

## **Social Protection Indicator Asia Regional Report**

### **Executive Summary**

This report presents the results from 26 national reports that are based on the compilation of country-level data for social protection programs implemented by governments in 2018. It uses the Social Protection Indicator (SPI) to assess the level of resources invested in social protection as well as the value of the benefits, coverage, and distribution of expenditures in terms of poverty, gender and disability. The report provides information on the historical trends in social protection expenditures and beneficiaries.

ADB developed the SPI in 2005 as a tool for monitoring and analysing social protection at the country and regional levels. This report is the fourth in the series of SPI publications prepared by ADB for the years 2009, 2012 and 2015. It thus continues the effort to systematically track and assess the developments in social protection commenced by ADB and its development partners.

In addition to presenting the SPI trends, this report contains thematic chapters focusing on the social protection responses to the COVID-19 pandemic; the constraints and opportunities in producing and analyzing social protection data and statistics at a national and regional level; and the challenges in identifying people with disabilities, measuring disability prevalence for effective monitoring of disability-focused social protection measures and anticipating the future of social protection in Asia.

### **Social protection expenditure in Asia is increasing modestly**

Across 26 countries in Asia, the average social protection expenditure per intended beneficiary (or SPI) was 4.0% of GDP per capita and average social protection expenditure amounted to 5.2% of GDP per capita in 2018. There was a wide variation in expenditure at a country level, ranging from 0.9 SPI in Lao PDR to 11.7 SPI in Japan.

Social protection spending is associated with a country's income, demographic structure, and extent of inequality; it is also influenced by its policy vision and institutional context. The level of social protection expenditure is most affected by the share of people of 60 and over, followed by the income level of the country and the level of equality of the developing member country (DMC). The larger the share of people of 60 and over and the higher the income level of the country, the higher social protection expenditure is likely to be. DMCs with low inequality are likely to have higher level of social protection spending.

Social protection has come to be seen as a key public policy instrument in most countries in Asia; however, progress in social protection spending in the past decade has been modest. The SPI in Asia for 24 countries with complete data for years 2009 to 2018 increased from 3.3 in 2009 to 4.1 in 2018, driven mainly by the expansion of social insurance. Similarly, the social protection expenditure increased from 4.6% of GDP in 2009 to 5.4% of GDP in 2018. Social protection spending did not outpace the growth in GDP as spending-to-GDP-ratio remained lower than may have been possible given average national income levels. In fact, social protection in Asia has been primarily responsive to large crises. Thus, the 1997 financial crisis in Asia, the 2008-2009 global financial crisis and at the more recent coronavirus pandemic were the key triggers that stimulated spikes in social protection expenditure in the region.

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Developing and strengthening effective and inclusive social protection requires sustained financial commitment and higher levels of investments. Countries need to develop and sustain comprehensive social protection systems that provide broad-based support and address different vulnerabilities across the life course. This can help poor and disadvantaged people to be more resilient to the effects of lifecycle and covariate shocks. Such systems would develop close complementarity between different programs – social insurance, social assistance and active labor market programs – to ensure basic income security and access to essential health care for all. Greater investments in systems preparedness can help in dealing with shocks effectively when they occur. Given presence and high visibility of social protection in the national agendas in the aftermath of the COVID-19 crisis, governments have an opportunity to increase investment in social protection and to develop systems to support their populations more effectively.

### **Social insurance dominates social protection expenditure, but coverage gaps remain**

Social insurance dominated spending across country income groups, with an average SPI of 3.0 (3.9% of GDP). On average, pensions and health insurance took up the largest contributors share of social insurance as well as overall expenditure in Asia – accounting for 2.5% and 0.9 % GDP and approximately 50.3% and 13.5% of total social protection expenditure respectively. The social insurance SPI increased from 2.3 in 2009 to 3.1 in 2018. Among the three social protection categories, social insurance had the highest share of benefits at 28.2% of GDP per capita and the widest coverage reaching 38.5% of intended beneficiaries.

These indicators reflect remarkable success in achieving universal or near-universal pension and health coverage in many countries in Asia. However, large pockets of the population in at least half of the countries in this study remain uncovered by pensions and health insurance. People who are employed in the informal economy are least likely to benefit from social insurance schemes. Inadequate social insurance coverage leaves women particularly vulnerable. Women make up a disproportionate share of workers in the informal sector, tend to have lower income than men, and are less likely to be covered.

The key policy prerogative is to extend social insurance coverage to those excluded from protection. This entails removing the barriers that prevent workers in some forms of employment from accessing social insurance and utilizing noncontributory mechanisms to support those unable to make individual contributions.

### **Only a few countries combined generous benefits with wide coverage**

Only a few countries offer generous benefits across most of the beneficiary population. The depth of social insurance benefits was particularly substantial in high-income Japan, Korea and Singapore. Social insurance coverage in these countries was high, especially in Japan and Korea with their universal pensions and health insurance coverage. Unlike in social insurance, however, these countries did not combine generous social assistance benefits with high coverage. Social assistance in these countries is deployed as a means of last resort, to support vulnerable society members who face particular social risks and require more targeted assistance.

### **The majority of countries in Asia offered small benefits but achieved high coverage**

The prevailing trend in both social insurance and social assistance has been to keep the depth of benefits low and expand the breadth of coverage. The majority of countries in Asia fall into this category. Social insurance coverage increased from 22.5% in 2009 to 41.0% in 2018. The

progress in coverage was driven by the expansion of health insurance in Japan, Korea, Maldives, Philippines, Thailand, and Viet Nam, largely due to progressive universalisation of health insurance coverage. Equally, it was propelled by the expansion in pensions coverage that was especially notable in Korea, Japan, the PRC, Indonesia, Armenia, Kyrgyz Republic and Tajikistan. A similar picture is observable in social assistance where coverage increased from 16.8% in 2009 to 25.7% in 2018. Several countries such as Georgia, Armenia, Bangladesh, Mongolia, Indonesia, Pakistan, Sri Lanka, and Viet Nam offered small benefits but have achieved substantial coverage.

Thus, countries that have chosen to achieve universal coverage can largely afford this by keeping their benefit low, with the prospect of raising benefit levels incrementally. Prioritizing coverage over the value of benefits can be a practical trade-off to enable countries to reduce the coverage gap in the first instance. However, it is imperative that social protection programs provide adequate protection and therefore, national strategies and fiscal policies need to explicitly incorporate the goal of an incremental increase in the value of benefits and mandate policy makers to identify strategies to mobilize resources and expand fiscal space.

The SPI data suggests that not all countries in Asia follow this pattern. A handful of countries provide generous benefits to a small share of eligible population in social insurance (Malaysia, Pakistan, Bhutan and Bangladesh) and in social assistance (Maldives, Japan, Korea, Singapore). Finally, several countries have low benefits and low coverage in social insurance (Sri Lanka, Cambodia and Nepal) and social assistance (Lao PDR, Bhutan, Tajikistan and Uzbekistan).

### **Old-age pensions have substantially expanded as governments extended contributory schemes and introduced non-contributory financing mechanisms**

Old-age pensions in this report are defined as contributory benefits to persons aged 60 years and above. Pensions took up a large share of social insurance spending (2.5% of GDP) in Asia. Spending on pensions is above the regional average in Japan, the PRC, Mongolia, Viet Nam, and most post-Soviet transition countries. Several countries in the region have achieved universal or near-universal coverage, including Japan, Korea, the PRC, Mongolia, Thailand, Nepal, and Maldives. Similarly, all post-Soviet transition countries considered in this study, apart from Armenia and Azerbaijan, have universal pensions coverage.

The progress in pension coverage has been possible partly due to strengthening and extending contributory schemes to workers in the informal economy. This expansion was supported by parallel efforts to establish and gradually extend noncontributory tax-financed schemes (social pensions) to support the poor and near poor older people who are unable to make social insurance contributions. For example, notable are institutional arrangements to extend pensions coverage using these two avenues in the PRC and Thailand. Both countries have established universal coverage by extending contributory pensions to include all employed and a share of self-employed workers and providing tax-financed pension benefits for all those not eligible for contributory pensions.

Social pensions, categorized in this report under social assistance, take up 0.3% of GDP on average across Asia. Several countries such as Georgia, Maldives, Thailand and Nepal have succeeded in establishing universal coverage through the introduction of social pensions. They are offered to all citizens without access to existing contributory schemes. Notably, Georgia's Universal Pension is the country's main pension scheme that replaced the existing contributory pension and offers basic flat-rate pensions to the entire population that reached retirement age. Other countries in the region, such as Bangladesh, Philippines and Viet Nam

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offer means-tested social pensions, which have a more limited coverage. They offer much needed support to their target groups but leave without coverage a significant share of older people not covered by any other pensions.

### **Health insurance is expanding as many countries have established universal health insurance programs**

Health insurance refers to contributory programs that enable access to health care. Health insurance constitutes 0.9% of GDP on average across Asia. Legal frameworks in many countries in Asia guarantee entitlements to healthcare for the whole population. In several of these countries, such as Japan, Republic of Korea, the PRC, Viet Nam, Thailand, and Lao PDR health protection extends to more than 90 per cent of the respective populations. Indonesia and the Philippines achieved substantial progress reaching 70 to 90 per cent coverage of their populations. There are ongoing efforts in the region to extend social insurance and enhance equitable access to health care .

As is the case with old age pensions, the extension in health insurance coverage in developing Asia tends to be driven by the expansion of both contributory and non-contributory financing arrangements. Several countries such as the PRC, Thailand, Viet Nam, Indonesia and the Philippines have extended their contributory schemes with non-contributory, tax-funded provision of health coverage for groups deemed poor or near poor.

There are several countries such as Armenia, Azerbaijan, Bangladesh and Cambodia that do not have contributory systems, but they also offer limited health assistance. These countries' systems heavily rely on out-of-pocket payments as the main healthcare financing mechanism.

### **Social assistance has an important role in reducing poverty and vulnerabilities, but it needs to be strengthened**

Social assistance expenditure was significantly smaller than social insurance, with SPI of 0.9 (1.1% of GDP). Social assistance is driven by welfare assistance, which in the SPI classification includes cash transfers (0.4% of GDP), and by assistance to the elderly (0.3% of GDP). The depth of social assistance benefits reached 4.6% of GDP per capita and social assistance covered 25.1% of all intended beneficiaries. Social assistance SPI remained at 0.9 between 2009 and 2018.

Countries with high social assistance SPI include high income countries of Japan and Korea, post-Soviet transition economies as well as the Maldives, Mongolia, Indonesia and the Philippines. In high-income Japan and Korea, social assistance spending translated into relatively generous benefits. High SPI levels in other countries translated into substantial gains in coverage. Especially notable was the expansion in social welfare programs, including the Philippines' Pantawid Pamilyang Pilipino CCT program, Indonesia's Program Keluarga Harapan (PKH), Vulnerable Group Development (VGD) food assistance program in Bangladesh and others. Countries that enhanced the coverage of non-contributory social pensions include Georgia, Maldives, Korea, Thailand, Nepal, Tajikistan Bangladesh and Philippines.

Evidence from the region clearly demonstrates the important poverty reduction role of social assistance. However, social assistance still remains limited in its coverage and benefit effectiveness. The majority of social assistance programmes are incomplete and patchy, focusing on smaller population subsections and selected geographic areas. They provide small benefits that offer limited means for lifting households out of poverty. Extension in social assistance coverage based on the ILO's Social Protection Floor approach can ensure minimum income security for all and would help protect the 'missing middle', i.e. those who

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are excluded from social insurance coverage but also lack social assistance protection as they are missed by narrowly targeted programs.

### **Active labor market programs are underutilized**

Spending on active labor market programs (ALMPs) was limited at SPI of 0.1 and equally 0.1% of GDP. Spending on ALMPs stayed unchanged between 2009 and 2018. The depth of ALMP benefits came to 5.9% of GDP per capita and the breadth of ALMP coverage was very low, at 1.6% of the intended beneficiaries. While ALMPs coverage declined from 3.7% to 1.8%, the ALMPs benefits showed some progress, from 5.4% to 6.5% of GDP per capita.

Spending on cash- and food-for-work programs slightly outweighs spending on skills development and training as a share of GDP. Bangladesh had the highest expenditure on cash- and food-for-work assistance in Asia, accounting for nearly 18% of its social protection spending. Countries that recorded the highest contribution to skills development & training programs include Cambodia (6.3% of spending), Singapore (5.5%) and Bhutan (4.7%) .

Overall, ALMPs remain the most under-funded area of social protection in Asia and there is a clear need to strengthen their reach and effectiveness. ALMPs have an important role to play in supporting disadvantaged low-skilled workers to obtain adequately paid, decent work and to sustain and promote their family livelihoods. Global evidence suggests that well-designed and contextually appropriate skills training can improve employment chances and incomes among marginalised and disadvantaged groups, including people with disabilities, and contribute to reducing poverty, inequality and exclusion.

### **Social protection spending needs to better support the poor**

Social protection spending in Asia clearly favors the nonpoor over the poor. Intended nonpoor beneficiaries were allocated 3.2 SPI and intended poor beneficiaries 0.8 SPI, with a substantial gap of 2.4 percentage points between the two. The gap between spending on nonpoor and poor has persisted across all income groups over 2009 and 2018.

Higher spending on the nonpoor was mainly driven by contributory social insurance. This can be explained by the fact that social insurance is not specifically targeted at the poor and that in most countries of Asia it tends to favor the nonpoor, mainly those in formal sector employment. The key policy problem, however, is that the poor, including people with disabilities are least represented in social insurance across the region. As discussed earlier, coverage gaps persist despite substantial progress in achieving universal or near- universal coverage. On the other hand, while most social assistance programmes in the region have a clear poverty reduction mandate, spending on social assistance is limited in most countries and this restricts the breadth of coverage and depth of benefits.

The key policy implication is that further investments in social protection are needed to enhance its reach and generosity to better support the poor. A systems perspective to policy formulation and programming would allow development of these instruments in such a way that they complement each other in addressing specific vulnerabilities.

### **Social protection is becoming more gender-sensitive, but more is needed to support gender equality**

Social protection spending in 26 countries in Asia was equally split between men and women, with the SPI for each gender accounting for 2.0 of the overall SPI. Social protection expenditure appears to be more favorable for women in countries with broad-based social insurance coverage, such as high-income Japan and Korea, and it is more favorable for men

in countries with limited social insurance coverage. The gender gap in access to social protection in 24 countries with complete data decreased between 2009 and 2018 as spending on women increased from 1.4 to 2.1 while spending on men hovered at 2.0 - 2.1 of the overall SPI.

Further expansion of social insurance coverage, including pensions and health insurance is likely to contribute to greater inclusion of women relative to men in terms of their overall access to social protection. Additionally, an expansion in social assistance programs targeted at women and children can contribute to reducing gender disparities.

### **Social protection in Asia needs to be more disability inclusive**

On average for 26 countries in 2018, the SPI for people with disabilities was 0.5 out of the overall SPI of 4.0. The SPI for disability is generally a small part of the overall SPI for all Asian countries in this study, which is to be expected as the population of people with disabilities is a small proportion of the overall population. The SPI is calculated using data on disability-targeted programs where only people with disability benefit and using estimates of the proportion of people with disabilities who may be beneficiaries of mainstream social protection programs such as old age pensions. The average spending for disability-targeted programs in Asia increased from 0.15% of GDP in 2009 to 0.23% of GDP in 2018.

Most countries in Asia, with a few exceptions, provide at least one main form of cash assistance for people with disabilities, either through contributory social insurance schemes for people who become disabled when they are working or through non-contributory social assistance schemes. However, better administrative and statistical data are needed, disaggregated for people with disabilities by age and functioning, in order to be able to better understand the extent to which mainstream social protection expenditure is reaching people with disabilities.

Inclusive access to health care, education, employment services, social care, assistive devices, housing and transport as well as income security is essential to support people with disabilities. Therefore, a key policy priority should be to expand social protection coverage and ensure the adequacy of benefits considering disability-related extra costs. Enhancing access entails, for example, making social protection programs flexible to cover persons with disabilities in the informal economy or outside the labor market. In addition, special programs are required to address specific needs and circumstances of people with disabilities.

### **Most countries deployed social protection in response to the COVID-19 pandemic and they should use the momentum to further expand social protection**

In Asia, as in other regions of the world, social protection measures formed a critical pillar of the overall government response to the COVID-19 pandemic. On average, COVID-19 related social protection spending across the 26 Asian countries included in this report is estimated at 2.01% of 2020 GDP and 1.2% of 2020 GDP when excluding high-income countries. Emergency social protection measures in the 26 countries were intended to reach over 1.7 billion individuals or about 40 per cent of the total population of the region. However, severe data gaps persist and in the current state of available data, these figures represent broad estimations rather than verified administrative or program data.

Measures introduced in Asia range across social assistance, social insurance and labour market programs, but social assistance dominates response comprising 67% of all the measures. Sixty-three per cent of the measures introduced were reported to be new programs composed of ad-hoc or temporary measures specifically introduced in the wake of the

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pandemic. Many countries additionally invoked vertical expansion (increasing benefit size) and horizontal expansion (extension in coverage) of existing social protection programs. Countries adopted a range of innovative means to quickly extend social protection support, e.g. using digital infrastructure to identify newly vulnerable populations in Pakistan and Cambodia.

The pandemic experience highlights the enormous potential of social protection measures and systems as an effective public policy tool in dealing with a covariate shock. It also demonstrates the importance of inclusive social protection systems as well as adequate health, income, and livelihood support to build people's resilience before shocks occur as well as investing in programs and systems to ensure they respond to shocks quickly and effectively. This is especially important given the adverse economic and social effects of the pandemic, with an estimated additional 75 to 80 million people pushed into extreme poverty in 2020 alone, based on ADB's simulations.

As countries move towards transition and recovery, the vision for inclusive and resilient social protection needs to be strongly embedded in their respective development strategies and sectoral plans. There is a pertinent need to allocate adequate financial resources to expand social protection coverage, reach out to disadvantaged groups, such as people with disabilities, enhance benefit generosity, and improve delivery systems. A key prerequisite in this process is developing adequate national capacity for design and implementing to sustain and facilitate these goals.

### **There are challenges in the production and compilation of social protection data in Asia and improvements are necessary to enhance monitoring and evaluation**

Monitoring and evaluation systems are key for the development of effective national social protection systems. However, there are substantial gaps in the production and compilation of statistical information in Asia, resulting in limited availability of up-to-date indicators, disaggregation of data by sex, national/non-national status and other classifications, and time-series indicators that would allow monitoring progress over time. There are conceptual and methodological challenges in measuring coverage, expenditure, and benefit adequacy. Administrative data in many countries are of poor quality, have little or no disaggregation available and are fragmented as it originates from various sources. Few countries include questions on social protection in regular household survey instruments, and even fewer countries systematically analyse and use this information.

Different national agencies collect various types of information but data are not collected and aggregated drawing on a clear and consistent methodology. This makes it challenging to generate internationally comparable data. Furthermore, international organizations are not always in agreement on the conceptual definitions and the methodologies used to collect, classify and analyse social protection data, including disability disaggregated data.

A number of measures can improve the collection and compilation of social protection data. These include better coordination and collaboration among different institutions at a national level; standardization of conceptual definitions and methodologies; and collaboration between international and regional organizations to coordinate and harmonize data production. The ILO's Social Security Survey (ILO/SSI) can be used by countries as the main questionnaire to collect data on social protection and the main global source of administrative data on social protection. International and regional organizations should provide knowledge-sharing and capacity development to countries in the development of their own statistical definitions and data collection instruments.

### **Developing robust estimates for disability prevalence can facilitate disability-inclusive social protection**

Accurate data on disability prevalence at different ages can help ensure more targeted and effective policy responses that promote equity and social inclusion. However, defining the population of people with disabilities and therefore defining the reference population for social protection programs that are targeting people with disabilities is challenging in all countries, including in Asia. Stigma, discrimination, complex assessment procedures or other barriers may mean that people are not motivated to register as disabled. Thus, disability prevalence estimates based on registered people with disabilities can significantly undercount the number of people with disabilities in the population.

It also remains challenging to generate data that are comparable across countries. There are often significant variations between prevalence rates in different countries in Asia for the same age groups. These can be accounted for by differing methods and questions used in surveys, differing cultural norms and perceptions of disability in different contexts as well as varying thresholds for defining disability (moderate or severe) in administrative data sets.

The Washington Group Questions (WGQs), based on functioning across different domains, are designed to address the challenges of estimating the population of people with disabilities in census and household surveys and have been used in almost half of the SPI study countries for estimating disability prevalence.

It is important that governments monitor disability prevalence using function-based questions in surveys and social registers where people are enrolled into poverty alleviation programs, employment programs or other social protection programs. Disability data should be disaggregated by age, gender, severity and type of functional impairment, and life-cycle characteristics.

### **Anticipating the future of social protection in Asia**

Structural drivers, such as demographic changes, globalization, technological advances, and urbanization, together with major shocks are shaping the future of social protection in the region. Five major trends are likely to impact the policy development.

First, social protection systems in the region will need to progressively improve coverage of vulnerable groups, including people with disabilities, adopting more universal approaches. This reflects the reality of the universal shocks, like COVID-19 and disasters induced by climate change, the region is facing or expected to face.

Second, social protection systems will increasingly link with social and infrastructure services. Social protection incorporates a responsibility to ensure that everyone—particularly the most vulnerable, including people with disabilities—can access vital benefits required to sustain well-being and realize their life opportunities. These include health, education and livelihoods but also more intensively infrastructure-dependent services including energy, transportation, information and communications.

Third, in the face of climate risks, social protection systems in Asia are expected to increasingly play a strategic role in supporting the social dimension of the just transition to a green and sustainable economy and society.

Fourth, these systems will increasingly both support and rely on the development of inclusive digital technologies, which, offer enormous promise to strengthen shock-responsiveness and build resilience in health, education, livelihoods, and other sectors.



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Finally, policymakers will increasingly rely on high quality evidence to drive good practices, increasing the demand for improved initiatives for data collection and monitoring. This increases the agency of governments and their development partners to overcome the difficulties and realize the opportunities the future has in store.

These five trends all interact for policymakers to reshape future social protection systems to deliver the benefits that people not only need but that also enable inclusive social development and equitable economic growth.