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Regional Social Security Forum for Asia and the Pacific

DEVELOPMENTS AND TRENDS OF SOCIAL SECURITY IN ASIA AND THE PACIFIC

Manila, Philippines, 21 October 2009

**Mr. Hans-Horst Konkolewsky
Secretary General of the ISSA**

Honourable Ministers,
Distinguished guests,
Ladies and Gentlemen,

First of all, I would like to extend a cordial welcome to you all to the Developments and Trends session of the first ISSA Regional Social Security Forum for Asia and the Pacific. For the ISSA and global social security development, this region is particularly important. It is home to over 60 per cent of the world's population and a number of emerging industrialized economies with growing global importance. And it is one of the regions where most recent social security progress can be observed.

Developments and Trends or DT sessions have traditionally been organized exclusively at ISSA General Assemblies, and more recently at the first World Social Security Forum held in Moscow in 2007. In an effort to upgrade the most important ISSA regional events and to provide an effective platform for regional exchange and the promotion of dynamic social security, the first Regional Social Security Forum was organized for Africa in Kigali, Rwanda in November 2008, with a DT session focussing for the first time solely on a specific region.

The current session for Asia and the Pacific, together with similar events on the occasion of the upcoming Regional Forums for the Americas and Europe, will lay a solid foundation and provide important knowledge before our next World Social Security Forum to be held in Cape Town, South Africa in November 2010. It will take stock of social security in this region and set the stage for our deliberations and debate during the three-day forum. For this purpose the ISSA Secretariat has prepared a specific report entitled "Dynamic social security for Asia and the Pacific: Integrated responses for more equitable growth", which was made available to all participants in advance.

Ladies and Gentlemen,

Social security is a human right, enshrined in the Universal Declaration of Human Rights as well as the International Covenant on Economic, Social and Cultural Rights. Yet to date, according to studies of the International Labour Office, only one in five people worldwide has adequate social security coverage, and more than half lack any coverage at all.

For the ISSA, Dynamic Social Security is the way forward to extending coverage and improving all aspects of the administration of social security schemes. Dynamic Social Security calls for sustainable and accessible social security systems that are based on innovative, integrated and preventative responses. When we talk about “Dynamic Social Security”, we are talking about accessible social security for all – an ambitious goal that we share with our closest partner at the international level, the International Labour Office (ILO).

Extension of social security coverage constitutes indeed also a top priority for Asia and the Pacific. In this region, although nearly all countries provide pensions for old age, disability and survivorship and most countries provide coverage for work injury, the development of programmes for cash sickness and maternity benefits as well as medical benefits, family allowances and unemployment benefits is rather incomplete. Social security coverage ranges from universality in higher-income OECD member states of this region to estimates of between 5 and 10 per cent of wage earners in some lower-income countries, and adequate health care coverage extends to only 20 per cent of the region’s population of 4.1 billion individuals.

Positively, Asia and the Pacific is one of the regions with the greatest achievements in terms of extension of coverage in recent years, and the ISSA would like to applaud the social security institutions in this region for being at the forefront of the coverage extension process. This positive trend is also confirmed by the ISSA report on “Dynamic social security for Asia and the Pacific” that makes the following three key observations:

- (1) Many countries have achieved significant progress in extending social security and health care coverage. Where most successful, the strengthening of social security and health care systems has been supported by strong political will, and been designed as complementary to, and integrated within, broader national development strategies.
- (2) Standing in the forefront of the extension process, social security institutions in Asia and the Pacific have contributed in an innovative manner by improving governance and administrative performance.
- (3) The region of Asia and the Pacific is moving towards integrated multi-tiered systems of social security, with due consideration given to the specific national circumstance and respective roles of the public, private and private-not-for-profit sectors. Efforts to better link non-contributory, subsidized contributory and fully contributory programmes in a coherent and integrated way have recently been strengthened, but important challenges remain.

Ladies and Gentlemen,

This progress has been achieved despite a difficult context, as social security in the region is facing the “triple threat” posed by the financial, food and climate crises, as well as the frequent natural calamities such as the recent typhoon in the Philippines, floods in India and earthquakes in Indonesia and the Pacific. Like other areas, social security in the region must tackle challenges such as population ageing, diversification of the forms of employment, uneven distribution of social income, and increasing migration both within and across borders. Many developing countries in this region have suffered severely from the current financial and economic crisis which is not of their own making, and witnessed a drastic contraction in industrial production and employment. For social security institutions, the crisis brings immense challenges but also important opportunities. On the one hand, it has increased

demand on social security while weakening its financial base and thus its capacity to respond. On the other hand, it has highlighted the timeless need for social security systems, which have gone in many countries beyond the pre-crisis traditional scope of such systems.

Let me elaborate on some of the main priorities and trends in the recent efforts to develop social security systems in the Asia and the Pacific region.

Employment promotion and unemployment insurance

In the context of the financial crisis, the recent introduction of unemployment insurance in Bahrain and Viet Nam and the intention to follow this path soon in countries such as Jordan proved to be timely and relevant. In India, the government has recently implemented the national rural employment guarantee programme, which reaches around 40 million households living below the poverty line, and makes available up to 100 days of employment per rural household per year on public works.

Countries such as Australia and the People's Republic of China have strengthened their efforts to promote employment and prevent long-term unemployment and exclusion from the labour market through increased investment in active employment policies and vocational training. Without such measures, unemployment rates would have probably been much higher in many countries.

Ageing and Pension

Asia and the Pacific is the world's most populous region where population ageing demands innovative, integrated and coherent public policy responses to address the social security and health care needs of the elderly. In Japan, New Zealand and Singapore, innovative social security policies are being implemented to promote active ageing and the redesign of workplaces to support prolonged labour market participation of older workers. In Japan and the Republic of Korea, systems of public long-term care insurance have been implemented. Two common aspects of a number of national developments point to a move towards a greater use of "pillared" or "tiered" pension systems, and a growing importance accorded to improving the investment performance of defined contribution scheme assets. In the context of the current crisis, however, there is now a renewed debate about the role and the balance between different schemes in a multi-pillar approach.

Another important recent trend in Asia and the Pacific refers to the introduction of non-contributory pension schemes that complement the many important and on-going efforts to extend contributory schemes. In 2008, the Republic of Korea introduced a tax-financed old-age pension supplement that will operate alongside the country's social insurance programme, and a similar two-tier approach operates in Brunei where a universal pension for all residents aged 60 or older supplements provident fund benefits. In May 2009, the Maldives passed a Pension Act that introduced a tax-financed old-age pension for all citizens older than age 65. More recently, the Chinese government launched a new pilot pension insurance programme for farmers aged 60 and above, which combines a budget-financed universal flat-rate social pension with an individual savings account.

Health care

Positively, major steps have also been taken towards realizing universal health care coverage. Experiences in India, Jordan, China, the Republic of Korea, the Philippines and Thailand are

indeed remarkable. In April 2008, a programme was launched by the Indian government to provide health insurance coverage for families below the poverty line, and the unique programme is designed as a business model for a social sector scheme with built-in incentives for each stakeholder. The Jordanian Social Security Corporation will commence next month the second stage of a three-year project, which aims to provide coverage for all Jordanian workers.

Migrant workers

We have also observed that the social security needs of foreign or migrant workers are being taken more and more seriously by many recipient and supply countries. In 2007, the Sri Lanka Bureau of Foreign Employment and the Social Security Board introduced a government-subsidized contributory pension for Sri Lanka's two million overseas migrant workers. Meanwhile, financing health care coverage for foreign workers is becoming a more important policy issue, especially in the Gulf States. In 2007, for instance, a new health insurance law covering all expatriate professional staff and their dependants was launched in Abu Dhabi in the United Arab Emirates. China is striving to develop a tailor-made portable pension scheme for millions of farmers who have become migrant workers and keep moving from one place to another in search of better income. In terms of social protection for overseas migrant workers, our host country the Philippines is an early pioneer and has a wealth of inspiring experience and lessons to share with us.

Major driving factors

What are the driving factors behind these trends and the progress in social security development in this region?

Three factors seem most important. Certainly, strong political will is of primary importance. The incorporation of social security in national development strategies and increasingly integrated coverage extension strategies consisting of pluralistic approaches and flexible financing models are also key contributing factors. Of equal importance are the efforts towards improved administration and governance implemented by the region's social security institutions. Let me elaborate briefly on each of these three factors.

Political will

First, political will is undoubtedly crucial. In countries such as China, India, Jordan, the Philippines and Viet Nam, the development of social security is gaining increasing importance in the government agenda, and extension of coverage has been incorporated in the national economic and social development plans. There is a growing recognition in this region that the shift towards individual responsibility and the privatization of social security have their limits, and that the state as an ultimate guarantor of social security benefits must maintain an adequate budget input and see to it that all schemes are governed and administered in a sound manner. Drawing on the lessons learned from its 1997 financial crisis, political agendas in Asia and the Pacific have accelerated the extension of social security coverage. Significantly, this explains why many countries in the region have been more resilient and better prepared to respond to the current crisis.

Integrated extension strategies

The region has secondly seen some of the most complex yet promising integrated coverage extension strategies. China provides a good example, as a strategy consisting of a multi-tiered social security approach that incorporates social assistance, social insurance, employer-sponsored voluntary schemes as well as private savings initiatives has come into shape in recent years. This approach, coupled with increased government allocations, has allowed China to extend social security coverage across all risks, including a nearly five-fold increase in coverage under medical insurance schemes.

Another noteworthy case is the Philippines, where the President recently set up a cross-agency National Social Welfare Programme that clustered together three departments as well as the relevant social security agencies. I am pleased to have learned that the Social Security System (SSS) is taking the lead in this programme towards an integrated, well-funded and focussed national social protection strategy. In terms of health insurance, for instance, the government is eyeing universal coverage by 2010.

Responding to the challenge of the sometimes parallel development of social health insurance and community-based health insurance schemes, Laos has linked these two approaches at both the policy and administrative levels in a highly interesting manner.

Administrative improvements

Significantly, social security institutions in the region have taken important initiatives to improve their administrative and operational efficiency and enhance their fund investment and client focus. In recent years, the Philippine Social Security System Identification Card has evolved from a mere means of establishing a member's identity to a valuable tool to combat fraud, mitigate operational risks and facilitate electronic-based transactions. The Jordanian Social Security Corporation introduced over the past two years a series of new E-services to achieve clients' satisfaction. Such initiatives include the user-friendly online data entry and inquiry service, and the "Mobile Social Security" project aimed at covering all Jordanians working abroad. The Employees' State Insurance Corporation of India is currently in the process of implementing a huge ICT project covering its operation in over 3,000 locations throughout the country. China encouraged recently the merger of the relevant health insurance institutions, and announced a plan to introduce a unified social security identity card as well as a nationwide social security ICT network. Thailand's Government Pension Fund and Malaysia's Employees' Provident Fund have diversified their portfolio allocations to include international investments and have also contracted asset and financial management expertise from other countries. There are many other examples and good practices that time unfortunately does not allow me to describe here, but that are featured in the ISSA good practice database and reflect the crucial role social security institutions play.

Ladies and Gentlemen,

Let me conclude with a positive message in times of crisis and the many challenges we are facing:

Social security systems are increasingly put at the centre of the social, economic, and political development of countries. In times of economic and financial crisis, social security is increasingly considered to be a crucial investment in the most important asset of any country: its people. There is now keen awareness of the contribution that dynamic social security

makes to building inclusive societies and productive economies. As a consequence, the extension of social security coverage both in terms of population coverage and adequacy of existing benefits is a high priority in many countries of this region.

At the same time, social security institutions are increasingly expected to play a proactive role in social security development and reforms. The many examples that I mentioned during this speech confirm that you are taking on this challenge in an exemplary way. This Regional Forum will offer an ideal platform for us to share innovations and good practices and to reflect on our way forward. I am convinced that our deliberations leading to the first Regional Summit for Asia and the Pacific on Friday will confirm that social security institutions are prime contributors to social and economic development in Asia and the Pacific.

Thank you for your attention.