

The Protection We Want

Social Outlook for Asia and the Pacific



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Foreword

At the heart of the United Nations lies the aspiration to uphold human rights and accelerate social progress for everyone, everywhere. The right to social protection, enshrined in the Universal Declaration of Human Rights, flows from this ambition. It is an acknowledgement of our collective obligation to fellow human beings in times of need; a recognition that illness or unemployment, pregnancy or old age, disability or injury cannot be allowed to push people into vulnerability. This moral imperative remains as valid as ever, reinforced by overwhelming evidence that comprehensive social protection creates the foundation for healthy societies and vibrant economies.

The COVID-19 pandemic has brought this imperative into sharp focus, by demonstrating the stabilizing effect well-functioning social protection systems have and how their absence exacerbates inequality and poverty. The United Nations has already identified social protection as a core enabler in its global and regional response frameworks. Delivering effective social protection to all people across our region is already shaping our approach, as we advocate combining short-term relief with longer-term strategies to build back better in the aftermath of the pandemic.

Even before the COVID-19 outbreak, the time was right for a major strengthening of social protection systems in Asia and the Pacific. Target 1.3 of the Sustainable Development Goal 1 calls on governments to implement social protection floors. Our region's phenomenal economic growth has been reshaping the world, but more than half the population has no social protection coverage whatsoever. Where social protection does exist, its coverage is all too often riddled with gaps. Many poverty targeted schemes never reach the poorest families. Maternity, unemployment, sickness and disability benefits are the preserve of a minority of workers in the formal economy. Population ageing, migration, urbanization, natural disasters and climate change, as well as technological advancements make these challenges ever more urgent. Combined with a lack of affordable healthcare during a pandemic, too many of our citizens are left exposed, teetering on the brink of poverty.

At the United Nations Economic and Social Commission for Asia and the Pacific and the International Labour Organization we are driven by the conviction that none of this is inevitable. It is why we have again joined forces to urge increased investment in social protection across the region. Our research is unequivocal that investing in social protection has an immediate, quantifiable impact on people's livelihoods.

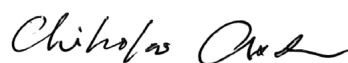
If we are to leave no one behind, and if we are to accelerate progress on gender equality, social protection needs to be universal. Through a combination of contributory and non-contributory schemes this is possible. While the investment required is significant, this report demonstrates that it is within the grasp of most countries, particularly if existing resources are reprioritized, public revenues boosted, new technologies tapped and social protection embedded into national development strategies, underpinned by social dialogue.

As the approach to social protection is reconsidered in light of the pandemic, we have an opportunity to uphold human rights and build the protection we want for a more inclusive, resilient and prosperous Asia and the Pacific. This report can help us, as a region, seize this opportunity.



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Acronyms

ADB	Asian Development Bank
ATLAS	The Atlas of Social Protection Indicators of Resilience and Equity
BDT	Bangladeshi taka
CA	Childcare Allowance
CART	classification and regression tree
CIS STAT	Interstate Statistical Committee of the Commonwealth of Independent States Statistics
ESCAP	Economic and Social Commission for Asia and the Pacific
FAO	Food and Agriculture Organization of the United Nations
FJD	Fijian dollar
GDP	gross domestic product
GEL	Georgian lari
GNI	gross national income
ICT	information and communications technology
ILO	International Labour Organization
IMF	International Monetary Fund
INR	Indian rupee
IMF	International Monetary Fund
IDR	Indonesian rupiah
KGS	Kyrgyz som
LKR	Sri Lanka rupee
MDV	Maldives rufiyaa
MNT	Mongolian tugrik
MYR	Malaysian ringgit
NPR	Nepalese rupee
OAP	Old age pension
OAAP	Old Age Allowance Program
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
4Ps	Pantawid Pamilyang Pilipino Program
PHP	Philippine peso

PKH	Program Keluarga Harapan
PKR	Pakistan rupee
PPP	purchasing power parity
SGD	Singaporean dollar
THB	Thai baht
TSA	Targeted Social Assistance
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNSD	United Nations Statistics Division
VND	Vietnamese dong
WFP	World Food Programme
WHO	World Health Organization

Explanatory Notes

ESCAP REGIONS

East and North-East Asia (ENEA): China; Democratic People's Republic of Korea; Hong Kong, China; Japan; Macao, China; Mongolia; Republic of Korea

North and Central Asia (NCA): Armenia; Azerbaijan; Georgia; Kazakhstan; Kyrgyzstan; Russian Federation; Tajikistan; Turkmenistan; Uzbekistan

Pacific: American Samoa; Australia; Cook Islands; Fiji; French Polynesia; Guam; Kiribati; Marshall Islands; Micronesia (Federated States of); Nauru; New Caledonia; New Zealand; Niue; Northern Mariana Islands; Palau; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; Vanuatu

South-East Asia (SEA): Brunei Darussalam; Cambodia; Indonesia; Lao People's Democratic Republic; Malaysia; Myanmar; Philippines; Singapore; Thailand; Timor-Leste; Viet Nam

South and South-West Asia (SSWA): Afghanistan; Bangladesh; Bhutan; India; Iran (Islamic Republic of); Maldives; Nepal; Pakistan; Sri Lanka; Turkey

The three-letter code (ISO 4217) is used to depict all national currencies.

References to dollars (\$) are to United States dollars in PPP (2011).

Executive Summary

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

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

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

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

Critical gaps in social protection in the region

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

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

Expanding social protection carries immense benefits at an affordable cost

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

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

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

Recommendations to achieve social protection for all

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

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

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

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

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

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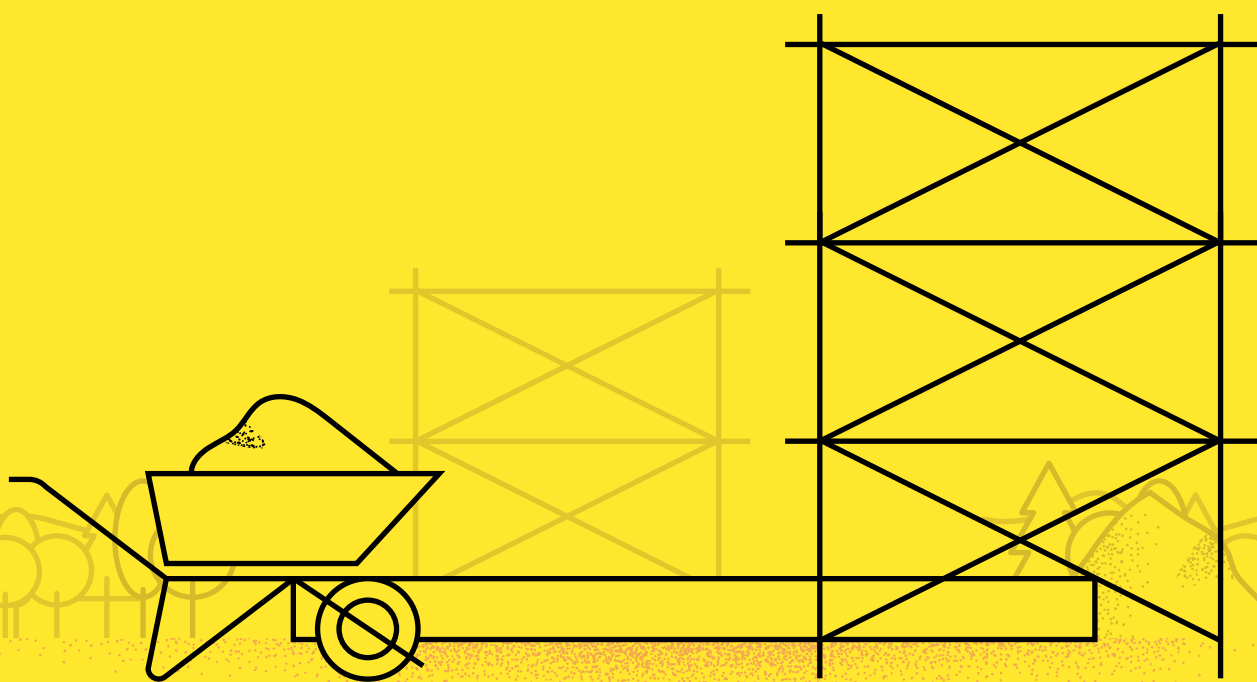
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Chapter 1

The fundamental need for social protection



The ongoing COVID-19 pandemic has highlighted the role of well-designed, implemented and coordinated social protection systems in protecting people throughout their lives and promoting their well-being. The pandemic has also shown that social protection should be a right for all, rather than a privilege for a few.

As the world evolves and disruptions continue to affect the social fabric, the demand and need for social protection is soaring. With only a decade remaining to achieve the Sustainable Development Goals, social protection for all is a policy imperative to secure the prosperity and resilience of the Asia-Pacific region.

1.1 A rights-based argument for a healthy society

Social protection is a human right. Human rights instruments, including the Universal Declaration of Human Rights (1948) and the International Covenant on Economic, Social and Cultural Rights (1966), firmly anchor social protection as a right that States are obligated to guarantee and a right to be enjoyed by all without discrimination. These normative instruments recognize the critical role social protection plays in ensuring human dignity and well-being. They also recognize the role of social protection in enabling other human rights, including the right to health, education and development.

Social protection schemes provide cash or in-kind support for people facing social and economic risks. These risks — or contingencies — include having children, getting sick or acquiring a disability, losing a job or a breadwinner, and growing older. They also include covariate shocks, such as natural disasters, economic crises and pandemics. Many of these events are unpredictable and affect people in different ways. Leaving individuals and families to manage life's risks on their own breeds vulnerability. For example, a parent being laid off from his or her job may lead to a malnourished child; increasing care needs of an older person may result in a daughter having to drop out of school or sacrifice paid work; or a sick family member may lead to catastrophic health expenditure and unmanageable debt. As such, social protection systems are commonly organized around a package of benefits that address

life-cycle contingencies, namely medical care, sickness, invalidity, unemployment, employment injury, maternity, family, old-age and survivors' benefits.¹ Often, this contingency-dependent support is complemented by support for low-income households through social assistance.

Social protection has a long history. Formal social protection arrangements were first instituted in the late nineteenth and early twentieth centuries, during a period of rapid industrialization. Countries realized the limitations of informal support provided by families, communities and charities and gradually built social protection systems around the life-cycle contingencies described above. Many of the core social protection schemes in place today were established many decades ago.

Over the past decade, renewed calls have been made to expand coverage through the establishment of a minimum floor of social protection for all. Driven by the recognition of the major coverage gaps in systems across the world, the Social Protection Floors Recommendation, (R202), was adopted in 2012. In the recommendation, the International Labour Conference of the International Labour Organization (ILO) reaffirmed the human right to social security and emphasized the urgent need to extend a minimum level of social protection for all. Under the Recommendation, at least a basic level of social security for all is called for by establishing and maintaining a nationally defined social protection floor, as a fundamental element of national social protection systems.² The floor should include effective access to health care and a basic level of income security throughout life to prevent or alleviate poverty, vulnerability and social exclusion (figure 1.1).

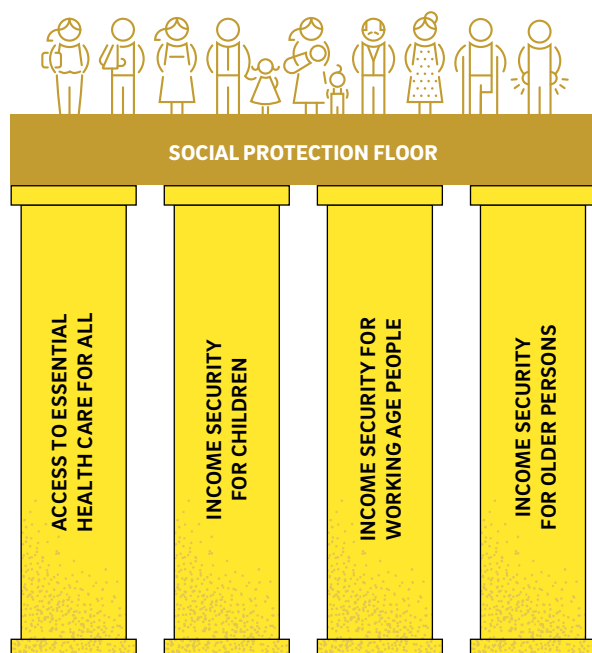
The COVID-19 pandemic highlights the critical role of social protection. Attempts to contain the spread of the coronavirus through travel restrictions and lockdown measures have disrupted supply chains, consumer demand, and economic and financial stability throughout Asia and the Pacific. An unprecedented decline in income opportunities, measured by the drop in working hours, has disproportionately affected workers in the informal sector, whose earnings declined by 22 per cent in the first months of the crisis.³ The relative poverty rate of informal workers, who are already being paid

1 These nine life-cycle "contingencies" identified by ILO Convention 102 are reflected in the design of social protection systems globally.

2 The call for social protection systems, including floors, is also reflected in Sustainable Development Goal target 1.3.

3 International Labour Organization, "ILO Monitor: COVID and the world of work", 3rd ed., 29 April 2020. Available at https://www.ilo.org/wcmsp5/groups/public/-/dgreports/-/dcomm/documents/briefingnote/wcms_743146.pdf.

FIGURE 1.1 Foundations for a social protection floor: access to health care and basic income security throughout life



low wages and have no access to social protection schemes, is expected to rise from 22 to 36 per cent, as a result of the pandemic.⁴ Women are in a particularly vulnerable situation because they represent the majority of workers in frontline occupations, such as health and social work. Furthermore, a high proportion of women work in hard-hit sectors; they are also more likely to be engaged in unpaid family work and other undervalued jobs.

The pandemic has also compromised further the health, livelihoods and well-being of older persons, young people, persons with disabilities, migrants and domestic workers, many of whom were already living in precarious situations. In response, governments have introduced a range of new relief measures, and, when available, have built on existing social protection schemes.

1.2 A cornerstone of sustainable development

Social protection is a key component and enabler of the 2030 Agenda for Sustainable Development.

Four of the Goals (1, 3, 5 and 10) also have specific targets on social protection. Most prominently, Goal 1 on ending poverty includes target 1.3 to “implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.” Figure 1.2 illustrates the role of social protection as a key enabler of progress for the Sustainable Development Goals.

Consequently, social protection contributes to the three dimensions of sustainable development.

Investment in social protection systems better positions countries to advance social, economic and environmental progress towards achieving the 2030 Agenda.

The social dimension: A central focus of social protection is to prevent poverty and improve human well-being. Initiatives across the region and around the world to expand social protection have left a solid and growing evidence base, demonstrating the significant impact of social protection on social indicators, such as access to nutrition, health and education.⁵ When provided at regular and predictable intervals, social protection helps shift behaviour towards a longer-term accumulation of assets and human capital that foster social progress. Overall, societies that advance social progress for all build a sense of belonging and promote trust, solidarity, well-being and risk-taking, which, in turn, facilitate upward mobility, also for disadvantaged groups.⁶

The economic dimension: Social protection also promotes inclusive economic growth. Income security allows individuals and households to accumulate assets and take financial risks to expand livelihood opportunities by, for example, starting up a company or investing in children’s education. It also discourages negative coping strategies during

4 The relative poverty rate is the “proportion of workers with monthly earning below 50 per cent of the median earnings of the population”. International Labour Organization (ILO) “ILO Monitor: COVID and the world of work”, 3rd ed., 29 April 2020. Available at https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_743146.pdf.

5 Francesca Bastagli and others, “Cash transfers: What does the evidence say? A rigorous review of programme impact and of the role of design and implementation features” (London, Overseas Development Institute, 2016).

6 Organisation for Economic Co-operation and Development, *Perspectives on Global Development 2012: Social Cohesion in a Shifting World* (Paris, OECD, 2011).

FIGURE 1.2 Social protection will enable progress on several Sustainable Development Goals



Source: ESCAP Social Protection Toolbox, 2020. Why is Social Protection key to implementing the Sustainable Development Goals?
Available at <https://www.socialprotection-toolbox.org/files/infographics/infographics-sdg.pdf>

shocks, such as removing children from school and pushing them into child labour or selling productive assets.^{7, 8, 9}

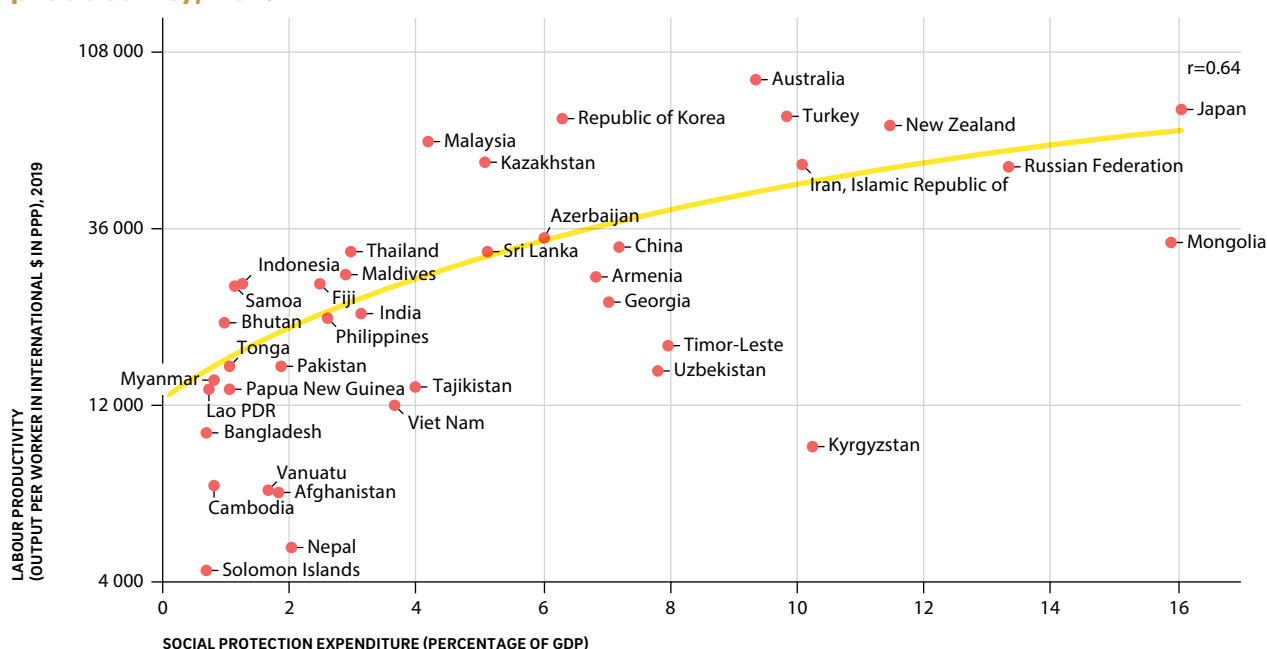
The positive impacts of social protection benefits on child well-being and education are well documented and contribute towards increasing opportunities, aspirations and future productivity.¹⁰ Social protection systems also support women's labour force participation. Evidence from the Organisation for Economic Co-operation and Development (OECD) indicates that higher spending on social protection is closely correlated with labour productivity; similar findings are observed for the Asia-Pacific region (figure 1.3).^{11, 12}

Evidence also suggests a positive link between social protection coverage and enterprise performance. A study in Viet Nam shows that firms that increased their workers' social protection coverage by

10 per cent experienced a per-worker revenue gain of between 1.2 and 1.5 per cent and a profit gain of up to 0.7 per cent. A similar study in Indonesia indicates that increased social protection spending of 10 per cent was associated with a per-worker revenue gain of up to 2 per cent.^{13, 14} Through these and other pathways, social protection systems can make a positive contribution towards macroeconomic stability and growth (box 1.1).

The environmental dimension: Social protection can support adaptation to more environmentally sustainable social and economic development models and increase resilience against the impacts of climate change. Many households in the region rely on weather-dependent livelihoods and are affected by climate change-related hardship. Others face the loss of livelihoods resulting from the transition of industries towards carbon-neutral forms of production. Social protection can support the

FIGURE 1.3 The positive link between social protection expenditure and labour productivity, 2019



Source: ESCAP calculations based on labour productivity data from ILO STAT. Available at <https://ilostat.ilo.org/data/> (accessed 12 June 2020) and ILO, World Social Protection Database (see annex 1).

- 7 Overseas Development Institute, "Holding cash transfers to account: beneficiary and community perspectives" (London, Overseas Development Institute, 2013).
- 8 Independent Evaluation Group, Evidence and Lessons Learned from Impact Evaluations on Social Safety Net (Washington, D.C., The International Bank for Reconstruction and Development/The World Bank, 2011).
- 9 Nicholas Mathers and Rachel Slater, "Social protection and growth, Research synthesis. Available at <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9099.pdf>.
- 10 Francesca Bastagli and others, "Cash transfers: What does the evidence say? A rigorous review of programme impact and of the role of design and implementation features" (London, Overseas Development Institute, 2016).
- 11 Nicholas Mathers and Rachel Slater, "Social protection and growth: Research synthesis", Available at <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9099.pdf>.
- 12 United Nations, Economic and Social Commission for Asia and the Pacific, *Time for Equality: The Role of Social Protection in Reducing Inequalities in Asia and the Pacific* (Bangkok, ESCAP, 2015).
- 13 Nina Torm, *To What Extent Is Social Protection Associated with Better Firm Level Performance?: A Case Study Of SMS in Indonesia* (Indonesia, ILO, 2019).
- 14 Sangheon Lee and Nina Torm, "Social security and firm performance: the case of Vietnamese SMEs", *International Labour Review*, vol. 156, No. 2 (June 2017), pp 185–212.

BOX 1.1 Macroeconomic impact of social protection systems

For more than a century, well-governed social protection systems have helped to spur economic growth.^a Social protection systems are also central in fostering economic transformation and increasing individual, household and national resilience against economic shocks. During economic downturns, social protection systems can work as an automatic stabilizer, stimulating demand and thereby helping to steady or even rekindle an economy.

A new study analysing multiplier effects of social protection in the Asia-Pacific region highlights its important role in stimulating the economy.^b It shows that new investments in social protection in Japan, Mongolia, the Republic of Korea and Thailand have positive impacts on gross domestic product (GDP). In all countries studied, one dollar spent on social protection leads to a positive return, instantaneously and over a longer period.

In Japan, one additional dollar spent on social protection generates an accumulated expansion of GDP by \$1.7 after ten fiscal quarters — or two and a half years. The Republic of Korea has the highest multiplier effect, with an accumulated increase of \$3 after 10 quarters. In Mongolia, the accumulated multiplier effect is \$1.5 after eight quarters. Thailand has the smallest multiplier effect of \$1.4 after eight quarters.

To further understand these impacts, an estimate is made on how social protection expenditure affects household consumption and private investment. For example, in the Republic of Korea, an increase of one dollar on social protection spending generates a \$2.3 increase in the household consumption after 12 quarters, while the impact on private investment is estimated at \$0.8 in eight quarters. Disaggregated by social protection expenditure, the analysis for the Republic of Korea shows that the highest multiplier effect on GDP comes from an increase in health expenditure of (an increase of \$2.1). Expenditures on old-age pensions also shows a significant impact of \$1.4, followed by unemployment benefits at \$0.9.

a Zheng Gongcheng and Wolfgang Scholz, "Global social security and economic development: Retrospect and prospect". ILO Asia-Pacific Working Paper Series, September 2019. Available at: https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-beijing/documents/publication/wcms_723404.pdf. USAID (2018).

b Laura Barbosa de Carvalho, Marina da Silva Sanches and Dante de Souza Cardoso, "Multiplier effects of social protection in Asia-Pacific".

coping strategies of households affected by climate change-related risks.¹⁵ It enhances the "absorptive" capacity of households to cope with climate change-related shocks and stressors and also boosts their "anticipatory" ability to plan and prepare for disasters or other contingencies.

Well-designed social protection schemes also promote more sustainable consumption and production behaviour, which reduces the exploitation of the Earth's resources. In the short term, access to cash transfers can be designed to help smallholder farmers adopt more productive and climate-resilient

agricultural practices, as "cash plus" programmes do, by including training components.¹⁶ Cash transfers can also promote more sustainable resource use.¹⁷ In the short or medium term, public employment programmes, for example, can be directed to the conservation of natural resources to help improve water resource management, water harvesting and reforestation.^{18, 19} In the longer term, social protection systems can promote livelihoods diversification and boost income security, so that farmers themselves adopt a more long-term outlook, which is necessary for sustainable natural resource management.

15 World Bank, *Building Resilience: Integrating Climate and Disaster Risk into Development. Lessons from World Bank Group Experience* (Washington D.C., The World Bank, 2013).

16 Janna Tenzing, "Integrating social protection and climate change adaptation: a review", *WIREs Climate Change*, vol. 11, No.2 (March/April 2020).

17 Frank Pega and others, "Climate change, cash transfers and health", *Bull World Health Organ*, vol. 93, No. 8 (August, 2015), pp. 559–565.

18 United Nations, Economic and Social Commission for Asia and the Pacific, *Time for Equality: The Role of Social Protection in Reducing Inequalities in Asia and the Pacific* (Bangkok, ESCAP, 2015).

19 Food and Agricultural Organization of the United Nations "Post-2015 and SDGs: nourishing people, nurturing the planet", FAO and the Post-2015 Development Agenda Issue Papers No. 14 (Rome, FAO, May 2015).

1.3 A mitigator against ongoing and emerging trends

The Asia-Pacific region is on a transformation trajectory that is set to continue over the next few decades. Technological progress is driving economic growth, but income inequality remains persistently high. A business as usual approach risks widening existing gaps in capabilities and opportunities between various population groups. Population ageing is changing family structures, while increased migratory flows and rapid urbanization are reshaping labour markets and creating different vulnerabilities. The regional and cross-boundary nature of disasters and climate change-related shocks underscore the need for regional and coordinated responses. Social protection will be key to adapting to these disruptions.

1.3.1 A bulwark against inequality

Levels of poverty and vulnerability remain unacceptably high throughout the region. Significant progress has been made in reducing poverty in recent decades, but the pace of reduction has slowed in recent years. An estimated 233 million people in Asia and the Pacific still live below the international extreme poverty line (less than \$1.90 a day). Approximately 1 billion live on incomes below \$3.20 a day (the poverty line for lower middle-income countries), and almost 2 billion, close to half of the region's population, live on less than \$5.50 per day (the international poverty line for upper middle-income countries).²⁰ More than two thirds of

the region's population continue to live on less than \$10 a day, a benchmark of significant vulnerability of falling back into poverty when faced by a crisis.^{21, 22}

Income inequality is on the rise. Despite strong and sustained economic growth, income inequality in Asia and the Pacific, measured by the region's weighted average of the Gini coefficient, increased by more than five percentage points over the past two decades. Persistent high-income inequality has implications for poverty reduction. According to ESCAP analysis of ten countries in the region, had income inequality not increased during the past decade, an additional 139 million people could have been lifted out of extreme poverty.²³

Inequality of opportunity lingers. Despite important increases in access to opportunities, large inequalities persist across the region, particularly in completion of secondary education, financial inclusion and access to basic household services, such as clean fuels and basic sanitation. The growing divide in many countries is a result of advantaged groups gaining access to opportunities at a more rapid rate than disadvantaged ones.²⁴ Sizeable groups of rural, less educated and poorer people are left behind. Progress towards gender equality across the region also remains mixed. While women and men share similar levels of opportunities in North and Central Asia and in some North-East and South-East Asian countries, women lag in access to, for example, education and financial inclusion opportunities in much of South and South-West Asia.²⁵

The COVID-19 pandemic risks reversing progress in poverty reduction by almost a decade and exacerbating inequalities. Contracting economies and declining household incomes will result in significant increases in poverty. ESCAP estimates

20 ESCAP poverty estimates at international poverty lines of \$1.9, \$3.2 and \$5.5 per person per day, are based on SDG Global database for the \$1.9 poverty line and World Bank World Development Indicators (WDI) for the \$3.20 and \$5.50 poverty lines. When not available, World Bank PovcalNet figures were used as estimates for the year 2018 (available at <http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx>). Note: Estimates for South and South-West Asia use 2015 poverty estimates of India from the same source.

21 ESCAP estimates based on: Orlando Roman, "An Emerging but vulnerable middle class: a description of trends in Asia and the Pacific, Social Development Working Papers 2019/204 (2019). Available at https://www.unescap.org/sites/default/files/SWDP_2019-04_Middle%20Class_rev.pdf.

22 The threshold of vulnerability for those living under \$10 a day to fall back into poverty is based on evidence that a considerable share of households above any given poverty line have movements in and out of poverty over time. Based on evidence presented by Luis Lopez-Calva and Eduardo Ortiz-Juarez, "A vulnerability approach to the definition of the middle class", *The Journal of Economic Inequality*, vol. 12, No. 1 (2011), pp. 23–47, the \$10 a day threshold has been used as the cut-off income level between households considered as vulnerable to falling back into poverty and households considered to enjoy economic security. See Nancy Birdsall, "The (indispensable) middle class in developing countries", in *Equity and Growth in a Globalizing World*. Ravi Kanbur and Michael Spence, eds. (Washington, D.C., World Bank, 2010); Homi Kharas, "The emerging middle class in developing countries". OECD Development Centre Working Papers, No. 285 (Paris, OECD Publishing, 2010); Nancy Birdsall, Nora Lustig and Christian Meyer, "The strugglers: the new poor in Latin America?", *World Development*, vol. 60 (2014), pp. 132–146; Dean Jolliffe and Peter Lanjouw, "A measured approach to ending poverty and boosting shared prosperity: concepts, data, and the twin goals", Policy Research Report (Washington: D.C.: International Bank for Reconstruction/The World Bank Group); Rakesh Kochhar, "A global middle class is more promise than reality: from 2001 to 2011, nearly 700 million step out of poverty, but most only barely". Pew Research Center/Global Attitudes and Trends, 13 August 2015. Available https://www.pewresearch.org/global/wp-content/uploads/sites/2/2015/08/Global-Middle-Class-Report_8-12-15-final.pdf; Raj Desai and Homi Kharas, "Is a growing middle class good for the poor? Social policy in a time of globalization", *Global Economy and Development Working Paper*, 105 (Washington, D.C., Brookings).

23 *Inequality in Asia and the Pacific in the Era of the 2030 Agenda for Sustainable Development* (United Nations publication, Sales No. E.18.II. F.13).

24 *Closing the Gap: Empowerment and Inclusion in Asia and the Pacific* (United Nations publication, Sales No. E.19.II.F.8).

25 *Inequality in Asia and the Pacific in the Era of the 2030 Agenda for Sustainable Development* (United Nations publication, Sales No. E.18.II. F.13).

indicate that an economic contraction of 5 per cent could increase the Asia-Pacific poverty headcount at the international poverty lines of \$3.20 and \$5.50 per day by approximately 93 and 90 million people, respectively.²⁶ In a more extreme scenario, an economic contraction of 20 per cent could increase the Asia-Pacific poverty headcount by around 414 million people at the \$3.20 per day line and by 381 million people at the \$5.50 per day line.²⁷ Initial studies in Bangladesh and Sri Lanka find that the COVID-19 pandemic has reduced average incomes across the whole income distribution.²⁸ Women are being disproportionately impacted by the crisis. Globally, it is estimated that by the end of 2021, there will be almost 20 per cent more women than men living in extreme poverty in the age group 25 to 34.²⁹ The pandemic is also likely to exacerbate existing economic inequalities. A recent study of the distributional impact of previous pandemics reveals that, despite government efforts to redistribute income from richer to poorer households, the Gini coefficient is likely to increase up to 1.5 per cent in the five years following the event.³⁰

Social protection has a proven role in addressing poverty and inequalities. In OECD countries, which tend to have more developed social protection systems, the combination of taxes and transfers reduces market income inequality by, on average, 25 per cent.³¹ Significant impacts on inequality are also evident in low- and middle-income countries, such as Brazil, Georgia and South Africa, all of which

have invested heavily in social protection.³² While direct investment in other social sectors is important, social protection systems can also play a significant role in reducing inequality of opportunity by supporting improved nutrition, education, health care and access to employment.

Social protection systems also foster women's labour force participation. This is particularly the case when schemes are coupled with provisions for childhood care, educational services and long-term care. As business owners, women usually have less access than men to digital technologies, financial services and assets, legal rights, business management skills and networking.³³ Social protection can enhance the livelihoods and skills of women, help them build their knowledge and give them greater access to social networks. Cash transfers have also helped mitigate against the risks of different forms of violence against women.^{34, 35} On the negative side, however, social protection schemes that target women only in their classical roles as mothers and caregivers can reinforce gender stereotypes.³⁶

1.3.2 A bridge to formal employment

Informal employment dominates work in Asia and the Pacific. Even though the region has the highest employment-to-population ratio globally,³⁷ more than two thirds of all workers, or 1.3 billion

26 ESCAP calculations based on methodology presented in the report by Andy Sumner, Chris Hoy and Eduardo Ortiz-Juarez, "Estimates of the impact of COVID-19 on global poverty", WIDER Working Paper 2020/43, April 2020. Available at <https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2020-43.pdf>. COVID-19 pandemic-related contractions are captured by increasing the value of the international poverty lines of \$1.9, \$3.2 and \$5.5. The poverty line z is adjusted upwardly as $z/(1-x)$, for the per capita income or consumption contraction of x per cent. ESCAP poverty estimates at international poverty lines of \$1.9, \$3.2 and \$5.5 per person per day, based on World Bank PovcalNet figures (available at <http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx>). Note: Estimates for South and South-West Asia exclude India. All ESCAP estimates were based on the latest World Bank PovcalNet figures after considering the March 2020 global poverty update available at: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/407961584980637951/march-2020-povcalnet-update-whats-new>.

27 Ibid.

28 Stephen Kidd, Dilola Athias and Anh Tran, "Addressing the COVID-19 economic crisis in Asia through social protection: (UNDP, May 2020). Available at <https://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/addressing-covid-19-economic-crisis-in-asia-through-social-protection.html>.

29 United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), "From insights to Action: Gender Equality in the Wake of COVID-19" (2020).

30 IMF BLOG, "How pandemics leave the poor even farther behind", 11 May 2020. Available at <https://blogs.imf.org/2020/05/11/how-pandemics-leave-the-poor-even-farther-behind/>.

31 Orsetta Causa and Mikkei Hermansen, "Income redistribution through taxes and transfers across OECD countries", OECD Economics Department Working Papers, No. 1453 (Paris, OECD, 2018).

32 Charles Knox-Vydanov, "Why 'the poor' don't exist (and what this means for social protection policy)", *Pathways' Perspectives*, No. 15 (March 2014).

33 Naoyuki Yoshino and Farhad Taghizadeh-Hesary, "The role of SMEs in Asia and their difficulties in accessing finance", ADBI Working Paper 911 (Tokyo, Asian Development Bank Institute, 2018).

34 Karishma Huda and Sandeep Kaur, "It was as if we were drowning": shocks, stresses and safety nets in India", *Gender and Development*, vol. 19, No. 2 (July, 2011), pp. 213–227.

35 Shalini Roy and others, "Can transfers and behavior change communication reduce intimate partner violence four years post-program? Experimental evidence from Bangladesh", IFPRI Discussion Paper 01869 (Washington, D.C., International Food Policy Research Institute, 2019).

36 Conditional cash transfer programmes can reinforce gender roles by targeting women in their capacity as mothers only, for example setting conditions for mothers to take children to health check-ups or to school. Without other measures to support and share women's care responsibilities, these can increase the care burden on women and take time away from other paid and unpaid work. Nicola Jones and Rebecca Holmes, "Why is social protection gender-blind? The politics of gender and social protection", *IDS Bulletin*, vol. 42, No.6 (November 2011), pp. 45–52.

37 International Labour Organization, "Employment in Asia-Pacific continues to grow but often remains of poor quality", 22 January 2018. Available at https://www.ilo.org/asia/media-centre/news/WCMS_615872/lang-en/index.htm.

people, engage in informal employment.³⁸ Informal employment refers to work that is — in law or in practice — not covered or insufficiently covered by formal arrangements. Typically, the jobs are associated with serious decent work deficits (box 1.2). Informal workers often perform low-paid and unskilled jobs and, by definition, are not contributing to social protection schemes. They are often self-employed or working in microenterprises, which together account for more than 80 per cent all employment in the region.^{39,40} While important national and subregional differences exist, informal employment prevails in both agricultural and non-agricultural sectors in the region, such as construction, wholesale and retail trade, accommodation and restaurants.⁴¹ Women in the informal economy are often engaged in more vulnerable jobs, as domestic workers, home-based workers or contributing family workers.⁴²

Levels of informal employment show no sign of abating. Unless concerted policy efforts are made to promote formalization, informal jobs risk prevailing in labour markets in the region for the coming decade. With projected declines in the region's largest manufacturing industry, textiles and apparel, job losses are also anticipated for informal workers. Without any income protection, these workers will be more vulnerable to falling into poverty.⁴³

The emergence of new forms of work is also contributing to informality. Digitization has enabled the expansion of the “gig economy”, mediated through online platforms, such as online taxi companies or crowd-work platforms.^{44, 45} The Asia-Pacific region accounts for a large share of the global online workers, many of whom are from Bangladesh, India, Pakistan and the Philippines.⁴⁶ The conditions for workers in these new and quickly growing jobs are difficult to monitor. In cases in which no mechanisms are in place to formalize the sector, their work conditions tend to mimic the situation of informal sector workers.⁴⁷

BOX 1.2 The informal economy in Asia and the Pacific

The informal economy is defined as “...all economic activities by workers and economic units that are —in law or in practice — not covered or insufficiently covered by formal arrangements.” (17th International Conference of Labour Statisticians).

The informal sector consists of unincorporated enterprises operating at a small scale and low level of organization.^a Some characteristics of informal sector enterprises are not having a complete set of accounts, not being registered under national legislation and not paying social security contributions or taxes on wages. Among the workers in the informal sector are own-account workers, and employers, employees and contributing family workers in those informal economic units. An estimated 59 per cent of all workers in Asia and the Pacific are engaged in the informal sector.

Informal employment includes all workers in the informal sector, workers in the formal sector who are not covered by contributory social protection schemes, as well as contributing family workers. In total, an additional 10 per cent of the labour force outside the informal sector is informally employed in Asia and the Pacific, bringing total informal employment to 68 per cent.

Adapted from: International Labour Organization, *Women and Men in the Informal Economy: A Statistical Picture*, 3rd ed. (Geneva, ILO, 2018) and Quynh Anh Nguyen and Nuno Meira Simoes da Cunha, *Extension of Social Security to Workers in Informal Employment in the ASEAN Region* (Geneva, ILO, 2019).

a Unincorporated enterprises are those not constituted as separate legal entities independently of their owners.

38 International Labour Organization, *Women and Men in the Informal Economy: A Statistical Picture*, 3rd ed. (Geneva, ILO, 2018). Available at https://www.ilo.org/global/publications/books/WCMS_626831/lang--en/index.htm.

39 Microenterprises have two to nine employees while small enterprises have between 10 and 49 employees and medium-sized and large enterprises have at least 50 employees. International Labour Organization, “Small businesses and self-employed provide most jobs worldwide”, 11 October 2019. Available at https://www.ilo.org/asia/media-centre/news/WCMS_723553/lang--en/index.htm.

40 International Labour Organization, *Small Matters: Global Evidence on the Contribution to Employment by The Self-employed, Micro-enterprises and SMEs* (Geneva, ILO, 2019).

41 International Labour Organization, *World Employment and Social Outlook: Trends 2018* (Geneva, ILO, 2018).

42 Ibid.

43 International Labour Organization, *World Employment and Social Outlook Trends 2020* (Geneva, ILO, 2020).

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

45 Christina Behrendt, Quynh Anh Nguyen and Uma Rani, “Social protection systems and the future of work: ensuring social security for digital platform workers”, *International Security Review*, vol. 72, No.3 (July, September 2019), pp. 7–41.

46 International Labour Organization, *World Employment and Social Outlook: Trends 2018* (Geneva, ILO, 2018).

47 Ibid.

Automation will reshape labour markets and jobs in demand. Labour-saving and higher value production technology, also known as automation, may have a significant impact on Asia-Pacific economies. One in five regional jobs are expected to be affected by automation, while one in eight are likely to be replaced.⁴⁸ In South-East Asia, automation could affect the job security of salaried workers in automotive and auto parts, electrical and electronics, textiles, clothing and footwear, business process outsourcing and retail.⁴⁹ While automation also leads to job creation and enhances the capacity and productivity of existing ones, without access to social protection, such as unemployment benefits, many workers will remain vulnerable in the short and medium term.

Social protection can be a key lever for supporting formalization and navigating shifts in the labour market. Careful design of social protection schemes can contribute to the expansion of formal employment and support workers and businesses in adapting to the changing shape of labour markets, as some jobs are replaced by others. As stated by the Centenary Declaration for the Future of Work, adopted by the International Labour Conference in 2019, developing social protection systems that are adapted to the developments in the world of work is an essential element in promoting a human-centred approach to the future of work.⁵⁰

1.3.3 A shelter for the most vulnerable amidst demographic change

The Asia-Pacific region is ageing at a more rapid pace than all other regions of the world. Population ageing took place gradually over many decades in many advanced economies. In this region, the demographic shift will happen within two to three decades.⁵¹ The percentage of older persons over the age of 60 in the region is projected to increase from

14 per cent in 2020 to 25 per cent in 2050. The largest percentage point increase is expected to occur in East and North-East Asia, from 19 per cent in 2020 to 35 per cent in 2050.⁵² Projections also indicate that women will make up over half of older persons in the region, and almost two thirds of those aged 80 and over. Based on these projections, the regional old-age dependency ratio (the number of people aged 65 and over, per 100 persons aged 20 to 64) is projected to rise from 15.4 in 2020 to 32 in 2050.⁵³

Social protection provides older persons with income security and care. Income security in old age is critical to ensure the dignity and active participation of older persons in society. Demand for long-term care is also increasing as people are living longer. Social protection can help share the increasing financial burden of care and income security across more population groups. Decent work opportunities will help foster the intergenerational solidarity needed for older persons to live in dignity.⁵⁴

Asia and the Pacific is also host to some of the world's largest migration corridors. It is estimated that 65 million international migrants, defined as the foreign-born population, lived in the Asia-Pacific region in 2019, while almost 106 million people from the region lived outside their country of birth.^{55, 56} Migration is likely to increase in terms of numbers, complexity and impact, driven by the search for better income, job and educational opportunities, but also shelter from conflict, climate change or disasters.

Extending social protection schemes to migrant workers is a major challenge. Temporary, circular and irregular patterns of migration expose migrants to vulnerabilities. Social protection and labour market regulations are often not enforced for migrants, who end up being excluded from social protection in both receiving countries and countries of origin. Lack of access to health care, maternity

48 MIT Technology Review, "Asia's AI Agenda: Human Capital and AI", 10 May 2019. Available at <https://www.technologyreview.com/2019/05/10/135421/asias-ai-agenda-ai-and-human-capital/>.

49 Jae-Hee Chang, Gary Rynhart and Phu Huynh, "ASEAN in transformation – How technology is changing jobs and enterprises", Bureau for Employers' Activities, Working Paper No. 10 (Geneva, ILO, July 2016).

50 International Labour Organization, Centenary Declaration for the Future of Work. Available at https://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_711674.pdf.

51 In France the share of older person as a per cent of the total population increased from 7 to 14 per cent over a 115 year period; in Asia-Pacific countries, the increase in the share of older persons will occur much faster, ranging from 18 years in the Republic of Korea to 33 years in Azerbaijan. *Addressing the Challenges of Population Ageing in Asia and the Pacific: Implementation of the Madrid International Plan of Action on Ageing* (United Nations publication, Sales No. E.17.II.F.17).

52 United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects 2019 - Special Aggregates, Online Edition, Rev. 1*. (2019). Available at <https://population.un.org/wpp/>.

53 World Population Ageing 2019, (United Nations publication, Sales No. E.20XIII.6).

54 Independent Evaluation Group, Evidence and Lessons Learned from Impact Evaluations on Social Safety Net (Washington, D.C., The International Bank for Reconstruction and Development/The World Bank, 2011).

55 ESCAP 2019 Population Data Sheet (<https://www.unescap.org/resources/2019-escap-population-data-sheet>).

56 International Organization for Migration, Regional Office for Asia and the Pacific (<https://www.iom.int/asia-and-pacific>).

protection and other benefits, as well as lack of portability of, for example, old-age pension benefits and accrued rights, also pose significant risks for migrant workers. The dire consequences of exclusion from health services have also heightened during the COVID-19 pandemic.⁵⁷

Rapid urbanization is a challenging trend throughout the region. Cities in Asia and the Pacific are expected to grow by an additional 1.2 billion people, to reach a total of 3.5 billion urban residents by 2050.⁵⁸ This rapid expansion of urbanization in the region, often unplanned and haphazard, is creating large pockets of urban poverty. It is also increasing population density in cities and exacerbating risks of exposure to health and environmental disasters.^{59, 60} Currently, close to one third of all urban residents in the region live in slums or slum-like conditions, with no access to improved water, basic sanitation and quality housing.⁶¹

At the same time, the urban poor are more excluded from community-based networks and support mechanisms than the rural poor.⁶² The risks associated with urbanization have become even more evident during the COVID-19 pandemic. Living in crowded flats or urban slums, where disease is likely to spread more rapidly, the urban poor are more exposed to the virus.⁶³ Many also work in dense markets, streets or crowded factories, where hygiene is often compromised.

In sum, these demographic trends require a shift towards comprehensive social protection systems. A common feature of population ageing, migration and urbanization is that they stretch the ability of informal support mechanisms, such as family, community and charity, to provide adequate protection (box 1.3). These same dynamics led industrialized countries to significantly expand social protection systems in the late nineteenth and

BOX 1.3 The role of informal support mechanisms

Throughout history, private or community initiatives have played an important role in providing protection from risks and crises. Family, close kin or social relations are often called upon to chip in cash or in-kind support in times of need. In other cases, kinship or community-based associations help to support costs accompanying life-cycle events, such as weddings and funerals. Religious customs or institutions also take on this role. Systems such as Zakat, have long been used to provide financial and in-kind support to poor and marginalized populations in Muslim-majority countries.

Whereas these mechanisms fulfil a critical role in society, they do not function as a replacement for formal social protection. Based on individual or community-based arrangements, social relations and cultural values, these informal forms of support can exclude others who, for example, do not fit the membership criteria of their network. Support offered through systems, such as patronage-based networks, may result in increased debt, further entrenching households in vulnerability. When the impact of covariate shock reverberates throughout communities, there is limited capacity and resources for these networks to provide the level of support required. In the light of trends, such as urbanization, migration, reduced family sizes and population ageing, these informal arrangements are also becoming increasingly insufficient.

In terms of the delivery of support measures, private companies are sometimes used. In some instances, they offer innovative technological solutions of administrative systems, such as through integrated management information systems or electronic cash transfers. When these companies are used, it is important to ensure that they adhere to principles of access, inclusion, good governance and transparency.

57 Migration Data Portal, "Migration data relevant for the COVID-19 pandemic", updated on 26 June 2020. Available at <https://migrationdataportal.org/themes/migration-data-relevant-covid-19-pandemic>.

58 The Future of Asian And Pacific Cities (United Nations publication Sales No. E.20.II.F.1).

59 United Nations, Department of Economic and Social Affairs, "The world's cities in 2018 – data booklet (2018). Available at https://www.un.org/en/events/citiesday/assets/pdf/the_worlds_cities_in_2018_data_booklet.pdf. Safety Net and Urban Poor, 2015.

60 Ugo Gentilini, "Entering the city: emerging evidence and practices with safety nets in urban areas", Policy Research Working Paper Series 98253 (Washington, D.C., The World Bank).

61 The Future of Asian And Pacific Cities (United Nations publication Sales No. E.20.II.F.1).

62 Ugo Gentilini, "Entering the city: emerging evidence and practices with safety nets in urban areas", Policy Research Working Paper Series 98253 (Washington, D.C., The World Bank, 2015).

63 Vidya Diwakar, "From pandemics to poverty: the implications of coronavirus for the furthest behind". Overseas Development Institute blog, 10 March 2020. Available at <https://www.odi.org/blogs/16754-pandemics-poverty-implications-coronavirus-furthest-behind>.

twentieth centuries. The transformation currently taking place in low- and middle-income countries requires a similar shift.

1.3.4 A shield against shocks and crises

Asia and the Pacific is a disaster-prone region. In 2018, almost half of the 281 global natural disasters occurred in the region, including eight of the ten deadliest ones.⁶⁴ This high incidence of disasters can largely be attributed to extreme weather events. The anticipated increase in frequency and intensity of disasters, exacerbated by climate change, may trigger more migration for households and individuals as a way to adapt to climate change or in response to natural disasters. Most of this migration will be internal.

Unless mitigated through increased access to social protection and other relief measures, disasters related to climate change will be a barrier to the achievement of the poverty targets of the Sustainable Development Goals.^{65,66} In 2017, the World Bank estimated that 26 million people were falling into poverty annually because of natural disasters, such as floods, drought and intense heatwaves.⁶⁷ Vulnerable populations are often concentrated in hazardous geographic locations. Lower income households lose a larger share of assets and income after floods and storms, often because they hold material assets as opposed to financial savings, and live in lower-quality, more exposed housing.⁶⁸

Asia and the Pacific is no stranger to pandemics.

However, the COVID-19 crisis is testing the limits of health-care systems in countries throughout the region. Lessons learned from the 2003 SARS crisis have already ensured better responses by some countries. Government capacities to detect, contain, treat and prevent the disease, and keep the public informed reflect the condition of the health system and its preparedness to control pandemics. Universal health systems can ensure that these initiatives are directed to all segments of the population.

Economic crises have also become a regular occurrence in the region.

The economic crisis created by the COVID-19 pandemic is the third in two decades, following the Asian financial crisis (1997–1998) and the global financial crisis (2007–2009). With each crisis, social protection gains recognition as an effective tool to protect people from financial hardship and stabilize aggregate demand.⁶⁹

While the pace of change in the region is unprecedented, there are many headwinds: inequality; informality; technological change; demographic shifts; and crises of various natures. Social protection will be the hinge on whether these trends will exacerbate vulnerabilities, or be addressed by building more cohesive, resilient and sustainable societies. One decade remains to take action to realize the 2030 Agenda. To succeed, governments should use this window to set in place the necessary structural frameworks, policies and schemes to smoothen the transition.

64 *The Disaster Riskscape Across Asia-Pacific, Pathways for Resilience, Inclusion, and Empowerment: Asia-Pacific Disaster Report 2019* (United Nations publication, Sales No. E.19.II.F.12).

65 Stephane Hallegatte, Marianne Fay and Edward B. Barbier, "Poverty and climate change: introduction", *Environment and Development Economics*, vol. 23, Special Issue 3 (June 2018), pp. 217–233.

66 *The Disaster Riskscape Across Asia-Pacific, Pathways for Resilience, Inclusion, and Empowerment: Asia-Pacific Disaster Report 2019* (United Nations publication, Sales No. E.19.II.F.12).

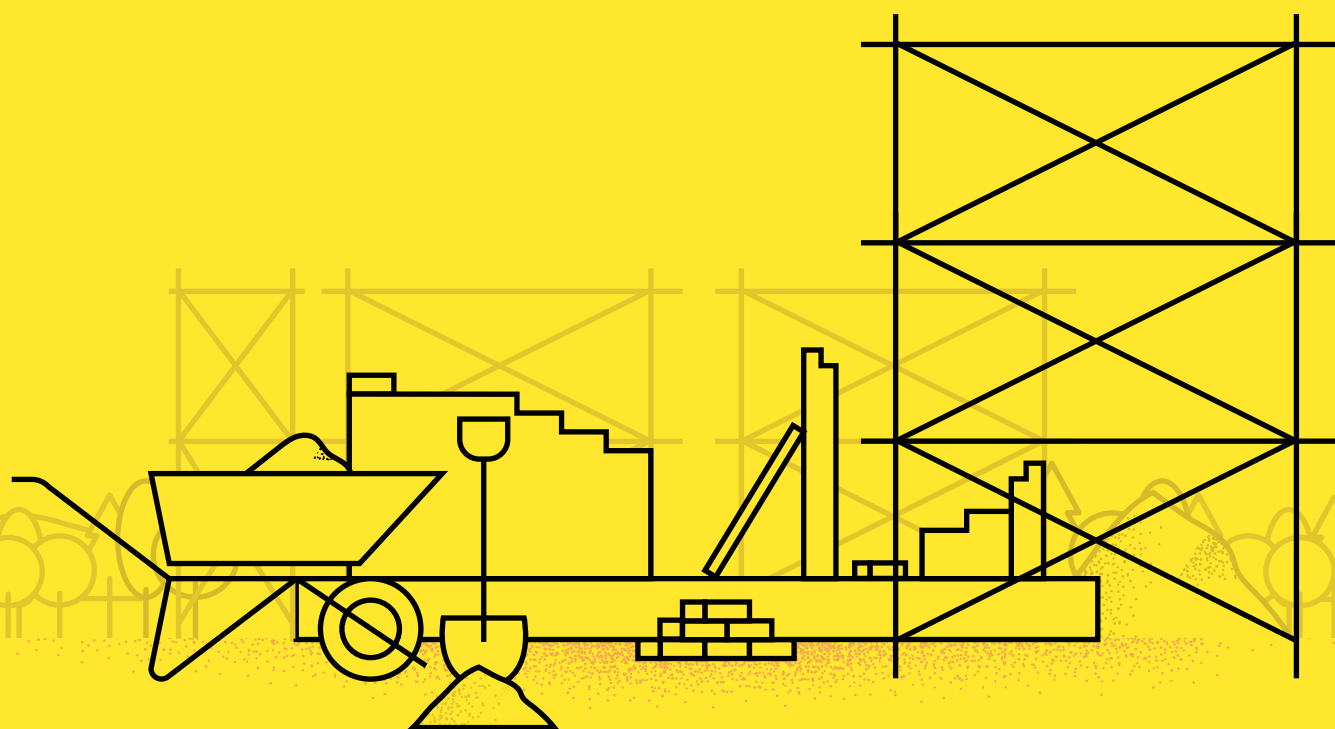
67 Stephane Hallegatte and others, *Unbreakable: Building the Resilience of the Poor in the Face of Natural Disasters* (Washington, D.C., World Bank, 2017).

68 A study of demographic and health surveys from 14 countries indicates that wealthier individuals are better able to protect their assets and well-being because they can avoid living in areas likely to be hit by disasters. Being in the poorer income brackets increases the likelihood of being more, or repeatedly, exposed to disasters and losing wealth and assets. ESCAP. *The Disaster Riskscape Across Asia-Pacific, Pathways for Resilience, Inclusion, and Empowerment: Asia-Pacific Disaster Report 2019* (United Nations publication, Sales No. E.19.II.F.12).

69 International Labour Organization, *Extending Social Security to All: A guide through Challenges and options* (Geneva, ILO, 2010).

Chapter 2

Social protection in Asia and the Pacific: work in progress



Despite recent progress, there are significant gaps in social protection systems in Asia and the Pacific. In the past decade, some noticeable efforts were directed towards expanding social protection across the region. Still, only a handful of countries in the region have relatively comprehensive systems with broad coverage. Consequently, the majority of people have no or very limited access to social protection when they need it. As a response to the COVID-19 pandemic, countries are mobilizing significant short-term relief measures, many of which have the potential to contribute to strengthening social protection systems in the long term. There is now enough evidence that countries can significantly expand the reach of social protection in a short period of time.

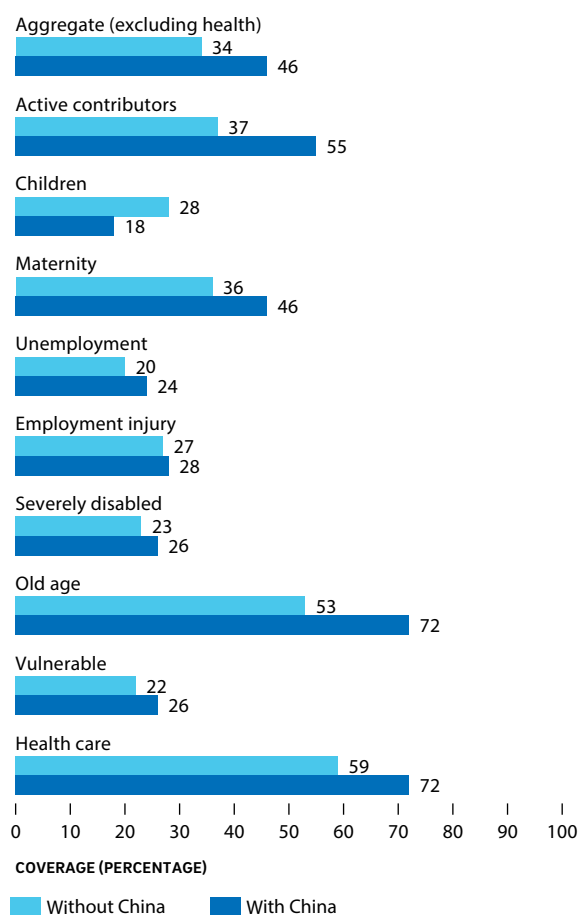
2.1 Half the region remains unprotected

Less than half of the population in the region is protected by at least one social protection scheme.⁷⁰ Excluding China, the figure falls to one third (figure 2.1). There is, however, a significant variation, depending on the social protection contingency. Old age is the only contingency in which the majority of the population is covered. Coverage of children, unemployment, employment injury and severe disability are below one-third, with slightly higher coverage of maternity benefits. Similarly, only about one-in-five vulnerable persons - defined as those neither contributing to, nor benefiting from, contributory schemes - are receiving some form of a non-contributory benefit. Box 2.1 gives a description of the core menu of schemes that make up a social protection system.

Despite the paramount importance of health care, more than one quarter of the population is left uncovered. Only seven out of ten people in the region have access to some form of health-care protection, either contributory health insurance or non-contributory schemes that provide services for free or at low cost. As discussed in chapter 6, even those affiliated to such schemes may still incur barriers to access and high out-of-pocket expenditures.

FIGURE 2.1 Less than half of the population in the region is protected by social protection

Indicators of effective social protection coverage as per Sustainable Development Goal target 1.3 and health care (population weighted), Asia and the Pacific, latest available year



Source: International Labour Organization, World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10>.

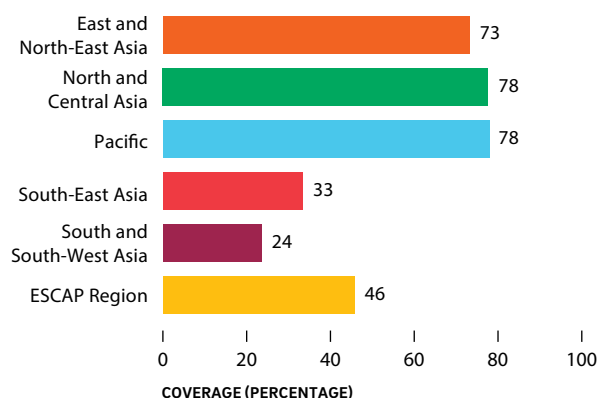
Note: The aggregate indicator measures the proportion of the population protected in at least one area of social protection, excluding health, which is a core indicator of progress for Sustainable Development Goal target 1.3.

Social protection coverage is generally higher in North and Central Asia and East and North-East Asia than in other subregions of the Asia-Pacific region (figure 2.2). In addition to having more developed social protection systems, countries in these subregions also tend to have schemes for most contingencies, often based on a mix of contributory and non-contributory schemes.

⁷⁰ The aggregate indicator in figure 2.1 refers to "Proportion of the population protected in at least one area: proportion of the total population receiving cash benefits under at least one of the contingencies (contributory or non-contributory benefits) or actively contributing to at least one social security scheme". See annex 1 for the full definition of this and sub-indicators.

FIGURE 2.2 Coverage is the lowest in South Asia and South-East Asia

Percentage of population protected in at least one area of social protection (excluding health), by subregion, latest available year



Source: International Labour Organization, World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10>.

Overall, South and South-West Asia and South-East Asia have a significantly lower level of coverage. However, there is a large variation among countries. The Islamic Republic of Iran, the Philippines, Thailand, Turkey and Viet Nam all have relatively comprehensive contributory social protection systems. Cambodia, the Lao People's Democratic Republic and Timor-Leste have more recently established contributory social protection schemes. On the other hand, Bangladesh, Nepal and Sri Lanka in South Asia, and Malaysia and Singapore in South-East Asia, have historically focused on employer liability and mandatory savings through, for example, provident funds. Coverage in the Pacific tends to be very low. The relatively high average levels are driven by higher coverage in the two most populous countries, Australia and New Zealand.

In many countries no schemes exist for numerous social protection contingencies. In several countries, the provision in place is the responsibility of an employer ("employer liability"). This is particularly common for maternity, sickness, unemployment and employment injury benefits. These arrangements can create perverse incentives for employers. For example, employer-liability arrangements for maternity benefits can lead to discrimination against women of reproductive age (see chapter 4).

2.2 Reasons for low coverage

Low coverage is strongly related to underinvestment in social protection. Achieving universal social protection has yet to become a priority for policymakers throughout the region. Accordingly, public expenditure on these schemes is relatively lower than in most other regions, but with significant variation across countries (figure 2.3).

On average, public spending on social protection in the region (excluding health) is 7 per cent of GDP, which is lower than the global average of 11 per cent, less than half the level in Europe (17.7 per cent), and also lower than in Latin America (9.7 per cent). The comparison with Latin America is notable as — much like Asia and the Pacific — the region is comprised of many emerging economies. There are, however, notable examples of progress in recent decades. One is China, which increased expenditure levels from 3.2 per cent of GDP in 1995 to 7.2 per cent in 2017.⁷¹

Many countries in the region continue to spend less than two per cent of GDP on social protection. Such low levels of expenditure are more common in countries in the Pacific, South-East Asia and South and South-West Asia. Low expenditure on social protection sometimes correlates with low levels of general government revenue. For example, Indonesia has recorded significant economic growth in recent decades, but the country's tax revenue remains low, at only 11.5 per cent of GDP. This level is far below the regional average and it inherently limits the scale of tax-financed schemes.⁷² Increasing government revenue can therefore be instrumental to creating the fiscal space required to expand coverage.

Social protection is a low priority in national budgets. With sufficient political will, increasing investments in social protection can often be achieved within existing government resources. In many countries, the lion's share of the already low expenditure is directed to public service pensions, reaching only a small share of the population. For example, almost all social protection expenditure in Myanmar is allocated to pensions for public servants.⁷³ The outlay on pensions schemes for government servants in central and state governments in India, including civil pensions

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

72 Organisation for Economic Co-operation and Development, *Revenue Statistics in Asian and Pacific Economies 1990-2017* (Paris, OECD, 2019).

73 Douglas Addison and others, *Myanmar Public Expenditure Review 2015: Realigning the Union Budget to Myanmar's Development Priorities* (Washington, D.C., World Bank Group, 2015).

BOX 2.1 Key types of social protection schemes

Social protection schemes can provide benefits either **in cash**, such as old-age pensions, child and unemployment benefits or **in-kind**, such as health care, food subsidies and school feeding programmes. An important distinction among social protection schemes is whether they are contributory or non-contributory.

Contributory schemes provide benefits to individuals who have made regular financial contributions to a scheme. Cash benefits from contributory schemes tend to be based on previous earnings or contribution levels, but they often include minimum guaranteed benefits.

Social insurance schemes are the most common form of a contributory scheme. Under these schemes, risk is pooled among contributors and their dependents based on the principle of solidarity. In contrast, schemes, such as provident funds, have no or limited pooling of risks. Contributory schemes are usually funded by contributions shared between the employer and the employee, although sources of finance can also include self-employed workers, and subsidies from the State.

Non-contributory schemes (sometimes referred to as “social assistance” or “safety nets”) are provided to individuals and households regardless of any previous financial contributions. They are usually financed from the general government budget. These benefits tend to be lower than those from a contributory scheme and are usually flat-rate benefits.¹ The criteria for receiving a benefit often include being a citizen or resident (universal schemes for all residents), belonging to a specific population group (categorical scheme), or experiencing a specific resource condition, such as being poor (social assistance).

Universal social protection systems refer to the integrated set of policies designed to ensure income security and support throughout the life cycle. Universal protection can be achieved through different combinations of contributory and non-contributory schemes, depending on national circumstances, including both cash and in-kind benefits. The term universal schemes refers to specific schemes that provide coverage to all residents. Categorical schemes may also be grouped as universal if they cover all residents belonging to a certain category, such as a universal old-age pension provided to all persons over a given age.²

Universal social protection does not only mean all people should be covered against the various social and economic risks they may face, but also that support is adequate. Adequacy of benefits is defined as a minimum level of protection needed to live a life in dignity according to national circumstances. It can be measured in absolute terms or relatively to selected benchmark values, such as previous incomes, average incomes, the poverty line and GDP per capita.

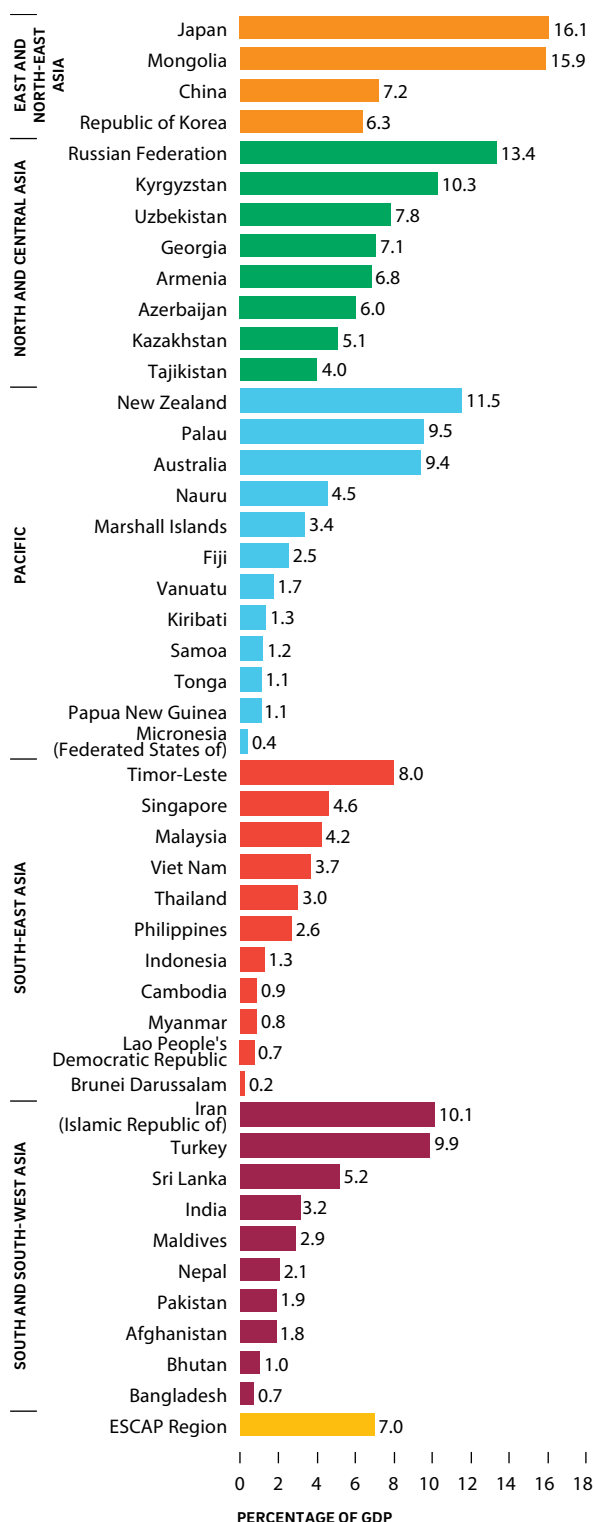
The social protection floor is a related concept, established under ILO Recommendation 202, which recommends the establishment of basic social protection guarantees that ensure at a minimum that, over the life cycle, all people in need have access to essential health care and basic income security.

1 This means that the same benefits are paid to all recipients regardless of previous earnings. In some cases, benefit levels may be adjusted according to other criteria including age, levels of disability, household composition and other indicators of vulnerability.

2 International Labour Organization, *World Social Security Report 2010/11: Providing Coverage in Times of Crisis and Beyond* (Geneva, ILO, 2011).

FIGURE 2.3 Levels of social protection expenditure are too low to be effective

Public expenditures on social protection excluding health (per cent of GDP), by country, latest available year



Source: International Labour Organization, World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10>.

Note: ENEA, East and North-East Asia; NCA, North-Central Asia; SEA, South-East Asia; SSWA, South and South-West Asia.

and defense pensions, exceeds the salary bill of the government.⁷⁴ Reorienting and refocusing present expenditure and expanding the share of expenditure on social protection is required to reach more workers and their families.

Social protection also remains a marginal area of public policy in most countries. Despite positive initiatives to expand social protection in recent years, when seen within the bigger picture of public policy, they often remain residual. Non-contributory schemes, which have increased notably in coverage, remain largely focused on the reduction of abject poverty. Meanwhile, contributory schemes tend to only be available for workers in the formal sector. As a result, social protection cannot fully realize its potential of supporting a more inclusive, resilient and sustainable socioeconomic development.

Administrative hurdles further contribute to gaps in social protection systems. Even in countries with a relatively comprehensive package of schemes in place, effectiveness is often hampered by administrative weaknesses. Success of a given scheme depends on a range of processes, including identification, registration, contribution collection, delivery of benefits, service quality, and functioning grievance and redress mechanisms. Success may also be affected by weaknesses in other systems, such as civil registration and financial services. Civil registration systems support social protection administrations to correctly include people and families in their systems. Yet, across the region, 135 million children under the age of five are not registered.⁷⁵ Access to bank accounts can also support delivery of social protection benefits, however, large unbanked populations are present throughout the region. Poorer households, with lower levels of education, women and minority populations are less likely to have a bank account.⁷⁶

Technology is providing new ways to reach people in remote areas. Common approaches are building digital registries, linking civil registration systems to social protection administration and the use of digital payments (further discussed in chapter 8). Nevertheless,

74 India, "Medium-term Expenditure Framework Statement laid before Parliament as required under the Fiscal Responsibility and Budget Management Act, 2003" (August 2008). Available at: <https://dea.gov.in/sites/default/files/MTEF%20Statement%20%28english%29%202018.pdf>.

75 ESCAP (2018). Civil Registration and Vital Statistics Decade in Asia and the Pacific. The situation at the beginning of the CRVS Decade. Available at: <https://www.unescap.org/sites/default/files/Baseline%2520Booklet%2520CRVS%2520%2528web%2529.pdf>

76 ESCAP (2019). Inequality of Opportunity in Asia and the Pacific: Financial Inclusion. *Social Development Division Policy Papers #2020-02*.

care is needed in implementing these approaches as they can create their own challenges — not least in terms of privacy and new forms of exclusion.

Effective governance both at scheme and system levels is critical. Systems across the region commonly suffer from a high degree of fragmentation in which multiple schemes exist with incoherent mandates and contradictory approaches. This fragmentation can significantly limit the impact of a given social protection scheme, while providing a confusing landscape for people to navigate. Building more coherent and integrated social protection systems is key to their effectiveness and to extending coverage.

2.3 How low coverage is manifested

2.3.1 Limited access to contributory benefits

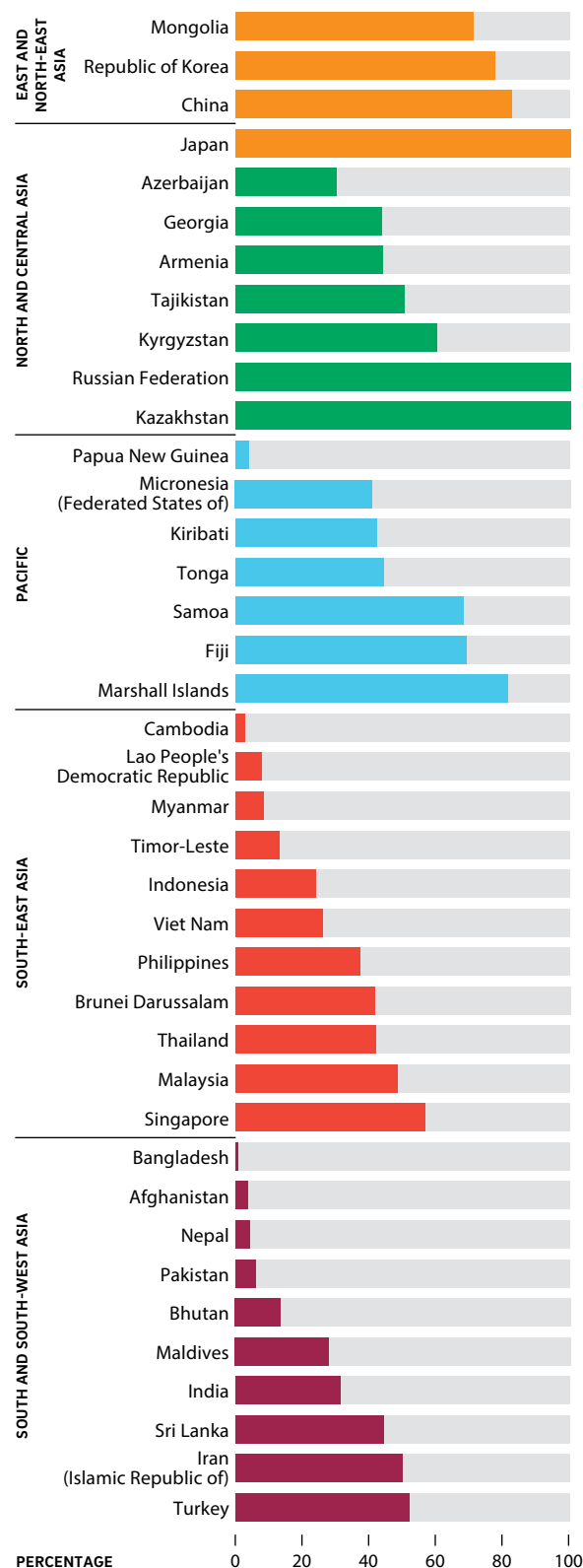
In most countries in the region, only a minority of workers are contributing to a social protection scheme. Coverage is highest across East and North-East Asia, while in other subregions, there is significant variation (figure 2.4). Coverage is low in most countries in South-East Asia and South and South-West Asia, with only the Islamic Republic of Iran, Singapore and Turkey extending coverage to more than half of the labour force.

Low contributory coverage is strongly associated with the scale of informal employment. Many workers and employers are outside the legal framework of contributory schemes. These workers often depend on relatively low and irregular incomes. Box 2.2 gives a summary of the key barriers to contributory social protection schemes in the region.

Coverage of contributory schemes tends to be the lowest for vulnerable workers and those in small and medium-sized enterprises. Vulnerable employment refers to own-account workers and contributing family workers. These workers comprise a significant share of total and informal employment in many countries in the region. Typically, only a small minority of vulnerable workers contribute to social protection schemes. In the region, approximately 930 million workers — almost half of all workers — were engaged in vulnerable employment in 2017.⁷⁷

FIGURE 2.4 Only a minority of workers are contributing to social protection

Percentage of the labour force actively contributing to a social protection scheme, by country, latest year



Source: International Labour Organization, World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10>.

⁷⁷ International Labour Organization, *Asia-Pacific Employment and Social Employment Outlook* (Geneva, ILO, 2018).

BOX 2.2 Barriers to contributory social protection schemes for informal workers

Legal barriers: Legislation can explicitly exclude certain groups of workers from contributory social protection schemes. Commonly excluded categories are domestic workers, migrant workers, own-account workers and workers in the agricultural sector as well as casual and temporary workers. Enterprises below a certain size, and workers with short contracts or below a certain salary threshold are also sometimes excluded. These restrictions particularly affect working women, of which two thirds are in the informal sector.

Weak law enforcement: Even when legislation is inclusive, it is often weakly enforced, which can result in poor compliance among employers and workers.

Contributory capacity: While there is significant diversity among informal workers, they tend to have lower and less predictable incomes, which create barriers to regularly contributing to social protection schemes.

Lack of incentives: Workers and employers may not recognize the value of registering for contributory social protection schemes, or more generally to formalization. The problem may lie in the scheme (and benefit) design or be the result of poor information and communication about the benefits. For voluntary schemes, lack of incentives is a greater issue.

Administration and implementation: Existing schemes may not be accessible or adequately adapted to the working patterns and location of workers and employers. Administrative procedures can be lengthy and burdensome, which limits registration and compliance, but also undermines public trust in the system.

Knowledge, awareness and representation: A common challenge is the lack of knowledge and awareness among informal workers and policymakers of the importance of social protection, which hinders initiatives to extend coverage. This is compounded by the low levels of representation and organization among informal workers.

Source: Adapted from Quynh Nguyen and Nuno Meira Simoes da Cunha, *Extension of Social Security to Workers in Informal Employment in the ASEAN Region* (Geneva, ILO, 2019).

In Viet Nam, only 0.1 per cent of own-account workers and 0.3 per cent of contributing family workers were contributing to a social protection scheme. There is also a strong association between the size of an enterprise and contribution to a social protection scheme. In larger enterprises (with 50 workers or more) nine out of ten workers are covered by a contributory scheme, compared to less than one in one hundred of those working in enterprises with fewer than five workers.⁷⁸

Contributors to a social insurance scheme tend to have relatively higher incomes. In Indonesia, Sri Lanka and Viet Nam, more than eight in ten employees in the highest quintile contribute to a social protection scheme, compared to less than

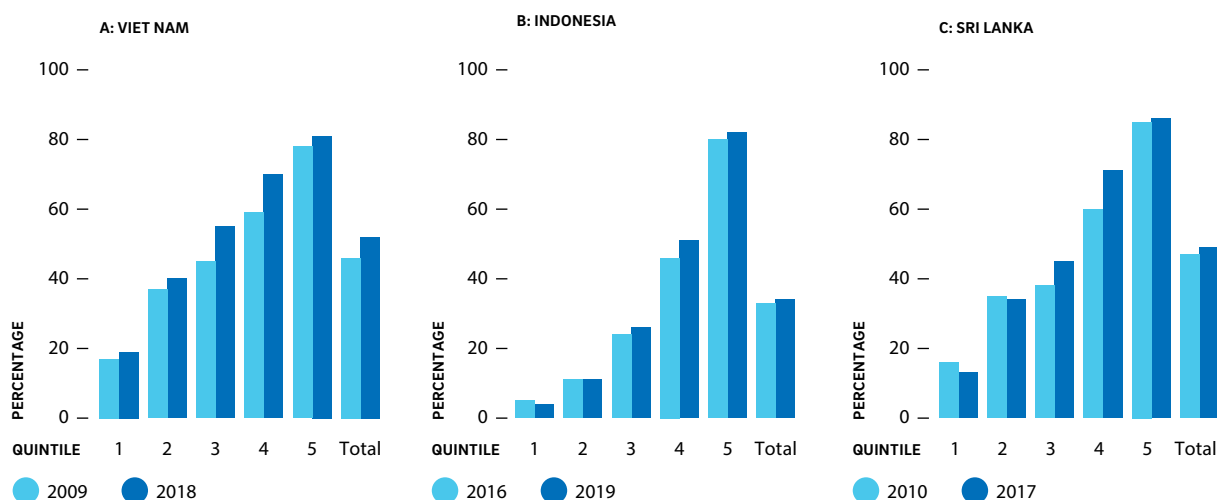
one-fifth of those in the two lowest income quintiles (figure 2.5). Coverage has increased in all three countries over time, with the most progress made among workers in the third and the fourth income quintiles. This suggests that coverage is increasing more rapidly among middle-class workers. The change, however, is slow. At this rate, it would take several decades before universal coverage would be achieved.

Those contributing to social protection schemes are also more likely to live in an urban area and have a higher education. This can be observed by analysing trends in full-time employment, which is a proxy for contributing to social protection schemes. Figure 2.6 depicts such an example, illustrated

78 ILO calculations based on Viet Nam Labour Force Survey (2019, Q1).

FIGURE 2.5 Contributions to social protection increase steeply with income

Percentage of employees contributing to a social protection scheme, by income quintile, in Viet Nam, Indonesia and Sri Lanka, various years



Source: ILO calculations based on Sri Lanka Labour Force Survey (2010 and 2017), Indonesia National Labour Force Survey (2016 (Q1) and 2019 (Q3)) and Viet Nam Labour Force Survey (2009 and 2018).

through a classification and regression tree (CART) of full-time employment in Viet Nam.⁷⁹ The tree shows the compounded impact of various circumstances on the probability of being in full-time employment. Only 14 per cent of women living in rural areas who have attained a primary or secondary education and do not have any children are in full-time employment. This rate stands in sharp contrast to that of people with a higher education, among whom 64 per cent are in full-time employment.

Repeating this exercise for countries where data are available reveals significant inequalities in access to full-time work between the best-off and worst-off groups (figure 2.7). Again, full-time employment serves as a proxy indicator for the probability that these different groups enjoy reliable, comprehensive and adequate social protection. High-income countries, such as Japan and Singapore, have the highest average level of full-time employment, while Afghanistan, the Islamic Republic of Iran and Nepal have the lowest average levels.⁸⁰ In each country, the furthest behind groups typically consist of women, people with lower levels of education and those in younger (15–24) or older (over 50) age groups. They frequently also live in rural

areas. These furthest behind groups are therefore expected to be the most likely to lack access to social protection.

The lower labour force participation among women accentuates gaps in coverage. Many women are unprotected because they are not in the labour force to begin with. Labour force participation of women aged 25 and older in the Asia-Pacific region is 50 per cent, compared with 84 per cent for men of the same age group.⁸¹ This gap has many explanations, with gender and cultural norms playing a prominent role in keeping women out of the labour force. Unpaid work remains a gender-segregated role, where women in the Asia-Pacific region are spending 30 per cent more time in unpaid work than in paid work, partly because of the lack of affordable care services for children and older family members.⁸² Women in the region also do four times more unpaid care work than men (compared to three times more in the rest of the world).⁸³

79 Having full-time employment can be a proxy for contributing to social protection schemes. Analysis of data from 33 Asia-Pacific countries reveals the profiles of the groups least likely to be in full-time employment and contribute to a social protection scheme.

80 United Nations, Economic and Social Commission for Asia and the Pacific, "Inequality of opportunity in Asia and the Pacific: decent work", Social Development Division Policy Paper #2018-02 (2018). Available at https://www.unescap.org/sites/default/files/Decent_Work_Report_20190129.pdf.

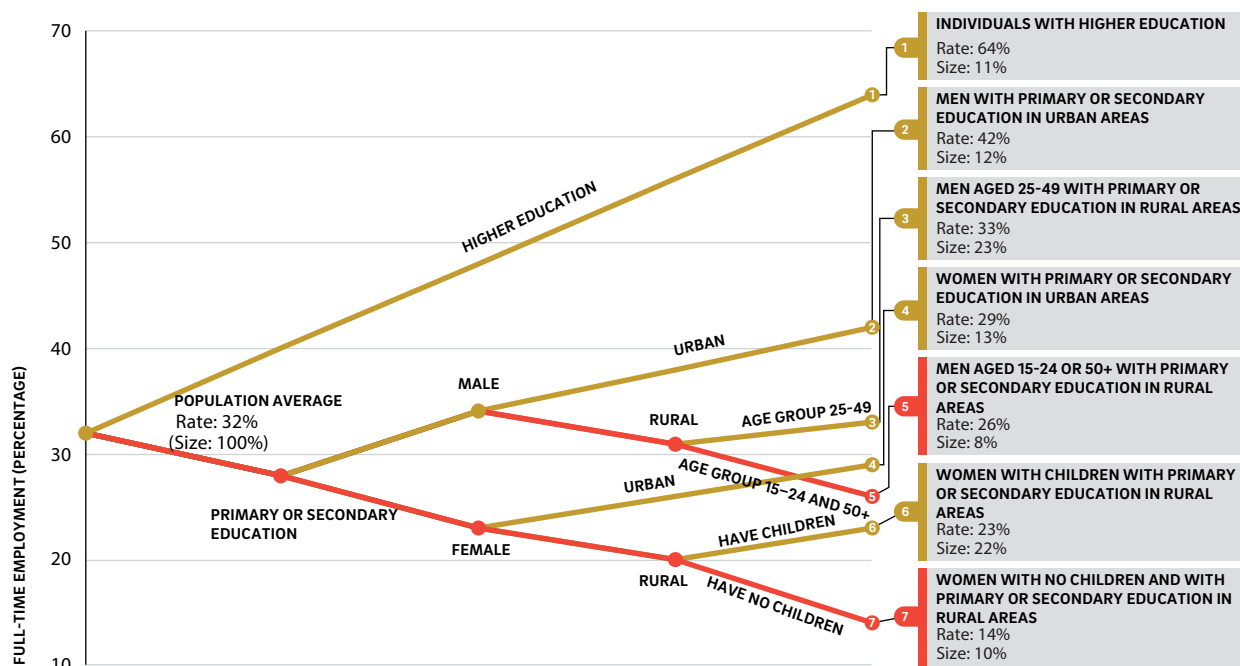
81 ESCAP calculations based on data from International Labour Organization, *World Employment and Social Outlook: Trends 2018* (Geneva, ILO, 2018).

82 ESCAP calculations based on data from International Labour Organization, *Care Work and Care Jobs for the Future of Decent Work* (Geneva, ILO, 2018).

83 Ibid.

FIGURE 2.6 Full-time employment is lowest among women and the less educated

Classification tree for full-time employment, Viet Nam, 2016

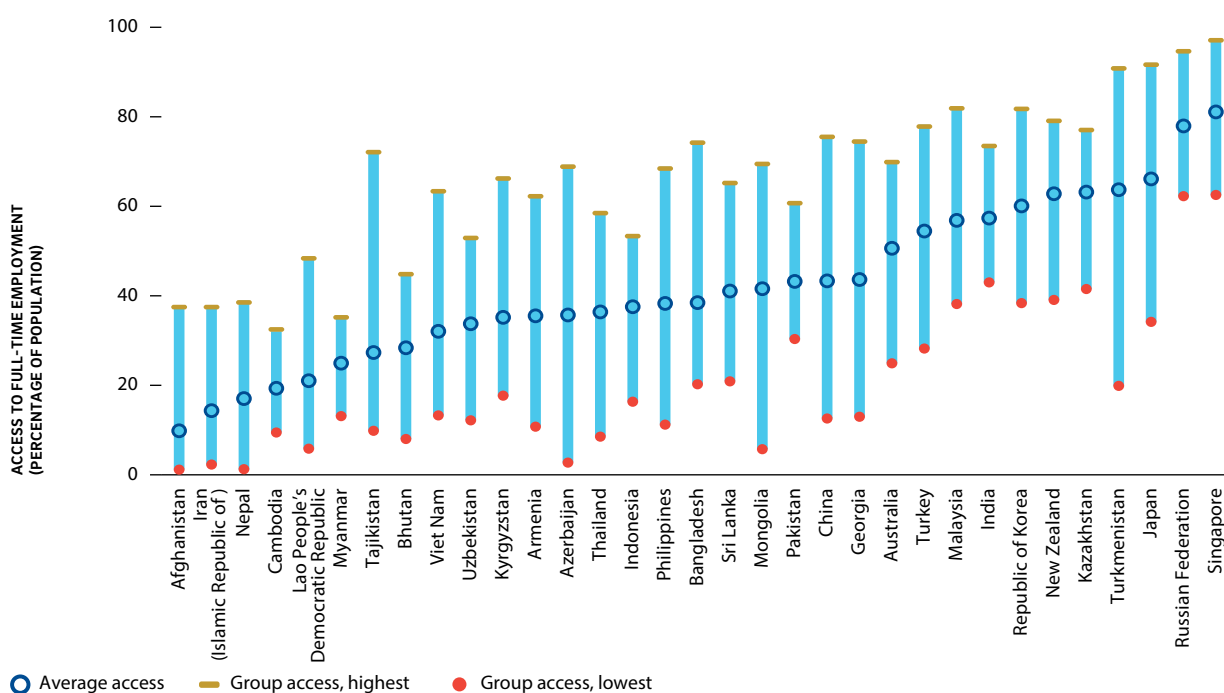


Source: ESCAP calculations based on Gallup World Poll, 2016.

Note: For more information on the methodology, please see: ESCAP (2020). Leaving No One Behind: A methodology to identify the furthest behind in Asia and the Pacific. Social Development Division Working Paper 2020/01.

FIGURE 2.7 Significant gaps in full-time employment rates

Average, highest group and lowest group full-time employment rates, Asia-Pacific countries, 2016



Source: ESCAP calculations based on ILO and the latest Gallup World Poll.

Note: For the composition of the groups with lowest access by country, please see United Nations, Economic and Social Commission for Asia and the Pacific, "Inequality of opportunity in Asia and the Pacific: decent work". Social Development Division Policy Paper #2018-02. Available at https://www.unescap.org/sites/default/files/Decent_Work_Report_20190129.pdf.

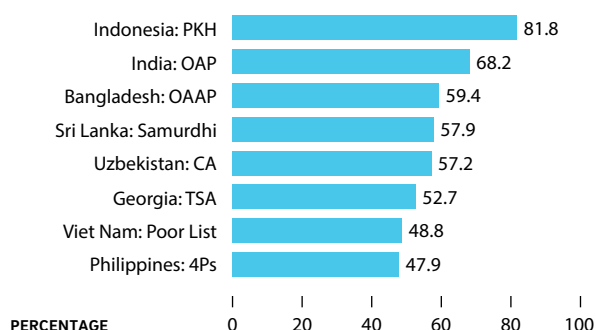
2.3.2 Limited access to non-contributory benefits

In recent decades, the region has seen a significant expansion of non-contributory social protection schemes. Examples of new initiatives (discussed in detail in chapters 3 to 6) are the introduction and expansion of schemes addressing life-cycle contingencies, health care and poverty.

Many non-contributory schemes target only the poorest individuals and households. Many countries across the region offer no or only a few non-contributory schemes to address specific life contingencies. Where they do, they make them only available for poor households. A common argument for prioritizing this approach is that, by targeting households below a given poverty threshold, they reach those in need regardless of the cause. They also consider this approach as a more efficient use of resources. However, schemes targeted at the poor commonly result in substantial targeting errors, meaning that many of those most in need are not reached (figure 2.8). Many of these schemes therefore become fundamentally unfair. Strikingly, even the best performing poverty targeted schemes in the region exclude approximately half of those they intend to reach. The result is that the efficiency of such schemes in reducing poverty is significantly lower than often anticipated.

FIGURE 2.8 Poverty-targeted schemes commonly miss half of intended beneficiaries

Exclusion errors for selected poverty-targeted social protection programmes, selected countries, latest year



Source: Stephen Kidd and Diloá Athias, "Hit and miss: an assessment of targeting effectiveness in social protection with additional analysis", working paper (Orpington, UK, Development Pathways, 2020).

Note: Schemes in the figure are set out to target the poorest 25 per cent or less. For the full names of the social protection schemes please see annex 2.

These significant targeting errors result from the dynamic nature of poverty and the difficulty in distinguishing the poorest from other low-income and vulnerable individuals and households. Throughout the region, differences in income levels are relatively small among the bottom 60 to 80 per cent of the population. This means it is often difficult to distinguish those defined as poor by national poverty thresholds from those defined as non-poor. Commonly, there is a lack of accurate data and administrative systems for this purpose. In addition, the movement in and out of poverty over time is significant

Social assistance schemes targeted at poor households are not responsive to specific life-cycle contingencies. Life-cycle schemes, such as child, unemployment, disability and old-age benefits, that respond to specific situations are generally much better adapted to reach the target group than broader schemes that are set out to include all of the poor. For example, a non-contributory pension entitlement has much greater potential to boost the dignity and autonomy of an older person than a targeted benefit paid to another household member.

2.3.3 Falling between the cracks

Existing contributory and non-contributory schemes often leave a significant "missing middle" uncovered. This group is comprised of people who may have incomes higher than those required to qualify for poverty-targeted non-contributory schemes but who do not participate in any contributory schemes. Typically, they work in informal employment and make ends meet during prosperous periods but face the risk of falling into poverty when they encounter modest shocks and stress to their livelihoods. This group strongly aligns with the significant population vulnerable to poverty described in the previous chapter. The size of this missing middle varies substantially, but in many countries makes up the majority of the population.

Migrant workers face exceptionally high levels of exclusion from social protection. Typically, migrants are disproportionately employed in sectors with high informality and, therefore, lack protection against working injury, maternity, sickness or unemployment.⁸⁴ Access to non-contributory

84 Jessica Hagen-Zanker, Elisa Vidal and Georgina Sturge, "Social protection, migration and the 2030 Agenda for Sustainable Development" briefing paper (London, Overseas Development, June 2017).

programmes, including health care, is also seldom granted to migrants. Lack of access to social services and portable social rights also creates distortions in labour markets and migration decisions. If the long-term benefits from social security contributions or tax payments are not portable or accessible to them, they may opt to not contribute at all and instead work informally.⁸⁵

2.4 The COVID-19 wake-up call

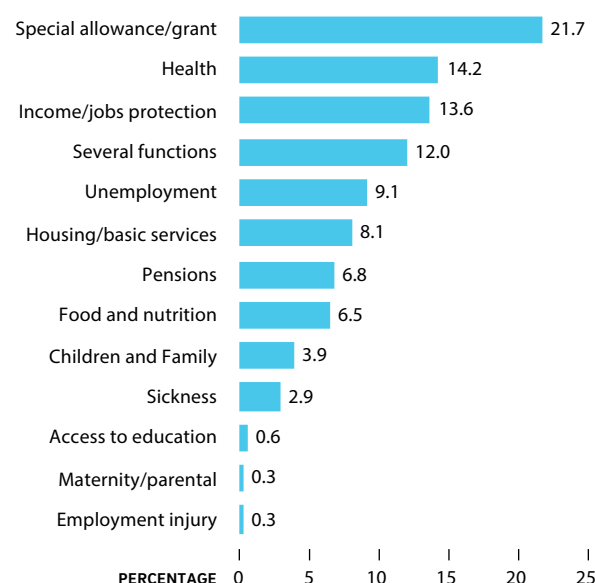
The COVID-19 crisis has resulted in a significant response from countries across the region. As of September 2020, the ILO Social Protection Responses to COVID-19 monitor had identified 309 social protection measures across 40 Asia-Pacific countries.⁸⁶ These primarily short-term measures included expansion of coverage or adequacy of existing provisions, but also the creation of new temporary schemes that reached people previously uncovered by social protection (table 2.1). The design of these measures has varied significantly in terms of the type (contributory or non-contributory schemes) and function (figure 2.2).

TABLE 2.1 Top 10 announced COVID-19 social protection measures in the Asia-Pacific region

MEASURE	NUMBER
Benefits for workers and/or dependents	52
Benefits for poor or vulnerable populations	37
Increased benefit levels	26
Subsidies, deferring or reducing the cost of necessities/utilities	25
Deferring, reducing or waiving social contributions	24
Subsidies to wages	23
Extending coverage	22
Improving delivery mechanism/capacity	22
Increasing resources/budget allocations	15
Relaxing or suspending eligibility criteria or conditionalities	12

Source: United Nations Issue-Based Coalition for Inclusion and Empowerment, "Social protection responses to COVID-19: in Asia and the Pacific: the story so far and future considerations (August, 2020). Available at https://www.ilo.org/asia/publications/WCMS_753550/lang-en/index.htm.

FIGURE 2.9 COVID-19 social protection measures, by function



Source: United Nations Issue-Based Coalition for Inclusion and Empowerment, "Social protection responses to COVID-19: in Asia and the Pacific: the story so far and future considerations (August, 2020). Available at https://www.ilo.org/asia/publications/WCMS_753550/lang-en/index.htm.

The social protection response to the COVID-19 pandemic is unprecedented. Countries have recognized, and sought to fill, significant coverage gaps in their existing social protection systems. In many cases, responses have — for the first time — represented a comprehensive approach, with the aim to reach the whole population through an overlapping package of contributory and non-contributory schemes. Expenditures for these schemes have been significant compared to social protection expenditures in normal times. In Malaysia, for example, expenditure on the Bantuan Prihatin Nasional scheme increased to 0.7 per cent of GDP, close to double the 0.4 per cent of GDP spent annually on non-contributory benefits in the country. Still, this is still a relatively modest fraction of the overall COVID-19 stimulus package of 16 per cent of GDP.

Generally, countries with the most effective responses to the pandemic are those that had robust systems in place before the crisis. While these countries have rapidly deployed support through existing registration and delivery systems, countries with weaker social protection systems have struggled to reach large swathes of the population with new measures. Many governments have also been innovative in the mechanisms

85 Rachel Sabates-Wheeler and Johannes Koettl, "Social protection for migrants: the challenge of delivery in the context of changing migration flows", *International Social Security Review*, vol. 63, No. 3–4 (July 2010) pp. 115–144.

86 The data relates to the ILO definition of the Asia and the Pacific region. For more information, see <https://www.ilo.org/global/regions/lang-en/index.htm>

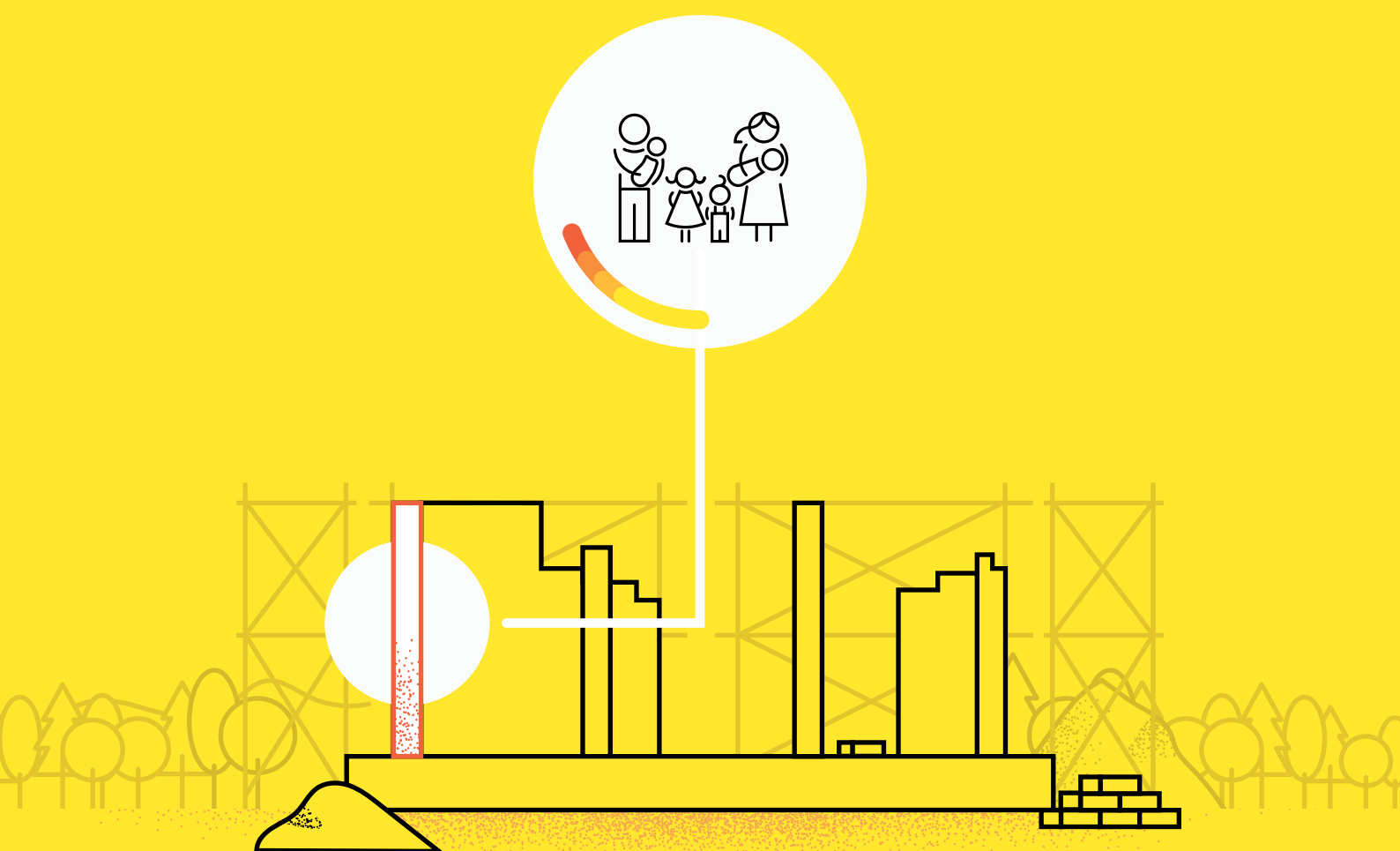
used to deliver benefits, such as digital payment technologies and introducing social distancing at pay points. Nevertheless, countries have commonly come up against the hard realities of building new systems during a crisis. For example, while the Social Amelioration Program in the Philippines was able to reach beneficiaries of the existing conditional cash transfers relatively quickly, payments to more than 13 million additional families faced significant delays. Such examples highlight the need to build social protection systems for normal times that can respond to future crises.

The ongoing pandemic has created an opportunity to strengthen social protection systems for the future. The economic and employment shock countries are facing as a result of the COVID-19 pandemic means that social protection will remain a critical policy tool in the recovery. Social protection therefore needs to be an integral component of any economic recovery plan to boost aggregate demand and build back better. In particular, strengthening social protection floors can provide a way to reach some of those most vulnerable to the ongoing crisis, while generating spillover and multiplier effects for households and the economy.⁸⁷

87 United Nations Issue-Based Coalition for Inclusion and Empowerment, "Social protection responses to COVID-19: in Asia and the Pacific: the story so far and future considerations (August, 2020). Available at https://www.ilo.org/asia/publications/WCMS_753550/lang--en/index.htm.

Chapter 3

Protecting children: unlocking future prosperity



Poverty and deprivation have a tight grip on children in the Asia-Pacific region. More than two thirds of all children living in extreme poverty are in the region and more than one third of the global share are in South Asia. Across the region, children are more likely to be living in poverty than adults. Overall, 6 per cent of children in East Asia and the Pacific, and 20 per cent of children in South Asia live in poverty.⁸⁸

The consequences of poverty and deprivation in young age are lifelong. Nutritional and health deficiencies in early years have significant impacts on educational achievements and often major long-term impacts on cognitive development, human capital and employment prospects in adulthood.⁸⁹ Accordingly, effective child-sensitive social protection is very important and serves as a pivotal investment in a country's future.

3.1 A mix of schemes

Social protection systems can support children through a broad set of mechanisms. Schemes designed to specifically support the needs of children include cash benefits for families and children; in-kind benefits, such as school feeding, childcare and health-care services; tax rebates; and parental leave benefits.⁹⁰ With the exception of health care, school feeding programmes are the most common in-kind benefits across the region and play an important role in boosting the nutritional and educational attainment of children. Parental leave benefits and childcare services also are important and, especially when designed in a gender responsive way, they reduce the unequal, unpaid care burden that tends to fall on mothers, grandmothers and older (usually female) siblings. The well-being of children is also heavily influenced by the effectiveness of social protection coverage for other members in their household, such as old-age pensions, unemployment benefits and access to health care. Given the relatively higher levels of poverty in households with children, cash benefits to households with children are crucial.

Several countries in the region provide cash benefits for children and families. These benefits fall into three main categories based on whether they are paid through contributory schemes, non-contributory child benefits (either universally or means-tested) or schemes targeting low-income households (box 3.1). It is relatively common for the third category to require certain behavioural conditions for households to qualify. Usually these conditions are related to children, often in terms of attending school and health visits.

3.2 Most children are left uncovered

Despite the importance of these schemes, the proportion of children benefiting from them is very low. As shown in chapter 2, fewer than one in five children or households with children in the region receive child or family benefits. Only in Australia, Kazakhstan, Japan, Mongolia, New Zealand and the Russian Federation are more than half of all children, or households with children, receiving such benefits (figure 3.1). In many countries, coverage is below 10 per cent. Key reasons for low coverage are the absence of schemes and the limited reach of available contributory and non-contributory schemes. Narrowly targeting non-contributory child benefits, and other household transfers to poor households inevitably limits their impact.

Poverty-targeted schemes often fail to reach the poorest children. As explained in the previous chapter, targeting benefits to poor households often leads to exclusion errors. For example, schemes targeted at poor households in Indonesia, Pakistan and the Philippines reach between 15 per cent and 56 per cent of households in the poorest decile.⁹¹ The exclusion error (pink area in figure 3.2) concerns households in the lowest income deciles that these schemes were expected to cover. By contrast, the near-universal Child Money Programme in Mongolia reaches more than 90 per cent of households in the poorest decile (box 3.2).

88 International Labour Organization and United Nations Children's Fund, "Towards universal social protection for children: achieving SDG 1.3", ILO-UNICEF Joint Report on Social Protection for Children (Geneva, ILO, New York, UNICEF, 2019). The regions references relate to UNICEF regional definitions.

89 Ibid.

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

91 Analysis based on 12 household income and expenditure surveys, ESCAP Social Protection Simulation Tool.

BOX 3.1 **Types and examples of cash benefits for children and families**

Contributory social insurance schemes sometimes pay family benefits to members who have dependent children.

- Thailand: A benefit of up to Thai baht 400 (THB) per month is paid for children up to the age of 6 for members who have contributed for at least one year during the last three years (conditions for informal workers vary).

Non-contributory benefits for children can be provided to all or most children or are targeted at poor children.

- Mongolia: The Child Money Programme pays Mongolian tugrik 20,000 (MNT) per month per child, screening out the wealthiest households. As of 2019, it reached 87 per cent of the children.^a
- Nepal: The Child Grant programme provides Nepalese rupee 400 (NPR) for children under the age of 5 in the poorest districts of the country, or from families belonging to a marginalized group called Dalits. By 2019, it reached 560,000 children, approximately one fifth of children aged 0-4.^b
- Malaysia: The Bantuan Kanak-Kanak provides Malaysian ringgit 100 (MYR) per child (up to MYR 450 per household) for children 0 to 18 years considered underprivileged and needy. It covers approximately 73,000 children (1 per cent of children up to 18 years old).^c

Non-contributory benefits for households often reach families with children. These schemes include those specifically targeted at households with children, and those targeted more broadly, that commonly also reach households with children.

- Georgia: The country has a means-tested household programme called Targeted Social Assistance (TSA). As of October 2018, 121,345 households or approximately, 11.2 per cent of the population were receiving TSA cash benefits. It is estimated that the programme covers 37 per cent of children living under the general poverty line.^d
- Indonesia: The Program Keluarga Harapan (PKH) gives a conditional cash transfer to children under the age of 18. Approximately 11 million children received payments in 2018 (approximately 11 per cent of the child population was covered).^e
- Philippines: The Pantawid Pamilyang Pilipino Program (4Ps) is a conditional cash transfer to households with children aged 0 to 18 years. By 2018, it covered 21 per cent of the households in the country. 4Ps is one of the few conditional cash transfers put into law.^f

a Overseas Development Institute and United Nations Children's Fund, "Universal Child benefits: policy issues and options", (2020). Available at <https://www.unicef.org/sites/default/files/2020-07/UCB-ODI-UNICEF-Report-2020.pdf>.

b Antonio Garcia and Thakur Khakal, "Paying it forward: explaining universal child grants in Nepal, Impact, 6 February 2019. Available at <https://blogs.unicef.org/blog/paying-forward-expanding-universal-child-grants-nepal/>.

c See <http://www.jkm.gov.my/jkm/index.php?r=portal/left&id=QW15ZEo2UnZIMnJXSHdEQTdXZGE3dz09>.

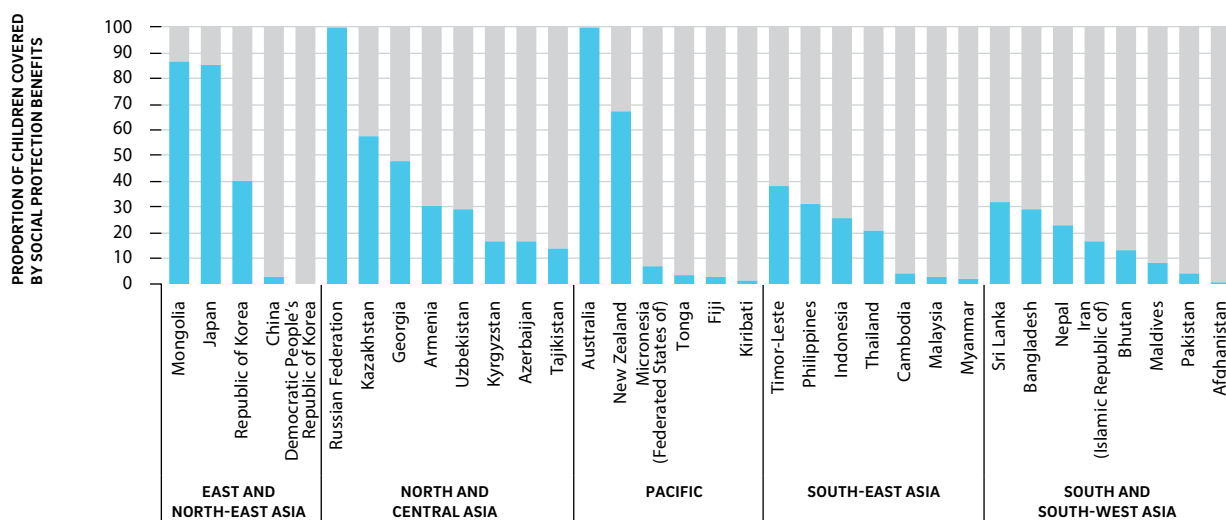
d Dimitri Gugushvili and Alexis Le Nestour, "A detailed analysis of targeted social assistance and child poverty and simulations of the poverty-reducing effects of social transfers" (2019). Available at https://www.unicef.org/georgia/media/2486/file/TSA&CHILDPOVERTY_eng.pdf.

e Overseas Development Institute and United Nations Children's Fund, "Universal Child benefits: policy issues and options" (2020). Available at <https://www.unicef.org/sites/default/files/2020-07/UCB-ODI-UNICEF-Report-2020.pdf>.

f Pablo Acosta, Jorge Avalos and Arianna Zapanta, "Pantawid Pamilya 2017 Assessment: an update of the Philippine conditional cash transfer's implementation performance", World Bank Social Protection Policy Note, No. 18 (September, 2019). Available at <http://documents.worldbank.org/curated/en/457071570046480804/pdf/Pantawid-Pamilya-2017-Assessment-An-Update-of-the-Philippine-Conditional-Cash-Transfer-s-Implementation-Performance.pdf>.

FIGURE 3.1 Child and family benefits are rare in the region

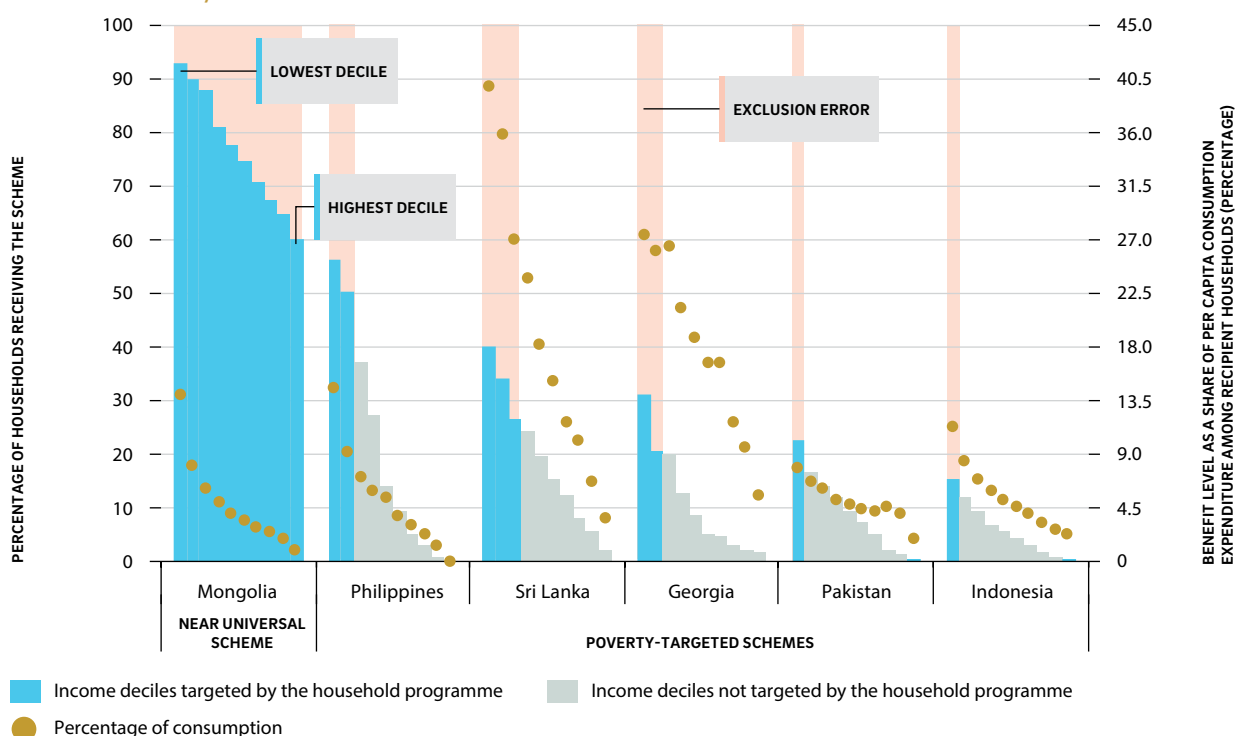
Percentage of children and households receiving child and family benefits, by country, latest available year



Source: International Labour Organization, World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10>.
 Note: Based on Sustainable Development Goal indicator 1.3.1.

FIGURE 3.2 Poverty targeted schemes usually reach less than half of the intended households

Coverage of child and family cash benefits by consumption decile, select countries, latest available year



Source: Household Income and Expenditure Surveys; ESCAP Social Protection Simulation Tool – see annex 2. Available at https://devpathways.shinyapps.io/escap_tool_p3/.

Note: To measure the targeting effectiveness of the child grant and poverty-targeted schemes in each country, the pink shaded area of each wealth decile represents the exclusion error, while the blue shaded area shows the wealth deciles that are correctly included.

BOX 3.2 The Child Money Programme in Mongolia

Mongolia is the only lower-middle income country in the region with a near-universal child benefit scheme. The scheme was initially introduced as a means-tested scheme in 2005. Because of challenges associated with targeting, the scheme was expanded in 2006 to cover all children under the age of 18. Various studies have found that the scheme has had significant impacts on child poverty.

Over the last decade, the scheme has gone through various configurations. The programme was discontinued in 2010 but then reintroduced by the new Parliament in 2012. In August 2016, targeting was introduced to limit benefits to the poorest 60 per cent of children in a move driven by fiscal consolidation and a condition of IMF loan arrangements. Following an improvement in the economic outlook, eligibility was again expanded in 2018 and, as of 2019, the scheme reached approximately 90 per cent of all children under the age of 18. Since 2012 the monthly benefit has been MNT 20,000 per month, with the scheme costing approximately 1 per cent of GDP.

The scheme has formed a core pillar of the country's policy response to the COVID-19 pandemic. From April to October 2020, the benefit is being increased from MNT 20,000 to 100,000 (an increase of 400 per cent) as a way to cushion families from the impact of the crisis.

Sources: Overseas Development Institute and United Nations Children's Fund, "Universal Child benefits: policy issues and options", (2020). Available at <https://www.unicef.org/sites/default/files/2020-07/UCB-ODI-UNICEF-Report-2020.pdf>; Anthony Hodges and others, "Child Benefits and poverty reduction: evidence from Mongolia's Child Money Programme", Working Paper, MGSOG/2007/WP002. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1095717; Ugo Gentilini and others, "Social protection and jobs responses to COVID-19: a real-time review of country measures", Living Paper, (Washington, D.C.: World Bank Group, 12 June 2020).

Benefit levels are also relatively low in the region.

In four of the above six child and family schemes, benefit levels vary from 8 to 15 per cent of the average per capita consumption in the lowest decile households. Notable exceptions are in Georgia and Sri Lanka, where benefit levels represent 27 to 40 per cent of the poorest households' per capita consumption. One reason for these generally low benefits is that the schemes only reach poorer households, which usually have limited political influence and voice.⁹²

There is uncertainty about the impacts of behavioural conditions sometimes attached to child benefits. Notable examples of so-called conditional cash transfers in the region are 4Ps in the Philippines and PKH programme in Indonesia (see box 3.1). Recipients of these schemes must comply with certain conditions to continue to receive benefits. Examples of other schemes with conditions

involve educational stipends in Bangladesh, and transfers to mothers during maternity.⁹³ To date, there is limited evidence that they are more effective than unconditional transfers. Conditions may in fact increase barriers to accessing benefits.⁹⁴

Conditionality has the potential to also reinforce gender inequalities. Because women are often the main recipients of conditional transfers and in charge of ensuring compliance with health and educational requirements, conditional programmes risk reinforcing existing gender roles. They may also create additional time-consuming tasks that limit women's participation in the labour market.⁹⁵ In some schemes, such as the Maternity Allowance and Working Lactating Mother Allowance in Bangladesh, "soft" conditions are applied in which women must verbally commit to having a maximum of two children, which infringes on their sexual and reproductive rights.⁹⁶

92 United Nations, Economic and Social Commission for Asia and the Pacific, "How to design inclusive social protection systems". Social Development Division Policy Guides (2018). Available at: <https://www.unescap.org/resources/policy-guide-how-design-inclusive-social-protection-systems>.

93 Raquel Tebaldi and Charlotte Bilo, Gender and social protection in South Asia: an assessment of the design of non-contributory programmes (Brasilia and Kathmandu, International Policy Centre for Inclusive Growth and UNICEF Regional Office South Asia, 2019).

94 Stephen Kidd, "To condition or not to condition: What Is the Evidence?", Pathways' Perspectives, Issue no.20 (March, 2016). Available at <http://www.developmentpathways.co.uk/wp-content/uploads/2016/03/CCT-Evidence-PP20-1.pdf>.

95 Anne Esser, Charlotte Bilo and Raquel Tebaldi, "How can cash transfer programmes work for women and children? A review of gender- and child-sensitive design features", International Policy Centre for Inclusive Growth working paper No. 178. (February 2019). Available at https://ipcig.org/pub/eng/WP178_How_can_cash_transfer_programme_work_for_women_and_children.pdf.

96 Raquel Tebaldi and Charlotte Bilo, Gender and social protection in South Asia: an assessment of the design of non-contributory programmes". Available at http://ipcig.org/pub/eng/RR38_Gender_and_social_protection_in_South_Asia.pdf.

Several low- and middle-income countries have recently taken steps to expand child benefits based on universal principles. These new or expanded schemes usually aim to reach pregnant women and infants up to 1,000 days old. Many of the schemes are also focused on the poorest regions, with ambitions for further expansion. The Maternal and Child Cash Transfer programme in Myanmar, for example, provides benefits to pregnant mothers and children below two years of age. As of late 2019, the scheme was reaching almost 160,000 women, while ambitious plans are in the works to reach 1.5 million women by 2022/23.^{97, 98} The regional government of Papua province in Indonesia rolled out a quasi-universal child grant programme for children below

the age of four in three districts in 2018. It initially covered 20,000 children. Plans are set to reach all 22 districts in the province by 2021.⁹⁹

While these are promising initiatives, too many children and their families remain uncovered. In many countries, narrow targeting of cash benefits and significant exclusion errors leave many children in extreme poverty. Universal schemes are key to guaranteeing the well-being of children — including improving nutrition and educational attainment — and to providing a solid foundation for future national economic and social development in countries across the region.

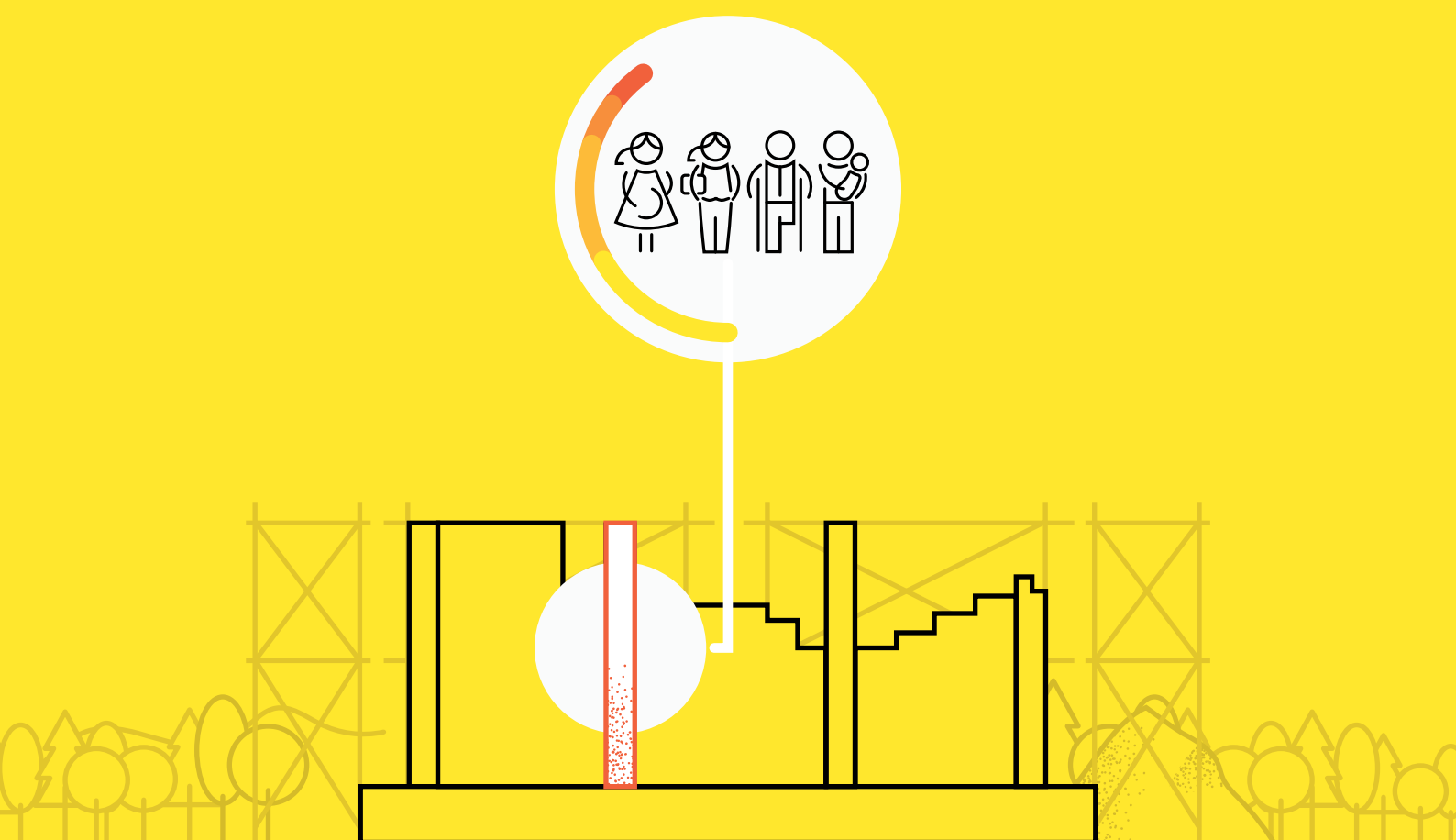
97 MCCT Formative Evaluation (pp. 4-5). Available at https://www.unicef.org/evaldatabase/index_103817.html.

98 World Health Organization, "Government-sponsored cash transfer scheme to benefit poor women and children and improve access to health services. 27 June 2019. Available at <https://www.who.int/cambodia/news/detail/27-06-2019-government-sponsored-cash-transfer-scheme-to-benefit-poor-women-and-children-and-improve-access-to-health-services>.

99 International Labour Organization and United Nations Children's Fund, "Towards universal social protection for children: achieving SDG 1.3", ILO-UNICEF Joint Report on Social Protection for Children (Geneva, ILO; New York, UNICEF, 2019).

Chapter 4

Protecting women and men of working age: building a productive workforce



Social protection plays a key role in protecting people of working age in the case of events that may limit their ability to earn a living. Related contingencies are parenthood, caring obligations, unemployment, employment injury, sickness and disability. The COVID-19 pandemic is highlighting related gaps, particularly in unemployment and sickness benefits.

4.1 Parental benefits and benefits related to childbirth

The birth of a child is a precarious experience for parents, children and wider family members.

Ensuring income security and access to health care during this time is critical. Income security can be promoted through maternity and paternity leave benefits, which apply to the period around the birth of the child. Parental leave benefits, on the other hand, which usually follow the period of maternity or paternity leave.¹⁰⁰ Cash benefits need to be accompanied by effective antenatal and postnatal health care, discussed in chapter 6.¹⁰¹

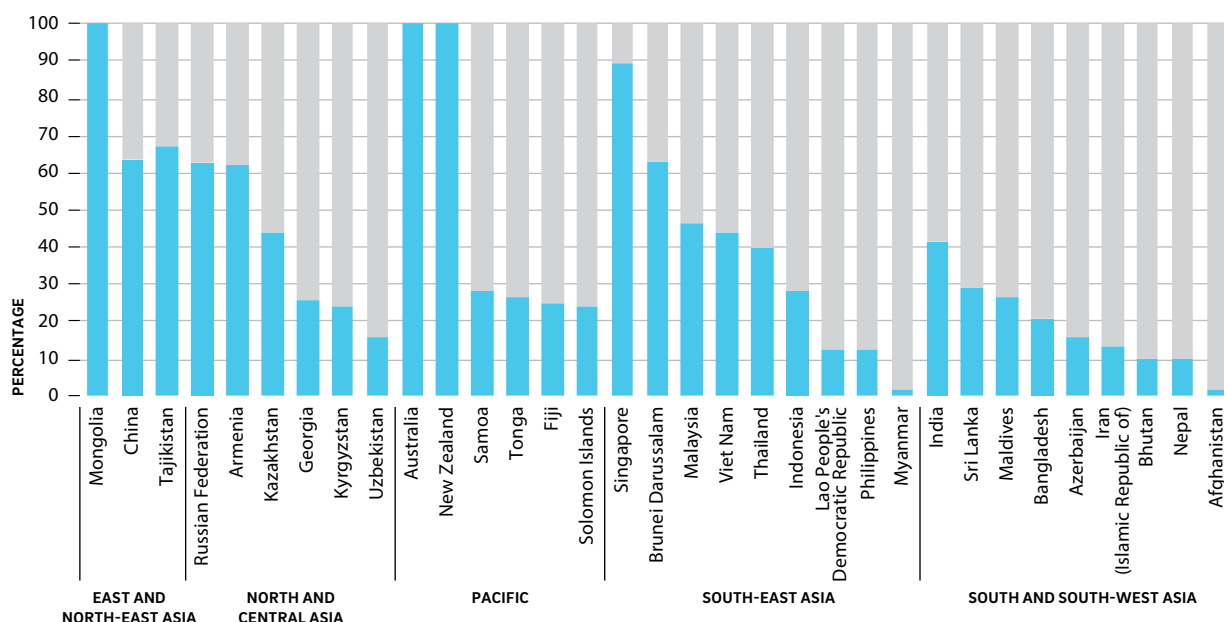
Maternity benefits prevent women from working during the very late stages of pregnancy and returning to work prematurely, which could expose them and their children to avoidable health risks. An effective mix of maternity, paternity and parental leave supports gender equality through a more even distribution of childcare responsibilities between the parents. It also promotes women's participation in the labour force, while giving parents the opportunity to spend more time with their child.¹⁰²

4.1.1 Insufficient coverage cements gender inequality

Maternity cash benefits mainly cover women in formal employment. Only nine countries in the Asia-Pacific region extend cash benefits to the majority of women. This is because maternity benefits are mainly provided through contributory schemes or employer-liability arrangements (figure 4.1).

FIGURE 4.1 Coverage of maternity benefits is low throughout the region

Percentage of women giving birth and receiving maternity cash benefits, by country, latest available year



Source: International Labour Organization, World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10>.

100 Workers may also be eligible for unpaid leave for longer periods. This chapter focuses on the income security provided by paid leave.

101 Willem Adema, Chris Clarke, and Valérie Frey, "Paid parental leave: lessons from OECD countries and selected U.S. states". OECD Social, Employment and Migration Working Papers, No. 172 (Paris, OECD Publishing, 2015).

102 Ibid.

Reliance on employer liability schemes is problematic for women's engagement in the labour force. Unlike schemes financed by contributions or taxes in which the costs of maternity are distributed across workers, employers and wider society, employer-liability schemes place the full responsibility and economic cost on employers. If an employer believes that hiring a woman might increase the likelihood of having to pay a future maternity benefit, he or she may be reluctant to hire a woman of childbearing age.¹⁰³

Non-contributory schemes are important for extending coverage of maternity benefits. A handful of countries in the region, such as Armenia, Australia, India, Kyrgyzstan, Mongolia and New Zealand, have established non-contributory maternity benefit schemes. In Mongolia, under the Social Welfare Scheme, maternity benefits are provided to all pregnant women and mothers of infants from the fifth month of pregnancy for 12 months, regardless of their contribution to the social insurance scheme. Those covered by the social insurance scheme receive additional benefits.¹⁰⁴

Migrant women are disproportionately disadvantaged during pregnancy and childbirth.

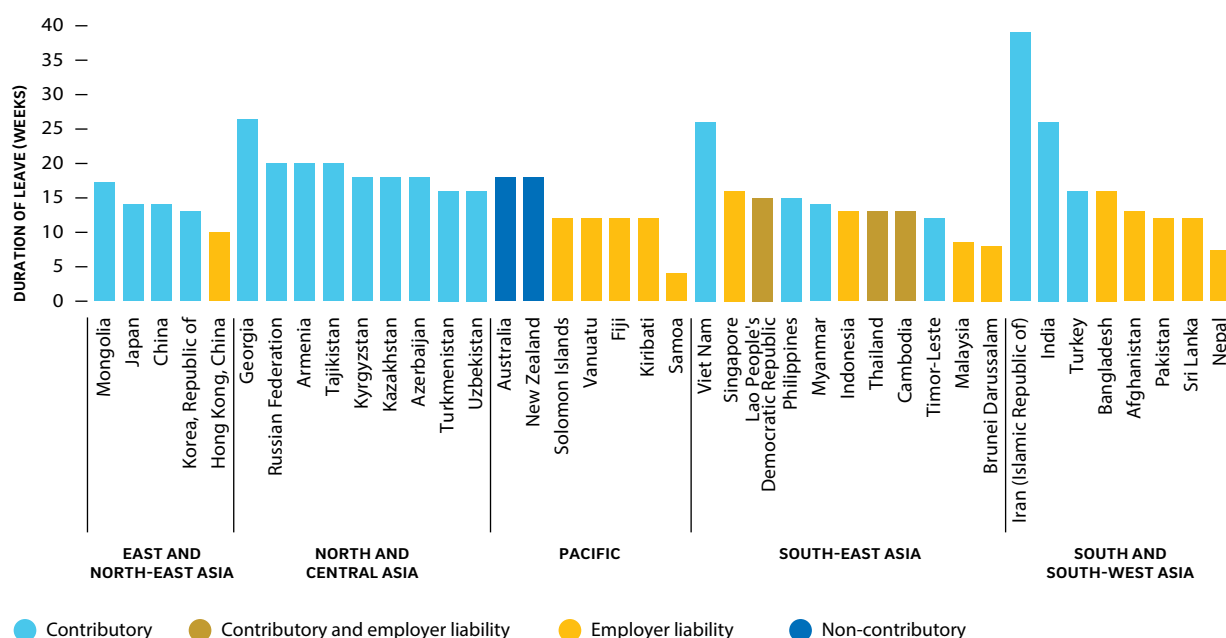
In the region, many of the migrant women are young, poor and with limited education. As such, they often work in unregulated sectors under poor working conditions, earn low wages and do not have access to social protection and health care.¹⁰⁵ In some countries, migrant domestic workers can be deported for being pregnant.¹⁰⁶

4.1.2 Existing parental benefits are inadequate and short-lived

The specified duration of maternity benefits is shorter in the region than internationally established standards. The most up-to-date international labour standard (the ILO Maternity Protection Convention, 2000 (No. 183)) stipulates at least 14 weeks maternity leave and a payment of at least two thirds of the regular salary. In terms of duration, almost half of all countries in the region do not meet this requirement, in particular those with employer liability arrangements (figure 4.2).

FIGURE 4.2 Duration of maternity benefits is too short in most countries

Duration of cash maternity benefits by type of scheme, by country, latest available year



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

¹⁰³ Ibid.

¹⁰⁴ See <https://www.social-protection.org/gimi/gess/RessourcePDF.action?id=53942>

¹⁰⁵ International Labour Organization, *Asian Decent Work Decade Resource Kit: Protecting Migrant Workers* (Geneva, ILO, 2011).

¹⁰⁶ Office of the United Nations High Commission for Human Rights, "Behind closed doors: protecting and promoting the human rights of migrant domestic workers in an irregular situation" (2015). Available at https://www.ohchr.org/Documents/Publications/Behind_closed_doors_HR_PUB_15_4_EN.pdf.

Many even fail to meet the minimum standards set out in ILO Convention No. 102 from 1952, of 12 weeks' leave.¹⁰⁷ Nonetheless, some countries have made important progress in recent years in this regard, including the Philippines, which has extended the duration of maternity leave from 8.6 to 15 weeks.¹⁰⁸ Furthermore, schemes also vary significantly in terms of the benefit level and income replacement.

Despite increasing attention, paternity and parental cash benefits continue to play a small role. Paternity benefits provide a specific paid leave entitlement to men, while parental leave benefits provide an entitlement that often can be shared between parents after the child is born. Greater involvement of fathers in raising their children not only benefits children's health and parent-child interactions, but it also contributes towards greater gender equality. Many countries around the world have increased their statutory paternity or parental leave provisions as a result. These provisions have more than doubled from 40 to 94 between 1994 and 2015.¹⁰⁹ In the region, Indonesia, Myanmar, the Philippines and Viet Nam have some form of paternity leave in place.¹¹⁰ Notably Japan and the Republic of Korea, are allowing fathers to take up to one year. However, due to factors, such as gender norms and women's lower average earnings, **only about five per cent of men eligible for this entitlement took advantage of it in 2019.**¹¹¹

4.2 Unemployment benefits: a lifeline in times of crisis

Unemployment benefit schemes are intended to provide income security to workers who have lost their jobs but also help them find new jobs. By supporting labour market mobility and reskilling, unemployment support can also facilitate structural transitions, such as the adaptation of labour markets to technological change, and the transition to more environmentally sustainable economies. Unemployment benefits can also act as automatic stabilizers in times of economic

downturns, helping to maintain aggregate demand. The COVID-19 crisis has highlighted a large shortfall of effective employment protection in Asia and the Pacific. Beginning to fill this gap will prove critical for weathering the ongoing crisis and for the adjustment of economies and labour markets to a post-COVID reality.

4.2.1 The preserve of a minority

In Asia and the Pacific, unemployment support is primarily offered through contributory schemes or severance pay. Of the countries with contributory schemes, most have social insurance schemes. In a small number of countries in the Pacific (Papua New Guinea, Solomon Islands, Fiji and Kiribati) unemployed members of provident funds can withdraw lump-sum grants.

In general, unemployment insurance schemes that provide a regular benefit for a guaranteed period are considered a superior type of protection to lump-sum payments. Unemployment insurance schemes are more effective at pooling the risks and contributions among employees and employers. They are also more likely to be linked to public employment services that support workers to reskill and find new employment. Malaysia and the Philippines have recently introduced new unemployment insurance schemes, while Cambodia and Myanmar are in discussions about introducing such schemes. Still, because of the high levels of informal employment, only a minority of workers benefit from this protection across the region (figure 4.3).

Non-contributory schemes have historically played a much smaller role in unemployment support. Some economies, such as Australia; Hong Kong, China; New Zealand; and the Russian Federation, provide non-contributory unemployment benefits. In other economies, non-contributory schemes targeted at poor households may help support workers who have been laid

107 Some of these schemes still comply with earlier standards such as the Social Security (Minimum Standards) Convention, 1952 (No. 102), which stipulates a minimum of 12 weeks' leave and a replacement rate of at least 45 per cent of the previous salary.

108 Mercer, "Philippines expands paid maternity leave", 1 March 2019. Available at [https://www.mercer.com/our-thinking/law-and-policy-group/philippines-expands-paid-maternity-leave-benefits.html#:~:text=All%20working%20mothers%20%E2%80%94%20including%20those,System%20\(SSS\)%20in%20the%202012](https://www.mercer.com/our-thinking/law-and-policy-group/philippines-expands-paid-maternity-leave-benefits.html#:~:text=All%20working%20mothers%20%E2%80%94%20including%20those,System%20(SSS)%20in%20the%202012).

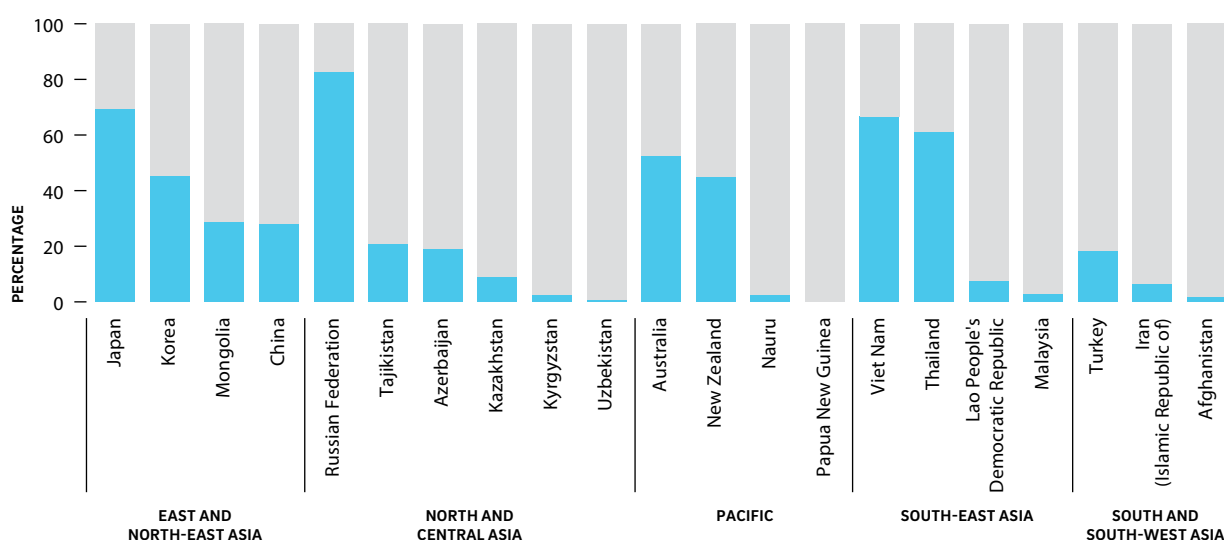
109 International Labour Organization, "World Social Protection Report 2017-19: Universal Social Protection to Achieve the Sustainable Development Goals" (Geneva, ILO, 2017).

110 See <https://thediplomat.com/2019/06/the-state-of-paternity-leave-in-southeast-asia/>

111 Willem Adema, Chris Clarke, and Valérie Frey, "Paid parental leave: lessons from OECD countries and selected U.S. states", OECD Social, Employment and Migration Working Papers, No. 172 (Paris, OECD Publishing, 2015).

FIGURE 4.3 Most people are left without support when becoming unemployed

Percentage of unemployed persons receiving unemployment cash benefits, by country, latest available year



Source: International Labour Organization, World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10>.

off. In most cases, however, these benefits are far too low to provide a meaningful level of income replacement, and the targeting processes occur far too infrequently to respond to individual situations, as seen in chapter 3. Public works programmes also provide some support to unemployed or underemployed workers. One example in the region is the Mahatma Gandhi National Rural Employment Guarantee Act in India, which guarantees up to 100 days of work each year to all registered rural households who request it.¹¹² In general, the scale and relevance of these schemes tend to be very low and they are only available on a short-term, one-off basis.

4.2.2 COVID-19 pandemic prompts new income protection measures

The COVID-19 crisis has led to rapid mobilization of new or adapted mechanisms in response to the unemployment shock. National lockdown measures, along with the global economic slowdown, have resulted in a rapid increase in unemployment and underemployment throughout the Asia-Pacific region. In response, countries have introduced

various measures to protect workers' incomes. The pandemic and its aftermath provide an opportunity for countries to strengthen systems to support the recovery and set up mechanisms to better protect people and prepare for the future (box 4.1).

4.3 Sickness benefits to keep us healthy

Sickness benefits provide income security during periods of illness and contribute towards reducing the spread of diseases. The core function of sickness benefits is to provide income security for people who are temporarily unable to work because of illness. These schemes are also important from a public health perspective, as they help prevent the spread of the disease by avoiding a situation in which individuals with a contagious illness are forced to continue working. This function has come into sharp focus during the COVID-19 crisis because poor coverage and low benefit levels have compelled people who have contracted the virus to continue to work, leading to an increased spreading of the virus.^{113, 114}

¹¹² Anna McCord, "Linking social protection to sustainable employment: current practices and future directions", (March 2018). Available at https://socialprotection.org/sites/default/files/publications_files/Report-Social%20Protection%20and%20Employment.pdf.

¹¹³ International Labour Organization, "Sickness benefits: an Introduction", ILO Brief: Social Protection Spotlight (Geneva: International Labour Organization, May 2020).

¹¹⁴ International Labour Organization, "Sickness benefits during sick leave and quarantine: country responses and policy consideration in the context of COVID-19", ILO Brief: Social Protection Spotlight (May, 2020). Available at https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_744510.pdf.

BOX 4.1 Core types of social protection responses to the COVID-19 unemployment crisis

The COVID-19 pandemic has created an unemployment shock. Governments are applying a broad range of mechanisms to provide short-term support to workers and their families. Many of them are built on existing schemes; others are new schemes that are being introduced to reach affected groups not previously covered.

Countries that already have **unemployment insurance schemes** in place are often providing an automatic response for workers who have lost their jobs. In some countries, adjustments have been made to the schemes by increasing benefit levels and extending their duration (Thailand) or by expanding eligibility to contributors not previously covered (China and Viet Nam).

Other countries have mobilized existing or initiated new **job retention schemes**, which provide subsidies or credits to employers so they can continue to pay workers who are not working or are working with reduced hours. This is seen as a mechanism to maintain the contractual relationship, thus supporting businesses to reactivate as the peak of the crisis passes. Malaysia, Thailand and Viet Nam have set up job retention schemes.

Short-term **cash benefits to informal workers** are being deployed in, for example, Kazakhstan, Sri Lanka, Thailand and Viet Nam and various states in India. These cash benefits recognize that informal workers are among the hardest hit by the crisis.

Another mechanism to reach vulnerable workers is to temporarily expand the coverage and benefit levels of **household-targeted social assistance programmes**. Countries, such as Malaysia, the Philippines and the Republic of Korea, aim to reach most households through this approach.

Countries, including Fiji and Malaysia, allow members to make a **temporary withdrawal from provident fund accounts**. This approach may support workers and their families in the short term, but inevitably it leads to corresponding losses in income security in old age.

Sickness benefits are usually provided through contributory schemes, or employer liability arrangements. When these benefits are part of social insurance, the cash sickness benefits are usually administered by the same organization that manages health insurance, with cash and in-kind benefits sometimes provided as part of the same package. Most employer-liability arrangements only provide benefits for a limited number of days per year. In Bhutan and Singapore, for example, benefits are paid for 5 and 14 days per year, respectively. In Singapore benefits are paid for up to 60 days if the person is hospitalized. In contrast, sickness benefits through social insurance typically provide benefits for up to at least six months. Some countries also combine a short period of employer liability with social insurance for longer periods of sickness. When sickness extends beyond the coverage period, the benefit can transition to some form of long-term disability benefit within the same scheme.¹¹⁵ A handful of countries, including Australia, Hong Kong, China and New Zealand, also have non-contributory sickness benefit schemes.

4.3.1 Some improvements but schemes remain rare

Several countries have worked rapidly to strengthen their sickness benefits schemes since the onset of the COVID-19 pandemic. The Government of Singapore created the Quarantine Order Allowance Scheme whereby employers and self-employed workers can claim SGD 100 per day throughout the duration of a worker's quarantine.¹¹⁶ The inclusion of the self-employed is notable given that sickness benefits are normally a liability for employers. The Government of Fiji agreed to pay 21 days of leave for Fijian employees earning less than FJD 30,000 a year, who have tested positive for the virus, and a one-off grant of FJD 1,000 for informal sector workers testing positive. Other countries have increased the social insurance sickness benefit, including, among them, the Russian Federation and Uzbekistan. Some have issued administrative modifications, such as waiving waiting periods for sickness benefits and adapting delivery mechanisms to accommodate quarantine. Notably, the Republic

115 International Social Security Association and the United States Security Administration, *Social Security Programs Throughout the World: Asia and the Pacific, 2018* (Washington, DC, 2019).

116 See [https://www.moh.gov.sg/docs/librariesprovider5/default-document-library/quarantine-order-allowance-scheme-\(for-web\).pdf](https://www.moh.gov.sg/docs/librariesprovider5/default-document-library/quarantine-order-allowance-scheme-(for-web).pdf).

of Korea extended sickness benefits to migrant workers who had to be quarantined because of the COVID-19 pandemic.

4.4 Employment injury benefits and risks at work

The rapid industrialization of the Asia-Pacific region is exposing workers to new risks in the workplace. Manufacturing forms a significant part of employment in the region, and employment in the construction sector — one of the most hazardous areas of work — is on the rise. Work in agriculture is being mechanized at a rapid pace and the use of pesticides is rising, making this type of work more hazardous. Work in the service sector also poses risks for workers, including those in the gig economy, such as the risk of road traffic accidents for ride hailing and delivery drivers. Inadequate social protection, occupational diseases and injury in the workplace resulting in disability or death often have a tremendous impact on workers and their families.¹¹⁷ This is especially the situation for many migrant workers, as, already indicated, they are often not covered under social protection schemes in general. Effective employment injury protection

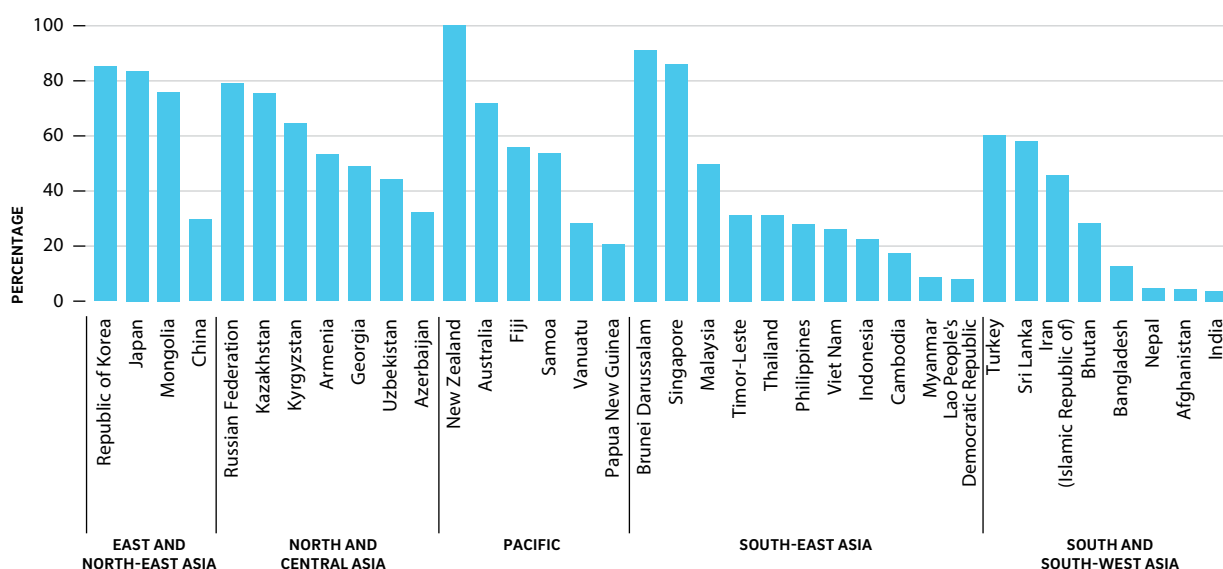
schemes can reduce these risks, but they need to be complemented by occupational safety and health measures and return to work policies.

4.4.1 Inadequate coverage and minimal protection

Existing employment injury schemes tend to provide minimal protection to self-employed workers and inadequate protection to the majority of employees. Employment injury protection is equally divided between contributory social insurance schemes and employer liability arrangements. Employer liability arrangements tend to provide lump-sum benefits, and claims are often delayed because employers use private insurance to back up their obligations. Contributory social insurance schemes share the risk among employers and are usually designed to provide periodic cash benefits to injured workers (in the case of disability) or their families (in the case of death). They are also sometimes linked to relevant medical care and rehabilitation or return-to-work programmes for injured workers. In either case, given that both approaches primarily cover employed workers in formal employment, coverage of such schemes is often limited in the Asia-Pacific region (figure 4.4).

FIGURE 4.4 In the event of a work injury, most people will remain unprotected

Percentage of workers covered in the event of work injury as a share of total employment, by country, latest available year



Source: International Labour Organization, World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10>.

Efforts to expand the coverage of employment injury insurance are ongoing. In the wake of the collapse of the Rana Plaza building in Bangladesh in 2013, and multiple other accidents in the garment and other sectors, stakeholders in Bangladesh are in the process of establishing an employment injury insurance scheme.¹¹⁸ Cambodia, another country with a relatively large garment sector, is increasing the scope of its Employment Injury Insurance Scheme to small and medium enterprises. Meanwhile, in Malaysia, under a 2017 law, the reach of its well-established employment injury scheme has been expanded to cover self-employed workers.

4.5 Disability benefits boost opportunity and reduce poverty

Disability benefits are essential for protecting persons with disabilities and boosting their opportunities, while reducing family poverty. Persons with disabilities face major barriers in accessing medical services, attaining a good education, finding decent employment and living

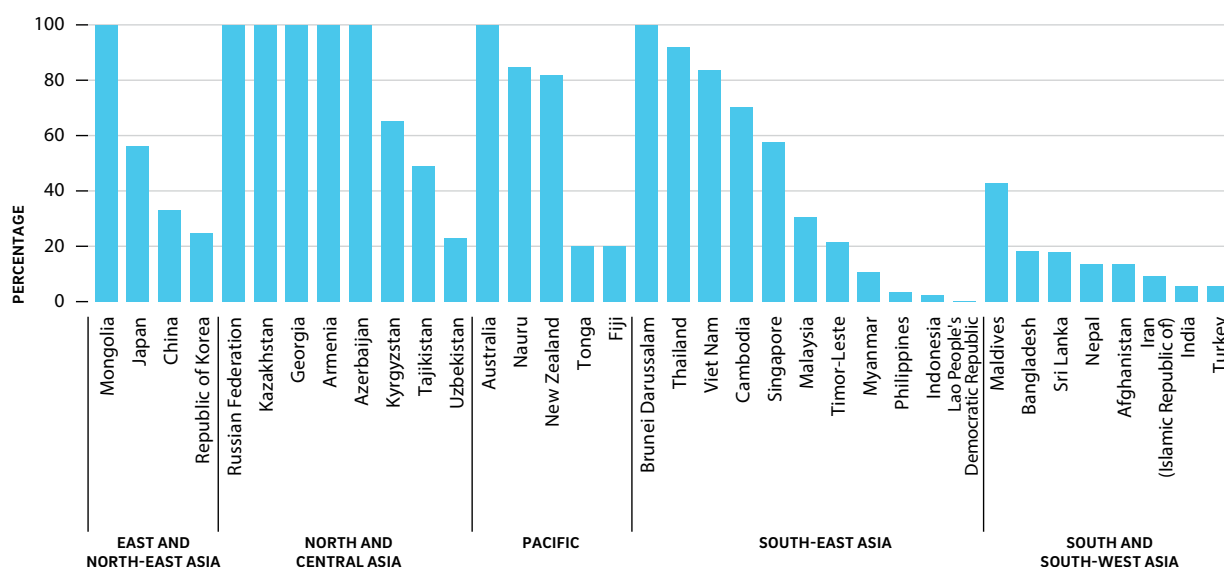
in dignity. Data from Asia and the Pacific show that persons with a disability are consistently less likely to be employed than persons without a disability and that their employment is more likely to be in the informal economy. The presence of a household member with a disability also tends to be associated with higher levels of household poverty.¹¹⁹ Disability benefits support individuals and their families who often have lower incomes and high disability-related expenses.¹²⁰ When designed well, they also play an important role in supporting persons with disabilities to find and take up decent jobs. Because levels of disability increase in older ages, it is critical that old-age pensions (discussed in the next chapter) also reach persons with disabilities.

4.5.1 Persons with disabilities are often left uncovered

Overall, social protection coverage of persons with disabilities remains limited. Countries in North and Central Asia have the greatest success in covering persons with severe disabilities. Outside of that subregion, only a few countries in South-

FIGURE 4.5 Persons with disabilities are better covered in North and Central Asia compared to other subregions in Asia-Pacific

Percentage of persons with severe disabilities receiving disability cash benefits, by country, latest available year



Source: International Labour Organization, World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10>.

118 International Labour Organization, "Employment injury insurance in Bangladesh: the Rana Plaza disaster, Savar, Bangladesh". Available at <https://www.ilo.org/global/topics/geip/projects/bangladesh/lang--en/index.htm>.

119 *Disability at a Glance 2015*, (United Nations publication, Sales No. E.16.II.F.4).

120 International Labour Organization and International Disability Alliance, "Joint statement: towards inclusive social protection systems supporting the full and effective participation of persons with disabilities" (February 2019). Available at <https://www.social-protection.org/gimi/RessourcePDF.action?id=55473>.

East Asia, the Pacific, as well as Mongolia provide coverage to persons with disabilities (figure 4.5). In most other countries, a minority of persons with a severe disability receive a cash benefit. Even in countries with high coverage of persons with severe disabilities, coverage of persons with more moderate forms of disabilities may be low.

4.5.2 Existing disability benefits are complex and inadequate

The reach of non-contributory schemes is generally hindered by complex disability assessment processes. Despite the universal nature of the disability allowance in Nepal, for example, the coverage of persons with severe disabilities remains low. One of the factors behind this is the complex and cumbersome process of applying for a disability card (a prerequisite for the application), particularly for those who are illiterate or live in remote areas.¹²¹ Even in an upper-middle income country, such as Maldives, a substantial share of persons with disabilities do not receive the universal disability allowance because of lack of information, complex administration processes and stigma.¹²²

Non-contributory schemes targeted at low-income households and conditional cash transfers tend to be ill-adapted to reach persons with disabilities. Few of these schemes are originally designed for persons with disabilities and, in some cases, they seem to be less likely to reach households that have a person with a disability. For example, in Indonesia, households with a person aged above 15 with a severe functional limitation are less likely to be included in the Program Keluarga Harapan (PKH), the conditional cash transfer scheme, than households without a person with a disability. A person with a disability may also find it more difficult to comply with conditions attached to such schemes. For example, the results of an analysis

conducted in the Philippines show that, given the inadequacy of available educational services for persons with disabilities, many find it very difficult to comply with educational conditions and are thus excluded from the scheme.^{123, 124}

Persons with disabilities have higher costs of living. Disability-related living expenses accumulate, for example, for higher expenditure on health care and transportation, assistive devices, such as wheelchairs and hearing aids, personal assistants and modified housing. The disability-related extra costs vary based on the level of the disability, age and household composition, but they can be significant.¹²⁵ For example, in Cambodia, the additional monthly cost of living with a disability is estimated to be approximately 19 per cent higher than the average monthly household expenditure. Accounting for these additional costs would double the poverty rate for households with members with a disability, from 18 per cent to 37 per cent.¹²⁶

Where they exist, non-contributory disability benefits levels are often too low. This inadequacy means that persons with disabilities are often not able to cover their additional cost of living, particularly with respect to completing their education and finding and keeping full-time work.¹²⁷ Benefit structures are also complex and may mix income replacement (for those assessed to have limited work capacity) and compensation for additional costs associated with a disability, such as assistive devices and care.¹²⁸ Given that most non-contributory benefits in the region are focused on persons with more severe disabilities and assume an inability to work, the benefit levels appear particularly low (figure 4.6). Many schemes, including those established in Bangladesh, India and Mongolia, provide benefits that are not only low relative to average incomes (5 per cent of GDP per capita or less), but also below the \$1.90 international extreme poverty line.

121 Lena Banks and others, "Disability inclusive social protection research in Nepal: a national overview with a case study from Tanahun District" (London, International Centre for Evidence in Disability, 2018). Available at https://www.lshtm.ac.uk/sites/default/files/2019-06/Full-report_Nepal.pdf.

122 See https://www.lshtm.ac.uk/sites/default/files/2019-11/Maldives%20impact%20evaluation_conference.pdf.

123 Stephen Kidd and others, *Leaving No-One behind: Building Inclusive Social Protection Systems for Persons with Disabilities* (Orpington, UK, Development Pathways Limited, April 2019).

124 Life Haven Inc., "Disability and the world bank safeguards – Case study on the conditional cash transfer program in the Philippines: the case of poor households with persons with disabilities". Available at www.lifehaveninc.org. <https://consultations.worldbank.org/sites/default/files/consultation-template/review-and-update-world-bank-safeguard-policies/submissions/disabilityandwbsafeguardscasestudyofthecctprogram.pdf>

125 Sophie Mitra and others, "Extra costs of living with a disability: a review and agenda for research". *Disability and Health Journal*, vol. 10, No. 4 (2017), pp. 475–484.

126 Michael Palmer, Jenny Williams and Barbara McPake, "Standard of living and disability in Cambodia", *The Journal of Development Studies*, vol. 55, No. 11 (2019), pp. 2382–2402.

127 *Social Outlook for Asia and the Pacific: Poorly Protected* (United Nations publication, Sales No. E.19.II.F.2).

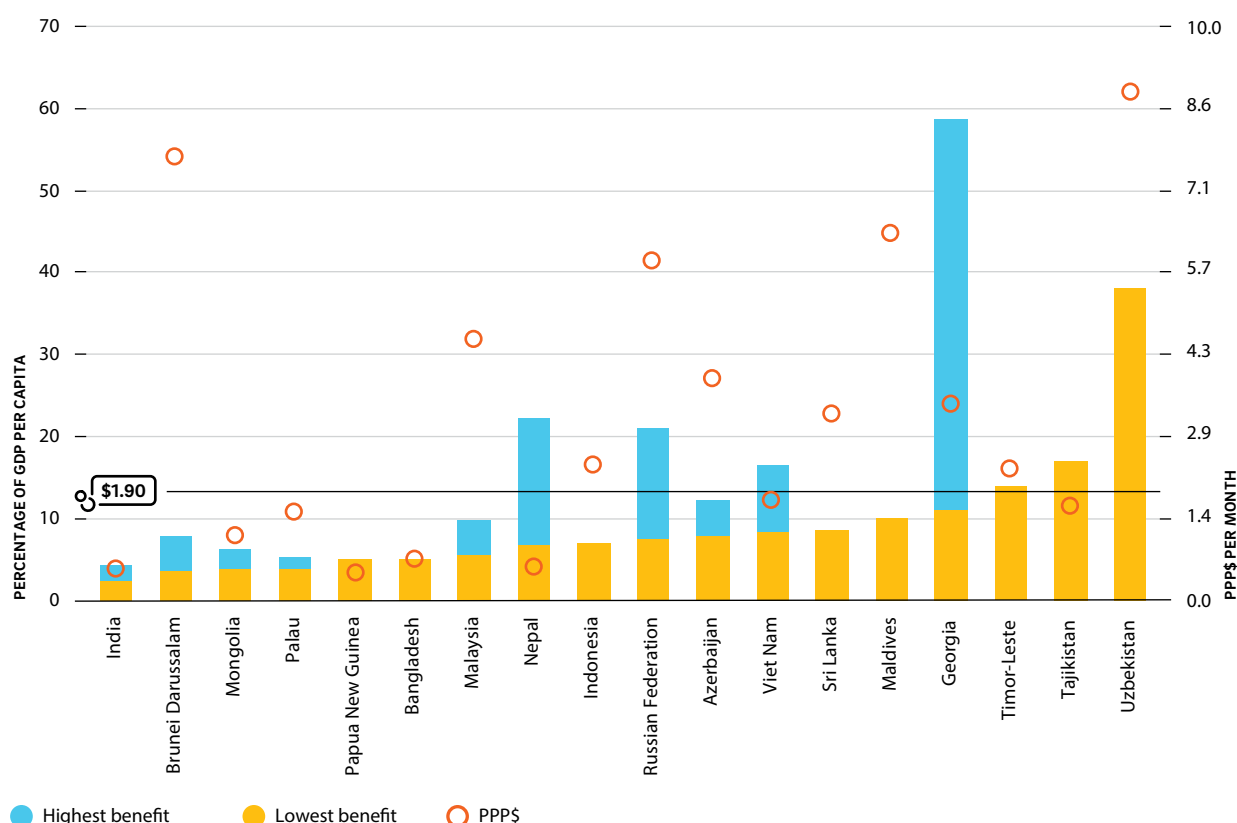
128 Stephen Kidd and others, *Leaving No-One behind: Building Inclusive Social Protection Systems for Persons with Disabilities* (Orpington, UK, Development Pathways Limited, April 2019).

The COVID-19 pandemic has affected persons with disabilities and those living with chronic illness particularly hard. Prior to the crisis, a large share of this group was already living in poverty and faced barriers to secure and maintain their livelihoods. Some countries have provided short-term top-ups

to existing benefits, including disability benefits. An important advantage of this approach is that the disbursement can build on existing beneficiary registries. Sri Lanka, for example, has provided a top-up to older persons and people receiving disability allowances.

FIGURE 4.6 When disability benefits exist, the level is usually insufficient

Benefit levels of non-contributory disability benefits as share of GDP per capita and PPP\$ per day, selected countries, latest available year

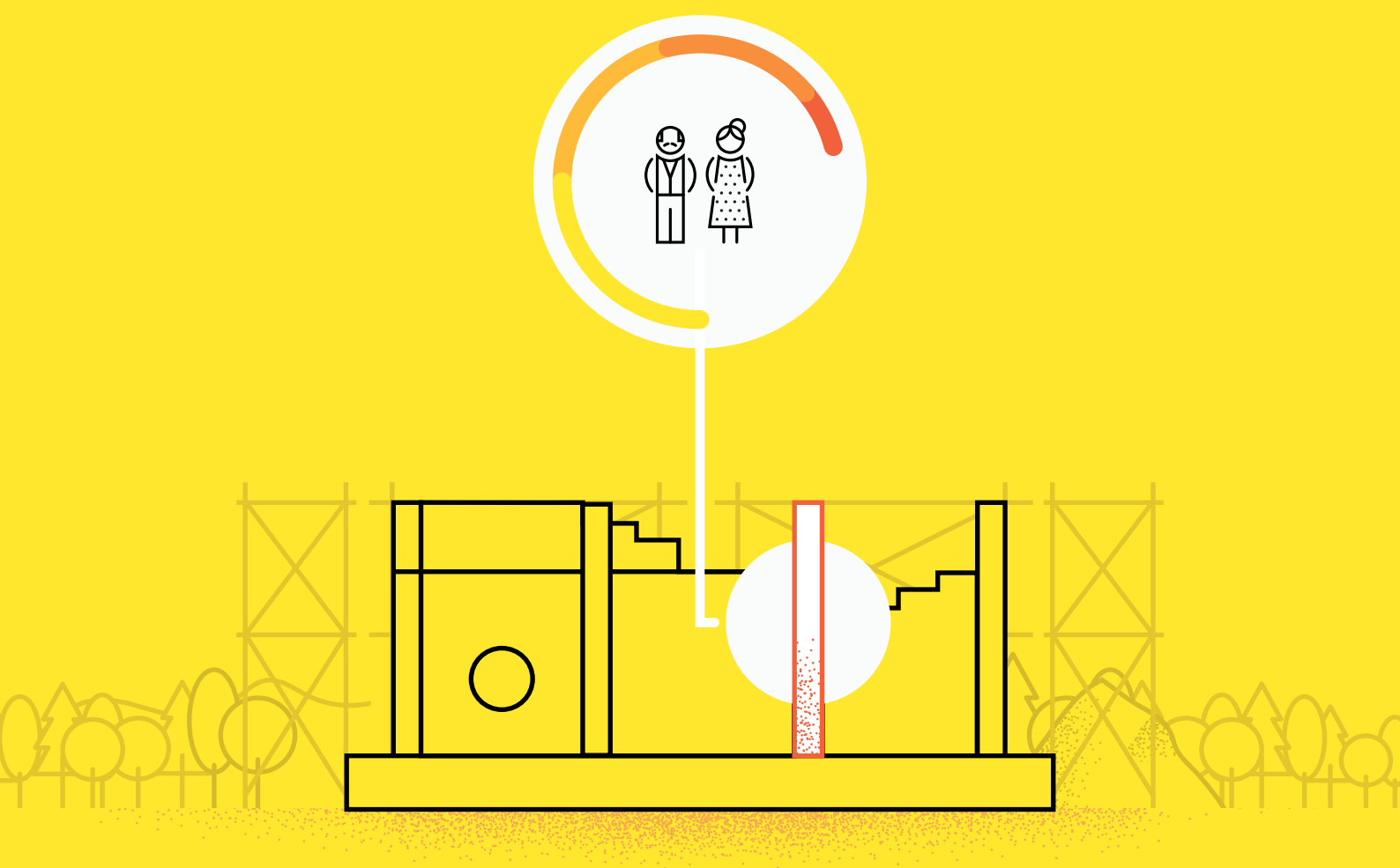


Source: Development Pathways, Disability Benefits Database (2019) (<http://www.developmentpathways.co.uk/publications/#disability-database>).

Note: PPP\$ figure relates to the lowest benefit only. The scheme in Papua New Guinea only covers New Ireland. Benefit levels for schemes in the region are shown as a share of GDP per capita (a measure of average income), and also in PPP\$ per day (to give an indication of their absolute value comparable across countries). In cases in which a range of benefit levels are provided (often according to severity of a disability) the range is provided in terms of the lowest and highest benefit.

Chapter 5

Protecting women and men in old age: supporting dignity and independence



Effective income security among older persons enables them to live independently and in dignity. Leaving old-age support to families alone is becoming increasingly unsustainable given that demographic ageing is resulting in fewer children to support each older person. Receiving a pension upon retirement means that there is less need to save money throughout the working life and that younger family members can invest in their own future. These investments could be in their own or their children's nutrition and education or to purchase productive assets. Effective old-age social protection systems are particularly relevant for women given the greater vulnerability they often face in older ages, as well as their greater longevity.¹²⁹

5.1 A wide variety of schemes

Most countries in the region combine a mix of contributory and non-contributory schemes. In some cases, the mix is designed to secure some form of income-security for all older persons, irrespective of their work history. There is significant diversity in the design of these schemes.

Contributory schemes are primarily in the form of either social insurance pensions or mandatory individual saving schemes. Individual saving schemes in the region include provident funds, which collect members' contributions into individual savings accounts that accrue interest, and, in most cases, pay a lump sum upon retirement. A new trend in some countries is to transform these funds into an annuity, which becomes a pension. In Singapore, it is mandatory to convert a part of the funds into an annuity. Some countries in North and Central Asia introduced private individual accounts after 1991, but few have reversed or are considering reversing these reforms, giving a stronger role to social insurance. Social insurance pensions — which are the dominant type of contributory schemes across the region — are considered to provide superior income security, as they pool risks among members and provide regular, predictable and higher benefits until the end of life. A few economies, including Australia; Hong Kong, China; and Papua New Guinea, have mandatory occupational pensions. Notably, some others, such as China, Thailand and countries in North and Central Asia use a combination of schemes.

Non-contributory pensions, or so-called social pensions, are usually targeted in one of three ways:

- *Universal pensions*, which are in place in countries such as Georgia, New Zealand and Timor-Leste, provide benefits to all older people over a defined age, regardless of other income they receive.
- *Means-tested* schemes limit benefits to certain categories of the older population based on their income, assets or other indicators of poverty and vulnerability. They are in place in India, the Republic of Korea, the Philippines and Sri Lanka.
- *Pensions-tested* schemes determine eligibility for a non-contributory pension based on other pension entitlements. In some cases, people with other pension entitlements are not entitled to a non-contributory pension. This is a common approach in many countries in North and Central Asia. In other cases, such as in Maldives, individuals with access to contributory pension entitlements can still receive a non-contributory pension, although it is reduced according to the level of the contributory pension entitlement (tapered pensions-testing).

The above categories do not simply correlate with higher or lower coverage. For example, some means-tested schemes only cover a minority of older people, (Bangladesh, Malaysia and Sri Lanka), while others provide benefits to the majority of those over the age of eligibility (Australia and the Republic of Korea).

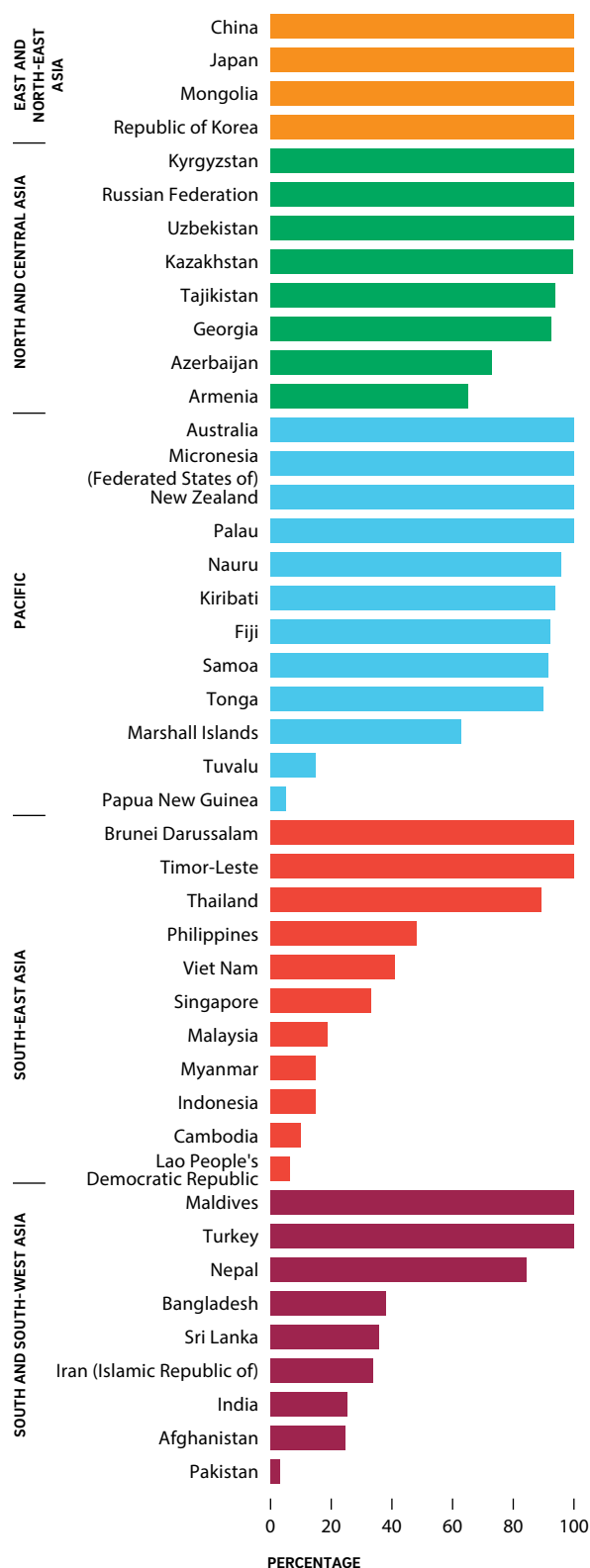
5.2 Old-age pension coverage has increased

Compared to most other areas of social protection, countries in the region have achieved a relatively high coverage of old-age pensions (figure 5.1). Most countries across East and North-East Asia and North and Central Asia have attained universal or near-universal coverage for those above statutory pensionable age. Notably, while countries in the Pacific tend to have lower coverage for other contingencies, many countries in the subregion have achieved high pension coverage. South-East Asia and South and South-West Asia are significantly diverse in their levels of coverage.

129 Charles Knox-Vydmanov, "Work, family and social protection: old-age income security in Bangladesh, Nepal, the Philippines, Thailand and Vietnam (2017). Available at <https://www.helppage.org/what-we-do/social-protection/work-family-and-social-protection-in-asia/>.

FIGURE 5.1 Most people in the region are covered by some form of old-age pension

Percentage of persons above statutory pensionable age receiving a pension, by country, latest available year

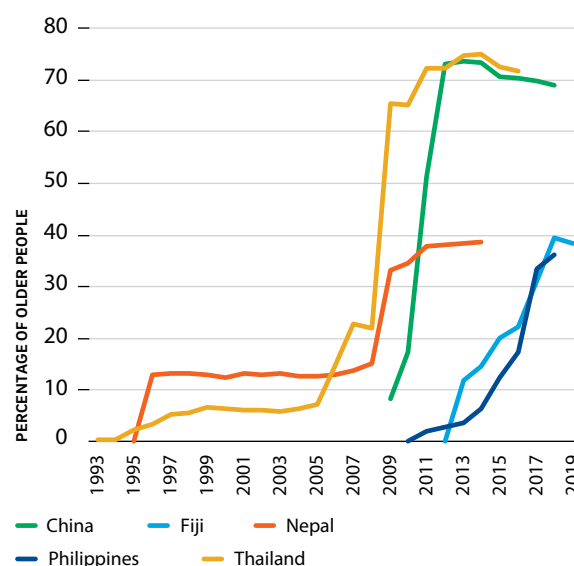


Source: International Labour Organization, World Social Protection Database. Available at <https://www.social-protection.org/gimi/ShowTheme.action?id=10>.

Recent expansion of non-contributory and subsidized contributory schemes has contributed to increased old-age pension coverage. China, Fiji, Nepal, the Philippines and Thailand are good examples of how coverage has increased through expansion of new or modified schemes since the early 1990s (figure 5.2). The schemes in the figure are non-contributory pensions, with the exception of the resident's pension in China, which is a contributory scheme with a significant tax-financed component.¹³⁰ Thailand and China are notable examples where coverage has expanded from being very low to include more than 70 per cent of all persons aged 60 and above within a period of two to three years. New schemes in Fiji and the Philippines reach more than one third of their older populations. The (old-age pensions) scheme in Nepal has been operating for a relatively long time. It was expanded in 2008 and now covers all people aged 70 and above. The eligibility age is lowered for Dalits and people living in the Karnali zone (box 5.1). It should be noted that coverage of the schemes in Fiji and Nepal above the

FIGURE 5.2 Steep increase in old-age pension coverage

Percentage of persons aged 60 and over who receive a non-contributory and subsidized contributory pension, selected countries, 1993–2019



Sources: National Bureau of Statistics of China; China Statistical Yearbook (multiple years); United Nations Population Division, World Population Prospects 2019 (<https://population.un.org/wpp/>); HelpAge International, Social Pension Database, 2017 (<http://www.pension-watch.net/social-pensions-database/social-pensions-database-/>); Ministry of Women, Children and Poverty Alleviation (Fiji); Annual Reports (multiple years).

¹³⁰ For the China Urban and Rural Residents Pension Scheme, the Government fully subsidizes the basic pension benefit, which complements members' entitlements from their contributions to an individual account.

actual age of eligibility (65 and 70 years, respectively) is significantly higher than indicated in the chart (which considers the population aged 60 and over).

How non-contributory pensions are designed and targeted has a significant impact on who benefits. Georgia has a universal scheme for men 65 and over, and for women 60 and over, while Thailand has a near-universal scheme for older people aged above 60.¹³¹ The scheme in India is targeted at the poorest older people aged 60 and over, while Viet Nam has a mixed scheme. All older people in Viet Nam aged 80 and over are eligible for a non-contributory pension, while for those between the ages of 60 and 79 years, there is a scheme targeted at poor older people living alone. Figure 5.3 shows that universal schemes in Georgia and Thailand are very successful in reaching most households with older people across deciles. Coverage in Bangladesh, India and Viet Nam is much lower, owing to the restricted eligibility criteria and to some poverty targeting.

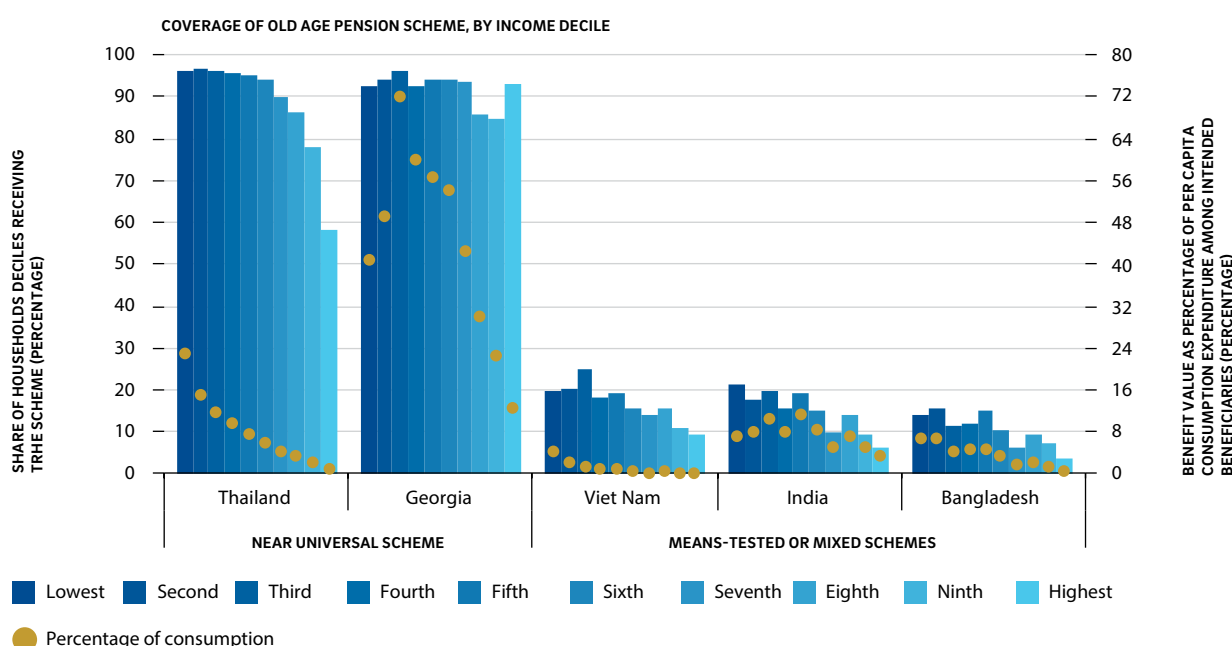
Coverage of contributory pensions tends to be lower among women than men (figure 5.4, panel A). This imbalance reflects the dynamics discussed in chapter 2, including women's lower labour force participation, shorter or interrupted careers because of care responsibilities and their lower incomes. For those reasons, they are also generally more likely to receive non-contributory pensions than men (figure 5.4, panel B).

5.3 Benefit levels remain inadequate

Despite the rapid increase in coverage of non-contributory pensions, benefit levels are often far from adequate. As a share of GDP per capita, benefit levels range from 2 to 35 per cent, with the majority corresponding to less than 10 per cent of GDP per capita (figure 5.5). In many countries, including, for example, Bangladesh, India and the Philippines, benefit levels are below the \$1.90 international poverty line. In countries where benefits are low either in absolute or relative terms, older persons may need to continue to work or rely

FIGURE 5.3 Poverty-targeted non-contributory old-age pensions reach a very small share of intended beneficiaries

Coverage of non-contributory pensions by consumption decile among households with at least one member aged 65 and over, selected countries, latest available year

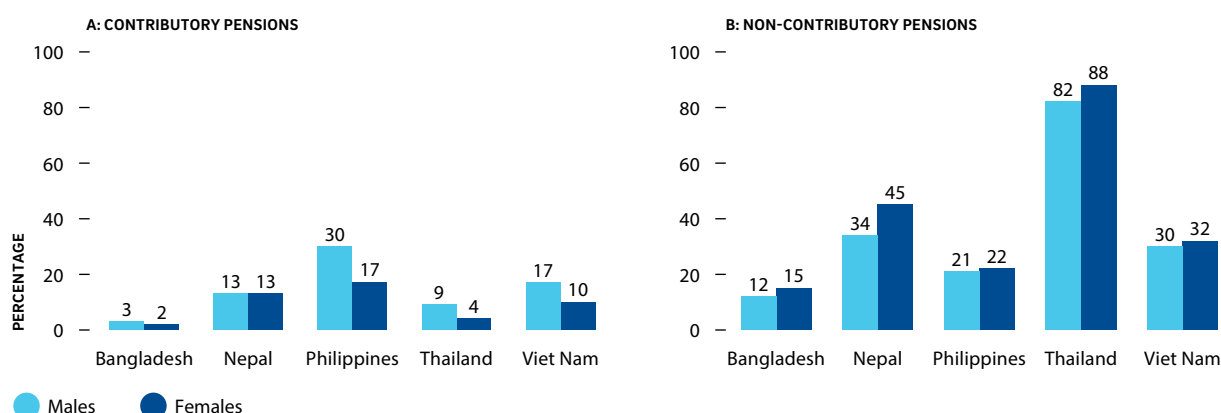


Source: Household Income and Expenditure Surveys, ESCAP Social Protection Simulation Tool, see annex 2. Available at https://devpathways.shinyapps.io/escap_tool_p3/

131 The Old Age Allowance in Thailand targets all older people apart from those receiving government pensions from the Government Pension Fund (civil servant). For more information see HelpAge International, Social Pensions Database, 2016 (<http://www.pension-watch.net/about-social-pensions/about-social-pensions/social-pensions-database/>).

FIGURE 5.4 Women are more likely to receive non-contributory pensions, usually with lower benefit levels

Percentage of persons aged 60 and over receiving a pension by sex, selected countries, latest available year



Source: Charles Knox-Vydmanov, "Work, family and social protection: old age income security in Bangladesh, Nepal, the Philippines, Thailand and Viet Nam" (2017). Available at <https://www.helppage.org/what-we-do/social-protection/work-family-and-social-protection-in-asia/>

Note: Data relates to the following years – Bangladesh (2010), Nepal (2010/11), Philippines (2017), Thailand (2017) and Viet Nam (2011). Data for the Philippines on contributory pensions only includes Social Security System pensions, and not those from the Government Social Insurance Scheme.

heavily on family support and face the risk of living in poverty. Examples of countries with social pensions that exceed the regional average benefit level of 12.8 per cent of GDP per capita include Georgia, Kiribati, Maldives, Mongolia and Nepal. More details on the social pension in Nepal are given in box 5.1.

The near-universal old-age pension scheme of Thailand provides a benefit of between THB 600 and 1,000 per month, depending on the age of the recipient.¹³² This corresponds to levels of 3 to 5 per cent of GDP per capita, one of the lowest levels in the world, equivalent to only 85 per cent of the international extreme poverty line.¹³³ As such, it accounts for less than one quarter of the poorest households' pre-transfer income (figure 5.3). Despite this very low pension level, a national survey of older persons has found that one-in-five considered the scheme their main source of income.¹³⁴ This surprise finding highlights that even low benefits can make a meaningful — albeit inadequate — contribution to those living on very low incomes.

Contributory social insurance pension schemes tend to perform better, but do not necessarily guarantee adequate benefits in all cases. Social insurance pension schemes provide periodic benefits for those that have contributed to the scheme. Benefits are generally calculated based on a stipulated formula, often requiring a minimum level of income and years of contribution, so-called defined benefits. The contributions are pooled, so the risks are shared and redistribution takes place among the members of the scheme. For example, schemes can be designed in a way that compensates for disadvantages and periods without contributions, such as providing care credits or guaranteeing minimum benefits for those with lower incomes, both of which benefit women.¹³⁵ Nevertheless, the adequacy of benefits depends on the parameters of a given scheme, which includes retirement age and the benefit formula. The limited adequacy of contributory benefits in some countries explains why non-contributory benefits may be considered a complement, rather than an alternative.

¹³² Those aged between 60 and 69 years receive THB 600 per month. Those aged between 70 and 79 years receive THB 700 a month. Those aged between 80 and 89 receive THB 800 a month. Those over 90 years receive THB 1,000 a month.

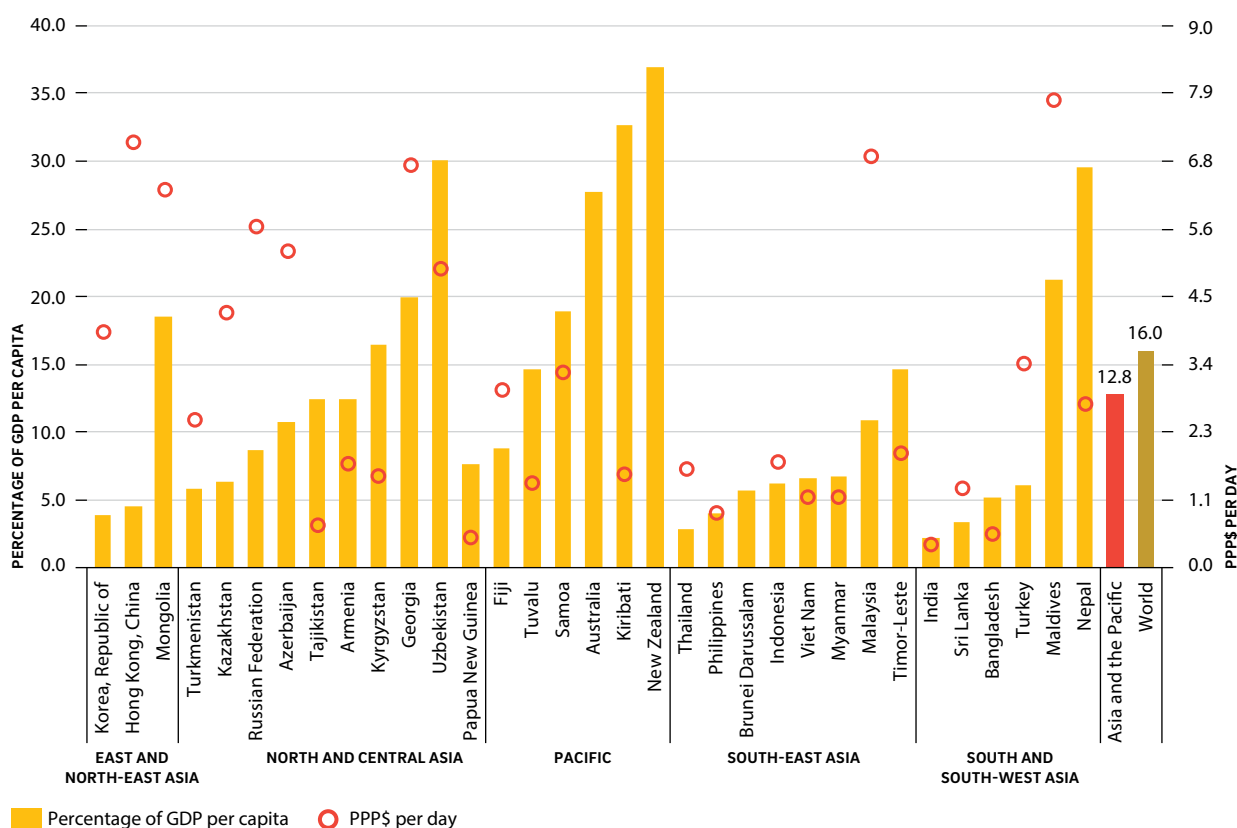
¹³³ Authors' calculations based on International Monetary Fund, World Economic Outlook Database, October 2019 (<https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx>); IMF, World Economic Outlook Database, October 2019 (<https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx>).

¹³⁴ Busarawan Teerawichitchainan and others, "Thailand's older persons and their well-being: an update based on the 2017 survey of older persons in Thailand" (Chiang Mai, Thailand, HelpAge International, 2019).

¹³⁵ International Labour Organization, "Improving Women's access to old-age pensions Cambodia and Viet Nam" (2019). Available at http://www.oit.org/hanoi/Whatwedo/Publications/WCMS_716009/lang-en/index.htm.

FIGURE 5.5 Non-contributory old-age pensions are often inadequate

Benefit levels of non-contributory old-age pensions as share of GDP per capita, and in PPP \$ per day, by country, latest available year



Source: HelpAge International, Social pensions database. Available at: www.pension-watch.net/social-pensions-database/social-pensions-database--/

Concerns about the financial sustainability of social insurance pensions have led some countries to move towards more individualized forms of contributory pensions. In many cases, population ageing is expected to place pressure on the financial balance of social insurance unless key parameters are adjusted, such as retirement ages, contribution rates and benefit formulas. In response, some countries are reshaping their contributory pension schemes towards different models of individual accounts, where there is a stronger link between lifetime contributions and benefits and less responsibility for the State as a guarantor of the level of benefits. For example, reforms in North and Central Asia have included adding a scheme of mandatory individual accounts, where funds are invested in the financial market. Others have included a mechanism where social insurance pensions are adjusted to strongly reflect an individual account (“notional defined contribution”).

The results of some of these reforms have, nevertheless, been disappointing. An analysis of the reform in Kazakhstan in 1998 showed poor results in terms of adequacy of pensions, particularly for women, precipitating further pension reform in 2013.¹³⁶ In general the introduction of individualized forms of contributory pensions represents a clear move away from the core principles of solidarity and redistribution. Such schemes also place a greater responsibility on the individual to handle risks such as inflation, capital market performance and many times deal with high administrative fees of pension funds, while risking facing periods without income.¹³⁷ The economic crisis associated with the COVID-19 pandemic will embody another stress test for these savings-based old-age income pension schemes. Judging by the consequences of the international financial crisis of 2008, it is reasonable to assume that the expected periods of contracting economic activity will negatively affect pension levels for members of these schemes. True old-age income

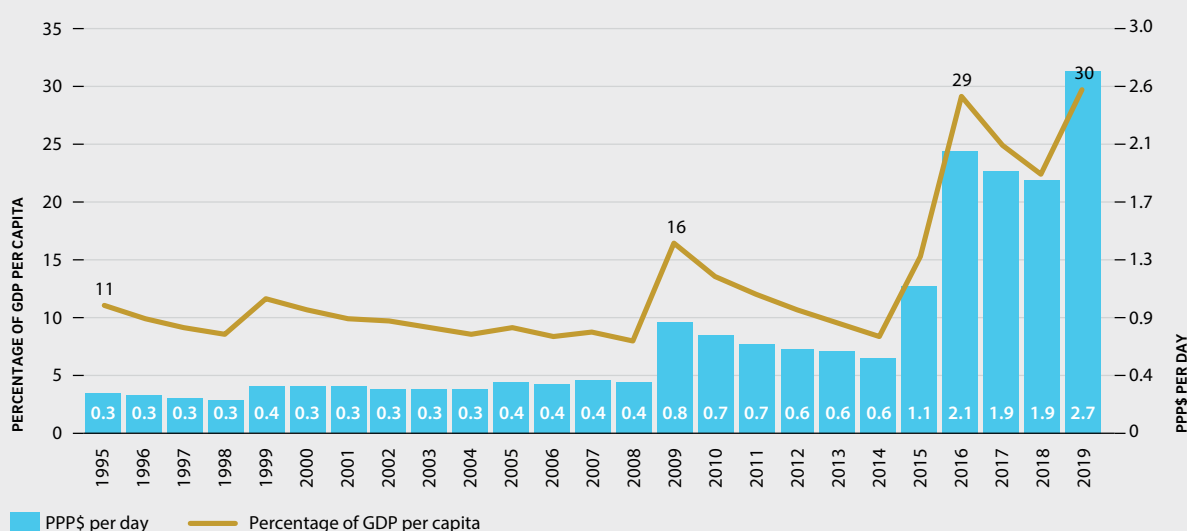
¹³⁶ Isabel Ortiz and others (eds), *Reversing Pension Privatizations: Rebuilding Public Pension Systems in Eastern Europe and Latin America* (Geneva, ILO).

¹³⁷ Isabel Ortiz and others, “Reversing pension privatization: rebuilding public pension systems in Eastern European and Latin American Countries (2000-18)”, ESS – Working Paper No. 63 (Geneva, ILO, 2018).

BOX 5.1 Senior Citizen's Allowance in Nepal^a

Nepal is a good example of a low-income country that has managed to introduce a non-contributory old-age pension with a comparatively high coverage and adequacy relative to other countries in the region. Introduced in 1995, the country's Senior Citizen's Allowance provided a benefit for all older people over the age of 75 years, at a benefit level of NPR 100, or 11 per cent of GDP per capita, which corresponded to less than a fifth of the extreme poverty line. The scheme was reformed in 2008–2009 following the end of the civil war. Coverage was expanded to include older people 70 and over, and to 60 and over for Dalits and those living in the poorest region of the country (the Karnali Zone). The benefit was also increased to NPR 500 per month, and subsequently to NPR 1,000, 2,000 and then 3,000 in 2015, 2016 and 2019, respectively. These increases put the benefit above the international extreme poverty line and made it one of the highest benefits in the world, at 30 per cent of GDP per capita.

FIGURE 5.6 Development of Nepal's Senior Citizen's Grant, in percentage of GDP per capita and PPP\$ per day, 1995–2019



Sources: Budgetary documents 1995–2016 and International Monetary Fund, World Economic Outlook Database, October 2019 (<https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx>).

^a Charles Knox-Vydmannov, "Work, family and social protection: old age income security in Bangladesh, Nepal, the Philippines, Thailand and Vietnam" (2017). Available at <https://www.helppage.org/what-we-do/social-protection/work-family-and-social-protection-in-asia/>.

security has to be underwritten by entire societies because only then can older persons be guaranteed a fair share of future national incomes.

Adequacy is also an issue for provident funds.

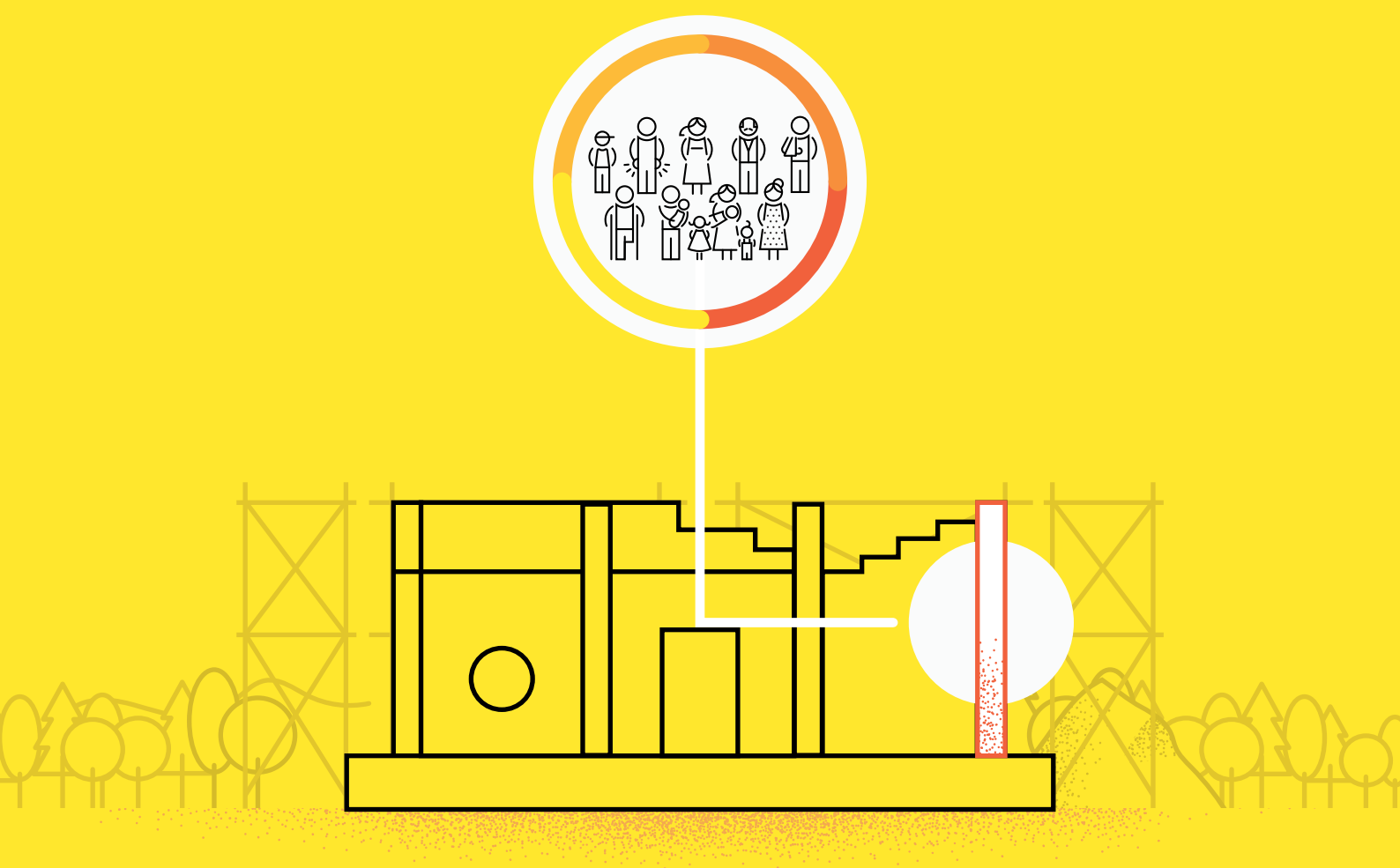
These schemes traditionally provide lump-sum benefits at retirement, which raises the risk that retirees will outlive their savings. An analysis of benefits associated with the Employees Provident Fund of Sri Lanka indicates that if all retiring members

were in a position to invest their lump-sum benefit in an optimal way, the replacement rate would initially only be 20 to 45 per cent of the average wage and would decline as the person ages.¹³⁸ Singapore has initiated steps to address the challenges of lump-sum benefits. It now obliges members with savings above a certain threshold to convert them to a life annuity. However, low benefit levels remain an issue for many low-income workers.

¹³⁸ International Labour Organization, *Analysis of the Sri Lankan Social Protection Schemes in the Context of Social Protection Floor Objectives* (Geneva, ILO, 2016).

Chapter 6

Protecting the health and well-being of all people: a prerequisite for sustainable development



Universal social health protection is essential to ensure the well-being of people and protect them from falling into poverty. Social health protection provides financial protection against the consequences of ill health and is a core part of a broader effort to achieve universal health coverage.¹³⁹ Despite its importance, health outcomes continue to fall short in many areas. For example, rates of infant and maternal mortality have declined dramatically in recent decades, but they fall short of meeting relevant Sustainable Development Goals targets.¹⁴⁰

Many people are unable to access the care they need, owing to gaps in the coverage, scope and affordability of health care. When individuals forego care, health conditions can result in a plethora of social and economic costs to individuals, families and society, including loss of income, productivity and premature death. High out-of-pocket payments for health-care services can also push households into poverty. Data suggest that in 2015, 13 per cent of households in Asia spent more than 10 per cent of their household income on health, and 72 million were pushed into poverty due to health expenditure.¹⁴¹

Universal access to health care is a human right that has wide-ranging consequences. A healthy population underpins all development efforts. Health is the thread linking nearly every development objective together — as a precondition for and an outcome of sustainable development policies.¹⁴² The COVID-19 pandemic has highlighted how failure to achieve affordable health care can exacerbate disease outbreaks.

6.1 Gaps in coverage and funding

Among all social protection contingencies, the greatest mix of contributory and non-contributory approaches is observed in the provision of social health protection. Many countries in North and Central Asia and the Pacific, as well as a few other

countries in the region, such as Malaysia and Sri Lanka, fund their health systems through taxes (figure 6.1, panel A). Others, such as China, Indonesia, the Philippines, the Republic of Korea and Viet Nam, have systems based on compulsory contributory health insurance schemes that often include subsidies to contributions for low-income individuals and households. Most countries in the region, however, have developed hybrid financing schemes, which combine contributions with funding from tax revenues. An additional approach is the combination of contributory health insurance with non-contributory tax-funded schemes for the poor, such as the Health Equity Funds in Cambodia. Malaysia and Sri Lanka, complement their universal non-contributory schemes with supplementary forms of health insurance, which provide higher levels of protection. Generally, across the region, private health insurance exists in most countries, but the coverage is limited.

6.2 Increasing need for health care makes social protection urgent

The need for health care in the region is increasing, largely driven by population ageing and demand for better services. An analysis conducted by OECD and the World Health Organization (WHO) indicates that across much of the Asia-Pacific region, health expenditure is increasing more rapidly than economic growth.¹⁴³

A large and often increasing part of health expenditure is out-of-pocket payments. In many countries, out-of-pocket expenditures are the main financing source of health expenditure (figure 6.1, panel B). High out-of-pocket expenditures suggest high patient co-payments, or that access and quality of available health care is limited, leading individuals to resort to private care. In the region, out-of-pocket expenditures have fallen as a proportion of total expenditure in Indonesia, Pakistan and Singapore and increased substantially in Cambodia, the Lao

139 International Labour Organization, "Towards universal health coverage: social health protection principles", ILO brief: social protection spotlight, (2020). Available at https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---soc_sec/documents/publication/wcms_740724.pdf.

140 Organisation for Economic Co-operation and Development and World Health Organization, *Health at a Glance: Asia/Pacific 2018: Measuring Progress Towards Universal Health Coverage*, (Paris, OECD Publishing, 2018).

141 World Health Organization, The Global Health Observatory, universal health coverage. Available at <https://apps.who.int/gho/portal/uhc-fp-cabinet-wrappers-v2.jsp?id=1020202>.

142 Zoe Boutilier and others, "SDGs and health: a vision for public policy", G20 Insights, Policy Area: 2030 Agenda, 19 May 2017. Available at https://www.g20-insights.org/policy_briefs/sdgs-health-vision-public-policy/.

143 Organisation for Economic Co-operation and Development and World Health Organization, *Health at a Glance: Asia/Pacific 2018: Measuring Progress Towards Universal Health Coverage*, (Paris, OECD Publishing, 2018).

People's Democratic Republic and Mongolia.¹⁴⁴ Lower figures, however, may also indicate that people do not seek health care in the first place, which could also be related to issues of cost, quality or accessibility.

Reliance on out-of-pocket payments can result in catastrophic health expenditure. This happens when expenditure on health care makes up a large share of total household expenditure (figure 6.1, panel C). The indicator of catastrophic health expenditure is also used to measure progress in achieving Sustainable Development Goal target 3.8, with two benchmarks being measured — 10 per cent and 25 per cent of total household expenditure.¹⁴⁵ For example, in Bangladesh, Cambodia, China, Georgia, Maldives and Tajikistan, more than 1 in 20 households spend more than 25 per cent of their total income on health.

As a response to the COVID-19 pandemic, many countries in the region have injected significant additional financial resources into their health sectors. Australia, China, Indonesia, Japan, Malaysia, New Zealand, the Republic of Korea, the Philippines, Singapore and Viet Nam have channelled additional fiscal resources into the health system through COVID-19 stimulus packages.¹⁴⁶ These packages are used to cover a wide range of expenditures in the health sector. For example, Indonesia directed approximately one fifth of its stimulus package to the health sector, including for purchasing testing and treatment equipment.¹⁴⁷

6.3 The poorest are often denied health-care protection

In some countries, affordable access to health care is achieved through subsidized health insurance schemes, often complemented by non-contributory schemes. A common approach taken in some countries, such as Indonesia, the Philippines and Viet Nam, is to have three tiers of coverage: fully contributory coverage for those in

the formal sector (with an employment relationship); partially subsidized schemes for workers deemed to have contributory capacity; and fully subsidized contributions for groups deemed poor or near-poor. Despite different funding mechanisms, the schemes are channelled through the same social protection institution in these three countries. The result is significant expansion of coverage. As an example, in Viet Nam, health coverage has expanded from 4 to 72 per cent of the population since the implementation of the health insurance scheme.

Nevertheless, gaps often remain in such systems.¹⁴⁸ Figure 6.2 depicts groups with different levels of health-care coverage in Indonesia, using CART analysis. Data from the demographic and health surveys indicate that as of 2017, 58 per cent of the population of Indonesia was covered by some form of health coverage.¹⁴⁹ Yet inequalities are still evident. Almost three-quarters of those with higher education had health-care coverage, compared to only approximately half of those with a lower education in rural areas, indicating intersecting disadvantages, possibly aggravated by the country's complex geography. In both rural and urban areas, individuals older than 35 years were more likely to have health insurance, compared to younger age groups.

Using the same CART methodology, it is possible to compare groups with the lowest, average and highest levels of health-care coverage in ten countries (figure 6.3). The average health-care coverage is below 20 per cent of the population in all countries except Indonesia and Georgia. Strikingly the furthest behind groups in Armenia, the Lao People's Democratic Republic, Pakistan and Papua New Guinea all have coverage rates below 5 per cent. By contrast, in Georgia and Kyrgyzstan, universal health-care programmes provide coverage to more than 90 per cent of the population.

The furthest behind groups are generally low-educated, younger rural people in rural areas (table 6.1). The coverage distribution in Cambodia is unusual, as it is slightly skewed towards the poorest segment of the population. Health-care coverage in 2014 was

144 Ibid.

145 Sustainable Development Goal Target 3.8: Achieve universal health coverage, including financial risk protection, access to quality, essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

146 International Labour Organization, "Social protection responses to the covid-19 crisis: country responses in Asia and the Pacific", 25 March 2020. Available at https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms_739587.pdf.

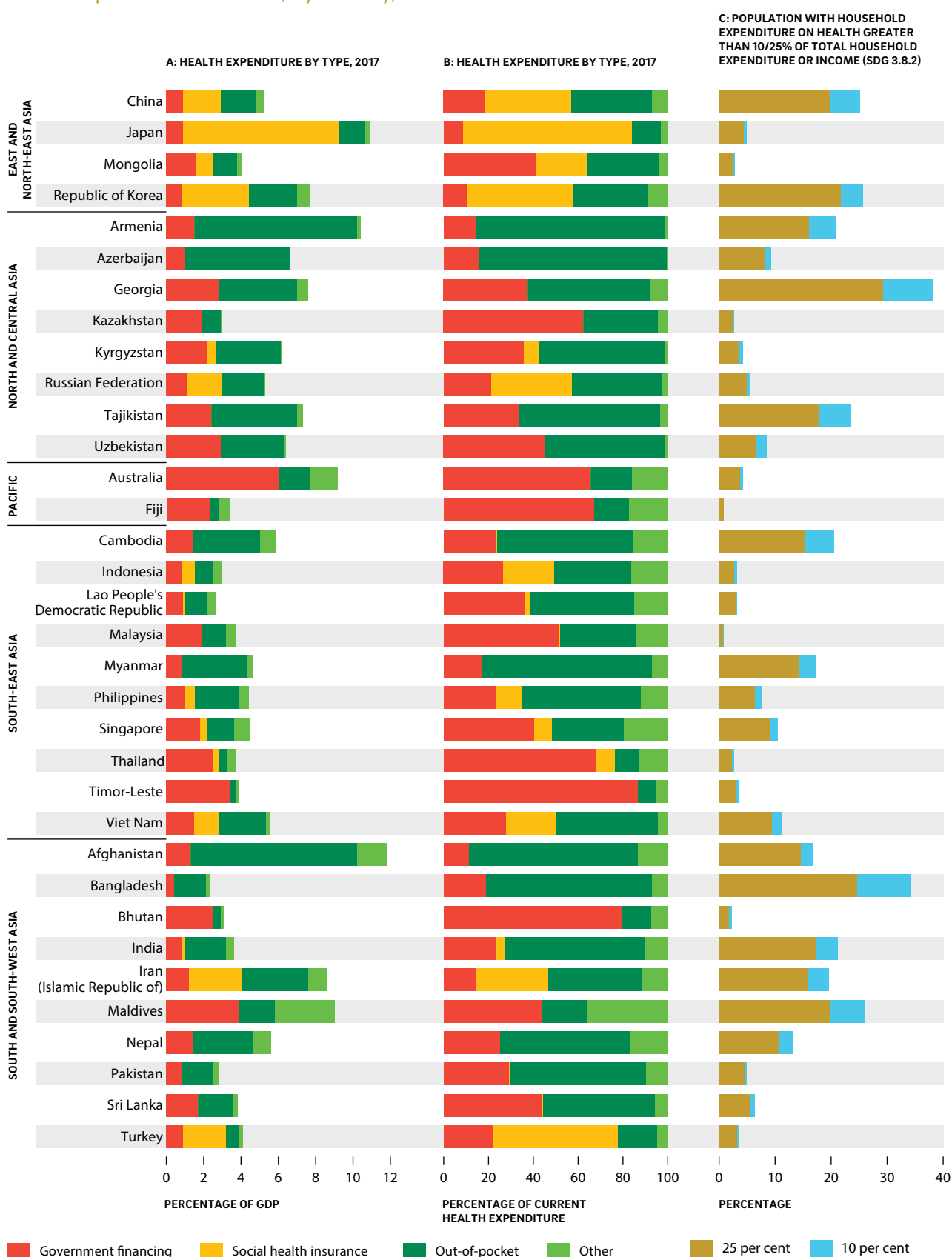
147 KPMG, Indonesia: Government and institution measures in response to COVID-19", 22 April 2020. Available at <https://home.kpmg/xx/en/home/insights/2020/04/indonesia-government-and-institution-measures-in-response-to-covid.html>.

148 Quynh Nguyen, and Nuno Meira Simoes da Cunha. *Extension of Social Security to Workers in Informal Employment in the ASEAN Region* (Geneva, ILO, 2019).

149 Subsidized programme "Jaminan Kesehatan Nasional/Badan Penyelenggara Jaminan Sosial Penerima Bantuan Iuran Jaminan Kesehatan" and nonsubsidized program "Jaminan Kesehatan Nasional/Badan Penyelenggara Jaminan Sosial Bukan Penerima Bantuan Iuran Jaminan Kesehatan".

FIGURE 6.1 Too high out-of-pocket expenditures is a critical challenge for the region

Health expenditure indicators, by country, 2017

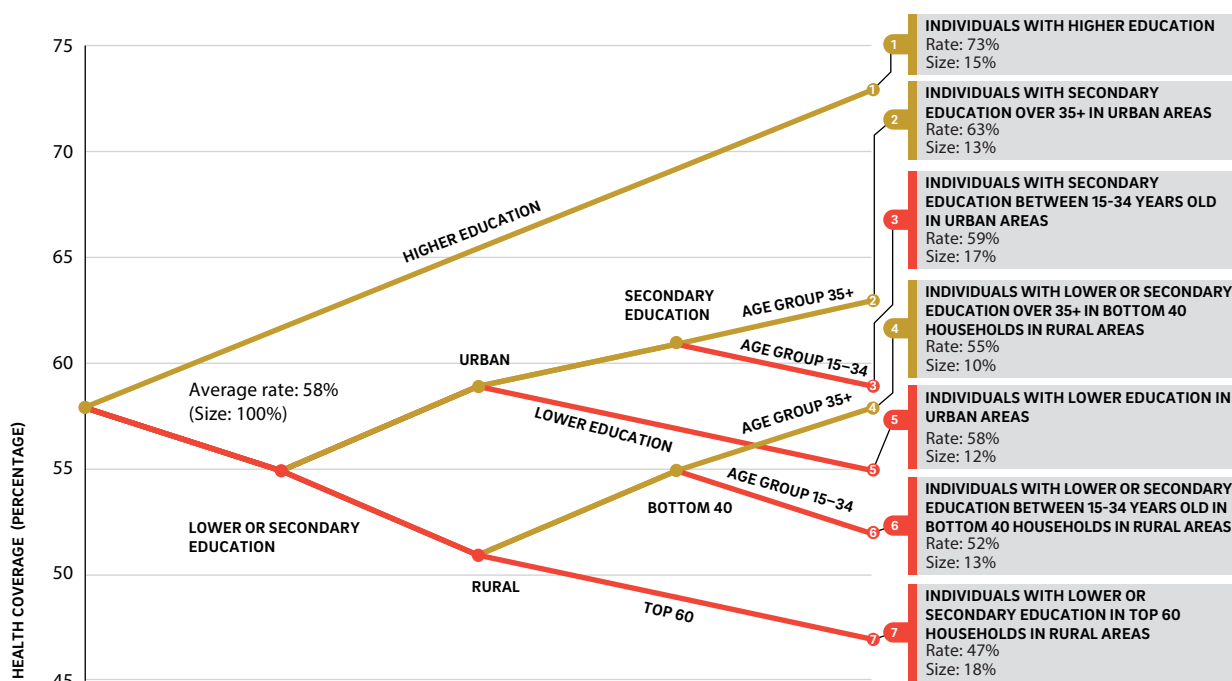


Sources: WHO (2019) Global Health Expenditure Database (December 2019 update), Available at <https://www.who.int/data/gho/data/themes/topics/financial-protection> (accessed on 3 August 2020).

Note: ENEA; East and North-East Asia; NCA, North and Central Asia; SEA, South-East Asia; SSWA, South and South-West Asia.

FIGURE 6.2 Despite various tiers of health-care coverage, large gaps remain

Classification tree of health-care coverage in Indonesia, 2017



Source: ESCAP elaboration based on Indonesia Demographic and Health Survey 2017.

Note: For more information on the methodology, please see: ESCAP (2020). Leaving No One Behind: A methodology to identify the furthest behind in Asia and the Pacific. *Social Development Division Working Paper 2020/01*.

lowest among the top 60 of the wealth distribution. Cambodia has extended health-care coverage to those most in need through non-contributory Health Equity Funds; private or employer-linked schemes are less developed. It is estimated that the Health Equity Funds have provided free access to some three million vulnerable individuals.¹⁵⁰ Despite this important scheme and the launch of the National Health Insurance in 2016, 73 per cent of all Cambodians remain without health coverage. In Georgia, on the other hand, more than 90 per cent of the population has been covered by a tightly defined package of state-funded benefits since 2013. The highly decentralized system is focused on ensuring universal access through autonomous medical providers, while guaranteeing high-quality services, primary care, and financial protection.¹⁵¹

The Lao People's Democratic Republic is a case in point for progress. Analysis conducted in 2017 indicated that only 15 per cent of the population had health-care coverage, mostly through a civil servant scheme.¹⁵² Only around 3 per cent were covered through the non-contributory community-based health insurance or health equity funds. Of those with some form of health insurance, the vast majority were highly educated and half of them were in the richest quintiles of the wealth distribution.¹⁵³ These gaps were one of the main drivers for introducing the National Health Insurance Scheme, which is intended to cover the most vulnerable segment of the population and contribute towards achieving universal health coverage by 2025.¹⁵⁴

150 Peter Annear and others, "Protecting the poor? Impact of the national health equity fund on utilization of government health services in Cambodia" 2006–2013". *BMJ Global Health*, vol. 4, No. 6 (2019).

151 Erica Richardson and Nino Berdzul (2017). "Georgia: Health system review". *Health Systems in Transition*, vol. 19, No. 4, pp. 1–90.

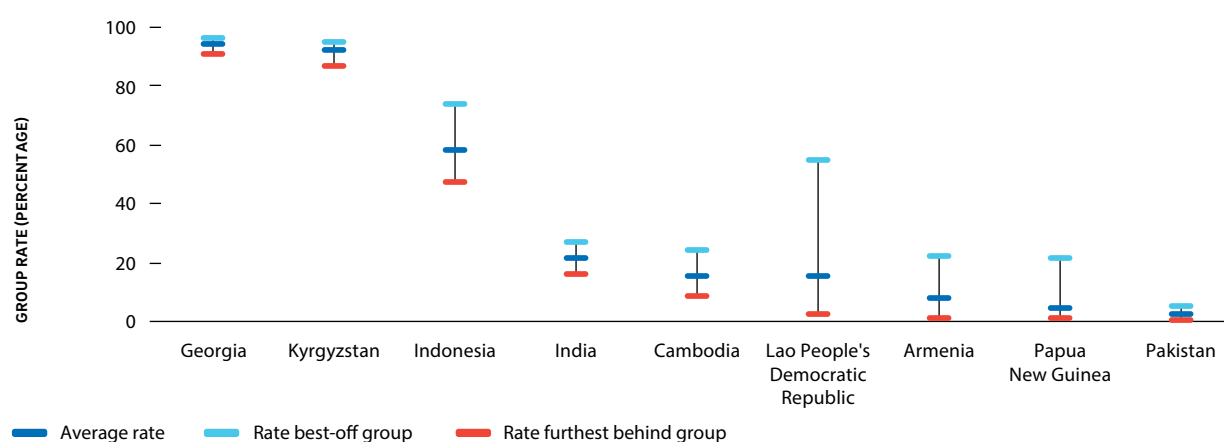
152 Based on latest available Multiple Indicator Cluster Survey (2017). Available at: https://mics-surveys-prod.s3.amazonaws.com/MICS6/East%20Asia%20and%20the%20Pacific/Lao%20People%27s%20Democratic%20Republic/2017/Survey%20findings/Lao%20PDR%202017%20MICS%20Social%20Indicator%20Survey%20II%20Survey%20Findings%20Report_English.pdf

153 Ibid.

154 International Labour Organization (2020), "Expansion of Lao People's Democratic Republic's national health insurance accelerates progress towards universal health coverage", 4 February. Available at https://www.ilo.org/asia/media-centre/articles/WCMS_735797/lang--en/index.htm.

FIGURE 6.3 Countries with universal health-care systems have high coverage and minimal gaps

Gaps in access to health-care coverage, latest year available



Source: ESCAP elaboration based on latest demographic and health surveys and multiple indicator cluster surveys.

Note: Data for Kyrgyzstan refer to women only. For a description of the composition of the furthest behind groups, please see table 6.1.

TABLE 6.1 Characteristics of the groups with the lowest access to health care, selected countries, latest year available

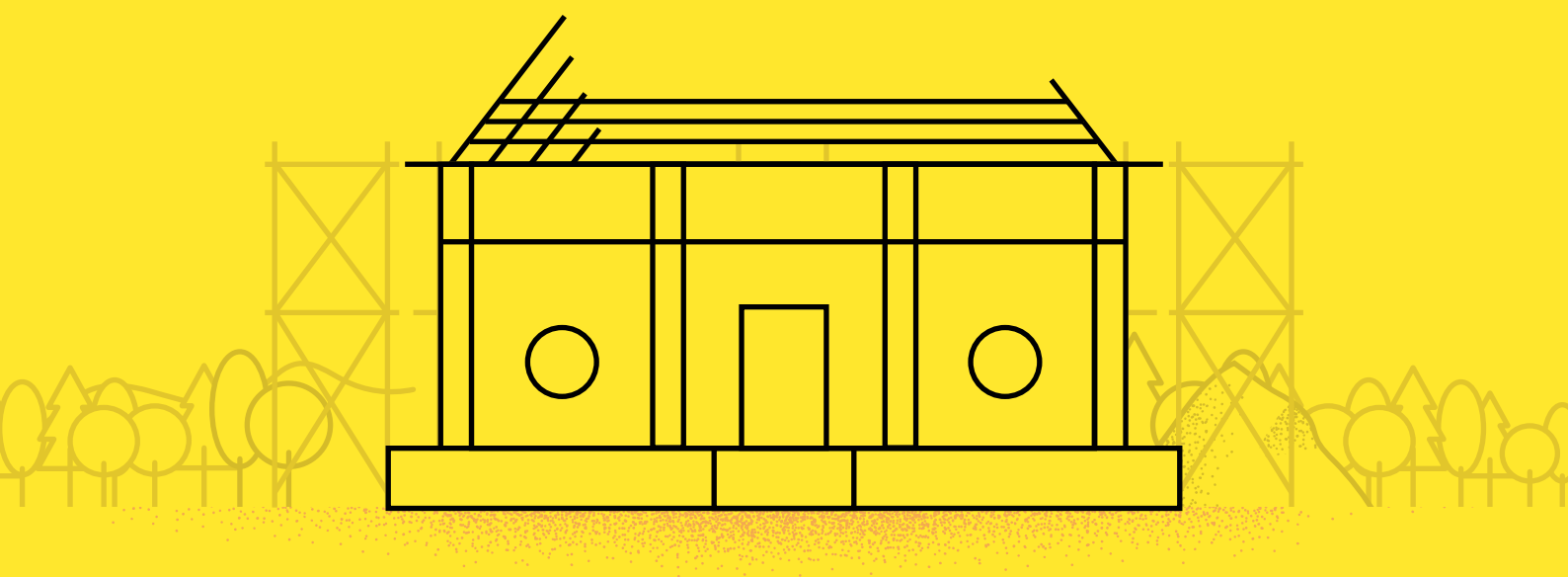
WHO ARE THOSE LEFT BEHIND IN TERMS OF ...										
...HEALTH CARE COVERAGE										
COUNTRY	YEAR OF SURVEY	WEALTH	RESIDENCE	EDUCATION	AGE GROUP	EMPLOYMENT STATUS	GENDER	COVERAGE OF THE MOST DISADVANTAGE GROUP	SIZE OF THE MOST DISADVANTAGE GROUP	GAP FROM MOST ADVANTAGE GROUP (PP)
Armenia	2015–2016			Lower or secondary education		Not working		1%	25%	21 pp
Cambodia	2014	T60	Rural	Secondary or higher education				8%	23%	16 pp
Georgia	2018	B40		Lower or secondary education	15–34 years old		Female	91%	11%	5 pp
India	2015–2016	B40			15–24 years old			15%	13%	11 pp
Indonesia	2017	T60	Rural	Lower or secondary education				47%	18%	27 pp
Kyrgyzstan	2018		Urban	Lower or secondary education	15–34 years old			86%	13%	8 pp
Lao People's Democratic Republic	2017	B40	Rural	Lower or secondary education				2%	26%	52 pp
Pakistan	2017–2018			Lower or secondary education	15–24 years old			0%	16%	5 pp
Papua New Guinea	2016–2018		Rural	Lower education		Not working		0%	43%	21 pp

Source: ESCAP elaboration based on latest demographic and health surveys and multiple indicator cluster surveys.

Note: Data for Kyrgyzstan refer to women only. PP (pp) refers to percentage points.

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.

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.

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 PER MONTH	IN \$ (PPP) PER MONTH	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.

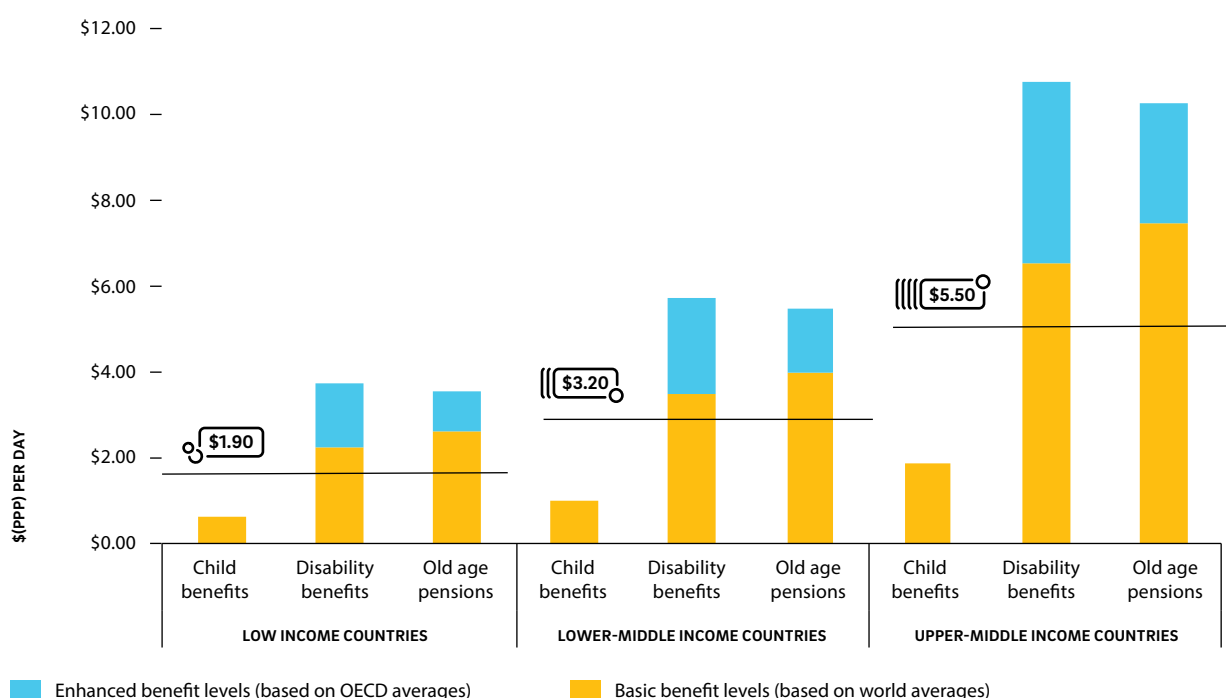
The basic disability benefit levels of 14 per cent of GDP per capita are equal to \$2.3, \$3.5 and \$6.6 PPP per day, in the above-mentioned three income groupings. Similarly, the basic old-age pensions in the three income groupings correspond to \$2.6, \$4 and \$7.5 PPP per day, respectively. The benefit 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,

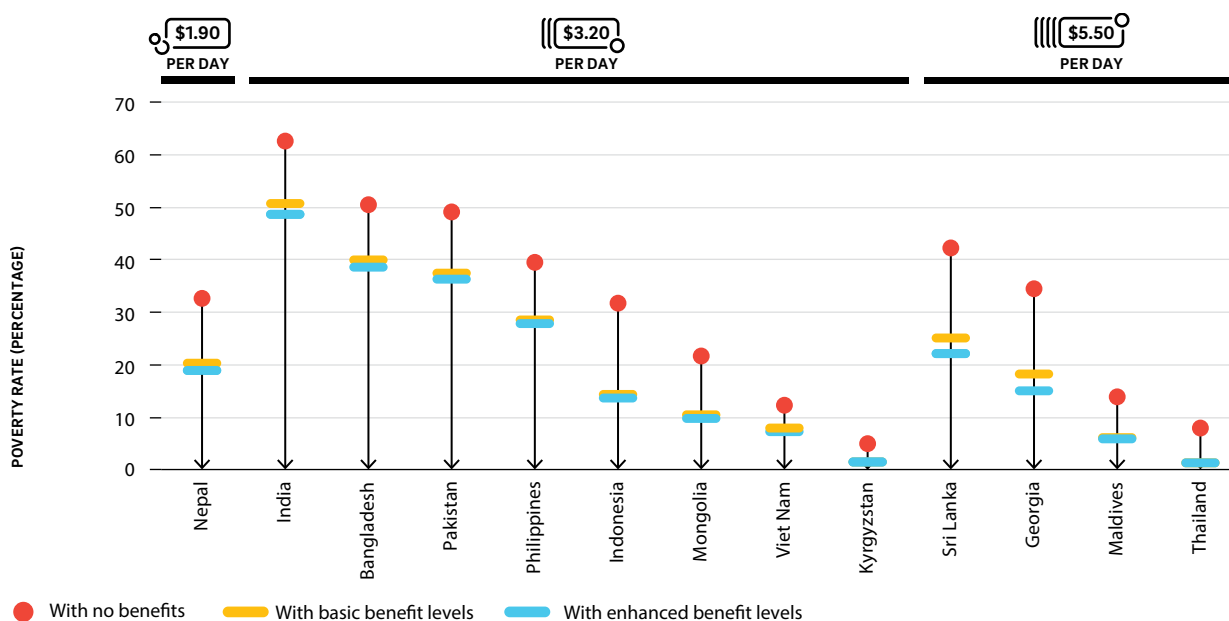
FIGURE 7.1 Average benefit levels in \$ (PPP) per day and corresponding international poverty lines used in simulations



Sources: ESCAP calculations.

FIGURE 7.2 A consolidated benefit package would reduce poverty rates considerably

Simulated reduction in poverty rates of *recipient* households

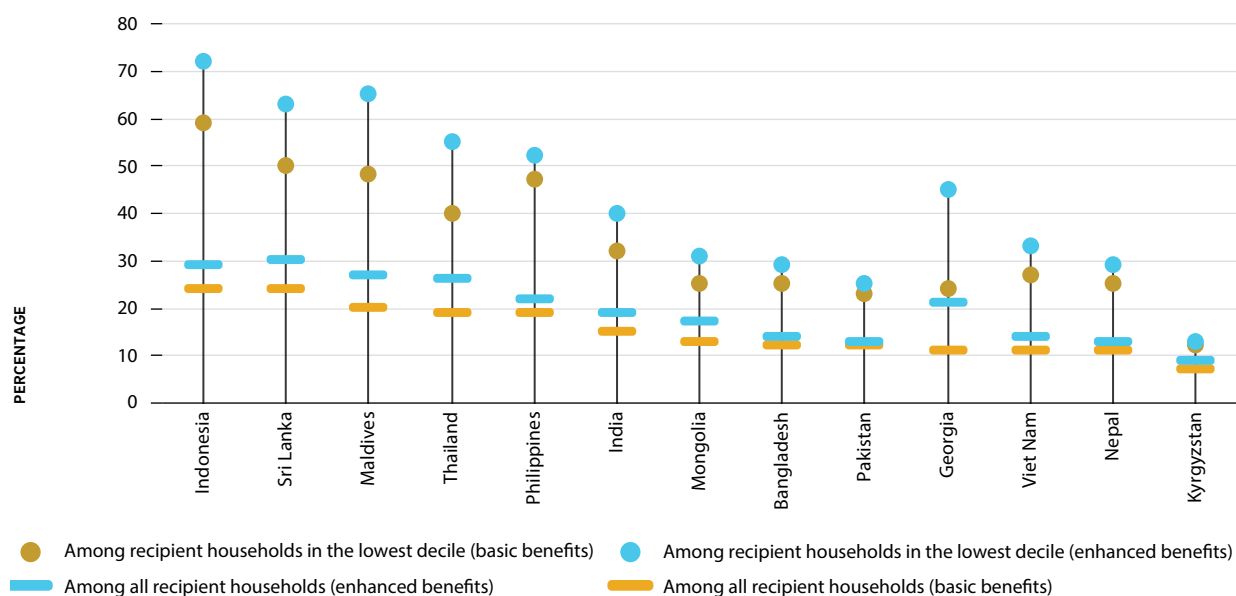


Source: ESCAP elaboration using Social Protection Simulation Tool. Details of the household income and expenditure surveys used for the estimations are in annex 2.

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.

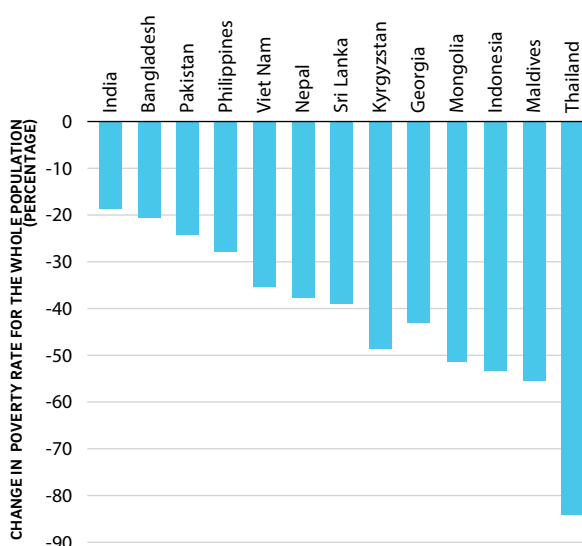
Maldives, the Philippines and Sri Lanka.¹⁵⁹ These impacts vary across countries as each simulation result relies on many underlying variables, such as GDP levels (on which the benefit levels are calculated), population data and household characteristics.

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.

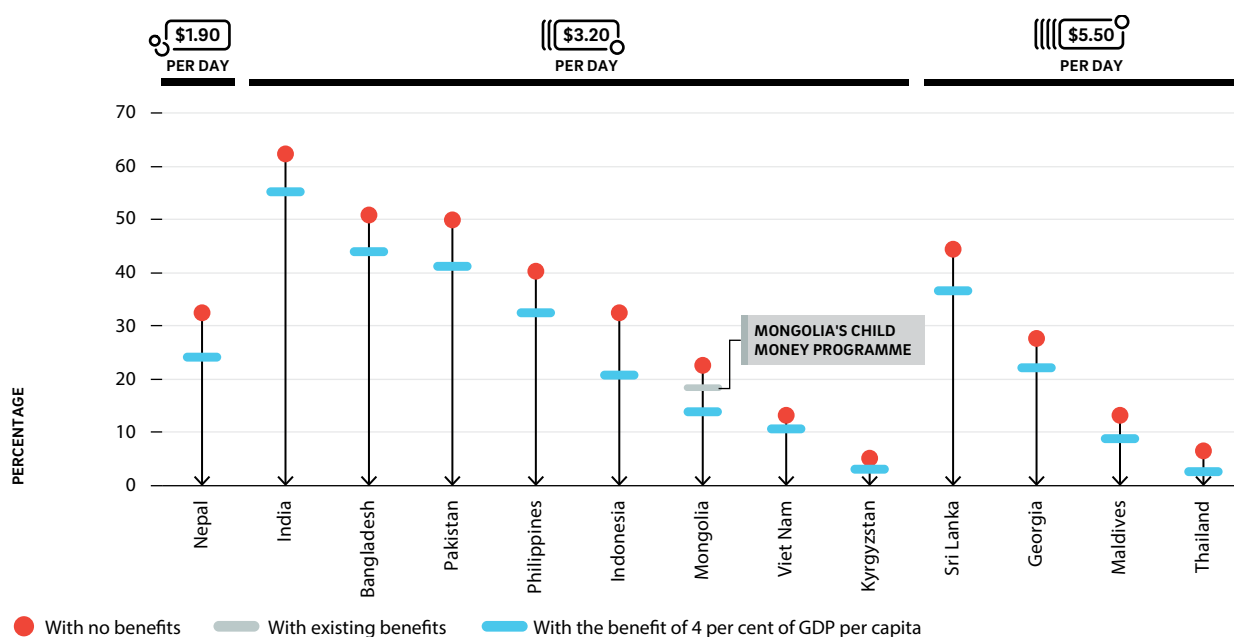
In Nepal, the simulated benefit of 4 per cent of GDP per capita amounts to Nepalese rupee 450 (NPR), which is equivalent to \$0.7 per day, almost one third of the international poverty line of \$1.9. Still, it would reduce poverty in relative terms by 25 per cent. Alternative scenarios of the simulated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

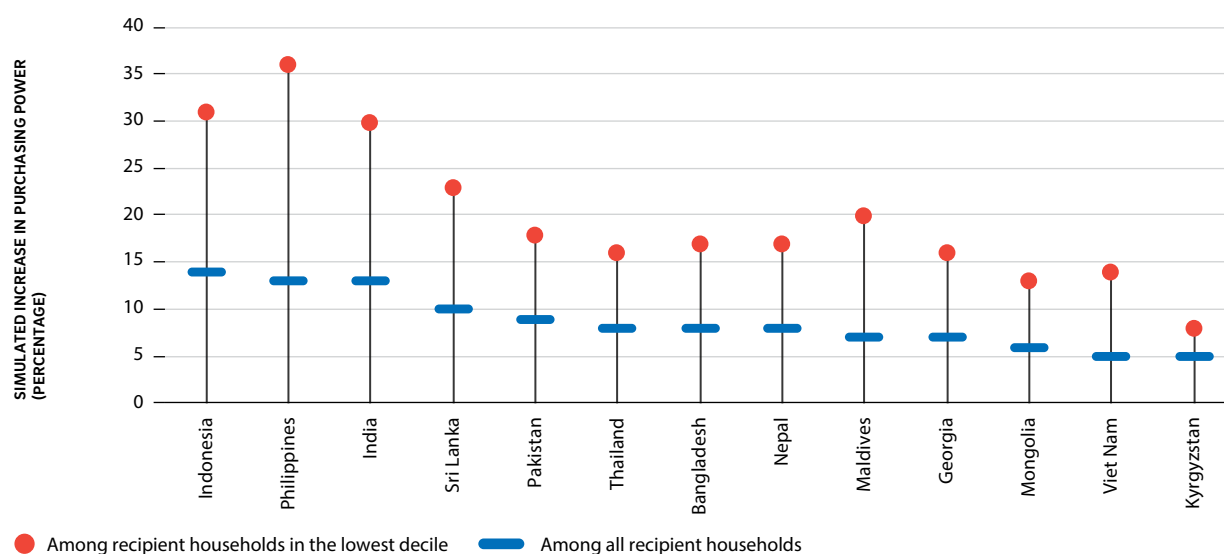


Source: ESCAP elaboration using Social Protection Simulation Tool. Details of the household income and expenditure surveys used for the estimations are in annex 2.

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.

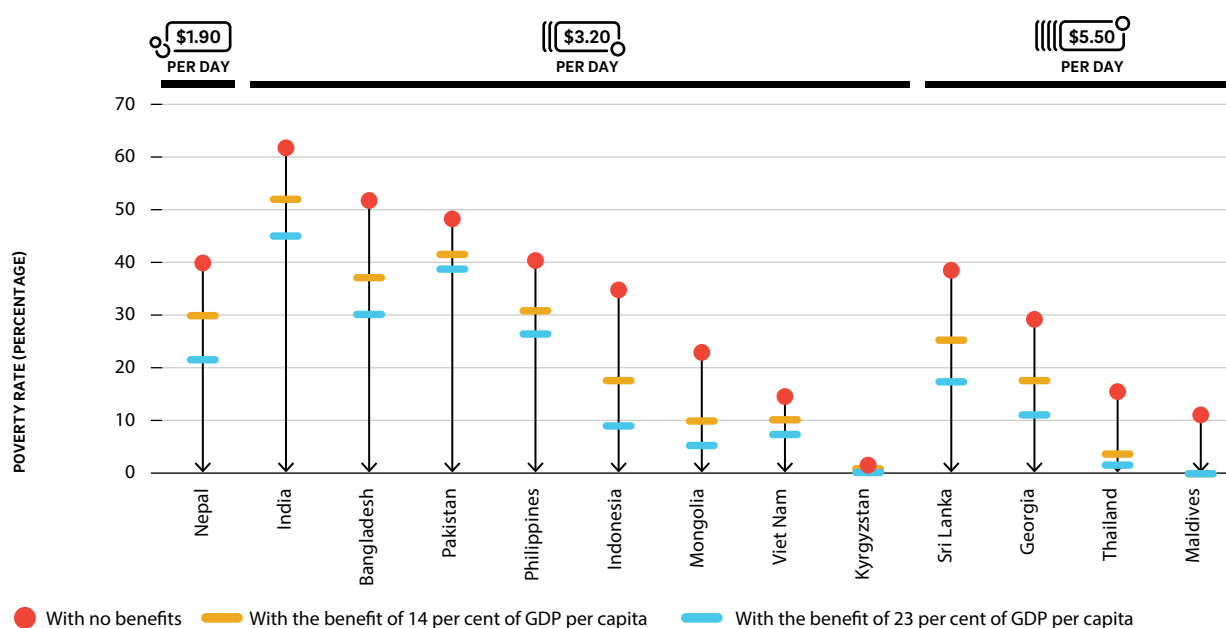
Protecting persons with disabilities and promoting independent living and access to decent work are preconditions for achieving the Sustainable Development Goals and human rights. The provision of universal disability benefit schemes at both lower and higher benefit levels can clearly help break the 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

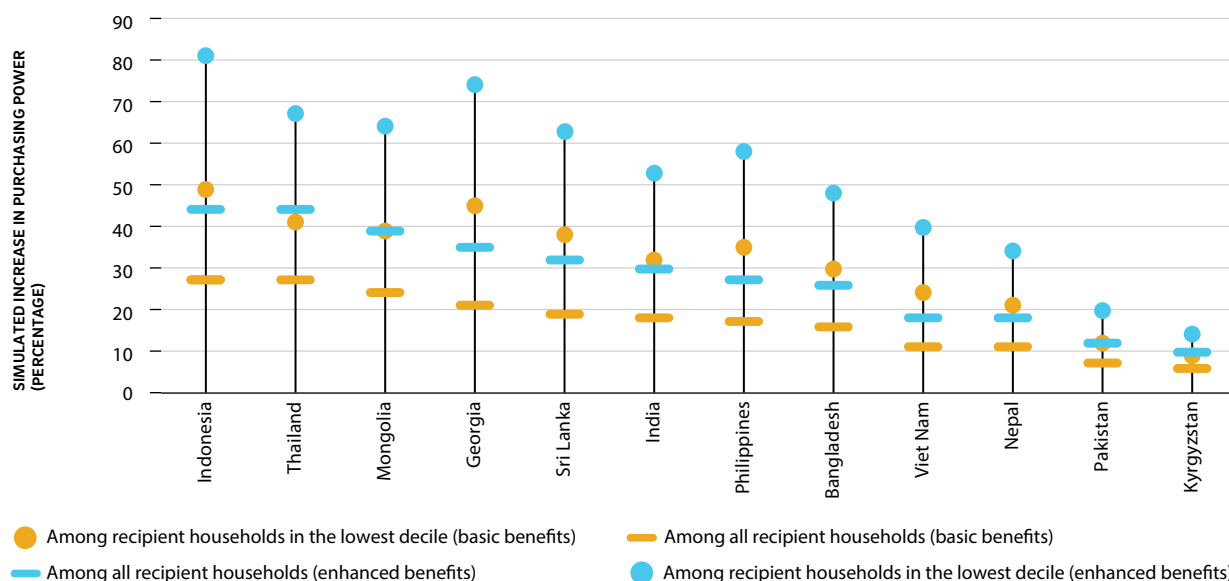
Simulated reduction in poverty rates among recipient households of a disability benefit scheme



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



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.

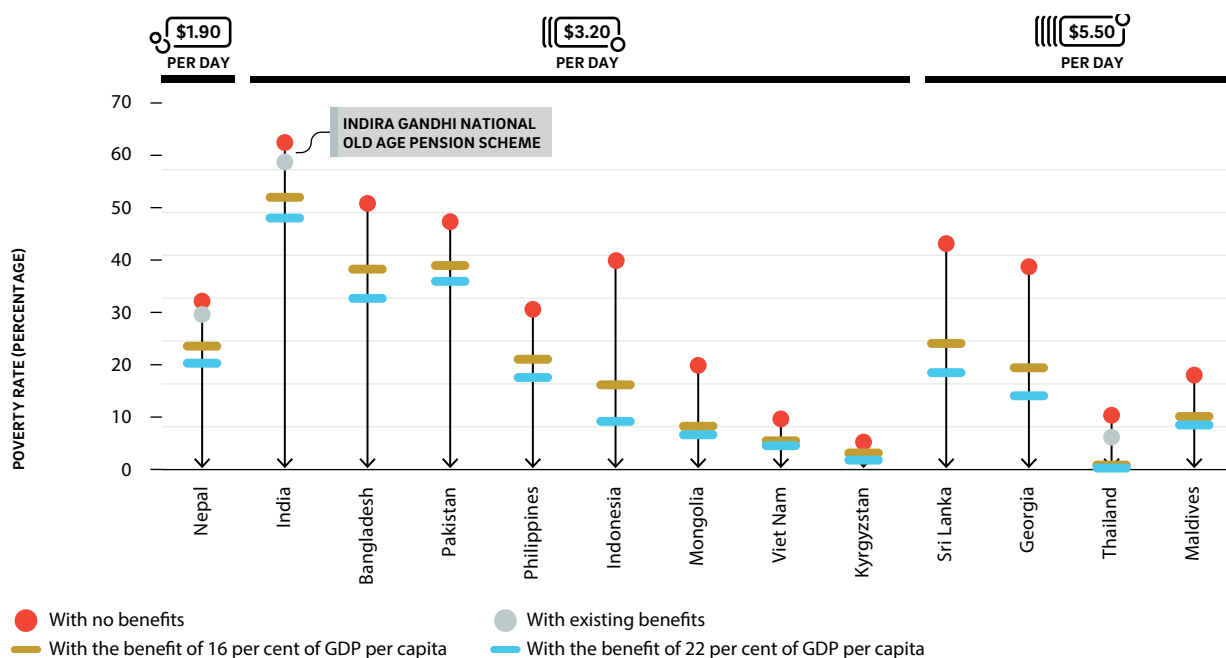
Extending full coverage of old-age pensions at the enhanced benefit level would further slash poverty rates. A higher benefit level in India and Indonesia would bring millions out of poverty. In fact, a staggering 77 per cent of recipient households would be lifted out of poverty in Indonesia. In Thailand,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

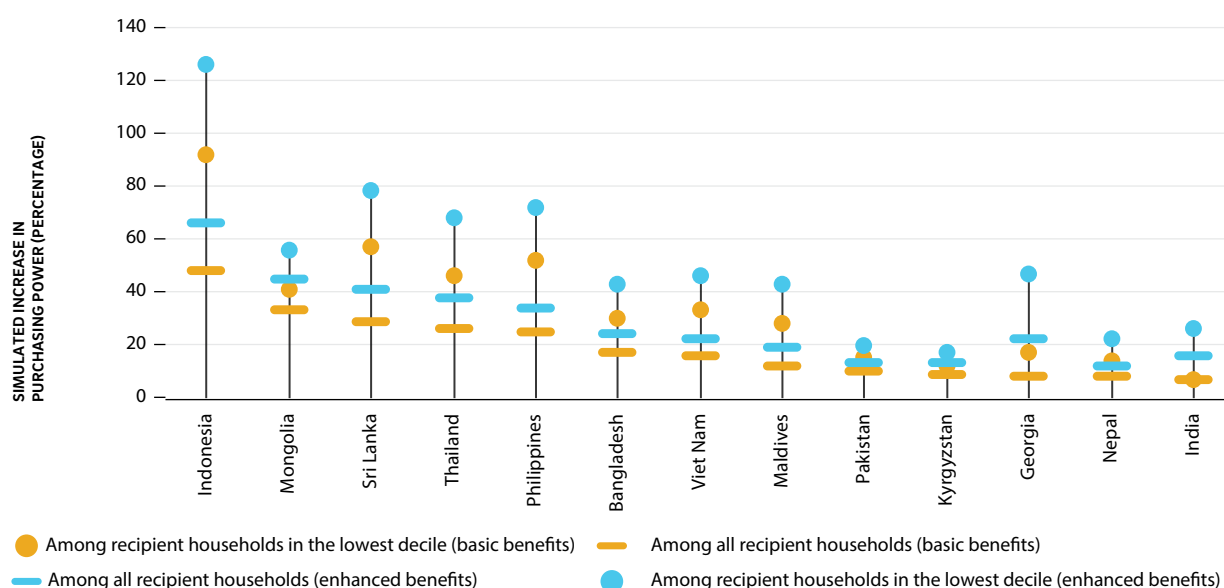
¹⁶⁰ The Mongolia pension system is not included in the model because of its complexity due to it being both contributory and non-contributory.

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 povertySimulated 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 consumptionSimulated 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 indicates 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

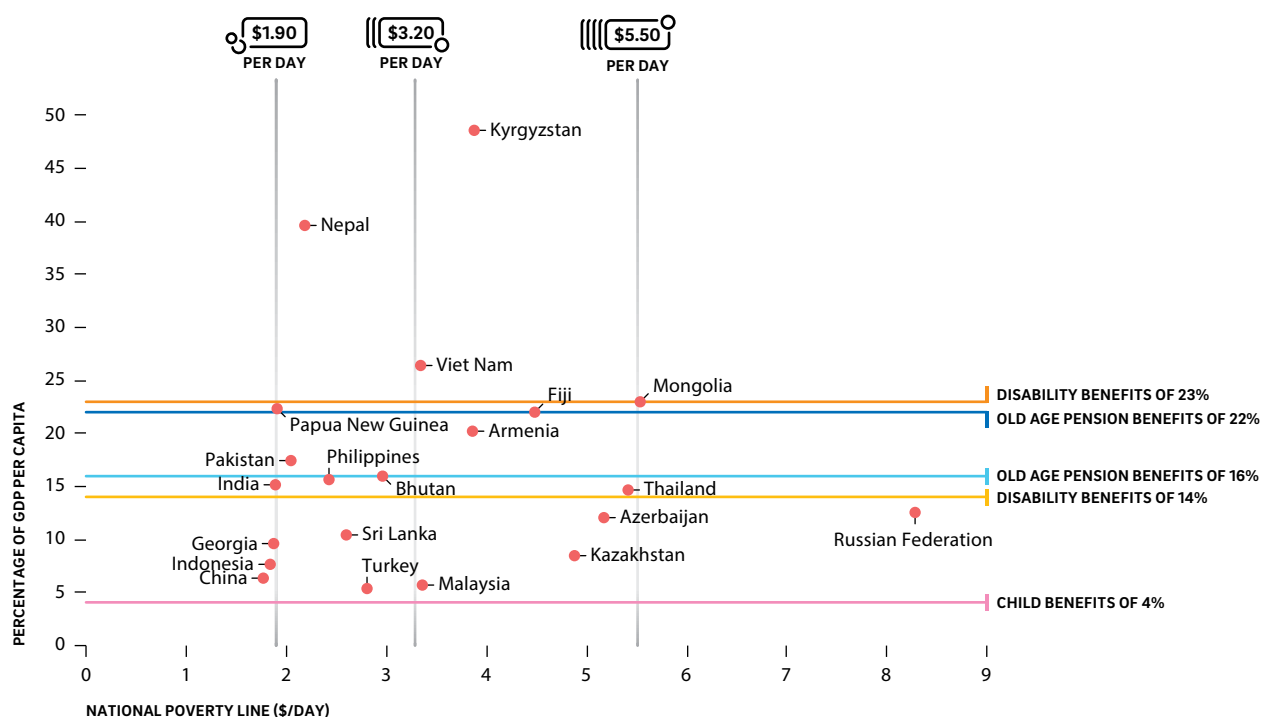
TABLE 7.3 Assumptions of three cost estimation models

	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.

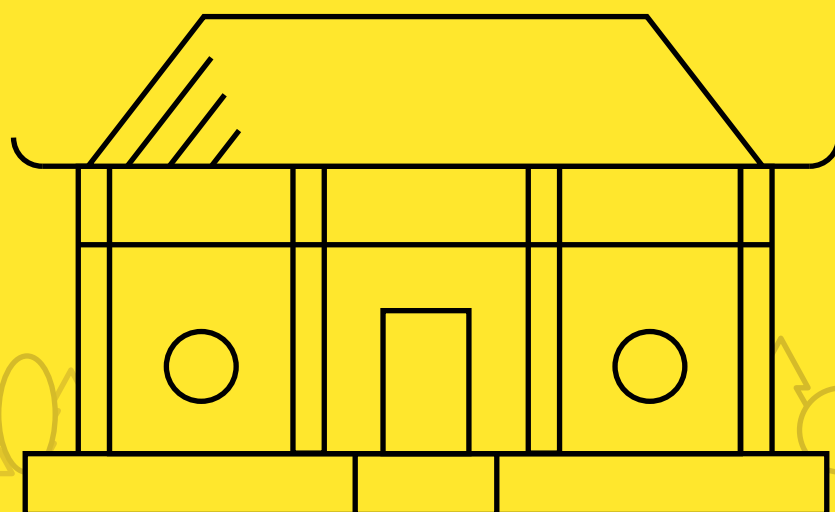
The COVID-19 crisis could serve as an opportunity to strengthen long-term social protection systems, supporting households, businesses and the wider economy to recover faster than they might do otherwise. Social protection has been shown to stimulate the economy and build more resilient societies, thus 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.

¹⁶⁶ Ibid.

¹⁶⁷ Ibid.

Chapter 8

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



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

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

8.1 Prioritizing investment in people

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

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

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

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

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

8.2 Building universal social protection floors

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

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

168 Zheng Gongcheng and Wolfgang Scholz, “Global social security and economic development: retrospect and prospect”, ILO Asia-Pacific Working Paper Series (September, 2019) Available at: https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-beijing/documents/publication/wcms_723404.pdf.

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

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

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

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

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

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

8.3 Engineering greater equality

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

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

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

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

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

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

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

8.4 Transitioning to the formal economy

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

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

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

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

Success relies on the creation of decent jobs.

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

8.5 Driving a coherent and coordinated approach

Fragmentation and weak coordination are important barriers to universal coverage.

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

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

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

¹⁷⁶ ILO, Recommendation 204.

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

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

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

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

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

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

8.6 Harnessing innovation and technology

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

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

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

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

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

183 Ibid.

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

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

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

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

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

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

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

8.7 Recommendations

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

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

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

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

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

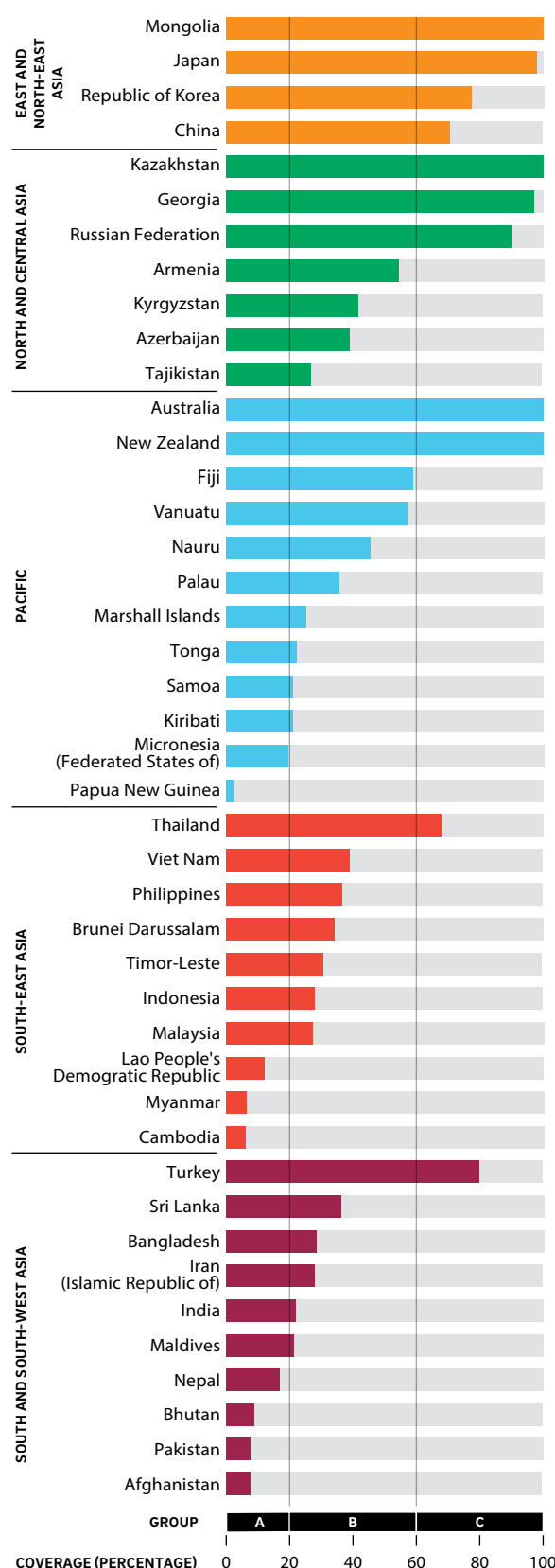
Given the diversity in the development of social protection systems, a set of more contextual national actions are also needed. Different sets of recommendations are provided to country-groupings based on the overall level of social protection coverage as defined in the aggregate indicator for target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

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

GROUP A: LOW COVERAGE COUNTRIES

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

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



Source: International Labour Organization, World Social Protection Database (<https://www.social-protection.org/gimi/WSPDB.action?id=32>).

Note: Group A countries: less than 20 per cent of the population is covered by at least one social protection scheme; Group B countries: between 20 and 60 per cent of the population is covered; Group C countries: more than 60 per cent is covered.

GROUP B: LOW TO MEDIUM COVERAGE COUNTRIES

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

GROUP C: MEDIUM TO HIGH COVERAGE COUNTRIES

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

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

8.8 Conclusion

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

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

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

Annexes and Bibliography

Annex 1: Methods and sources of social protection coverage data

The data on social protection coverage presented in chapters 2, 3, 4, 5 and 8 and related graphs figures 2.1, 2.2, 2.3, 2.4, 3.1, 4.1, 4.2, 4.3, 4.4, 4.5, 5.1, 8.1) are based on data from the ILO World Social Protection Database (<https://www.social-protection.org/gimi/WSPDB.action?id=32>). This database provides in-depth country-level statistics on various dimensions of social protection systems, including, among them, key indicators for policymakers, officials of international organizations and researchers, and the United Nations monitoring of the Sustainable Development Goals.

Most of the data in the ILO World Social Protection Database are collected through the ILO Social Security Inquiry (SSI), the organization's periodic collection of administrative data from national ministries of labour, social security, welfare, social development, finance, and others ministries, and are complemented by existing international and national data sources.¹⁹⁰ The ILO Social Security Inquiry is the main source of global data on social protection. The ILO World Social Protection Database supplements the data obtained from the Social Security Inquiry with a number of other international and regional data sources, including, among them, the International Social Security Association country profiles (<https://www1.issa.int/country-profiles>).

Other sources are (in alphabetical order) the *ASEAN Statistical Yearbook*; Asian Development Bank (ADB); Interstate Statistical Committee of the Commonwealth of Independent States Statistics (CIS STAT); Development Pathways; Organisation for Economic Co-operation and Development (OECD) Social Expenditure Database; World Bank pensions data and The Atlas of Social Protection Indicators of Resilience and Equity (ASPIRE); selected reports of the United Nations Development Programme (UNDP); selected reports of the United Nations Children's Fund (UNICEF); selected reports of the World Food Programme (WFP); World Health Organization (WHO) Global Health Observatory; and the WHO national health accounts.

The ILO World Social Protection Database also draws on national official reports and other sources, which are largely based on administrative data, and on survey data from a range of sources, including, among them, national household income and expenditure surveys, labour force surveys and demographic and health surveys, to the extent that these include variables on social protection.

A1.1 Measuring social protection effective coverage, Sustainable Development Goal target 1.3.1 and other indicators

The report provides a comprehensive data set monitoring Sustainable Development Goal indicator 1.3.1 in Asia and the Pacific based on data compiled through the Social Security Inquiry questionnaire. The data set will be submitted to the United Nations Statistics Division (UNSD) in the framework of Sustainable Development Goal monitoring; in particular, in the context of Sustainable Development Goal 1: End poverty in all forms everywhere, ILO is responsible for producing the data set for Sustainable Development Goal indicator 1.3.1: Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims, and the poor and the vulnerable. The indicator reflects the proportion of persons effectively covered by a social protection system. It covers the main components of social protection: child and maternity benefits; support for persons without a job; persons with disabilities; victims of work injuries; and older persons, with an aim to provide at least a basic level in all main contingencies along the life cycle, as defined in the ILO Social Protection Floors Recommendation, 2012 (No. 202).¹⁹¹

Calculations include separate indicators to distinguish effective coverage for each population group. For each case, coverage is expressed as a share of the respective population group.

¹⁹⁰ The Social Security Inquiry questionnaires and manual are available at <https://www.social-protection.org/gimi/WSPDB.action?id=41>.

¹⁹¹ Health is included under other Sustainable Development Goals indicators.

Indicators are obtained as follows:

- A** Proportion of the population protected in at least one area: proportion of the total population receiving cash benefits under at least one of the contingencies (contributory or non-contributory benefits) or actively contributing to at least one social security scheme.
- B** Proportion of children covered by social protection benefits: ratio of children/households receiving child or family cash benefits to the total number of children/households with children.
- C** Proportion of women giving birth covered by maternity benefits: ratio of women receiving cash maternity benefits to women giving birth in the same year (estimated based on age-specific fertility rates published in the United Nations *World Population Prospects* or on the number of live births corrected for the share of twin and triplet births).
- D** Proportion of persons with disabilities receiving benefits: ratio of persons receiving disability cash benefits to persons with severe disabilities. The latter is calculated as the product of prevalence of disability ratios (published for each country group by the WHO) and each country's population.
- E** Proportion of unemployed persons receiving benefits: ratio of recipients of unemployment cash benefits to the number of unemployed persons.
- F** Proportion of workers covered in case of employment injury: ratio of workers protected by injury insurance to total employment or the labour force.
- G** Proportion of older persons receiving a pension: ratio of persons above statutory retirement age receiving an old-age pension to persons above statutory retirement age (including contributory and non-contributory benefits).
- H** Proportion of vulnerable persons receiving benefits: ratio of social assistance recipients to the total number of vulnerable persons. The latter is calculated by subtracting from the total population of all people of working age who are contributing to a social insurance scheme or receiving contributory benefits, and all persons above retirement age receiving contributory benefits.

Additional social protection coverage indicators have been estimated:

- I** Proportion of population contributing to the pension system: ratio of active contributors to the pension system to labour force.
- J** Affiliation to a social health protection scheme: ratio of people affiliated to a health protection scheme to total population.

Data on social protection expenditure are collected according to different standards around the world.

A1.2 Regional and subregional estimates

Regional results for effective coverage indicators are obtained as averages of figures from countries in each region weighted by the population group concerned. Regional results for expenditure indicators are obtained as averages of figures from countries in each region weighted by the total GDP of the corresponding country. The GDP data used are current GDP in \$ according to IMF.

Annex 2: Methods and assumptions of the Social Protection Simulation Tool

The ESCAP Social Protection Simulation Tool provides estimations of how the introduction of non-contributory benefit schemes affect the welfare of a household. The simulations answer “what if” questions in a static and *ex-post* manner. Using nationally representative household income and expenditure surveys, they provide hypothetical calculations of how the introduction of a non-contributory benefit scheme affects the welfare of household units. The objective of the simulations is to construct a hypothetical scenario of what would have happened to households if such scheme had been in place in the year of the household survey. By studying the household unit, distributional effects of the simulated impact can be analysed.

Several assumptions are applied. The main assumption in the microsimulation model is that households expend 100 per cent of all additional income received from the scheme. That is, the model does not incorporate other possible behavioural responses to these potential changes in household income.

Baseline and counterfactual scenarios are established in order to infer the absolute effects of a policy change. The model itself is a linear approximation model as outlined in a paper by Francesco Figari, Alari Paulus and Holly Sutherland¹⁹² in which household expenditure is decomposed to isolate the effect of a benefit scheme to the household, conditional on a set of household sociodemographic characteristics.

The simulation model uses per capita consumption expenditure as the measure for household welfare and reviews impacts across four different sets of outcomes: programme coverage; household consumption expenditure levels; poverty; and inequality outcomes. Four basic steps are taken to estimate the simulated impacts of these outcomes:

STEP 1: When data permit, benefits of existing non-contributory programmes that are similar to the proposed programmes are deducted from current expenditure levels.

STEP 2: From the parameters set by the user for each scheme, age-eligible individuals and recipient households are identified in the data set.

STEP 3: After potential recipients and their households have been identified, the specified monthly benefit for the selected scheme is distributed to the recipients. All transfer values are aggregated at the household level before constructing household per capita monthly transfer values.

STEP 4: The increase in household purchasing power is estimated by calculating the average of per capita benefits as a percentage of household per capita consumption expenditure. Transfers that the household receives from any similar existing schemes are taken into account so the increase in household purchasing power is net of any existing benefits.

Estimates are provided by expenditure deciles and for both the total household population and recipient households. For poverty estimations, household consumption expenditure is used in relation to the international poverty lines of \$1.9 per person per day (PPP); \$3.2 per person per day (PPP); and \$5.5 per person per day (PPP). The Gini index is used to measure inequality.

The costs in real values (in 2020 prices) are extrapolated using data from United Nations Department of Economic and Social Affairs *Population Prospects 2019 revision* and the selected parameters of the proposed schemes(s): eligibility criteria; monthly benefits; and administrative cost. The projected annual costs are expressed as a percentage of gross domestic product (GDP). They are estimated by dividing the projected annual costs of each of the programmes in 2020 prices by the GDP of the country in 2020 prices.

Data sources of the Social Protection Simulation Tool:

ECONOMIC DATA:

- 1 International Monetary Fund, World Economic Outlook Database, October 2019
- 2 International Monetary Fund, Government Finance Statistics data, 2018

POPULATION PROJECTION DATA:

- 3 United Nations Department of Economic and Social Affairs Population Prospects 2019 revision

Household income and expenditure surveys:

- Bangladesh: Household Income and Economic Survey (2016)
- Georgia: Welfare Monitoring Survey (2015)
- India: India Human Development Survey (2012)
- Indonesia: National Socio-Economic Survey (2017)
- Maldives: Household Income and Economic Survey (2016)
- Mongolia: Household Socio-Economic Survey (2016)
- Philippines: Annual Poverty Indicators Survey (2014)
- Pakistan: Household Income and Economic Survey (2015-2016)
- Nepal: Nepal Living Standards Survey (2010/2011)
- Sri Lanka: Household Income and Economic Survey (2016)
- Thailand: Standardization of Socio-Economic Status (2018)
- Viet Nam: Vietnam Household Living Standards Survey (2016)

192 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).

SCHEMES BY COUNTRY PRESENTED IN CHAPTER 7 AND IN FIGURES 3.2 AND 5.3:

Bangladesh has the Old Age Allowance Program available to men aged 65 and over and women aged 62 and over with an annual income of Bangladeshi Taka 3,000 (BDT).

Georgia has a means-tested household programme called Targeted Social Assistance and a universal old-age pension for men 65+ years and women 60+ years.

India has a means-tested old-age pension for men and women older than 60 years.

Indonesia has a means-tested household programme called Program Keluarga Harapan (PKH).

Pakistan has a means-tested household programme called Benazir Income Support Programme (BISP).

Philippines has a means-tested household programme called Pantawid Pamilyang Pilipino Program (4Ps).

Sri Lanka has a means-tested household programme called Samurdhi.

Mongolia has a universal child benefit programme called Child Money Programme.

Thailand has a social pension (pension tested – public sector excluded only) for men and women older than 60 years.

Uzbekistan has a Childcare Allowance (CA) programme for households with children aged between 0 and 1 year living in poverty.

Viet Nam has a pension-tested social pension for all older people 80+ years, and a targeted old-age pension for older people, 60–79 years.

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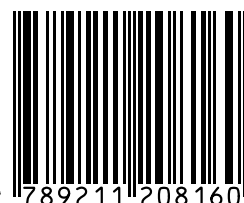
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The Protection We Want

Social Outlook for Asia and the Pacific

This report highlights the need for countries in Asia and the Pacific to extend social protection coverage for all. By doing so, the region would build back better after the COVID-19 pandemic. Broader social protection coverage would also help countries in the region tackle a range of compounding challenges arising from population ageing, migration, urbanization, technological advancements, disasters and climate change. Despite the positive effect social protection has on people, economies and societies, most countries in the region have weak social protection systems, riddled with gaps. The report provides further evidence that investing in basic social protection would have an immediate impact on poverty, inequality and purchasing power, while being within financial reach for most countries in the region. The report finally recommends ways to broaden the coverage towards a more inclusive, resilient and prosperous Asia and the Pacific.

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