



DEVELOPMENTS & TRENDS

# Asia and the Pacific

Strategic approaches to  
improve social security  
2015



# Asia and the Pacific: Strategic approaches to improve social security

## Developments and Trends 2015

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## Preface

This *Developments and Trends* report has been prepared to mark the occasion of the third Regional Social Security Forum for Asia and the Pacific, organized by the International Social Security Association (ISSA), hosted by the Public Authority for Social Insurance and held in Muscat, Sultanate of Oman from 2 to 4 November 2015. This regional report for Asia and the Pacific supports continuing endeavours to better understand and address the key challenges facing ISSA member organizations in the different regions of the world.

The report identifies three main issues for discussion: continuing progress on the extension of social security coverage; the embracing of administrative improvements for social security programmes and systems; and the increasing value-added of social security interventions for national social and economic development agendas.

The purpose of this report is twofold: first, to synthesize and interpret selected recent developments and trends in the region and, second, to provide the key background document for the Developments and Trends Session of the Regional Social Security Forum for Asia and the Pacific. The discussions during the Regional Forum will provide an opportunity for all of us to build on the findings of this report and to debate its messages.

I hope that this report will serve as an inspiring stimulus for our discussions and encourage you all to contribute actively, before, during and after the Regional Social Security Forum for Asia and the Pacific in Muscat. The outcome of these discussions will be carried forward to the World Social Security Forum to be held in Rio de Janeiro, Brazil in 2016.

*Hans-Horst Konkolewsky*  
Secretary General

## Executive summary

This *Developments and Trends* report looks at the advances in, and the challenges of, designing, financing and delivering adequate social security in Asia and the Pacific. Home to over half of the global population, the region is very diverse in economic, social and demographic development. Despite this, there are a number of themes covered in the report which are common to the majority of countries in the region. Lessons learnt from the experiences and challenges faced by different countries are not only relevant for others in the region, but provide useful examples of innovative approaches adopted by social security administrations in response to the different challenges that are likely to confront a growing number of administrations in the decades ahead.

The three themes covered in this report – the extension of coverage, excellence in administration and the social and economic impacts of social security – are necessarily interlinked and interdependent. Excellence in administration is a prerequisite for the success of coverage extension efforts. The sustainable financing of extension measures requires political support that, in turn, depends on the clear, demonstrable and quantifiable positive social and economic impacts of social security programmes. In addition, in Asia and the Pacific, the external environment is arguably changing more quickly than in other global regions. Although economic growth has been strong, the evidence of demographic ageing, increasing inequality, geopolitical instability, greater migrant flows, stubbornly high levels of employment in the informal economy and the diverse and multiple impacts of natural disasters and climate change, for instance, requires that social security systems in the region demonstrate more than ever how they can address such challenges in a positive manner.

### **Key developments**

The region's progress in coverage extension has been impressive. This has been driven by the strong economic growth observed since the early 2000s, but equally by increasing political support to extend coverage. While much international attention has been focused on efforts in China, progress has also been made in the majority of the region's countries. There are two particularly interesting extension developments covered in this report. The first is that coverage successes have come not only in old-age benefit systems, but in other branches of social security. The report highlights the sea change in health coverage, with a number of developed and emerging economies achieving, or close to achieving, universal coverage. While China, the Republic of Korea, Malaysia, Oman, Sri Lanka and Thailand

have reached ambitious coverage goals, others such as Cambodia, Indonesia and Viet Nam are on the way to doing so in the next decade. Other countries have introduced maternity and child benefits while a limited number have new unemployment protection schemes, often with accompanying labour market measures.

The second key development is an implicit recognition that economic growth in the region has not been accompanied by a corresponding improvement in the formalization of the labour market. Consequently, coverage efforts must reflect this in the way benefits are designed, financed and delivered. There are a number of positive examples of governments and social security organizations responding in a targeted manner to the reality of a large informal economy and precarious jobs, including the needs of domestic and rural workers. Positive targeted examples also relate to efforts to meet the social security needs of increasing flows of internal and international migrant workers. Similarly, social security programme design is adapting to changes in family structures. A number of examples are highlighted in the report.

## **Challenges**

— iv A number of key challenges remain to be addressed. While efforts have been significant in old-age benefits and health care schemes, other branches, particularly disability and unemployment insurance, remain characterized by low levels of effective coverage. Another challenge is programme financing. The report highlights some excellent examples of non-contributory social pensions which have had a particularly important positive impact on alleviating poverty. However, the introduction and extension of such schemes as well as other social security benefits are often financed in total or in the majority by government transfers.

This raises two issues which will need to be monitored and addressed as programmes develop. The first is to ensure that the ongoing expansion of coverage remains financially sustainable. The second is to encourage and facilitate a greater role for employee and employer contributions in social security benefits financing, not least to improve the cash adequacy of benefits being paid out.

The current pace of demographic ageing in Asia and the Pacific is quicker than in the rest of the world. It is therefore important that these issues – particularly financing – are addressed sooner rather than later. In addition, the nature of the external environment has become more challenging. Changes in health status, including an increasing number of cases of noncommunicable diseases, greater economic competition, increased urbanization

and levels of inequality, and the impacts of natural disasters and climate change mean that the designs of benefits and financing mechanisms need to be continually monitored and developed.

### **Social security administration responses**

The developments over the last three years, however, demonstrate one important fact which means the outlook is positive; in response to the difficulties in achieving greater levels of effective coverage for old-age and health care benefits, countries have identified innovative and tailored approaches to reflect the realities of their own situation to better ensure that policy objectives can be met. In some countries, the mandate of social security systems has broadened to include public employment programmes to better target the needs of vulnerable groups.

Innovative measures have also been taken in the management, delivery and communication of benefits. Undeniably, changing benefit designs, improving service delivery and better coordinating with other stakeholders requires excellent management and administration processes within institutions. With informal economy employment remaining very important in the region, building trust in social security institutions and increasing the information provided to those covered – or potentially covered – is a vital element in successfully increasing coverage. Indeed the ISSA retirement adequacy model demonstrates that the level of cash benefits is only one element of the value of what a social security programme provides – how benefits are managed, delivered and communicated is vitally important to the individual and for the attainment of programme objectives. This report highlights a number of innovative measures in this area, including improved record keeping, using ICT to manage data and improve access to benefits, and community-level efforts to propagate information and improve compliance with contribution payments and eligibility conditions.

Excellence in administration is essential in a regional context where many workers and citizens are typically difficult to cover. But good administration and communication does not occur in a vacuum; they should be part of an overall culture of excellence in the management of an organization. Many social security administrations in the region have recognized that organizational changes and improvements are a prerequisite for better record keeping, more effective inter-agency coordination, and improvements in the collection of contributions, the provision of information and the timely and accurate payment of benefits to beneficiaries.

In respect of improving public administration in the region, a great deal has been achieved but a great deal remains to be done. Despite significant efforts, large swathes of the

population remain absent from official government registries and therefore are difficult or impossible to identify and cover (over 135 million children younger than age 5 are unregistered). Efforts to use ICT to improve administration are to be welcomed, but there is a risk of insufficient focus and efforts being placed on improving other channels of communication. Despite a fourfold increase in the percentage of households with access to Internet over the last decade, nearly two-thirds of households are still without access.

This example demonstrates that social security organizations will need to look increasingly at external megatrends (e.g. labour markets, demography, natural environment) to ensure that their actions remain relevant and that policy objectives are met. A large number of socio-economic constraints mean that conventional approaches to extend coverage are unlikely to be effective. These constraints, identified in this report, include large informal and rural economies, increasing inequality (particularly in labour markets), demographic shifts, growing levels of migration, and logistical challenges in covering remote populations. Added to this are the megatrends of increasing urbanization, the impacts of climate change and family and society changes with an observed reduction in the extent of informal support mechanisms. But while social security administrations will need to plan and deliver coverage efforts on the basis of the continual analysis of the changing external environment, it is essential that the social and economic impacts of social security interventions are also identified, analysed and measured.

### **A widening consensus in support of coverage extension**

Indeed, one underlying force which has led to significant coverage extension efforts in the region is increased public and political recognition of the positive social and economic impacts of social security interventions. In this regard, four specific elements can be identified.

First, social security is more widely and better understood to be an investment and not a cost. This is particularly true in Asia and the Pacific where many countries are moving from a “lowest cost” economic model to one based on “added value”. Investment in human capital – including education and training but also in health and disability preventive measures – is a fundamental cornerstone of such an approach.

Second, there is recognition that social security systems have a strong leverage effect – in short, a nominal expense has multiplier effects in the wider economy. By providing extra income in retirement, greater support when ill or unemployed, or allowances for childbirth, broader access to social security benefits reduces labour market risks and generates economic opportunities for the wider community.

Third, social security systems have proven to be essential instruments not only in responding to changes in the external environment but in anticipating such changes and reducing their negative impacts by means of preventive measures. This report highlights a number of examples of such interventions, including curative and rehabilitative health support and public employment programmes and retraining.

But this preventive role is also taking place on a wider and longer-term basis. The report highlights examples of the leading role social security organizations are playing in strategic responses to rapidly ageing populations, precarious labour markets, climate change-related events, greater urbanization, internal and international migration flows, and high levels of poverty. With effective and increasingly more comprehensive approaches, social security systems protect all, including the most vulnerable, strengthening social cohesion and supporting economic growth. Specific measures highlighted in the report include active ageing policies and the development of bilateral and multilateral agreements to protect the social security rights of migrant workers and their dependants.

Finally, owing to their size, stability and operational efficiency, social security organizations have an inherent potential to make a wider societal impact than other public and private organizations in the national setting. Their actions can have an important effect on national economies and a growing area where this is seen is in the investment of reserve fund and provident fund assets, which are often sizeable. An increasing focus on Socially Responsible Investment has direct positive social impacts (for example, investment in infrastructure projects).

There is however an ongoing and compelling need to better identify and measure the positive impacts of social security systems; while numerous examples exist, it is important that the data and analysis of these positive effects are better quantified. So although the important leverage effect of spending on low-income households is well known, it is equally important that the impacts for middle- and higher-income households are identified, especially so if contributory models of social security provision are to develop sustainably. Given the financing constraints which may arise in the future, this is increasingly a key issue for social security administrations.

This positive social and economic role will be essential in the face of an increasing number of economic, social and environmental shocks that are likely to lie ahead. Once again, it demonstrates that the three themes covered in the report are inevitably interlinked. Having a positive social and economic impact necessarily requires high coverage levels because the



impacts are greatest for those who are hardest to cover. As has been shown above, this in turn relies on excellence in administration and management to ensure confidence in what social security does and effectiveness in how it is carried out.

### **Supporting continuing progress**

These are exciting times for social security developments in Asia and the Pacific. Much has been achieved since the first regional *Developments and Trends* report, published in 2009. But it is perhaps the next decade which will be crucial for the region's social security administrations. The currently favourable (but in some countries, already closing) “demographic window” in developing economies, positive economic growth and strong political will are aligned, yet the future economic, social and environmental context is likely to be challenging. Social security systems will be asked to play a leading socio-economic development role in the future, requiring increasing coordination with other stakeholders, tailored benefit design and excellence in what they do and how they do it. Responding to new challenges such as extreme climatic events is already nascent in Asia and the Pacific (e.g. the Philippines) and will continue as social security organizations grow and develop in response to a rapidly changing region.

The message is therefore this: the key to ongoing success has in many cases already been identified. Political will, excellence in administration, tailored benefits, broad financing mechanisms and innovative approaches to cover different groups of the population, all these elements must be strengthened to ensure that societies in the region continue to enjoy social and economic development in the future despite a more challenging external environment. Carrying out what is required will not be easy, but the developments highlighted as underway in this report allow a positive evaluation about the capacity of social security administrations to respond to the challenges.

The report highlights the progress made and the challenges ahead. Future success will require excellence in all aspects of the activities of social security administrations, effective coverage extension efforts and a recognition that positive social and economic impacts can only be achieved if social security systems are there to respond in a timely and appropriate manner. In this regard, practical tools currently provided through the ISSA Centre for Excellence, such as the ISSA Guidelines on Good Governance, as well as the development of new guidelines for other core areas of social security administration, are expected to improve further the effectiveness and efficiency of resource management and the general capacities of social security administrations.

## Continuing extension of social security coverage in Asia and the Pacific

*The previous ISSA regional report on developments and trends in Asia and the Pacific (ISSA, 2012) identified and reviewed major achievements in extending coverage, including to informal and rural economies. This regional trend continues and has been visible especially in health care, but also in programmes supporting income security more generally. Greater effort is being placed on ensuring the development of social protection floors, most notably a commitment to realizing universal health care coverage, and there is a movement towards developing comprehensive, equitable and sustainable social security coverage through more integrated and effective social protection programmes. Much remains to be done, however, to address the disparities in coverage between and within sub-regions and countries through enhanced coordination and intervention at national, sub-regional and regional levels.*

Recently published data and statistics shed new light on developments and trends in social security coverage in Asia and the Pacific (ILO, 2014a; ILO and ADB, 2014; OECD, 2014; OECD and WHO, 2014; ESCAP, 2014).

- Asia and the Pacific hosts the two most populous countries in the world (China with 1.4 billion people and India with 1.25 billion people), and is home to about 60 per cent of the global population, of which the urban population accounts for a figure similar to the world average of 53.6 per cent; in 2014, about 68 per cent or nearly 3 billion people in the region were aged between 15 and 64; the regional fertility rate is at the population replacement level of 2.1 children per woman.
- The elderly population (aged 65+) has nearly doubled (from 173 million to more than 330 million) between 1990 and 2014, and is expected to double again by 2045. The old-age dependency ratio for East and North East Asia is currently nearly 11 dependant elderly persons per 100 people of working age, which is twice as high as in South and South West Asia. Some countries in the East Asia region in particular are experiencing a more rapid pace of population ageing than that experienced by the world's more developed "aged" economies.
- Asia and the Pacific has the lowest unemployment rate of any region, 4.6 per cent in 2013, compared with the highest figure of 10.7 per cent in Europe. However, regional youth unemployment is trending upwards and was 11.3 per cent in 2013.

- The share of own account workers and contributing family workers, i.e. highly vulnerable forms of “self-employment”, is over 54 per cent of all persons employed in Asia and the Pacific, which can be taken as a rough proxy measure for informal employment in the region. The proportion of the working-age population working in the informal economy has remained constant despite the region’s significant economic growth.
- The extreme poverty rate for Asia and the Pacific is projected to decline from 12.7 per cent in 2015 to around 5.8 per cent in 2020 and 2.5 per cent in 2025.
- In Asia and the Pacific, 47 per cent of older persons receive an old-age pension, compared to 16.9 per cent in sub-Saharan Africa, 36.7 per cent in North Africa, 56.1 per cent in Latin America and the Caribbean, and over 90 per cent in Europe and North America.
- The effective coverage rate under unemployment protection schemes (both contributory and non-contributory) is 5 per cent in Asia and the Pacific, compared to 3 per cent in Africa, 5 per cent in Latin America, 64 per cent in Western Europe and a global average of 12 per cent.
- Legal coverage under mandatory work injury programmes is available to 30 per cent of the total labour force in Asia and the Pacific, compared to 20 per cent in Africa, over 50 per cent in Latin America, and between 70 and 80 per cent in Europe and North America.
- On average, governments in Asia and the Pacific allocate 0.2 per cent of GDP to child and family benefits, similar to the level for Africa, compared to 2.2 per cent in Western Europe and a global average of 0.4 per cent.
- Non-health public social protection expenditure for people of working age in the region accounts for 1.5 per cent of GDP, compared to 0.5 per cent in Africa, 5.1 per cent in Latin America and the Caribbean, 5.9 per cent in Western Europe and a global average of 2.3 per cent.
- Between 2000 and 2012, the growth rate in per capita health spending in real terms was 5.6 per cent per year in Asia and the Pacific, higher than the 4.3 per cent growth rate observed for gross domestic product (GDP). The growth for China and Mongolia was almost twice the average rate for the region.
- Health coverage in Asia and the Pacific is 58 per cent, compared to 24.7 per cent in Africa, over 90 per cent in Western Europe and North America and a global average of 52 per cent.
- Expenditures on social insurance benefits in Asia and the Pacific account for 59 per cent of total spending on social protection, compared to 36 per cent on social assistance and 5 per cent on active labour market programmes.

## Coverage extension is gaining momentum throughout the region

Drawing on the lessons from the Asian economic crisis in the late 1990s and the more recent global economic and financial crises, governments in Asia and the Pacific are attaching increasing importance to enhancing social protection as a human right and as an economic and social necessity. In the recent period, most low- and middle-income countries in Asia and the Pacific have taken major steps to expand their social security systems. Specifically, and supported by the adoption of the ILO Recommendation concerning National Floors of Social Protection, 2012 (No. 202), basic social protection programmes have been more widely established in the region, being viewed as an effective tool to reduce poverty and inequality and promote decent employment and inclusive growth.

The influence of Chinese developments on regional coverage extension data is highly significant, reflecting both the global importance of this growing economy and the scale of its population. In China the expansion of social security coverage is regarded as a forceful means to mitigate the rural-urban divide and boost domestic demand-driven growth strategies. In this context, an additional 226.5 million people (mostly rural residents) were brought under the coverage of pension insurance schemes from January 2012 to December 2014, an average increase of over 70 million people each year. As a result, over 842 million people (with a national coverage rate of about 85 per cent) were covered under different contributory pension schemes by the end of 2014. By continuing to extend coverage to excluded groups and implementing, as of 2015, contributory pension programmes for over 40 million civil servants and public institution employees modelled on the basic pension scheme for urban employees, the government aims to achieve universal pension insurance coverage no later than 2020. In early 2015, the Chinese government also committed itself to covering all of the 45 million construction industry workers, including 36 million farmer-turned domestic migrant workers, under work injury insurance coverage. Employers, who cannot contribute for all workers as regular employees, are obliged to pay work injury contributions based on the cost of construction projects and to link work injury insurance affiliation with the allocation of construction operation permits.

The Chinese context exemplifies some of the challenges of covering internal migrant workers, especially in fragmented national systems. As one response, however, an increasing number of provinces and prefectures are unifying their health insurance schemes for rural residents and economically inactive urban residents. For the needs of external migrant workers, the Chinese Ministry of Human Resources and Social Security has been negotiating with over a dozen countries on bilateral social security agreements.

India has an ongoing priority of improving coverage for internal and international migrant labour. In late 2013, India launched a voluntary savings and insurance programme for overseas Indian workers, which is expected to eventually cover around 5 million blue-collar (low- and semi-skilled) temporary workers in 17 countries – mainly in the Gulf region. One of the incentives of the programme is that the life insurance of the participants will be financed by the government (SSA, 2013).

Migrants are but one group of vulnerable workers (ISSA, 2014b). In Viet Nam in recent years, the government has prioritized extending social security to the most vulnerable workers with short-term contracts (duration of three months or less) who account for 30 to 40 per cent of all the country's workers. As a result of the recently revised Law on Social Insurance, seasonal workers with short-term contracts will be eligible for paid leave for illness, pregnancy, work accidents or occupational diseases, in addition to retirement pensions.

Other vulnerable workers are domestic workers. In the Philippines, the Domestic Workers' Bill came into force in January 2013, providing domestic workers with minimum wage protection as well as social security and health insurance coverage. Similar measures to enhance social protection for domestic workers have also been adopted in Bahrain, India, Singapore, Thailand and Viet Nam, following the adoption in 2011 of ILO Convention concerning Decent Work for Domestic Workers, 2011 (No. 189) and ILO Recommendation concerning Decent Work for Domestic Workers, 2011 (No. 201) (ILO, 2013).

Another means of addressing the needs of vulnerable workers is the adoption of public works schemes. Innovative public works schemes, modelled on the Indian rural employment guarantee programme, are being implemented in a growing number of countries in the region, especially in South Asia.

A number of countries in the region have introduced unemployment insurance, such as Kuwait in 2013, Lao People's Democratic Republic (2014), Myanmar (2014), Saudi Arabia in 2014, and Viet Nam in 2015, and others are exploring the feasibility of doing likewise. In turn, Indonesia, Kiribati, Jordan, Myanmar and the Syrian Arab Republic have reformed work injury insurance programmes, while other countries are looking to do so.

In the Chinese case, an important consideration is to extend coverage to vulnerable workers in rural areas. On top of a means-tested minimum subsistence guarantee programme implemented nationwide and universal health care coverage, a social pension together with a contributory individual pension account subsidized by the government has been

introduced for all rural residents (as well as non-employed urban residents) older than age 16 (excluding enrolled students). As a result, the rural pension coverage rate increased from 10 per cent in 2009 to over 90 per cent in 2015.

Social pensions continue to expand in the region. Non-contributory social pension programmes – either universal in design and based on age, citizenship or residence or targeted and based on a means-test – have been implemented in about half of the countries in Asia and the Pacific (SSA and ISSA, 2014). A number of others are actively considering their introduction as a further instrument to address poverty and enhance social cohesion. The case of Mongolia is of interest, given that its non-contributory Child Money Programme, which was terminated at the end of 2009, was reintroduced as a universal programme in 2012.

Universal social pension programmes are found, for instance, in Brunei Darussalam, Kiribati, Nepal, New Zealand, Samoa and Timor-Leste. Other countries provide non-contributory social pensions for those who are ineligible to receive contributory pensions. This is the case, for example, in China (as cited above), the Republic of Korea, Mongolia and Thailand.

In Nepal, the age criteria for receiving the universal social pension has been lowered to age 70 from age 75, and selective social pensions are also available to widows aged 60 or older who are assessed as living in poverty. Likewise in Viet Nam, the eligible pension age for the social pension has been lowered to age 60 from age 85. In Thailand, the flat-rate, age-related pension (old-age allowance) covers over 80 per cent of the elderly (aged 60+) who are not entitled to a contributory pension.

Addressing poverty is a major concern for the region's lower-income countries, such as India where the social assistance pension under the National Old Age Scheme has been expanded to cover all below-poverty-line card holders and the benefit level improved (Barrientos, 2014). Since 2014, the Fiji National Provident Fund allows members to make additional voluntary contributions, thus offering a means to improve the adequacy of existing provisions. The Fund has also split the workers' provident fund account in two, allocating 70 per cent of savings for retirement while the remaining 30 per cent may be accessed for early withdrawal, under certain conditions, to meet essential household expenditure needs such as education, medical care, periods of unemployment and housing costs (SSA, 2014).

The challenge of alleviating poverty is not restricted to the region's lower-income countries. The Republic of Korea, for example, has extended the National Basic Livelihood Security

System to include the poor with working ability (ESCAP, 2015). In Singapore in 2015, the government launched a new means-tested old-age income supplement programme (Silver Support Scheme), which provides a supplement of 300 to 750 Singaporean dollars for eligible seniors (aged 65+) every quarter in an effort to support the bottom 20 per cent of seniors. This reform is in addition to an earlier implemented workfare programme that supports the bottom 20 to 30 per cent of Singaporean wage earners (*Channel NewsAsia*, 2015).

As part of the broad goal of poverty alleviation, the multidimensional adequacy of benefits is another concern (Brimblecombe, 2013). This means that the importance of horizontal coverage extension should not detract from the associated need to ensure fully adequate benefits provision, defined broadly in terms of cash value, quality of service and trade-offs between different labour market and social policy objectives (see Table 1).

### **Universal health coverage becoming a reality**

In line with the call of the 2012 United Nations General Assembly for universal health coverage, the goal of universal health coverage is increasingly a top priority in the region. Countries such as China, the Republic of Korea, Malaysia, Oman, Sri Lanka and Thailand are recognized for pursuing full population coverage for health care through publicly-governed programmes with financial commitment from the government. Bangladesh and Singapore have also recently joined the list of countries with universal health coverage through a package of dovetailed and high-impact interventions.

In China where health coverage now exceeds 95 per cent, government subsidies accounted for nearly 80 per cent of the total health insurance contributions in the two health insurance programmes covering the rural population and non-remunerated urban citizens. With an average annual increase of 25.8 per cent, total government health care expenditure between 2003 and 2013 was 3.98 thousand billion Chinese Yuan (CNY) (In 2015, CNY 100 = USD 16 approx.). In 2015, the average government subsidy (from both central and local government) to each insured person under either of the two schemes is CNY 380, while each person contributes an average of CNY 120.

An increasing number of governments in Asia and the Pacific have announced ambitious universal health coverage programmes, raising the expectation of significantly expanding global health coverage.

For example, in Cambodia where three-quarters of the population lack health coverage and more than half of health expenditure comes from out-of-pocket user fees, the government

**Table 1.** Selected recent examples of the extension of social protection in low- and middle-income countries

Type of programme	Countries in which programmes/schemes have recently been introduced or significantly expanded
Child and family benefits	China, Mongolia
Cash transfers with a human development focus	Bangladesh, Indonesia, Mongolia, Philippines
Household minimum income support	China, Singapore
Public employment programmes	India, Indonesia
Maternity protection	Bangladesh, China, India, Indonesia, Jordan, Viet Nam
Unemployment protection	Jordan, Saudi Arabia, Thailand, Viet Nam
Social pensions	Bangladesh, China, India, Nepal, Thailand, Viet Nam
Health coverage expanded	Bangladesh, Cambodia, China, Lao PDR, Indonesia, Qatar, Singapore, Thailand, Viet Nam
<i>Source:</i> Derived from ILO (2014a, pp. 141–145).	

has developed a plan for universal coverage as part of the 10-year strategy to improve the Cambodian social protection system. The goal is to realize universal health coverage by 2025.

In India, where universal health care has been realized in certain states such as Kerala, the central government announced in late 2014 a USD 11.4 billion universal health insurance programme to be rolled out in April 2015, which aims to cover the whole population by March 2019.

In Indonesia where universal coverage was mandated in the 2004 social security law, the government aims to have all employees and residents (including foreign residents) covered by health insurance by 2019 under a single payer scheme (Jaminah Kesehatan Nasional – JKN).

In Qatar, the government launched its universal health coverage programme in 2013 by moving from a voluntary approach with multiple funding pools to a mandatory single-payer system managed by the National Health Insurance Company. It has a clear target to extend a broad package of health services to the whole population including non-national migrant workers by 2016.

In Viet Nam, the Master Plan for Universal Coverage announced in 2012 committed the government to extend health care coverage to no less than 80 per cent of the population by 2020, while actual coverage is expected to be at least 75 per cent in 2015. As part of a wide



range of measures to extend health coverage to informal economy workers who constitute 30 per cent of the population, the newly revised Health Insurance Law stipulates that from January 2015, the poor and ethnic minority groups will not have to pay any out-of-pocket costs for health care check-ups or treatment (VOV, 2014).

### **Towards integrated and coordinated coverage**

National examples of the global trend towards the more holistic design and coordination of social policy can be seen in the region. For instance, through the joint efforts of social security authorities in the six members countries of the Gulf Cooperation Council (GCC), social protection has been extended to cover all GCC citizens working outside their own country in any other GCC member country.

With a commitment from the Association of Southeast Asian Nations (ASEAN) to realize in 2015 a single common market through the ASEAN Economic Community, the member countries have accelerated their collaboration in promoting social security development in the region, especially for the social protection of migrant workers as called for in the Cebu Declaration of Migrant Workers and ASEAN Declaration on Social Protection. Thailand offers a good case study, where a new social health protection programme covers all migrant workers, including undocumented migrants and refugees. The scheme offers the same benefit package as under the Universal Coverage Scheme, but on a contributory basis (ILO and ADB, 2014).

In countries such as Japan and the Republic of Korea that have already established a comprehensive social security system, including long-term care insurance, important coverage challenges include the adequacy, coherence and sustainability of the system. In these countries, the governments have adopted integrated and coordinated approaches to enhance guaranteed minimum pensions which interact with social pension benefits, secure quality health care for the disadvantaged groups, and offer benefit adequacy and long-term sustainability.

In the Republic of Korea, for example, since 2012 the government subsidizes the social insurance premium for low-income workers in small companies (ILO, 2012) and as part of its long-term national health insurance coverage plan it is committed from 2015 to cover the costs of treatment at hospices for elderly people who are terminally ill or for patients suffering from incurable cancer.

## Conclusions

In spite of the disparities in coverage between different sub-regions and within sub-regions and countries, the recent national achievements in social security coverage extension (particularly towards creating universal health coverage) in Asia and the Pacific are remarkable. Among the key enablers of such positive developments are enhanced proactive interventions from the State, relatively stronger economic growth as a whole, and a more pronounced increase in social protection expenditure over the past years.

At this juncture, with the process of population ageing becoming more evident across the region and with the numbers of domestic and international migrant workers increasing, governments should make best use of the opportunities offered by the region's relatively strong economic performance and by its current large population cohorts of working age – the so-called “demographic window”. Current available financial resources should be used to further consolidate and extend existing schemes and also establish new and often much-needed social security programmes (such as minimum income guarantee schemes for vulnerable groups, unemployment, work injury and long-term care insurance as well as family benefit programmes). Such coverage extension objectives also require enhanced coordination at both national and international levels. Such coordination must include the full engagement of social security organizations, which play an essential role in the design and implementation of innovative administrative measures to support coverage extension goals (see chapter 2).

Positively, regional experience has shown that effective extension of coverage is achievable not only in the more advanced economies, but also in low- and middle-income countries such as Bangladesh, China and Thailand. Consequently, an increasing number of countries are putting social security high on their policy agenda, and moving steadily towards more integrated and comprehensive social security programmes with universal health coverage a common priority.

The various innovative and practical approaches adopted in extending coverage to the region's hard-to-cover groups specifically will greatly enrich the ISSA good practice data base and the ISSA Guidelines on social security administration. In this regard the current development of the ISSA Guidelines on Administrative Solutions in Extending Social Security Coverage to the Difficult-to-Cover Groups will better support the knowledge sharing and coverage extension efforts of ISSA member organizations.

## Excellence in administration: A key condition for the social security of populations in Asia and the Pacific

*Developments in social security systems in all countries and regions, including across Asia and the Pacific, are presently marked by a strong commitment to enhance the management dimension of benefit and service delivery mechanisms. On the one hand, this is due to greater demands being made of available resources, with identifiable constraints in all areas of public administration. On the other hand, it is due to the recognition that robust, well-governed social security systems are essential if the trust and compliance of all stakeholders is to be ensured. Generally, the efficient use of resources and the anchoring of robust organizations on the principles of “good governance” are seen to be crucial conditions for the successful delivery of policy, not only in countries with more comprehensive social security systems, but also for those seeking to further develop and strengthen national provisions. The capacity to deliver social security benefits and services, irrespective of political will, is increasingly viewed as being linked strongly to the capacity of management and the quality of administration. This is why the aim of “excellence in administration” must be viewed as an obligation. Meeting this obligation is thus even more important for social security systems where contribution compliance and trust in public social security agencies may be incomplete or requiring reinforcement. In this vein, the evidence of recent developments and trends shows that many countries in Asia and the Pacific, that have made a commitment to extend and improve social security coverage, are investing heavily in human resources, in ICT solutions, in communication efforts and, above all, in building solid management solutions based on transparency and participation, underlying principles for sustainable social security systems.*

The ISSA defines excellence in social security administration in relation to the achievement of good governance, high performance and improved service quality. Put alternatively, the pursuit of excellence in administration is thought to be compromised in contexts of weak governance, inefficient and ineffective organizational performance and poor service quality delivered to stakeholders. In Asia and the Pacific, as elsewhere, two key sets of factors influence the framing of endeavours to improve the administration of social security programmes and systems:

- National and regional context.
- The operational mandate and capacities of the social security administration.

In turn, there is a widening trend for all social security administrations to adopt a similar value orientation, wherein:

- “Excellence” is increasingly seen as a guiding mind-set, and not as a constraining framework to be complied with.
- “Excellence” is understood as an administrative “end” in the management of resources, and also as a “means” to engender citizen-centred service delivery and to achieve societal-level policy goals.

Irrespective of these commonalities, caution is necessary regarding any attempts to compare the relative achievement of “excellence” across organizations and national jurisdictions. Above all, the achievement of excellence in administration, in spite of being a goal common to all social security organizations, is dependent on national and regional contexts, which in Asia and the Pacific can vary significantly. Moreover, the respective operational mandate of each and every social security organization should be, in all circumstances, the main point of reference for assessing administrative excellence. A clear, strongly focused operational mandate is therefore the departure point for improvement, which permits all operations to develop in a coherent manner with respect to a common set of principles and objectives.

In turn, within social security administrations, the pursuit of administrative excellence has to be seen as a global mindset and a permanent driver to enable action, rather than a constraining framework with rules and procedures to enforce compliance. The fostering of a culture of excellence within organizations is a keystone for improvement and success. This demands the involvement of all actors in the organization, as it does all other legitimate stakeholders, but above all it means that all processes should undergo a quality assessment process with regard to the appropriate and efficient and effective use of methods and tools.

Ultimately, excellence in administration has to remain permanently focused not only on resource management but on defending and promoting the general interests of citizens and the broader policy goals of society in terms of social security provisions.

### **Core issues for social security administrations in Asia and the Pacific**

From the design of social security programmes to the final delivery of benefits and services, there are a number of objectives that have to be addressed on the “journey to excellence”. To name but a few, these include:

- Safeguarding the quality of information.

- Ensuring contribution collection systems focused on the interests of beneficiaries and contributors.
- Fostering education in support of compliance.
- Delivering accessible services and information.

Such objectives give concrete form to the concept and principles of “good governance”. Good governance is essential for the effective development of public administration, and assumes a particular importance when addressing social security administration, a major point of interaction between States and their citizens. As defined by the *ISSA Guidelines on good governance*, principles such as transparency, accountability, participation, predictability, and dynamism should lie at the core of social security administration, being essential drivers for realizing the respect and trust of stakeholders and, more generally, the social, political and financial sustainability of social security systems.

These principles have increasingly been adopted, and now underpin the strategic choices being made, by decision-makers and senior managers of a growing number of social security administrations in the region of Asia and the Pacific. Significantly, these objectives and principles are increasingly being placed to the fore in a systematic manner by social security policy planners and administrators.

#### *Working to achieve administrative excellence in Asia and the Pacific*

As tools to help achieve administrative excellence, information and communication technology (ICT) systems have multiple roles. For the delivery of cash benefits, for example, these include enabling the better identification and targeting of beneficiaries, the monitoring and reporting of programme operations, the lowering of operating costs in the delivery of benefits, and driving improvements in governance (transparency and accountability).

While a greater use of ICT is occurring among social security administrations, further positive impacts can be realised through the greater interconnectivity of social security administrations with the ICT systems of other public agencies. This is so, for example, as regards data bases for identity management, civil registries and household statistics. These data sources provide additional invaluable support for the rolling out of large-scale benefits programmes, especially those that are targeted upon lower-income households as part of national social protection strategies.

For some countries, the development of such data sets to improve coverage remains a challenge. In a context where the births of around 135 million children younger than

age 5 in the region have not been registered, and 36 countries do not possess universal and responsive civil registration and vital statistics, a ministerial declaration was adopted at the Ministerial Conference on Civil Registration and Vital Statistics (CRVS) in Asia and the Pacific held in Bangkok, Thailand in November 2014. Based on the declaration, “governments endorsed a regional action framework of goals and nationally-set time-bound targets for civil registration coverage, issuance of legal documentation and production of vital statistics by 2024”. Once implemented nationwide, the CRVS system will greatly support the good governance and social security coverage efforts of many countries.

In spite of this, the Asian Development Bank (ADB, 2014a) has cautioned that the use of ICT as a tool to enhance national social security delivery still remains more commonplace among the region’s more advanced economies, with Singapore being a key player in this regard since the early 1990s, but is less prevalent among developing economies.

To address this challenge, the Republic of Korea is playing a leadership role in the region by supporting initiatives with funding to bridge the digital divide and promote improved access to information and to create and share knowledge through ICT. Under the aegis of the e-Asia and Knowledge Partnership Fund, the aims are to contribute to poverty reduction and the economic and social development of the region’s developing countries.

The region’s more developed economies are not without their own ICT challenges, however, with some systems becoming dated, especially in their inability to capture and integrate real-time data. In Australia, for example, the eventual replacement of Centrelink’s ICT system, the Income Support Integrated System, is viewed as an essential first step in the planned fundamental reform of the country’s social security system. This seeks to involve the integration of multiple services and their delivery and heightened access to enhanced digital services with a customer-centric focus.

In the recent period, a number of national examples in the region confirm that the importance of the deeper integration of ICT in social security administration is better understood. Increasingly, strengthening the relationship between improved data collection and data management and improvements in public administration and service quality has become a key objective for the region’s social security administrations. In an important number of cases, these improvements involve strategic cooperation with international agencies, private sector companies, other government agencies and the general public.

Policy debates in Nepal, for example, underline how the requirement to monitor and evaluate the impact of budget expenditures is a starting point towards better realising these goals. The absence of such data acts as a barrier to effective national social protection budget planning as well as to reducing inefficiencies and fragmented service delivery.

In Timor-Leste, the government, supported by the World Bank, is merging three existing databases into a single system, the motivation for which is to improve knowledge about recipients, heighten the efficiency of benefits delivery, and strengthen accountability and transparency.

The International Labour Office is supporting the development of an integrated management system for middle-income and developing countries in the region seeking to develop a “Single Window Service”. The intention is to improve the coordination, monitoring and delivery of integrated social protection and labour market interventions. Pilot programmes in this regard are currently underway in Cambodia and Indonesia.

The Philippines’ Pantawid Conditional Cash Transfer Programme has been praised for its success in reaching out to families in poverty and, when required, to families negatively impacted by natural disasters, such as that associated with Typhoon Yolanda. Collaboration undertaken when using the database of the National Household Targeting System for Poverty Reduction was vital as part of the disaster response by the Social Security System, underlining the centrality of comprehensive and accessible data to support the objectives of social security administrations.

The strategic use of ICT to help coordinate national cash benefit programmes remains nascent in many countries. In contrast, the use of ICT solutions in health care provision is more widespread. To achieve very large scale programme objectives, especially that of universal coverage, ICT helps to measure progress made toward goals and permits the more effective integration of health care programmes with comprehensive social security interventions.

In the Philippines’ health care system, the Department of Health’s Kalusugan Pangkalahatan (KP) dashboard is an online monitoring system that provides information based on multiple data sources on 19 health indicators to the Secretary for Health, PhilHealth senior policy-makers and other key actors. The dashboard permits policy-makers to track progress across the indicators and to signal where there is need to adjust policy and responses.

With increased efforts across the region being directed at extending social protection coverage and health care coverage in particular, the role of ICT systems in social security administration can only be expected to augment. For example, the scheduled gradual implementation from 2016 of Viet Nam’s new Social Insurance Law reform (passed in 2014) has been designed with recognition given to the importance of creating an electronic database and using ICT as an enabler for the institutional reorganization of the roles performed by the Viet Nam Social Security agency, which will become responsible for contribution collection and compliance as well as benefit payments.

**Box. 2.1. ICT in health care service provision**

The Asian Development Bank is unequivocal as regards the important role being played by ICT tools in improving administration and supporting better access to health care in the region.

ICT has revolutionized health care in many developing countries by:

- More efficiently disseminating public health information, and
- Facilitating consultation in health issues.

In practice, processes have been modernized and outcome made more effective:

- Telemedicine, whereby patients can avoid long and expensive journeys to seek help by receiving remote consultation, diagnosis, and treatment from specialist hospitals.
- Better collaboration and sharing of learning and training among health workers.
- Large gains in efficiency and cost savings, by using ICT as key components of the administrative systems of health care facilities.
- Lives are being saved though the better monitoring of public health threats using ICT, which facilitates more rapid and effective responses.

Source: <<http://www.adb.org/sectors/ict/ict-in-key-sectors/health>>.

Of course, increased ICT use also heightens the requirement for social security administrations to protect data sources and systems from unauthorized access and breaches of security. Such security requirements, for social security and other ICT systems, increasingly demand a degree of international cooperation that stretches beyond national frontiers. In the Gulf region, for instance, Oman is home to the Regional Cyber Security Centre for the Arab region, which offers Arab countries with the support to establish national cybersecurity mechanisms. The importance of such endeavours is underlined by the fact that the Fiji National Provident Fund is one social security body in the wider region that has reported an unsuccessful attempt to hack into its ICT system. Of concern, the Japan Pension Service reported in 2015 that it had been the victim of hackers.

Such cases have renewed the focus on the responsibility of government and social security institutions to protect the monies and information held under their authority and the increasingly complex challenges faced by them in this context. It also underlines that social security administrations should develop and make publicly available a data protection policy that explains the types of personal data held and the purposes of using such data. In Japan this is something already being pursued with regard to the roll out of new “social infrastructure” system of unified individual social security and tax numbers for residents (Box 2.2).



Good governance must incorporate improvements to public service delivery and, as a key dimension of administrative excellence, this goal is facilitated by ICT. The delivery of Indonesia's Productive Family social assistance programme is anchored on mobile technology and smart cards. Recipients of benefits from the programme receive a cell phone SIM card to facilitate money transfers and separate smart cards for the allocation of family, children and health benefits

India's Employees' Provident Fund Organisation has received an accolade for excellent work in enabling the online delivery of provident fund and pension payments using the national electronic fund transfer system and making pension payments directly to the national banking network. The system is accredited with having successfully included nationally all social strata, offering a no-cost, safe and simple public service.

In Pakistan, in partnership with a private telecoms company, free cell phones have been distributed to around 140,000 poor households who are recipients of the Benazir Income Support Programme. Other beneficiaries have received bank debit cards permitting payments to be withdrawn from personal bank accounts. The delivery system is accredited with facilitating improved literacy, improved technological literacy and improved financial literacy, not least among women. The provision of cell phones also improves the connectivity of families and, for some, reduces insecurity and loneliness.

#### Box. 2.2. Improving personal data collection to strengthen social security services

From October 2015, Japan will roll out a new system of 12-digit individual numbers (My Number) for each resident. This number will be used for administrative procedures related to social security, taxation and disaster responses beginning in January 2016. Implementation will be supported by a Call Centre which will handle calls in six languages: Japanese, English, Chinese, Korean, Spanish and Portuguese.

The objectives of the new system are three-fold:

- to improve administrative efficiency;
- to enhance public confidence by simplifying procedures; and
- to support a fairer and more just society by reducing benefit payment errors and tax evasion.

Individual numbers will be used only for legally stipulated tasks, such as procedures for the national pension, unemployment insurance, medical insurance, social assistance and tax procedures.

China has also developed a public-private partnership to facilitate the correct payment of disability and old-age pensions using a biometric technology application downloaded onto subsidized mobile phones. By using the mobile phones to scan an individual's fingerprint, to provide "living fingerprint authentication", the application, which is linked to a central government registry of pensioners' fingerprints, permits pensioners to prove they are alive and thus eligible to receive benefits.

Tailoring social security operations to satisfy the demands of beneficiaries can include taking into account personal religious beliefs and duties. Malaysia's Employees' Provident Fund (EPF) now allows a once-only withdrawal from the member's Account 2 to partially finance a personal hajj pilgrimage.

Harnessing the burgeoning growth of mobile ICT offers one way to connect with and provide improved social security and health services to people living in rural, remote or sparsely populated areas, including the Pacific Island Countries (PICs). On the basis of the success of mobile financial and banking services in some PICs (Fiji, Papua New Guinea, Samoa, Tonga and Vanuatu) there is enormous scope for the development, for example, of cash benefit transfers and the payment of social security contributions using similar platforms. ICT also offers a tool to overcome some of the challenges presented by fragmented national social security systems. In China, for example, with the allocation to 700 million people of multifunctional social security cards loaded with financial functions, the government is laying a solid foundation for comprehensive and universal social security coverage on a national basis.

Improved service quality is not dependent on ICT advances alone. The Japan Pension Service, for example, has a ten-point customer service charter and its Local Pension Development Project is a community-based project designed to spread awareness and understanding of pensions. In China which has seen rapid and far reaching ICT development, the central government has also supported the establishment of local-level employment and social security service facilities in the country's less-developed central and western regions. Each village or street community has one government-hired and trained employment and social security collaborator who is tasked to help collect pension and health contributions, disburse various benefits and provide other designated services within their jurisdiction.

The improved institutional coordination and, in some instances, the integration of previously fragmented or dualistic social protection systems is another important element for improving service quality. Selected developments in these regards can be found in Cambodia's adopted Social Protection Strategy, Indonesia's health care reforms, in Japan's social security and tax number system and in Viet Nam's social insurance reforms. A reform

of a more fundamental nature is to see the very small population of Norfolk Island lose their previous status as a semi self-governing territory of the Commonwealth of Australia. With the introduction of its new Australian local government status, one outcome will see the population incorporated into the Australian Medicare and social security benefits system.

## **Conclusions**

The region of Asia and the Pacific is playing a leading role in the adoption of innovative administrative methods and practices. This mirrors a strong commitment among social security organizations to improve administration and to move towards “excellence”, not least to support the development of sustainable and more comprehensive systems of social protection. Without doubt, a major factor in the success of policies implemented in the region in the last years has been the efforts of social security administrations to improve the effectiveness and efficiency of their resource management.

The commitment of social security administrations in the region to work towards “excellence” in administration responds to the need to innovate and develop good practices that are tailored to the specific and varying challenges that social security systems in the Asia and the Pacific region face. With the developing support of practical tools provided through the ISSA Centre for Excellence, such as the ISSA Guidelines for social security administration, the effectiveness and efficiency of resource management and the general capacities of social security administrations can be expected to improve further.

## Enhancing the positive social and economic impacts of social security systems in Asia and the Pacific

*In common with countries in other regions, the countries of Asia and the Pacific are confronted with a number of social, labour market, epidemiologic and demographic challenges. Often, the precise nature of these challenges has a tight relationship with each country's level of social and economic development. The region is also confronted with a number of other challenges that are specific to the geographical size and location of countries, the density and dispersion of their populations across the national territory, and their level of integration in relation to major regional and global markets. All these elements act to influence the capacities and roles of national social security systems to support the goals of social and economic development.*

A key challenge in assessing the positive social and economic impacts of social security systems is the lack of data offering precise measures of this and the difficulty of isolating the impact of one variable (social security programmes) on levels of human capital, poverty and inequality, labour market structures and economic growth when a number of other variables (i.e. natural environment, geopolitical instability, and wider public policies) are also influential. Regardless, it is recognized that social security systems do have positive social and economic impacts for individuals, families, communities and societies. To cite but a few examples, social security systems:

- Provide income replacement in times of unemployment or inactivity, often in a counter-cyclical manner, and in response to “natural disasters”, to support household consumption, thus supporting local and national economic activity and employment.
- National social security systems offer the potential of a ready-made and adaptable infrastructure for rapid nationwide crisis responses that can reach out to all communities.
- Support daily household consumption of goods and services, and thus support local economic activity and employment, by means of cash transfers.
- Support families with younger children through cash transfers and services, offering the possibility of greater choice in the work-life balance for women and men and facilitating access to education and health care.

- Provide preventive, curative and rehabilitative health care which supports the health status of the population, the employability of the working-age population, and the more effective uses of health expenditures.
- Support the return to active employment/work through subsidies and cash transfers and rehabilitative health care, thus increasing the activity rate and reducing the risk of longer-term use of benefits and increasing programmes' contribution income.
- Support employers and workers, through subsidies and cash transfers and services, thus preventing unemployment, reducing (re)training costs, supporting job matching, facilitating structural economic transitions, and supporting “market confidence”.
- Support human capital development and well-being and empower women and men, including increased employability, through improved access to education, training and rehabilitation, health services and nutrition.
- Enable, through the build-up of social security programme financial contributions and reserves, access to funds for investments in infrastructure, subsidized housing and social services and other public goods. The investment of social security funds also supports the development of national financial services and markets, including investment strategies and products geared to Socially Responsible Investment.
- Contribute to political and economic stability by reducing inequalities and people's dissatisfaction with their economic status through income redistribution.

Conventionally, it has been commonly assumed that most or all of such positive outcomes applied only to developed economies. They were thought to be largely irrelevant for countries where population coverage remains low (in South Asia effective coverage for cash benefits is less than 10 per cent of the population) and the types of risk for which social security protection is offered is limited. This has been so despite the fact that the impact of the provision of even a small cash transfer will be more positive for those with the lowest incomes.

It was argued that in order to reap the wider social and economic benefits to be derived from social security systems, countries were obliged, first, to attain a certain level of economic development. On the basis of this development, countries could then – and only then – afford to progressively develop systems of comprehensive social security protection.

However, observation and study of developments and trends in many countries of Asia and the Pacific reveals that developing economies too can realize the positive social and

economic benefits of social security systems. Moreover, to do so, the social security system need not be, in the first instance, comprehensive in its coverage of risks or “generous” in the value of the benefits provided.

### **Social security systems and the development challenges facing Asia and the Pacific**

Socio-economic trends in the region of Asia and the Pacific paint a complex picture. The sometimes large differences in levels of social and economic development identified among the region’s countries can also be found within sub-regions and national frontiers. The region is as geographically vast as it is varied. And across the region demographic trends (fertility rates, life expectancy rates and migration flows) and the geographic dispersion and density of populations vary greatly. Similarly, so do the economic opportunities as well as the challenges that populations face, many of which are innately linked to their local, national or regional environments.

#### *Demographic trends*

The region is home to around 60 per cent of the world’s population, a figure equating to around 4.3 billion people (ESA, 2013). Alongside the global giants of China and India (1.4 billion and 1.25 billion inhabitants respectively), whose very large populations have a tendency to influence comparative regional and global data, the region is also home to a number of small Pacific island countries (PICs). The Marshall Islands, for instance, has a total population of around 70,000.

All populations, of course, are dynamic, and the challenge for social security systems is not simply to extend and maintain adequate and sustainable coverage to all, but to cater to the evolving needs of populations across the life course. In this endeavour, there is a very real need for the administrative capacities of social security administrations to be capable of adapting to the specificities of their operational environments.

Many of the challenges facing social security systems are common to public policy generally. One such challenge is population ageing. Excluding the specific case of Europe’s Principality of Monaco which has a total population of only around 300,000, Japan is acknowledged as the world’s oldest country, with over 25 per cent of its population of over 126 million aged 65+. With fertility levels below the replacement rate, Japan’s population is now declining. Other countries, such as the Republic of Korea and Singapore are progressively becoming aged societies. Commensurate with improvements in life expectancy over recent decades, fertility rates in a number of countries in East Asia in particular have not only fallen but are below the replacement rate of around 2.1 children per woman. In South East Asia, Singapore reports an average of 0.79 children per woman.

In a small number of other countries in the region, the fertility story is very different. Timor-Leste is one of only two “high fertility” countries in the region, with the average woman having 5 or more children. The other, Afghanistan, has an average of 6 children per woman, suggesting that public policy should focus more on providing improved access to family planning. High fertility rates are also, of course, an expression of cultural values and norms.

At the national level, population ageing is sometimes assimilated with predictions of national economic decline. On the basis of available demographic data however, the very predictable pace and timing of ageing provides countries policy space for the planning of suitable responses to continue to support social and economic development (Pilling, 2014). Worsening dependency ratios do impact on social and economic development and pension system financing, but policy responses exist. The challenge for policy-makers in seeking responses to population ageing is to redesign social security and health care systems that take into account the financing capacities and social needs not only of the conventional working-age population (aged 15–64) but also of those aged 65+. No less important are the needs of families with children.

Population ageing is not the most pressing demographic challenge for all countries in the region, however. In addition to pressures for out-migration and the vulnerability of PICs to extreme environmental events, the demographic profiles of many Pacific Island Countries are younger, in some cases much younger, than those of East Asian countries in particular.

Perhaps more so than in other global regions, healthy ageing is sometimes more typically associated with parts of Asia and the Pacific, not least because of perceived healthier lifestyles and diets. This is viewed as a positive regional characteristic, which can have positive impacts on health care system financing. However, the epidemiologic transition, which sees a movement away from a prevalence of contagious diseases towards noncommunicable diseases, is now occurring in many developing economies, and is no longer particular to higher-income countries alone. Whereas diabetes, for example, is a particularly important problem in the Gulf Cooperation Countries, in middle-income Mongolia the leading causes of mortality are no longer infectious diseases but circulatory system disorders and cancers. In contrast, low-income Bangladesh and Nepal are still at early stages of the epidemiologic transition.

In response to ageing, the Republic of Korea is implementing policy measures to encourage higher fertility (ESCAP, 2013). For such a cross-cutting policy agenda to succeed, improved social security provisions for maternity benefits and childcare are likely to be required. By default, the processes of population ageing may help promote institutional social security

maternity provisions, which remain relatively underdeveloped in Asia and the Pacific. In some countries, the availability of voluntary access to maternity coverage for excluded groups of workers can help extend “legal” coverage, as is the case in China. However, the success of voluntary coverage in extending effective access to social security programmes, including maternity benefits, does not have a good track record and may not have a major final bearing on the access of all women of child-bearing age to maternity benefits.

In the coming decades, large increases in population are projected for India, Indonesia, Pakistan and the Philippines. For example, by 2100, the population of Pakistan will be greater than 200 million, while India will be the world’s most populous country with around 1.5 billion inhabitants. An increasing challenge for social security system design is to better cater to the needs of growing and longer-lived populations across the life cycle, which will have important implications concerning choices about resource allocation. This reflects the reality that questions surrounding demographic projections are not simply about birth rates.

Improvements in life expectancy at birth and falls in maternal deaths are two indicators that reflect, on the one hand, improvements in health care provision and, on the other hand, anticipated population growth. Currently, the South Asia sub-region (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) accounts for 24 per cent of the global total of maternal deaths. Positively, despite continuing challenges, compiled data suggests that the sub-region has experienced a significant decline in the maternal mortality ratio during the period 1990 to 2013 of 65 per cent. Most notably, Bhutan, Maldives and Nepal are reported to have reduced maternal deaths by 75 per cent (El-Saharty and Ohno, 2015).

Nepal’s success in this regard comes from the longstanding priority it has given to family planning and maternal and child health care, which has been leveraged more recently through a community-based approach to health service delivery, subsidized or free care for maternal child health services, and the use of female community health volunteer staff (El-Saharty and Ohno, 2015). Nepal’s innovative response in the use of female volunteer health workers is notable both for manner in which it addresses capacity constraints and tailors measures to the needs of women. Following the devastating impact on livelihoods and infrastructure caused by the 2015 earthquake and subsequent tremors in Nepal, the country’s social and economic policy priorities will have shifted to the immediate challenges of managing the disaster and supporting reconstruction.



*Labour market challenges*

The recent evidence shows that economic growth in the region may not necessarily result in the creation of “decent” jobs – but rather result in vulnerable employment, often with an important gender dimension in many societies. For instance, in South Asia between 2009 and 2014, average annual economic growth rates of 6.1 per cent were partnered with employment growth of only 1.4 per cent per annum (ILO, 2015, p. 49). Moreover, in the past years in India, many new jobs created in the organized sector have been de facto informal: employees have not been given access to social security. Overall, levels of vulnerable employment in the region remain high, affecting around 80 per cent of workers in Lao People’s Democratic Republic, Bangladesh and India. However, important declines in vulnerable employment have been reported in Bhutan, Cambodia, the Maldives, Thailand and Viet Nam (ADB, 2014b).

An important social policy concern for PICs in particular is how to effectively integrate into the labour force a growing number of younger workers. This is made all the more challenging by the typically limited opportunities for diversification and growth in these small economies. More generally, integration into the labour market remains especially difficult for young workers, and in some countries youth unemployment is higher among those with better education.

In such a labour market context, with trends in many economies towards vulnerable employment and a frequent mismatch between jobseekers’ qualifications and employers’ needs, efforts in the formal economy to support social security contribution collection and to combat contribution evasion are essential. While the administrative resources required to enforce compliance among preponderant small and middle-sized employers are more significant, ensuring full compliance among the region’s large employers, including multinational companies, is no less important. This effort must go hand in hand with the twin efforts of the fiscal authorities to improve the design of the tax system and to collect all taxes.

Retaining older workers who are still fit for work in the labour market is increasingly an issue for ageing societies in the region. Japan’s government-subsidized work programme, Silver Human Resources, is one proactive example of a coordinated response to this challenge which positively encourages active ageing. Concerns about possible labour shortages as a consequence of ageing have led some countries to encourage the greater participation of women in the labour market. As one regional example, this is occurring in the Republic of Korea, which is targeting a 70 per cent female employment rate (ILO, 2015, p. 46).

Further responses to population ageing, especially with regards to expected labour shortages, include efforts in some countries to encourage migrant labour. Although migrant labour supports household welfare in the home country through the remittance of earnings, there is a need for social security systems in migrant sending and receiving countries to seek mechanisms either to improve the social protection of migrant workers on a unilateral basis (for example, Sri Lanka's voluntary Overseas Welfare Fund or the voluntary cover offered to expatriate Filipino workers by the Philippines Social Security System) or to develop bilateral and multilateral agreement to protect the vested rights of workers to social security benefits and the portability of these. The Association of Southeast Asian Nations (ASEAN) offers a regional platform with unfulfilled potential to support the development of bilateral and multilateral agreements for the portability of benefits. The Republic of Korea is one country that has signed bilateral agreements with a number of migrant sending countries, including China, Mongolia, Uzbekistan, Thailand and Sri Lanka (Taha, Siegmann and Messkoub, 2015). These bilateral agreements also seek to protect Korean national who have worked abroad, thus permitting to better address the challenges of dual coverage records and elderly poverty rates.

### *Poverty alleviation*

In 1990, the poverty rate in Asia was close to 55 per cent of the population. Fifteen years later, Asia had succeeded in halving extreme poverty (living on less than USD 1.25 per day, based on average purchasing power parity (PPP), thus meeting this particular 2015 Millennium Development Goal a full decade in advance. In this regard, the role of China alone in reducing the number living in extreme poverty by 527.64 million is very significant (ADB, 2014b).

Of concern, the Asian Development Bank is of the view that conventional measures of poverty are inappropriate for Asia and the Pacific, having in large part been developed in relation to data collated from sub-Saharan African countries. A more appropriate measure of poverty, it is argued, would be USD 1.51 per day (PPP), which would lead to a higher poverty count in the region. Further, the ADB (2014b) argues that the essentially money-metric measurement of poverty fails to capture levels of individual well-being, which is directly related to wider vulnerabilities. Food insecurity is a case at hand, where the rapid, rising price of food staples can heighten levels of poverty. In absolute terms, of all regions Asia and the Pacific has the highest number of undernourished people.

### *Urbanization and geographic remoteness*

Owing to the continuing trend towards greater urbanization in Asia and the Pacific, the region accounts for 53 per cent of the world's urban population and is home to 16 of the

world's current 28 megacities (with a population greater than 10 million). The Japanese capital, Tokyo, is by far the world's largest city, with 37 million inhabitants. Delhi in India has 25 million, while China's Shanghai has 23 million (ESA, 2013).

China and India, currently the world's largest countries by population, are increasingly urban, especially so China. Yet, despite their increasing urbanization, including the emergence and sprawl of megacities, these two economies also have the world's largest rural populations, which present their own specific challenges for policy-makers and social security administrators. Typically, rural workers are one of the last groups to which social security coverage is extended. While tailored provisions have been developed, such as China's voluntary National Rural Pension Scheme, schemes for rural populations are often less comprehensive than those available to urban populations working in the regulated economy. For all countries with fragmented social security provisions, the national coordination of parallel rural and urban social security programmes, as well as of local government provisions, is increasingly viewed as important for more equitable social and economic development.

— 26 In contrast to its larger and more populous countries, the region is also home to many small states, some of which are landlocked, like Bhutan in the Eastern Himalayas, and other such as the Pacific Island Countries. A number of the PICs (including Kiribati, Marshall Islands, Micronesia, Palau, Samoa and Tonga) have populations of less than 200,000, which lead these states to be categorized as micro-states. In addition to their small populations and small geographic size, the PICs can be characterized for their geographic remoteness. Furthermore, given that some PICs comprise the grouping together of many islands, the fact of geographic dispersion (the average sea distance between two inhabitants of the same country) is another characteristic feature. Whereas the geographic dispersion of citizens in the Bahamas in the Caribbean is calculated to be 9 kilometres, in highly dispersed Micronesia (comprising over 2,000 islands) the equivalent distance across the Pacific is 706 kilometres (IMF, 2013). The implications of such dispersion are evident for social security design and delivery strategies. In Samoa, geography has influenced the design of social security benefits, with persons aged 65+ receiving free interisland travel on public seagoing vessels.

Remoteness is also a delivery challenge for countries with mountainous areas. In such terrain, the experience of Oman's Ministry of Health, for instance, in using mobile medical teams to extend the effective reach of health services is of value. Such tailored design features offer interesting food for thought for similarly situated states or those with dispersed rural populations.

Elsewhere in this region of contrasts, Mongolia, the world's second largest landlocked state, remains the world's least densely populated country. Such a status, however, disguises the social policy challenges and the hurdles facing social security delivery in that nearly half the total population live in the capital city, Ulaanbaatar.

The increasing and large-scale urbanization underway in many parts of Asia and the Pacific is often presented as offering an opportunity for realizing economies of scale, enabling improvements in the efficient delivery of public services, including for social security benefits and health care services. As a result of the greater proximity of increasingly dense and large urban populations to service providers, relative infrastructure and delivery costs per capita are expected to decrease. Yet, for countries with greater population dispersion, and where geography precludes the possibility of a significant alternative, as in the PICs, public services and social security systems will not be able to reap the same scale benefits, a fact that has to be taken into account in any comparative performance benchmarking of social security administrations.

The greater use of ICT tools and platforms as the interface of choice between service users and providers may make the provision of cash benefits more efficient; contributions can be transferred and paid as can cash payments be received using mobile telephones and e-banking for example. For some administrative matters and for benefits and services in kind, however, where there remain important human dimensions in indicators of efficiency and effectiveness, e-services do not offer a panacea.

### *Environmental challenges and demands on social security*

There is international consensus that the region is particularly vulnerable to natural disasters, environmental degradation and the potential impacts of climate change (ISSA, 2014a). Bangladesh's coastal areas provide evidence of the progressive salinization of farmland and a heightened risk of flooding. Many of those of working age who are most able now migrate, leaving the most vulnerable behind and at greater risk of poverty (Dasgupta, 2015). More generally, changing land use patterns are a cause for concern in that they contribute to the loss of arable land to urbanization and thus threaten future food supply. Increasingly, water shortages are also an issue (ADB, 2014b, p. 13). Environmental degradation and climate change and migration also feed into the equation for the heightened probabilities of diseases spreading. Many of these non-conventional social policy challenges are increasingly on social security systems' radar screens, demanding innovative, additional and, often fast-reaction, responses. The Philippines, which is classed as the world's third most susceptible country to natural disasters, (ILO, 2013) is a leader in this regard. The country's Pantawid Conditional Cash Transfer Programme, designed

originally for extremely poor households to support improvements in health, nutrition and children's education, has offered a flexible model as a post-disaster social security response mechanism.

### **Policy outlook to enhance social and economic outcomes**

The region is home to an important part of the global growth in the middle-class population and in global consumer spending. This continuing growth in wealth raises important questions about the effective design of progressive tax systems and, in turn, about the design and financing of social security systems and their ability to fulfil their multiple objectives. The growth in the middle classes also heightens the pressure for improved levels of public services, including in the quality of social security service delivery. Yet this challenge also presents an opportunity to the region for the wider development of contributions-financed benefits programmes that are financially sustainable and which offer the possibility to necessarily provide more adequate benefits.

At the national level, higher concentrations of wealth in certain, typically urban, regions may translate into higher relative national rates of inequality, which will increase public demands for redistributive measures, such as tax financed social assistance. In most countries, any growth in the importance of tax-financed social security expenditure relative to contributions financed provisions may act to weaken the standing of the latter, possibly creating disincentives to the full and timely payment by workers and employers of contributions. This presents a reminder of the perennial social security system design challenge of providing adequate and sustainable social assistance benefits and other cash transfers that, nonetheless, remain suitably differentiated from, and lower than, average contributory benefits.

A greater role for tax-financed benefits for “citizens or residents” may also weaken the priority accorded to the need to expand rights-based social insurance for “workers”, which, in turn, may weaken the traditional and essential links between social security, occupational health and safety, labour law and formal employment rights more generally.

That economic growth has largely failed to create “decent” jobs will remain a challenge, especially so for the integration of growing numbers of younger workers, often those with better qualifications. To varying degrees, this is a challenge for all the world's regions. In many countries, the growth of the middle classes is also likely to heightened public demands for more inclusive patterns of national development and social security provision, as exemplified by the history of the Republic of Korea.

Other social policy financing challenges are linked more directly to higher levels of urbanization. For public health policy, increasing urbanization and the proximity of greater numbers of people can contribute to the spread of disease. The specific pace and patterns of urbanization – particularly the growth of urban slums – place immense pressures on infrastructure, with shortfalls in accesses to decent housing, electricity, telecoms and transportation but most importantly on improved access to sanitation and water (Andrés, Biller and Herrera Dappe, 2013). In such conditions, there is a growing need for major investment in infrastructure partnered with investments in primary and preventive health care measures, including health education.

There is heightened political impetus in the region to extend effective access to health care to all. However, when taking into account the estimated current deficits in the number of health care professionals in Asia (7.1 million posts), it is to be expected that these deficits will impact predominantly, but not exclusively, services for habitants of urban slums and rural areas (ILO, 2014b). Bangladesh, in a similar manner to the cited case of Nepal, has trained community health workers, many of whom are women, to help bridge this staffing gap.

There are an approximate billion people living in urban slums worldwide, and a significant number of these live in Asia and the Pacific – in South Asia, the percentage of the urban population who are slum dwellers is reported to have attained 60 per cent in Bangladesh, 58 per cent in Nepal, 47 per cent in Pakistan and 29 per cent in India (*Dhaka Tribune*, 2014). In light of the continuing trends discussed in this report, including those of labour markets, urbanization and population growth and ageing, the challenges facing public policy to support sustainable communities, including ever-larger cities, and for social security systems to contribute to sustainable livelihoods, while ensuring social and economic development, are immense.

## **Conclusions**

The ISSA strategic concept of Dynamic Social Security promotes the vision of realizing improvements in social security coverage and administrative performance with the higher-level goal of contributing to socially inclusive and economically productive societies. Based on international experience, improvements undertaken in the design and delivery of social security systems in Asia and the Pacific already translate into greater positive social and economic outcomes.

To push this agenda forward further, there is a strong case to be made for social security administrations to proactively support, in accordance with their mandates, social security

policy measures that contribute coherently to enhancing social and economic outcomes. Practical tools in this regard, which also promote the building of trust and confidence in social security systems, are the ISSA Guidelines for social security administration.

To conclude this chapter, for social security systems in Asia and the Pacific to contribute actively to enhanced positive social and economic outcomes, social security and health policy goals cannot be pursued in isolation: they must be promoted alongside a broad range of coherently applied policy actions (macroeconomic, labour market, social policy, and education, etc.). A coherent and integrated policy approach best guarantees success when guided by sustained political will, adroit leadership and well-timed interventions and implemented through effective and efficient administrations.

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