may work well only in the generally favourable economic climate; the approach has in fact no basis in social insurance, nor is there any reliance on solidarity to underpin social redistribution of resources. Such an approach may not, however, be susceptible to easy duplication in countries with less successful records of economic growth, or with less disciplined cultural values.

5.3 *Socially oriented market economies*

Countries such as India (in some states, at least) and Sri Lanka have long histories of responsiveness to the social needs of their populations, and the early policy approaches in the post-independence era reflected that social awareness quite strongly.

The long-time policy approach to social security provision, particularly for old age and for the "organized sector" workers, in the Indian terminology, or formal economy workers, has been through large-scale administrative institutions of the provident fund type, supplemented in the Indian case by a genuine scheme of social insurance created mainly to provide rapid access for workers to relevant health-care services. More recently, India has partially transformed its provident fund into a social insurance pension scheme. Outline studies have been undertaken in Sri Lanka with a view to a similar transformation, but without any result to date. The administration of these schemes and investment of funds has in general been reasonably efficient (by comparison with provident fund schemes elsewhere around the world), but without realizing the full scope for the members' advantages in these regards. The main deficiency in this approach in practice has been the failure of outreach to the large majority of workers in the unorganized sector/informal economy (over 90 per cent of the total in India). In addition, the level of health funding through social security in India has historically been low to a degree remarkable by comparison with almost every other country in the world.

By virtue of its size, India offers considerable scope for a very wide variety of initiatives at levels below that of the Union government to address the hitherto unmet needs of unorganized sector workers. The existence of a network of state schemes – rather dense in states such as Kerala and Tamil Nadu – has been generally advantageous, although some concerns exist as to the capacity of administrations to respond dynamically and effectively to changing economic and demographic conditions. Government-sponsored initiatives are complemented by those (possibly encouraged and partially or indirectly subsidized by state mechanisms) at community level, including the relatively well-known SEWA scheme and others of a similar nature. The need to address the massive coverage deficit has led to proposals for a new, large-scale national system of provision; however, because of the need to reconcile a very wide range of rather incompatible interests, implementation of the system has been delayed.

5.5 *Decentralizing economies*

In this group the main focus is naturally on China, which has developed a very distinctive approach to social security provision, delegating a high degree of responsibility to sub-national levels of government. This has made it possible to overcome to a large extent the problems arising from the sheer size of the country and to achieve steady progress, on a contingency by contingency basis, in the various dimensions of social security. This approach has a “downside”, however, in that a range of difficulties have become apparent in providing a consistent framework in which workers, displaying the levels of mobility which are increasingly required by the country's general economic development, can accumulate social security rights effectively or ensure their “portability” as they move between jobs.

While starting with a broadly similar economic and cultural canvas, other countries including Viet Nam, and perhaps Mongolia and Lao People's Democratic Republic – have not faced the same problem of overwhelming size and have opted to develop systems of social income protection based on more common institutional models. In general, reasonable progress has been made, but with some difficulties arising from the very wide range of income and work history records among the membership.

5.6 *Some additional possible sources of guidance*

The Asia-Pacific region is, unfortunately, rather prone to the impact of disasters, both natural and human-induced. Systems of social protection offer potentially valuable mechanisms for limiting the vulnerability and poverty likely to arise from such disasters, if the administrations can react with sufficient flexibility. Some lessons can nevertheless be drawn from experience in recent instances, including:

The 1997-98 Asian financial crisis

In this instance, the fact that the Republic of Korea was actively implementing an effective system of social security, including unemployment insurance, is acknowledged to have speeded up the country's recovery from the crisis.

The tsunami of December 2004

The tragedy of the Indian Ocean tsunami, which had a major impact in a number of countries including Sri Lanka, Indonesia and Thailand, among others, revealed many vulnerabilities, as well as the strengths and weaknesses of the mechanisms available in each country to deal with the aftermath of the disaster. In Sri Lanka, while some use has been made of networks for social assistance provision to assist those living in the localities worst affected by the tsunami, it is

probably true that the scope for social security has by no means been optimized. The reasons may include, for example, the difficulties of ensuring adequate liaison between a myriad of departments and agencies, pointing to the need at policy level to work towards large-scale rationalization of social security institutions.

5.7 *The ILO's strategic framework for social security policy*

The global approach of the ILO itself to the development of a framework for social security policy in the new millennium²⁸ focuses on the need to arrive at a new consensus on the responsibilities of the global society, the nation State, communities, social partners, civil society and individuals. Clearly, global minimum social standards and global financial transfers are to some extent substitutes. Then the key role of the (national) State needs reconfirming. The complementary and supporting role of the global community has to be defined. The wider the implementation of minimum standards at the national level enabled by sufficient fiscal space the less need there is for international transfers to combat poverty. It is evident that social security investments based on principles of socially and economically responsible investment may also substitute for some of the lost fiscal space of national governments. If global minimum standards defending or reserving fiscal space for social transfers are accepted, then the challenges of ageing, HIV/AIDS and other infectious diseases, and other national adjustment processes lose much of their threat.

The ILO's tripartite structure is optimal for initiating a global debate with a view to reaching a necessary consensus on new roles and, possibly, new international instruments. It is also the ideal forum to empower the different actors with the knowledge and skills needed to contribute to sound national and global governance of social security.

The ILO seeks, first and foremost, a comprehensive vision of a national and global social security: a system with the flexibility to adapt to the state of economic development, yet pursuing the key objectives of universality, poverty alleviation, the containment of social insecurity through social rights, the promotion of long-term growth, a fair distribution of income and non-discrimination. The International Labour Conference, by virtue of its undertaking a General Discussion on Social Security, took a major step in that direction. What is needed now is for national policy-makers to whom the ILO can offer support, building on the conclusions of the 2001 debate to define policy priorities and identify concrete measures towards reducing social insecurity, poverty and unfair inequality of access to opportunities in the modern, globalizing world.

5.8 *In summary*

It is clear that countries (or, within countries, states or similar administrative divisions) need a structured framework within which to develop policies towards income security, including approaches to poverty prevention and alleviation in other words social security; this would pay specific regard to the competition for resources which, within the social security arena might reflect considerations including:

- *national* versus *local* interests
- *institutional* versus “*grassroots*” approaches
- *formal* (or “*organized*”) versus *informal* (or “*unorganized*”)

See ILO (2006).

- *urban* versus *rural* needs
- *market-oriented* versus *socially oriented* preferences in policy approach: in this context we know, and the understanding is becoming more widespread, that social security represents an investment in a productive economy
- *the value of complementary approaches* using the techniques of social insurance for formal economy workers, and (probably) less highly structured mechanisms for outreach to the wider economy

At the broadest level:

— We know - and have demonstrated through well-respected research that at least a basic social security programme is affordable, perhaps with some temporary outside support, in all countries.

— Nevertheless, it is clearly a challenging task to make the case for (expanding) social security at the political level, in competition with other demands on government and treasury.

— Options suitable for the circumstances of virtually every country are available, but national policy-makers must not unduly delay (or even shirk) their ultimate responsibility for decision making.

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