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INTERNATIONAL SOCIAL SECURITY ASSOCIATION

# 10 GLOBAL CHALLENGES FOR SOCIAL SECURITY

## ASIA AND THE PACIFIC





10

**GLOBAL CHALLENGES**  
FOR SOCIAL SECURITY

**ASIA AND THE PACIFIC**

The **International Social Security Association** (ISSA) is the world's leading international organization for social security institutions, government departments and agencies. The ISSA promotes excellence in social security administration through professional guidelines, expert knowledge, services and support to enable its members to develop dynamic social security systems and policy throughout the world.

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# FOREWORD

**G**lobal levels of social security protection are at an all-time high and coverage continues to increase. Based on strong political commitment and excellence in administration, social security is transforming lives and shaping societies in all regions of the world.

The global community of social security professionals and experts that make up the membership of the International Social Security Association (ISSA) is committed to sustaining and further extending social security protection in line with the objectives of the United Nations Sustainable Development Goals for 2030. To reach these ambitious objectives, we need to understand more fully the challenges that confront us and develop appropriate responses.

This is the reason why the ISSA has prepared this report, which spotlights ten of the most important challenges that confront social security systems. The report considers these challenges from the perspective of the ISSA's member institutions in Asia and the Pacific.

The ISSA member institutions in Asia and the Pacific have determined the sequencing of the ten challenges in the report by order of importance. I thank all of you for taking the time to complete the survey that has produced this insight and other valuable data.

Closing the coverage gap is ranked as the top challenge for member institutions in Asia and the Pacific, with health and long-term care ranked second. The third-ranked challenge is the technological transition, closely followed by higher public expectations.

These top-ranked priorities reflect the dynamic interaction between increased demand for social security coverage and quality services and the new opportunities in coverage extension and service delivery offered by rapid technological change. How countries can best meet this demand will be one important point of discussion at the ISSA 2018 Regional Social Security Forum for Asia and the Pacific.

Besides facilitating a better understanding of the rapidly changing context for social security, this report provides interesting examples of innovative responses by ISSA member institutions to adapt to the identified challenges.

While the outlook for social security is a positive one, it is evident that to respond to current and future challenges requires the further development and sharing of innovations, good practices and solutions by social security institutions. To support these aims, the ISSA is your privileged platform and partner.

I hope you will find this report stimulating and inspiring, and that it will further strengthen your engagement in our unique Association.

*Hans-Horst Konkolewsky*  
Secretary General

# INTRODUCTION

In 2016, the International Social Security Association (ISSA) published a groundbreaking report *Ten Global Challenges for Social Security*, prepared for the World Social Security Forum in Panama. The analysis presented in this follow-up report focuses on Asia and the Pacific and incorporates feedback provided by ISSA member institutions in the region regarding the most important challenges they face.

## | CAPTURING THE OPINIONS OF ISSA MEMBER ORGANIZATIONS

To understand more fully the relevance of the ten global challenges facing national social security systems for ISSA member institutions in Asia and the Pacific, the ISSA surveyed its members in the region. The ordered presentation in this regional report of the ten global challenges is derived from institutions' survey responses. Respondents also provided valuable input with regard to the most significant internal and external challenges they confront in respect of the emerging digital economy.

With a response rate among ISSA member institutions in Asia and the Pacific of over 60 per cent, the survey gives a unique insight into the reality of social security administration in the region, and the nature of the challenges institutions face. Obviously, the particular relevance of each challenge, and the policy priority given to it, depends on regional and country specificities and constraints.

## | RANKING THE PRIORITY CHALLENGES

The survey results rank "closing the coverage gap" first, followed by "health and long-term care", then "the technological transition". The challenges of "higher public expectations", "population ageing", and "labour markets and the digital economy" are ranked fourth, fifth and sixth respectively. The "employment of young workers" is ranked seventh, while "inequalities across the life course", "new risks, shocks and extreme events", and the "protection of migrant workers" are ranked eighth, ninth and tenth, respectively.

The world's population is ageing, with a rise in both the number and share of older people. Increasing life expectancy compounded by declining fertility rates will have far-reaching consequences for social security systems. The political drive in Asia and the Pacific to not only guarantee minimum acceptable living standards for the ageing population, but also to successfully extend adequate social security to all, will require innovation in social security administration. In many countries, this will entail new strategies to enhance service quality and to make programme financing robust. Reflecting this, the three top-ranked challenges identified by respondents in Asia and the Pacific confirm the primacy of ensuring universal access to sustainable, adequate and quality social security and health care. The expectation is that ISSA member institutions will call upon the new opportunities for coverage extension and quality service delivery offered by technological innovation.

Increasing life expectancy does not always go hand in hand with a corresponding increase in healthy life expectancy. Although the region is moving towards universal health coverage, health costs continue to rise. With a commitment to the United Nations 2030 Sustainable Development Goals (Goal 3: Good Health and Well-being) and the progressive implementation of improved access to affordable health care as part of national floors of

social protection, the financing of health and long-term care systems will have to compete increasingly with other budgeted priorities. Policy responses will also be required to meet the growing demand in society for both formal and informal care providers.

Despite (near-)comprehensive legal coverage in many of the region's countries, some population groups still have inadequate access to appropriate coverage. A particular challenge is to better cater to the needs of many workers engaged in informal and rural economies. In a number of countries, tax-financed mechanisms as well as innovative approaches to contribution collection have played a pivotal role in bridging coverage gaps, yet inequalities and income insecurity persist. The extension of sustainable and adequate social security in the region requires a more holistic strategy that takes into account national demographic, social and labour market realities.

## **| THE IMPACTS OF THE DIGITAL ECONOMY ON SOCIAL SECURITY SYSTEMS**

The survey responses draw attention to the impacts of the digital economy on social security systems in Asia and the Pacific. Across the region as a whole, it is not fully clear what the implications of digital platforms and increased automation and robotization will be for the region's diverse labour markets. However, the risk of labour market distortion is real.

As for the impacts on social security systems, it is possible to envisage two developments. On the one hand, changing labour markets and increases in non-standard forms of employment may erode the financing base of contributory social security programmes, heightening the need for fiscal resources. On the other hand, new digital platforms present an alternative means to identify and register workers and thus extend social security coverage. Specifically, these platforms offer new channels to reach out to workers without coverage and to support official efforts to monitor the contribution histories of employers and workers.

With the growing shift to the digital economy, the needs and expectations of insured persons and beneficiaries will change. In response, social security programmes must evolve, but should do so while protecting the rights of workers and covered populations. The comprehensive rights of many formal-economy workers should continue to be the policy benchmark objective for all.

Looking at the internal impacts of the digital economy on social security administrations, the priority challenges are to automate business processes and leverage data to provide coherent and coordinated coverage. Other priorities are to develop human resource capacities in response to changing job demands, the adoption of new service delivery models, and to invest in, and enable the integration of, new technologies.

These new insights concerning the challenges facing social security administrations in Asia and the Pacific are important, as they will help guide the identification and development of appropriate responses. Future regional surveys of ISSA member institutions will permit the ISSA to track the development and success of national and regional responses to the identified ten challenges facing social security worldwide.

Each chapter of this report addresses one challenge only. All chapters are structured to first present the broader regional context, to then explain the nature of the challenge for social security systems, and then to offer concrete good practice examples of how ISSA member institutions are innovatively responding to the challenge. To complement the narrative, each chapter concludes with data infographics



## CHALLENGE 1





## Closing the coverage gap

As a fundamental human right, the primacy of universal social security in socio-economic development is evident – it confers dignity and security, strengthens social cohesion and stimulates economic growth. Yet, effective access to social security coverage remains a challenge to the large majority in Asia and the Pacific. To enhance social security coverage in line with the 2030 Sustainable Development Goals (SDG) agenda, it is incumbent on the region's policy-makers and social security administrations to design and implement innovative policies and strategies to improve the social security of the population.

**T**he Asia and the Pacific region is increasingly cognisant of the socio-economic and developmental potential of social security. Anchored on strong political commitment, sound policy design and inclusive dialogue, a number of the region's countries have successfully implemented national floors of social protection and extended social security coverage. Progress in social security coverage extension in the region stands out as a global reference. The speed with which some countries have designed and implemented programmes and achieved universal coverage is truly remarkable. Of particular note is the experience of China, which in less than a decade has put in place universal pension and health care systems.

At the same time, coverage gaps persist across countries and branches of social security. Some countries are still at the initial phase of establishing social security systems. Typically, the scope of legal coverage gives priority to old-age, work injury and health care protection. For instance, all countries in the region have cash benefit systems covering the three contingencies of old age, disability and survivorship. A majority of countries within the region have work injury benefit schemes operating through mandatory insurance. All countries in the region are committed to the development of universal health care systems in line with the visions of the World Health Organization's 1978 Alma-Ata Declaration and the International Labour Organization's ►►



Recommendation concerning National Floors of Social Protection, 2012 (No. 202).

On average, 38.9 per cent of the region's population has effective access to at least one social protection benefit. However, specific country experiences vary considerably ranging from a high coverage rate of 82 per cent in Australia to a low of 19 per cent in India. Similar variance exists across the different branches of social security, ranging from an average of 55.2 per cent for old-age pensions, through 33.4 per cent for maternity benefits to 9.4 per cent for disability benefits.

## CHALLENGES FOR EXTENDING COVERAGE

Accounting for 60 per cent of the world's population, with countries at various stages of the demographic transition, and with people at the centre of sustainable development, the challenges to extend effective and quality social security coverage in Asia and the Pacific remain many. The fundamental human right to social security is unfulfilled for a majority of people in the region.

Economic growth is outpacing the growth in formal employment, thus requiring strengthened efforts to extend coverage through contributory schemes. Employment in the informal economy accounts for 60 per cent of the region's workforce. At the same time, extending coverage through non-contributory financing is constrained by relatively low levels of public spending on social security. Public spending on social security excluding health care expenditure is relatively low at 7.4 per cent of GDP.

Yet, the demand for social protection is rising, especially for expenditure on old-age income security and health care protection. Life expectancy is increasing across the region, but without a corresponding increase in healthy life expectancy. Consequently, the cost of current old-age pension programmes is increasing and health and long-term care systems are facing additional constraints.

With the aim of universality, the challenge to coverage extension grows more complex. Framed by the national floors of social protection agenda, universalism in social

protection coverage entails two key considerations: a focus on access to essential health care as well as basic income security. In turn, coverage is tri-dimensional, entailing population coverage, the scope of covered contingencies, and the level and adequacy of benefits. Often, however, coverage extension practices across the region focus predominantly on population coverage alone, the scope of systems are demographically biased – focusing commonly on old-age protection – and benefit levels remain inadequate. The result is increasing levels of inter- and intra-generational inequality, albeit in a positive context of declining poverty rates across the region.

The onus for meeting the region's coverage challenges lies with the ability of policy-makers to proactively design, and for social security administrations to implement, informed policies with the aim of striking a balance between economic growth, social inclusiveness and environmental stability in line with the 2030 SDG agenda. As a starting point, priorities include extending coverage to vulnerable yet uncovered groups, especially women and children; responding to increasing social needs to counter the economic impacts of fiscal consolidation measures; and adapting social security systems to the new forms of work in the digital economy.

The emerging digital economy will bring about new forms of work and production processes that will disrupt labour markets and erode the relative importance of the social insurance contributions paid by employers and employees. Increasingly, national social security systems must innovatively think "out of the box". In this regard, new digital work platforms offer an opportunity to social security systems, presenting an alternative means to identify and register workers and thus extend social security coverage. Not only do these platforms offer new channels to reach out to workers without coverage, but they can be harnessed to support official efforts to monitor the contribution histories of employers and employees.



## COVERAGE EXTENSION RESPONSES

Coverage extension efforts continue apace in the region. Indonesia is extending access to health care, work injury benefits, and pensions; Malaysia is strengthening support for self-employed workers; and Jordan and Malaysia have introduced unemployment protection. Other measures in the region aim to support the retention/rehabilitation of workers in the workforce, to strengthen voluntary insurance, and to extend coverage to informal economy workers.

### **Programme design and financing.**

The design and financing of social security programmes in Asia and the Pacific is evolving, complementing efforts to extend contributory schemes. In recent years, the successful extension of social security in Asia and the Pacific has built on the complementary use of contributory and non-contributory financing mechanisms. Additionally, measures targeting rural and informal economy workers, as well as own account workers, have enabled wider access to social security. Non-contributory programmes now also play an increasing role in realizing the initial elements of national floors of social protection. The evidence suggests that only countries that pair in a coherent manner contributory and non-contributory financing

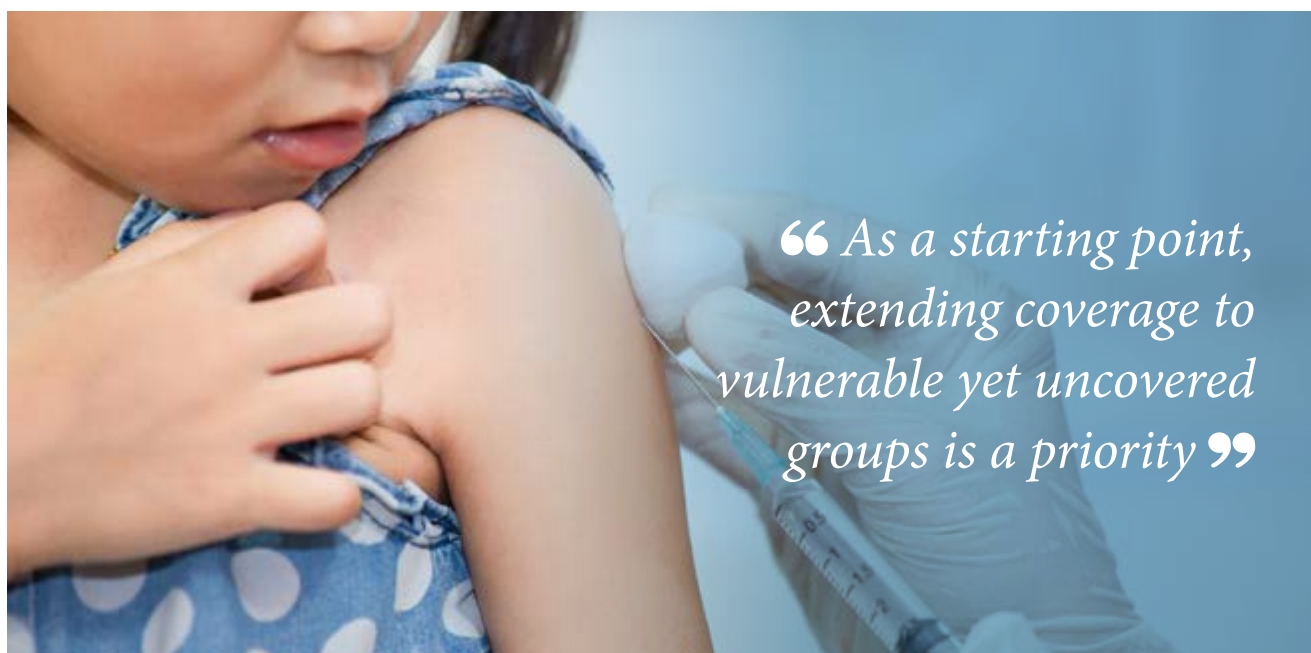
mechanisms have achieved universal coverage in at least one branch of social security.

For example, Mongolia finances universal coverage for maternity, disability and pension benefits through the combined use of contributory and non-contributory financing. In the same manner, Australia delivers universal coverage for family and disability benefits and China, Japan and New Zealand have universal coverage for pensions.

As regards health care protection, the consensus is to achieve universal health care coverage through improved levels of government spending. In global terms, effective access to health care services in Asia and the Pacific is improving. A similar picture exists for coverage extension and for the reach of health care infrastructure. With over 1.3 billion persons covered by health care systems in China alone, the region is home to some of the most progressive health care systems in the world.

### **Administrative and legal innovations.**

Successful policies for achieving universal social protection in line with the 2030 SDG agenda necessitate a policy shift towards inclusive legislation on health protection, including long-term care (LTC). In this regard, a strategic approach to the design and implementation of administrative and legal innovations and ►►



*“As a starting point, extending coverage to vulnerable yet uncovered groups is a priority”*

policies is essential to extend coverage on a sustainable basis.

Owing to administrative and legal innovations, pension policy in China continues to evolve. From 1991, a series of pilot projects contributed to the extension of the two-pillar pension arrangement for urban employees across the country. Covering only a small proportion of the employed population initially, through an incremental process the system attained a coverage rate of 55.2 per cent of urban employed workers by 2005. The pension system has continued to adapt, notably with the introduction of the rural pension reform, and has since achieved unprecedented coverage rates based on contributory and non-contributory pensions.

Elsewhere, Cambodia announced the inclusion of a universal health care system in the 2015–25 National Social Protection Strategy, while the Philippines has extended automatic health insurance coverage to citizens aged 60+. Other health system innovations include the expansion of medical insurance to cover major illnesses in China, the putting into place of a health insurance scheme in Indonesia, and Viet Nam has increased health insurance coverage in Ho Chi Minh City. These measures extend social security protection to groups previously excluded.

***The enabling role of ICT.*** ICT plays pivotal role in the management of social security programmes. It improves processes inherent in the administration of social security and contributes towards extending coverage and

empowering beneficiaries. Developments in ICT infrastructure and apps play a fundamental role in beneficiary identification, records management, as well as benefit payment and administration, particularly in communities that are geographically remote from conventional service delivery networks.

Integrating ICT in social protection programmes and piloting the use of ICT is an enabler for achieving the SDG targets. ICT investment for social protection can enhance design and implementation, which can lead to administrative cost savings and facilitate the scale-up of social security programmes to reach out to the most vulnerable segments of society. The experience of cash pick-up services in Nepal is an example of a mobile solution that transfers funds to poor families in difficult-to-reach locations through short message service (SMS).

Recent developments in ICT, which further enable the digitalization of social security systems, will increase accessibility to coverage and services. In China, for example, the authorities have teamed up with the country's leading provider of internet services to use an app to offer an electronic identification for the country's social security system. Trials in 26 cities will have the app replace traditional state-issued social security cards with a digital version tied to users' accounts. The new electronic social security cards will enable users to provide their identification, status, payment records and other relevant information to official online inquiries about benefits and insurance coverage.

## COVERAGE IN ASIA-PACIFIC, BY POPULATION GROUP



Source: ILO (2017)

## IMPROVEMENTS IN PRIMARY CARE



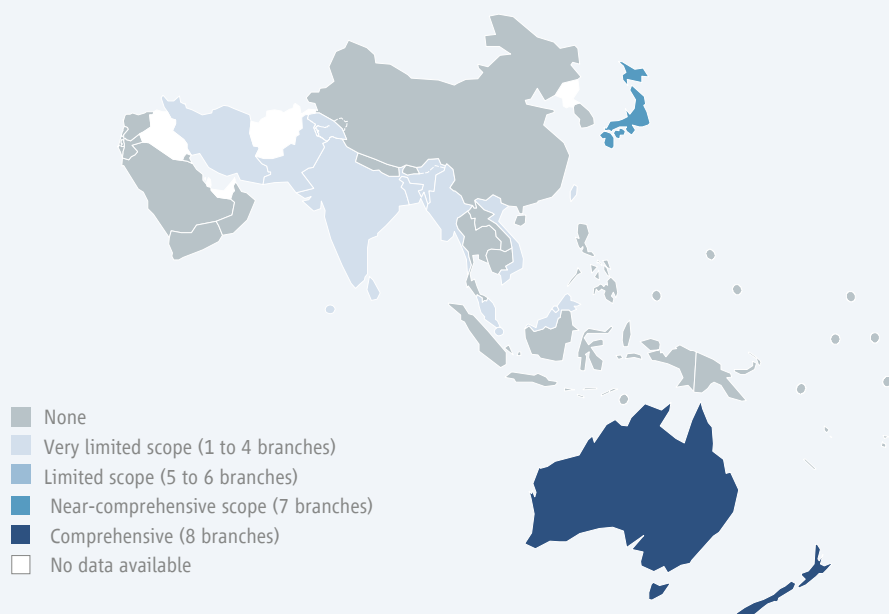
90%

Percentage of infants in Asia-Pacific who receive measles, diphtheria, tetanus and pertussis vaccinations

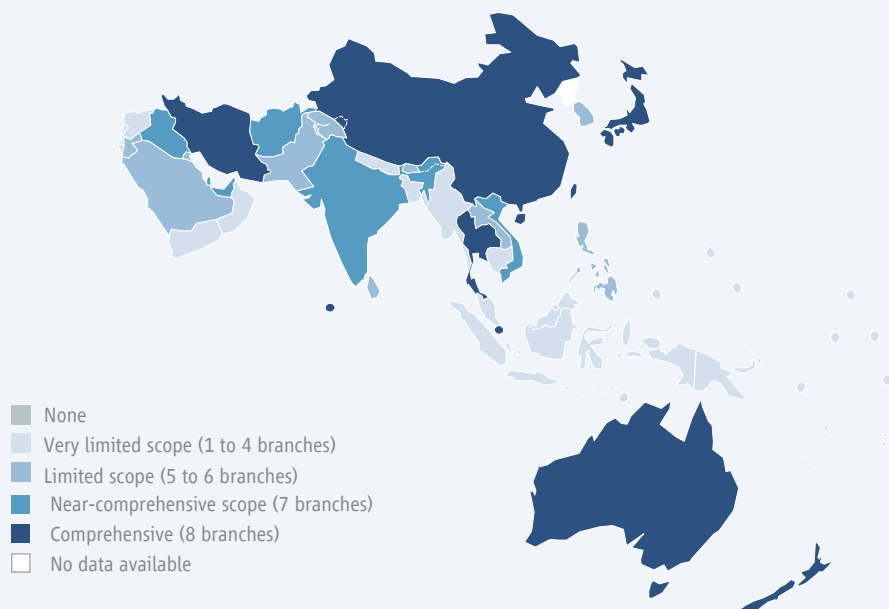
Sources: OECD and WHO (2016)

## TOWARDS COMPREHENSIVE SOCIAL SECURITY SYSTEMS

## Statutory provision of social security programmes (1950)



## Statutory provision of social security programmes (2012)



Source: ILO (2017)



85%

Percentage of pregnant women in Asia-Pacific who receive at least one antenatal visit

Sources: OECD and WHO (2016)

## PRIORITIES OF ISSA MEMBERS

Member institutions that consider extension of coverage to be a high priority

World 56%  
 Asia and Pacific 55%  
 Africa 87%  
 Americas 52%  
 Europe 30%

Source: ISSA global member survey (2015)

## CHALLENGE 2





## Health and long-term care

The health and long-term care risks and challenges facing social security and health care systems continue to evolve in Asia and the Pacific. In spite of improvements in health indicators, inequality in health outcomes remains a challenge. Though the region's population is ageing, the extent and nature of this process is uneven. In terms of health outcomes, the extra years of life gained are not all lived in good health. Achieving social protection systems' core objectives requires that health-related challenges are correctly anticipated, proactive and preventive responses put in place and appropriate benefits and services provided.

**A**dvances in economic and social development contribute to an epidemiological transition involving longer life expectancy and a shift in the burden of diseases with noncommunicable diseases (NCDs) becoming more prevalent. Over recent decades, life expectancy at birth has increased in all countries of Asia and the Pacific, reaching an average of 74.3 years in 2015. Despite this, discrepancies in health remain, both among and within countries. Australia, the Republic of Korea, Japan, New Zealand and Singapore have the highest life expectancies at birth, exceeding 80 years. The gender gap in life expectancy remains a factor, with women continuing to live longer, but not always necessarily healthier. The average gender gap in the region is 5 years,

and is highest in Viet Nam (9.4 years) and Mongolia (8.25 years).

Maternal and child health challenges remain important in the region's developing economies. Positively, the infant mortality rate has declined in all countries, falling to an average of 16.757 per 1,000 live births in 2016. Nepal and Myanmar have seen major recent improvements. Some countries have achieved a 50 per cent decline in infant mortality since 2000, such as Bangladesh and the Republic of Korea. The estimated regional under-five mortality rate was 35 per 1,000 live births in 2015, presenting a reduction of 60 per cent from 1990 estimates. In 2015, the number of maternal deaths per 100,000 live births was 117, a reduction of ►►



64 per cent from 1990 owing to an observed increase in skilled birth attendants.

Environmental health risks, such as the use of chemicals in food production, pollution from industry and toxic emissions, along with prevailing risky behaviour present threats to health. Air pollution contributes to 7 million premature deaths annually. Generally, evolving and new health challenges are placing a higher burden on many health care systems, raising questions about their design, effectiveness and financial sustainability.

## CHALLENGES FOR SOCIAL SECURITY AND HEALTH CARE SYSTEMS

***New enemies in noncommunicable diseases (NCDs).*** NCDs are the dominant cause of death and disease burden. Already in 2012, NCDs accounted for 73 per cent of deaths. The three major NCDs in the region are cardiovascular diseases (CVDs), diabetes, and cancer; between 1990 and 2010, the disability adjusted life years increased by 22.6 per cent for CVDs, 69 per cent for diabetes and 27.3 per cent for cancer. Mental illness is a hidden but significant NCD. Asia and the Pacific is the region with the highest suicide rate.

***Old enemies in communicable disease.*** Tuberculosis (TB) is the leading cause of death from infectious diseases. In 2015, 61 per cent of the global estimates of TB cases were in Asia and the Pacific, in spite of the efforts of many countries to halve the TB burden since 1990. In 2015, there were about 300,000 adults and children newly infected with HIV, a 36 per cent reduction since 2000. Similarly, Cambodia, Malaysia, Nepal and Thailand have had successful prevention responses, with an incidence reduction of 40 per cent within five years. There were major successes in combating malaria between 2000 and 2014, with the regional incidence rate having fallen by 42 per cent; however, the disease remains endemic in several countries.

***Health care systems.*** Health care systems are constrained by growing levels of demand and limited resources. Across countries, there are large disparities concerning investments

in health infrastructure. Typically, systems are fragmented and hospital-centric with weak primary health care. A large proportion of the region's population is without comprehensive health coverage and suffers from medical impoverishment. A greater demand for long-term care (LTC) will accentuate the resource burden.

***Health financing.*** Public spending on health care is insufficient in many countries to achieve universal coverage. The region already has the world's highest levels of out-of-pocket (OOP) expenditure on health, which affects affordability and accessibility. Private health expenditure reached more than 30 per cent of total health expenditure in around 20 countries, with Yemen being the highest (77.43 per cent). OOP expenditure on medicines is substantial, while essential medicines often remain either unavailable or unaffordable. On average, spending on pharmaceuticals represents around a third of all health expenditure in the region.

***Health care services.*** In many countries, the delivery of health services comes via a mix of public and private providers with varying boundaries and unequal distribution. The policy challenge is to create a nationally defined health service that ensures adequate, equitable, efficient and effective health care for all. The "brain drain" of medical professionals is a serious problem for developing countries. Moreover, the number of doctors, nurses, and midwives per 1,000 population is generally low and there can be a lack of skill-mix. The growth of private sector-service provision, and the entry of large, multi-national, private-sector companies, is transforming service delivery towards a market-focused industry.

***Public health emergencies.*** The region is prone to public health emergencies caused by emerging infectious diseases, natural disasters, conflict, and environmental pollution. There have been recent outbreaks of avian influenza, severe acute respiratory syndrome (SARS), dengue, and yellow fever, as well as health challenges caused by natural hazards. Emerging and new risks include environmental, radiological and chemical emergencies and uncommon patterns of antimicrobial resistance.

## RESPONSES TO ADAPT HEALTH AND CARE SYSTEMS


Health is a major element of the 2030 Sustainable Development Goals (SDGs) agenda adopted at the UN General Assembly in 2015, with one comprehensive goal – Goal 3: “*Ensure healthy lives and promote well-being for all at all ages*”. Its 13 targets cover all major health priorities. All countries in the region will need to address these challenges and all subsequent changes in health care needs as a part of their global commitments to the SDGs, particularly in the light of the unfinished agenda of health-related Millennium Development Goals.

**Health system reform.** Demographic changes will affect the financing of not only health systems but also social protection systems as a whole. Health system reform is necessary to ensure greater responsiveness to older people’s needs and to be attentive to acute care, LTC, rehabilitation and palliative care. This will require investing in integrated and person-centred service delivery, supported by appropriate health financing arrangements, and a health workforce with the necessary skills and ways of working. All opportunities to raise capital for investment in health care institutions should receive consideration. Increasingly, there is a need to foster innovative home- and community-based ageing-in-place pathways

tailored to older people’s specific and diverse needs. One critical need is for an overall framework for social protection strengthening. Still required are policies to expand social protection measures for disability, critical illnesses and funeral expenses, in particular for those who are vulnerable to the financial impacts of morbidity and mortality risks.

**Primary and preventive care.** To meet the higher demands placed on health and LTC systems in a financially sustainable way, health systems should invest in primary care and promote the more efficient management of patients with multiple chronic conditions. There is a growing realization that primary health care should be a central part of restructuring the region’s health systems. The aim should be to improve primary and preventive health services and subsequently reduce secondary- or tertiary-care complications downstream. This requires a health workforce that is skilled, properly paid, and capable of providing quality primary care. The challenge will be to develop affordable models that combine family support with community- and home-based approaches.

Malaysia’s Social Security Organization (SOCSO) has responded to the challenge of a greater number of claims made for disability and survivors’ pensions caused by NCDs by launching the SOCSO Health Screening Programme. Around 2.1 million insured persons ►►



“The early initiation of a good LTC system will lead to real savings in health care provision”

aged 40+ are eligible for health screening for CVDs and cancers. As of 2015, 431,227 insured persons had utilized the health screening.

**Long-term care (LTC).** Growing elderly populations, as well as rising incidence rates of NCDs, are driving higher demand for tailored health care services, products and infrastructure. The share of the population aged 65+ is expected to nearly quadruple in the next four decades to reach 26 per cent in 2050 – with a commensurate increase in the NCD burden. Typically, health systems are not prepared for this projected rise and most countries do not have an established formal LTC system. The establishment of LTC programmes is now under greater consideration in the region. In addition to the social insurance LTC systems found in Japan and the Republic of Korea, Singapore has introduced subsidies provided to lower- and middle-income individuals to help with LTC costs.

Developed economy experience shows that the early initiation of a good LTC system delivers many benefits at moderate cost – compared to the cost of medical care – and will lead to real savings in health care provision.

**Technology and health.** Access to medical technology is improving in the region and contributing to increased health spending.

Access to diagnostic and therapeutic equipment per one million population is high in Japan (51.7 for magnetic resonance imaging units) and New Zealand (12 radiation therapy units). Despite the cost, technology provides an opportunity to overcome many health system limitations and improve access to health care, i.e. finding better and cheaper ways of bridging financial and accessibility gaps. Remote monitoring opens the door to customized responses and risk reduction. Technological solutions that link physicians with rural health workers are increasingly commonplace in the region, such as ClickMedix (a cell-phone-enabled technology platform that connects medical providers and patients) that operates in Bangladesh, China and the Philippines, among others. As an emerging technological response, in some residential care homes in Japan, companion robots that are capable of empathetic social interaction are part of the care process for people diagnosed with Alzheimer's or dementia.

For administrators, the digitization of health information enables innovative health care solutions such as telemedicine, mHealth apps and e-prescriptions. In Singapore, the National Electronic Health Record (NEHR) system allows the sharing of patient health care records across the entire health care system. The next phase is to move to a cloud-based digital health model.



## HEALTH SYSTEM CHALLENGES

**+30%**

Asia-Pacific has world's highest out-of-pocket health expenditures, commonly around 30%

Source: ILO (2017)

**One third**

In 2014, on average one third of health spending in the region was on pharmaceuticals

Source: OECD and WHO (2016)

**8.2 million**

Shortage of LTC workers in Asia-Pacific

Source: ILO (2017)

## INFANT AND MATERNAL HEALTH INDICATORS

**>50%**

The decline in infant mortality in many countries of Asia-Pacific

Source: OECD and WHO (2016)

**>50%**

The decline in the average maternal mortality rate since 2000

**50%**

Bangladesh and the Republic of Korea have halved infant mortality

## NONCOMMUNICABLE DISEASES (NCDs)

**3 challenges**

Cardiovascular diseases, diabetes, and cancer are three NCD health challenges

Source: WHO (2017)

**48%**

Globally in 2015, nearly one half of NCD deaths in lower-income countries occurred before age 70

**80%**

The majority of premature heart disease, stroke and diabetes is preventable

## CHALLENGE 3





## The technological transition

Information and communication technology (ICT) is playing a strategic role in the implementation of social security programmes in Asia and the Pacific, enabling improvements in the performance and service quality of social security administration. ICT enables the automation of specific processes and the transformation of operations and services, making it a strategic enabler of innovative solutions to respond to societal transformations and challenges. The main axes of innovation in Asia and the Pacific are inter-institutional integration and e-government; electronic ID, biometrics, face recognition; analytics and big data; and artificial intelligence (AI).

The United Nations E-Government Development Index shows varying levels of adoption of information and communication technology (ICT) by government institutions as well as by the population in the Asia and the Pacific region. While the main limitations for ICT development lie with the absence of physical infrastructure, mobile technologies make it possible to overcome traditional boundaries to communication.

The region includes some of the largest and most populated countries in the world and over half of the world's population call the region home. This raises important challenges in terms of extending social security coverage and for providing quality services to all. ICT solutions facilitate the implementation of increasingly

comprehensive and reliable social security systems as well as better inter-institutional coordination and the implementation of advanced service delivery mechanisms. Together, these enable improved coverage and higher service quality.

In turn, innovation in ICT can extend the scope and impact of social policies while simplifying the delivery and further enhancing the quality of services. By transforming social security administration, ICT supports user-centric services that better satisfy higher client expectations and empower users by enabling “self-service”, anytime and anywhere. It also facilitates the implementation of large-scale social programmes, such as integrating distinct institutions while coordinating with others, even across national frontiers. ICT further strengthens the social ►►

protection of the population by fostering an effective application of social protection laws.

In Asia and the Pacific, cutting-edge ICT permits institutions to make great strides forward. Notably, the implementation of very large integrated systems plays a crucial role in extending coverage and data-driven systems facilitate targeted and preventive social policies. In this way, ICT is a strategic enabler of innovative solutions for social security administrations, particularly those based on inter-institutional integration, mobile, analytics and big data technologies.

## | ICT-RELATED CHALLENGES

The intensive application of ICT presents a number of challenges. One is the increasing complexity of the ICT solutions used by social security systems. In particular, cybersecurity risks grow with the intensification of data usage on web-based platforms. The threat of hacking, ransomware attacks, and the theft of personal data are universal and constant concerns. In addition, implementing ICT solutions requires social security administrations to ensure compatibility with existing platforms, the ongoing management of legacy systems, the generation of internal skills in the use of new tools, and the delivery of quality and cost-effective services.

A second challenge is to ensure that ICT-based social security systems are themselves of quality and cost-effective. Underestimating the complexities of large-scale social security projects and the risk of weak project management, which lead to delays and overspend in budgets, commonly confront the implementation of large ICT projects. A third is the lack of standardized ICT solutions for social security, the development of which could reduce the risks described above. Common ICT standards are essential for social security administrations and other public agencies, but these are incomplete or absent. Overcoming the digital divide is a fourth challenge, not least for vulnerable and marginal groups as well as for populations living in rural and geographically remote areas.

A further set of challenges relates to ensuring data quality and data protection. These are required conditions for a reliable and compliant use of a growing volume of volatile and detailed data. As the usage of electronic identification,

big data and analytics grow, offering a higher potential for data mining, the protection of individual privacy becomes a critical factor. Adequate data privacy mechanisms can help guarantee this. In turn, data management now constitutes a key discipline for modern social security institutions. Developments in this area consist of the implementation of master data and decision support systems.

Finally, satisfying the demands for technology in this populous region also becomes a challenge for health care systems, particularly as the demand for better health care grows. Strategies are required to help bring high-quality products and services to all patients.

## | ICT: STRATEGIC RESPONSES

**An administrative tool.** ICT is indispensable in the administration of social security systems. For the covered population, developments in ICT enable greater autonomy, flexibility and simplicity in accessing and verifying information and communicating with social security administrations. For those without adequate social security coverage, mobile platforms support improved access to coverage.

ICT is enabling social security institutions to improve services. Indonesia, which is developing universal health coverage, has implemented an online app for self-managed data to facilitate the registration of formal-economy participants to the health system. It is possible to update and change data in real-time.

Bangladesh has introduced an app, the Digital Labour Inspection Management Application, to help reduce workplace risk and encourage prevention in industrial sectors. The app will upgrade the collection, storage and analysis of data collected during labour inspections.

**A strategic enabler.** ICT is the foremost strategic enabler of innovative solutions in social security administration. The growth of shared information resources and operational platforms permits the design of new organizational models based on multi-actor configurations.

ICT makes possible taking advantage of very large databases generated through social security operations and the increasing wider usage of mobile technologies among the population.

The exponential growth in worldwide data use has given rise to big data. Advanced data processing and data analysis technologies enable “customer profiling” and predictive analysis, as well as to extract other information from big data.

This so-called data-driven innovation (DDI), when combined with the Internet and mobile-based developments, can improve products, processes and organizational methods. It can also meet global social policy challenges, such as the health and social protection needs of vulnerable populations. In turn, advances in AI may provide the background to increase the automation of social security e-services and the implementation of large preventive strategies.

**Mobile service delivery.** In India, with nearly 60 per cent of health workers active in urban areas, a cloud-based solution is helping the habitants of many rural villages to receive better health care. As a comprehensive low-cost digital health solution, ReMeDi (Remote Medical Diagnostics) is a point of care diagnostic equipment and telemedicine solution that enables remote health care delivery. Linking health workers, health clinics, pharmacies, diagnostic labs, doctors, and central medical facilities, ReMeDi empowers over 8,000 health technicians to provide video and audio connections between doctors and patients in 2,200 rural villages, covering a population of 50 million people.

In Australia, a new portal – Head to Health – provides one-stop access to digital mental health services. The digital mental health gateway, part of a shift in mental health care towards early intervention, provides a one-stop shop for services and resources delivered by trusted mental health service providers. These resources include free or low-cost apps, online support communities, online courses and phone services.

ICT enables social security institutions to respond to the challenges of the digital economy and the evolving labour market. Indonesia has implemented an integrated solution to cover motorcycle taxi drivers working through the digital platform GO-JEK and to provide accident insurance benefits among others.

**Digital administration.** Inter-institutional integration is crucial for implementing countrywide social security programmes that involve different agencies and partners. China is seeking to address the fragmentation of the country’s social insurance programmes, across branches as well as provinces. In one response, the Guangdong Social Security Integration Project offers an integrated provincial management and information system, which enables workers to enrol, pay contributions and receive benefits regardless of where they live. Using mobile payments and biometric verification, the system has integrated data management across its major business lines including social insurance, ►►





employment services and human resource management. One-stop counters and electronic records have improved administrative efficiency.

Compliance with international social security agreements is fundamental for protecting migrant workers' rights. In the Republic of Korea, the National Pension Service has implemented data exchange mechanisms between social security institutions in seven other countries to prevent incorrect pension payments for overseas beneficiaries.

To help extend social security coverage, electronic identification, including using biometric technologies, is developing in several countries in the region. These technologies, often used jointly with smart cards, facilitate receiving benefits and improve service delivery. The Philippines will soon roll out a biometrics-based national ID system to enhance service delivery. India's *Aadhaar* project is the world's biggest biometric ID initiative, which aims at providing personal identification and facilitating access to social services to a billion people. However, the project is yet to reach all people and the protection of personal data is a challenge. China is to adopt an app-based electronic social security card system to provide electronic ID and plans to implement a national facial recognition database.

**Evidence-based policy.** The pairing of analytics and big data – which refers to tools and methodologies that help transform massive quantities of raw data into useful insights by detecting patterns, trends and correlations – is a success story for many social security administrations.

As a policy integration tool, insights derived from big data can help to assess the impact of sectoral policies and support cross-sectoral approaches, which are more complex than single sector scenarios. Predictive modelling and computer simulations on big data can help undertake these assessments. Furthermore, data analytics solutions are becoming economically viable due to the decreasing costs of storage and processing (e.g. in cloud infrastructures) and with bandwidth becoming more available and less costly.

In the Republic of Korea, the National Health Insurance Service (NHIS) implemented a big data system covering the entire population using multiple variables for each person

integrated through an individual ID. To achieve this, the NHIS took advantage of its national contribution collection role and consolidated the information collected in a national big data system (NHID). The NHID constitutes a strategic tool that aims to provide useful evidence for good decision-making, effective risk prediction, disease prevention, improved service quality, and to support research and development.

Analytics can help tackle evasion and fraud. Operational examples include Australia's Department of Human Services and Saudi Arabia's General Organization for Social Insurance (GOSI). Big data also has the potential to provide new insights for social programme evaluation and design by exploring across datasets, enabling to develop a more complete understanding of people and their circumstances.

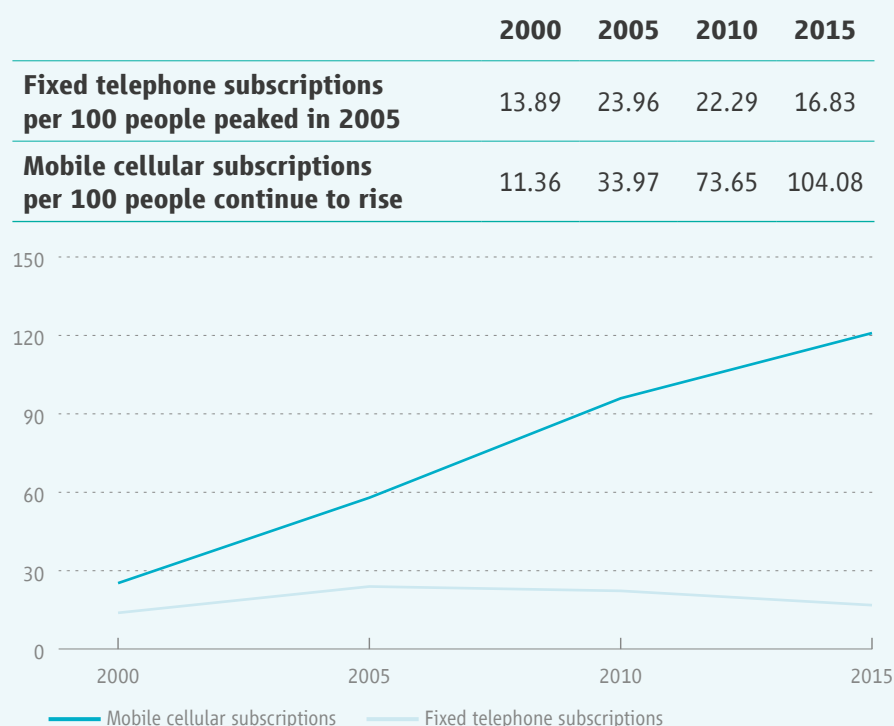
AI aims at providing automated means to implement social security services, leveraging on the large quantities of available data as well as on business experience. Nevertheless, in this emerging area for social security, the implementation of such systems still requires testing and experimentation. One example is Saudi Arabia's GOSI, which is carrying out innovative pilot experiences on the use of conversational agents. The ultimate goal is to develop an intelligent conversational agent that responds to customers' questions, inquiries and simplifies certain services and transactions.

#### **Human resource management.**

ICT developments affect social security strategic human resource management and planning. These have reduced social security staffing requirements, mainly through the implementation of automated systems and self-services. Yet, a successful ICT application requires skilled human resources to manage the ICT portfolio and define new, transformed processes and services that can take fuller advantage of ICT.

Decision-making activities related to policy and programme design, as well as case management and client services, require expert human intervention. There are also tasks, roles and decision-making, in medical care for instance, that ICT-based interventions cannot readily replace. Technological innovation is unlikely to alter this fact soon. Human contact continues to play an important role for the service delivery of social security programmes.

## TECHNOLOGICAL TRANSITION IN ASIA-PACIFIC



## PRIORITIES OF ISSA MEMBERS

Member institutions that consider managing innovation and technological developments to be a high priority

World **76%**  
 Asia and Pacific **68%**  
 Africa **80%**  
 Americas **79%**  
 Europe **75%**

Source: ISSA global member survey (2015)

## DIGITAL TRANSITION IN ASIA-PACIFIC



**1.9 billion**

Internet users residing in Asia-Pacific



**50%**

The region's Internet users represent around half of the world's digital population in 2017



**771.9 million**

Internet users in China represent over 40% of the region's digital audience in 2017

Source: www.eMarketer.com

## E-GOVERNMENT IN ASIA-PACIFIC

### Positive benefits of e-government



Better public service delivery



Wider access to social security



Improved literacy



Higher levels of financial and social inclusion

## CHALLENGE 4







## Higher public expectations

Public perception of social security delivery is an important barometer for public administration. Social security administrations are an important face of government, especially in critical periods of people's lives. The advent of social media, the growing voice of new middle-classes in many countries, greater political momentum behind the human right to social security, and greater public vigilance on matters of service quality are driving social security administrations to become more user-centred and quality conscious.

**M**any social security administrations pride themselves on being among their country's leaders in quality public service delivery. New technologies and innovations in business processes make this possible. To live up to public perceptions and meet expectations of service quality, social security administrations are seeking out new avenues to improve service quality and become more user-centred. The insightful use of new technologies, creative outreach programmes and business process innovations can enable many administrators to meet these expectations in a realistic and cost-effective manner. This is being done while respecting the important resource constraints that often face public service delivery. The common thread is to have the user as the focal point of all services.

### | PUBLIC EXPECTATION CHALLENGES

The challenge for social security administrations is the simultaneous realization of improved services, organizational cost efficiencies, increased positive feedback and higher levels of public trust. Satisfying these multiple goals should go a long way towards meeting higher public expectations. With the increasing use of social media to communicate and inform on matters of general public interest, social security administrations are alert to the need to respond rapidly to satisfying public needs. One major issue is the availability of reliable information on personal data, which is fundamental to enabling a truly customized client experience. ►►

Of elemental importance is a national identification (ID) system: by providing reliable data and unique authentication which enables better planning, enhances targeting and improves delivery, this makes possible public services – including social security – delivered on a whole-of-government basis.

The ID systems in the region are at varying stages of development, with India, Malaysia and Pakistan having made greater progress. These systems have robust de-duplication processes and near universal coverage. Indonesia also has a strong de-duplication process in its system, which covers over half of its 252 million population. Despite having developed strong biometric-based de-duplication processes, Cambodia and the Philippines are yet to iron out some legal protection and privacy issues for the use of a single national ID. Viet Nam has commenced its shift away from paper-based administration to electronic processing by issuing unique social security numbers and electronic cards linked with its national population database.

## | RESPONDING TO THE CHALLENGES

**Know your clients.** For social security administrations, a first requirement to meet public expectations is to have good information about current and potential service “users”. Some countries have data platforms that provide comprehensive civil registration and vital statistics. Many others carry out regular surveys, dialogues and consultations to gauge public opinion and expectations about social security services.

To speed up full social insurance coverage, China piloted in 2014 a programme to accelerate the issuance of a unique social security number to each person. In the year of the pilot, an additional 712 million social security cards were issued for basic old-age, basic medical care in urban areas, unemployment, work injury and maternity insurance.

**Engage with your clients.** Focusing on clients and encouraging their engagement are important elements in improving service design and delivery processes. Enabling a role for clients in the co-design of public services,

a collaborative process commonly referred to as social innovation, is a further measure.

Behavioural insights are invigorating client services in the region. Working on the assumption that people do not always know what is in their best interest, the Employees’ Provident Fund (EPF) of Malaysia provides personalized advisory services to help EPF members plan their retirement. Noting the tendency for retirees to drawdown their entire retirement savings at age 55 – with a majority exhausting their savings within five years – the EPF has sought to develop alternatives to lump-sum withdrawals. Initial results show that a basic understanding of the concept of compound interest is helping retirees to opt for staggered withdrawals over a longer period.

Another way to engage with clients is to adapt a personalized communication strategy. In Singapore, rather than making general announcements regarding retirement information sessions, the Central Provident Fund Board sends personalized invitations to members. This strategy has increased attendance at information sessions from 14 to 31 per cent.

Noting the irregularity of income flows of workers in the informal economy, the Social Security System of the Philippines has tailored strategies to reach out to and accommodate the needs of different groups. The strategies include the AlkanSSSy programme for self-employed workers. From 50 informal economy groups covering 4,241 workers at its launch in 2011, AlkanSSSy had enlisted over 1,100 groups covering more than 107,100 workers in 2015.

**Innovate and re-engineer.** Another strategy to realize service quality improvements is to innovate and re-engineer business processes. While most improvements are within the purview of a single organization, some innovations call for the merger of agencies as a means to consolidate public service delivery. Reform initiatives of the latter nature may take years to achieve but can lead public service to a higher level once completed.

The transformation of the delivery of public services in Australia began by integrating the three large separate agencies of Centrelink, Medicare, and Child Support, to form the

Department of Human Services (DHS). In 2012, the DHS assumed responsibility for developing a single, secure government digital service myGov to improve access to online services. By 2015, the DHS was successfully delivering significant outcomes for Australians: easier access to services, customer-centric co-design, digital solutions and myGov.

**Empower the organization's workforce.**

Noting that client satisfaction and employee motivation are mutually reinforcing goals, a highly empowered workforce is another strategy to build client satisfaction. Key factors that can positively affect employees' performance are training programmes, leadership training, performance management programmes, reward and recognition, skills auditing, and internal communication.

Institutional knowledge, which is fundamental to every social security administration, resides in its workforce. To innovate on business processes, a clear understanding of where responsibilities lie for each step, and the skills required by staff, is an indispensable reference point. While talent headhunting may address the absence of required skills or the loss of key officers in the short run, the strategic development of human resources ensures that internal talent is identified and nurtured for key positions requiring critical skills. Cognizant of this, the EPF in Malaysia has put in place a merit-based

policy to ensure that 20 per cent of its executive workforce have access to structured programmes on strategic leadership.

**Go electronic, go mobile, go online.**

The use of electronic and web-based platforms supported by well-trained staff facilitates the implementation of more integrated and user-centred services. Across the broad geographic region of Asia and the Pacific, there is a generalized move towards electronic, mobile and online services. For example, to develop paperless processes, the Fiji National Provident Fund is re-designing and automating business processes and interfacing with external data repositories and statutory institutions. In another example, the Social Security Organization of Jordan is promoting the electronic collection of contributions. In Brunei, China, India, Japan, Singapore and Thailand, e-services for registration and the payment of contributions, apps, online services and 24/7 access to social security records are now standard.

The National Health Insurance Service (NHIS) of the Republic of Korea is leading in the use of big data in social security delivery. Maximizing its mandated access to 317 data types from external organizations, NHIS has developed cutting-edge web-based services such as the My Health Bank Service. The service provides secure access to an individual's health record, appraises the individual of health risks, predicts ►►



*“Social security administrations are seeking out new avenues to improve service quality”*

disease occurrence, and recommends a health plan customized to the individual for self-management.

Social security administrations continue to deliver on their service quality mandate. The sharing of good practices in the social security global community is stimulating an optimistic culture of innovation. A practical question for social security administrations is whether it is possible to innovate constantly. The likely answer is favourable – high and growing public expectations suggest that standing still is not an option. The resource constraints that confront many social security administrations also act as an opportunity for progressive innovation.

To meet the expectations of women and men for quality user-centred services, social security administrators should use

their collective knowledge and experience, and systematically measure and evaluate the effectiveness of progress achieved for further fine-tuning. An essential part of these efforts is to communicate to the public about the achievements already made and regarding expectations about future achievements. The BPJS Ketenagakerjaan of Indonesia has adopted a four-pronged strategy to enhance public trust in social security: educate, entertain, inspire and convince. Through the creative use of storytelling, writing and photography contests, informational video series and social media, supported by traditional billboard, print, radio and television advertisements, the organization is raising public awareness about social security and delivering the strong message that contributing to social security makes sense for all.

## DIGITAL NATIVES



37.8%

A growing preference in Asia-Pacific for digital contact in service delivery; the global figure is 26.4%

Source: EY (2014)



&gt;50%

Over 50% of workers in Asia-Pacific are "digital native"

Source: Willis Towers Watson (2017)

## SOCIAL SECURITY GOING DIGITAL



100%

ISSA member institutions providing information through web-based services

Source: ISSA (2018)



&gt;1 billion

The world's largest biometric ID initiative in India will improve social protection for over 1 billion people

## E-GOVERNANCE



Globally, the e-governance of public administration is improving

Source: UNPAN (2016)

## TOP E-GOVERNMENT PERFORMERS IN ASIA-PACIFIC



Australia



Republic of Korea



Singapore



New Zealand



Japan

Source: UNPAN (2016)



## CHALLENGE 5





## Population ageing

Population ageing is a global reality, albeit most pronounced in industrialized countries. For all countries in Asia and the Pacific, the process of population ageing has begun. In some, it is occurring at a faster rate than seen in other countries currently more advanced in the demographic transition. This will present particular challenges. To ensure the financial sustainability of social security systems and to meet the needs of all people in ageing societies, national systems of social protection must complement their protective role with age-friendly policies that strengthen investments to improve health, employment and increased productivity. The response requires the improved coordination of social security systems that protect and support people with tailored measures throughout their lives.

Unprecedented increases in life expectancy combined with declining birth rates have significantly altered demographic structures. Moreover, the composition of the older population is changing, with a continuing increase in the proportion of persons aged 80+. Generally, this trend is occurring more rapidly in less developed regions.

According to the United Nations, in 2016, approximately 12.4 per cent of the population

in the region was aged 60+, and is projected to increase to more than a quarter – or 1.3 billion people – by 2050. There are however variations across the region. The number of people aged 80+ in the region is also increasing dramatically, and already represents 53 per cent of the global population aged 80+. Across Asia and the Pacific, the pace of ageing is challenging. France took 115 years to make the shift first to an ageing and then to an aged society (where at least 20 per cent of the population is aged 65+). ►►

In contrast, China is to make the same transition in around 25 years, Singapore and Thailand in 22 years and Viet Nam in 19 years.

For public policy, these demographic trends affect pension, health and long-term care needs as well as income sources and expenditures. Population ageing leads to relatively reduced levels of contributions and increased expenditures. In a context of demographic ageing, it is necessary that improvements in levels of labour force participation and increased productivity compensate for the reduction in the proportion of active persons of working age. This will ensure that expenditure levels remain affordable in relation to levels of national economic output. To coordinate policy, the majority of countries in the region have mainstreamed a national plan of action on ageing.

## | THE CHALLENGES OF AGEING

In 2015, the Association of South-East Asian Nations (ASEAN) adopted the Kuala Lumpur Declaration on Ageing: *Empowering Older Persons in ASEAN*. The declaration acknowledges that a higher proportion of older people will require national authorities to adapt their health care and social protection systems. A goal is to foster actions to empower older persons, including through the adoption of proactive approaches to healthy, active and productive ageing, strengthening intergenerational solidarity, and raising awareness about the challenges of an ageing society.

Faced with population ageing, an objective is to ensure the financial sustainability of social security systems as they adapt to meet the evolving needs of populations while also seeking to provide adequate income security and services. Of importance for intergenerational equity, providing income security and needed care for older persons should not be detrimental to efforts aimed at investing in younger generations.

Ever more flexible life courses and increased labour market mobility are particular challenges for many old-age retirement and pension schemes, in particular those designed to cater to stable linear working careers and nuclear family structures. At the same time, new responses

to the growing incidence of chronic and often debilitating health conditions are essential not only to ensure accessible and sustainable health care systems, but also to allow people to live and age with dignity. Demographic projections highlight that care challenges will intensify. Tackling health risk factors related to changing lifestyles requires adapted approaches and calls for prevention and early intervention across different settings.

An important issue is that in spite of rising political commitment to social protection and the resultant increase in coverage, a large part of the population of the Asia and Pacific region still does not have access to adequate social security protection. While coverage is relatively extensive in countries of North, Central and Western Asia as well as East and North-East Asia, it is low in South-East Asia and especially so in South and South-West Asia. For Pacific island countries, the outcomes vary.

The risk of old-age poverty remains a major challenge in many of the region's countries. Income security is a more pressing issue for older women than it is for older men: due to lower rates of formal labour force participation, women's pension coverage is often lower than that of men.

## | RESPONSES TO AN AGEING WORLD

Current reform trends indicate an evolution of the core parameters of social security systems. In view of population ageing and the related sustainability challenges posed to pension systems, increases in retirement ages are common. Measures may include gradually increasing and gender equalizing the statutory ages of retirement. Almost two-thirds of the countries in the region have a retirement age for women that is lower than 60 years. Samoa and Indonesia have a retirement age of 55 years, while countries such as Japan, New Zealand and the Maldives have raised it to age 65 for men and women. Some countries, such as Japan, have the option of a deferred, and actuarially enhanced, entitlement to retirement benefits.

Complementing the focus on scheme parameters, social security solutions must look holistically at avoiding inclusion and exclusion



errors for entitlements to benefits and services while supporting labour market participation, activity and productivity. Meeting the challenges of population ageing requires a stronger emphasis by social security systems on proactive and preventive measures. Effective investments in health, employment and empowerment that aim to support people as well as economies and societies are necessary complements to conventional social security programmes.

Although many pension systems are already addressing financial sustainability challenges, this may come at the expense of the adequacy of cash benefit levels, and rates of old-age poverty may increase as more workers in non-standard careers approach retirement. Poverty among older women requires specific responses. Women face a number of challenges during their active working lives relative to men that can negatively affect future pension income. These include lower levels of employment, lower wages, more interruptions to career paths, structural and cultural factors that limit access to certain employment opportunities regardless of qualifications, higher levels of family care responsibilities, the gender bias of some pension systems, and higher divorce rates (in the absence of a right to pension splitting between spouses).

One response is to ensure a minimum pension income for all people of pension age. The related

aim is to provide coverage to the most vulnerable. When targeted, measures sometime exclude those who are most in need. Targeting should not be detrimental to wider efforts to reduce inequalities and ensure wider coverage.

One demographic feature of population ageing is falling fertility rates. In the Republic of Korea, for instance, there are more people aged 65+ than people aged 14 or younger. While progressive family policies, such as providing childcare and parental leave opportunities for fathers and mothers, are highly desirable, they may not be sufficient to reverse a falling birth rate.

Positive net migration can help compensate the low rate of natural growth of resident populations. Further, given the under-participation of women in the labour market, closing gender gaps (wages and activity rates) is a clear public policy prescription to increase productivity and aid economic development and growth. Equally, increasing women's labour force participation will help to stabilise dependency ratios and contribute to making social security systems financially sustainable.

Developments in health care systems include streamlining to reduce inefficiencies, a focus on prevention and health promotion, and offering adapted services for persons with chronic conditions and long-term care needs. ►►

*“To respond to demographic shifts, the nature of social security systems is changing”*

While such changes may lead to savings, they will not be sufficient alone to appropriately address the adequacy and sustainability challenges resulting from demographic trends. In many countries, efforts are underway to improve access to coordinated health care services, not least to better prevent and control the growing incidence of noncommunicable diseases. Generally, complementary health provision is being encouraged and the role of individual responsibility continues to grow.

A number of countries ensure universal health access, especially for older persons. For instance, Japan introduced the Advanced Elderly Medical Service System in 2008. Thailand's Green Channel or Fast Lane provides outpatient care for older persons. Viet Nam provides free health insurance for persons aged 90+, and older persons are entitled to discounted payments for health services, even if they do not have health insurance.

Across the Asia and Pacific region, more than 53 million persons aged 65+ require long-term care and services. Globally, long-term care financed by social insurance contributions operates in only a handful of countries, but includes two regional trendsetters, Japan and the Republic of Korea. As an increasing number of elderly people require full-time care, one response is to offer contribution credits to unpaid carers. More support directed to carers strengthens the incentives to provide unpaid care and offers better income security for the carer when she or he reaches retirement. Supporting home-based care – “ageing in place”, for elderly care – is emerging as a favoured path to reduce the burden on institutional care, reduce costs, and improve overall well-being. There are significant psychological benefits of not entering an institution and staying at home. Following this approach, China promotes age-friendly senior citizens' housing and communities.

Supporting employment and activity is equally important to enhance the inclusion and participation of older persons. China offers examples of civic and cultural programmes that help to combat social isolation and support empowerment, such as sports events for older persons. To support employment opportunities, Indonesia has established Work Centres to provide training in practical capabilities. These measures are open to older workers with a desire to work and earn income.

Empowering and better informing citizens is a further strategy, which can facilitate individuals to self-manage risk and navigate through an increasingly non-linear life course. To this end, the use of new information and communication technologies is intensifying. Driven by a commitment to provide Australians with access to convenient and cost-effective services, the Department of Human Services has developed a single, secure government digital service (myGov) to provide accessible online services to Australians, including the elderly.

To respond to demographic shifts, the nature of social security systems is changing. Social security administrations have a major role to play in developing and delivering social investment measures that empower people to better mitigate health, income and employment risks. This does not imply leaving people to their own devices. To the contrary, social security systems in ageing societies aim to ensure system sustainability and benefit adequacy while also supporting people across the life course.

Countries more advanced in the demographic transition can offer policy lessons to national social security administrations in countries with younger demographic profiles, enabling them to select appropriate good practices when preparing for population ageing.

## POPULATION TRENDS IN ASIA-PACIFIC



**4.2 billion**

60% of world population live in Asia-Pacific

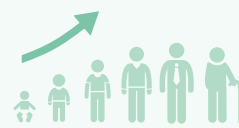
Source: UNESCAP (2017)



**53%**

Proportion of the world's population aged 65+ living in the region

Source: ILO (2017)



**+4.6 years**

Average increase in life expectancy at birth in the region (2000–2015)

Sources: OECD and WHO (2016)

## A GROWING POLICY CHALLENGE



**7.8%**

Proportion of region's population aged 65+

Source: ILO (2017)



**5.1% of GDP**

Proportion of non-health expenditure in Asia-Pacific spent on the population aged 65+

Source: ILO (2017)

## LONGEVITY AND FERTILITY



**2 times**

The number of persons aged 60+ in Asia-Pacific will rise from 535 million in 2015 to about 1.3 billion by 2050

Source: UNESCAP (2017)



**Fertility rate declining**

Proportion in the region aged 0–14 was 24% in 2017, but will decline to 21% in 2030

Source: UNESCAP (2017)



## CHALLENGE 6







## Labour markets and the digital economy

In Asia and the Pacific, many national economies are witnessing greater flexibility in working time, and see evolving work arrangements and relationships and a break with the traditional linear life-course career path. The expectation is that the shift to the digital economy will accelerate these trends: new technologies and increasing automation will place many job categories at risk, weakening conventional patterns of formal employment and strengthening the movement towards self-employment. As working arrangements and production processes evolve, there is equally an expectation that new types of jobs will emerge.

**N**ew digital technologies such as data analytics, artificial intelligence (AI), 3D printing, cloud computing, the Internet, and robotics are changing national labour markets in Asia and the Pacific. In countries with highly developed technological infrastructures (e.g. China, Japan, Republic of Korea, Singapore) the adoption of technological advances, ranging from gene sequencing to nanotechnology and from programmed robots to AI, is the way forward.

Currently, almost half of the world's internet usage come from Asia and the Pacific. Of the 10 per cent global annual growth in internet users from 2016 to 2017, 70 per cent were from the region. The Internet is rapidly transforming

national economies as well as patterns of social interaction. At the same time, national labour markets in the region are evolving.

### | THE CHALLENGES OF THE CHANGING WORLD OF WORK

As the region of Asia and the Pacific makes the shift to digital work platforms, the increasing use of teleworking and expanding work opportunities in the platform and gig economies raise important questions about the future of wages and the promotion of labour rights, occupational safety and health regulations, and social security coverage. ►►



While digital platforms may empower people to choose when and where to work, the reality in many national labour markets is for many people to now work longer hours in conditions of growing labour market insecurity and precariousness. This is occurring in economies where unemployment and underemployment are already issues of concern.

AI and increasing automation are challenging the future of many high-routine and manual jobs, and this pressure will extend to an even wider range of jobs, including high-paid professional work. The wider future employment impacts of increased automation are unknown, but the trend is clear. China alone plans around 150,000 new robots for operation in 2018. In parallel, the demand for high-skilled workers and workers for non-routine jobs will further increase.

Accompanying the expansion of the digital economy and increasing automation is the diversification of employment arrangements, as exemplified through the decline of “standard employment” and the rise of “non-standard employment”, which provides both opportunities and challenges for the future world of work in general, and social protection in particular. It is possible to foresee the reform of many social security programmes. In particular, there will be reflection on those designed for “standard” employment patterns, where eligibility may involve workers’ meeting thresholds of minimum tenure, monthly earnings or hours of work. With the international policy goal of universal coverage, a key challenge is to provide those engaged in non-standard employment with sustainable access to at least a minimum level of social protection.

The increase in the numbers of self-employed and gig economy workers in the region is thought to be linked in part to the greater automation of job tasks. Some estimate that automation might replace around 70 per cent of jobs in some countries. Such estimates are likely to overstate the short-run effects of further automation, and may not take into account the new jobs and professions created by technological change. In such a period of transition, the aim of social security systems must be to ensure that they not only offer adequate protection and income security

but also support the working-age population to remain active by helping to foster the development of appropriate labour market skills and competencies across the life course.

The technological transition will affect the financing of social security systems, and contributory programmes in particular. The evolving nature of labour markets also creates a need to extend legal coverage to new categories of worker and to devise appropriate and sustainable financing mechanisms for benefits and services. As one example of the direction and scale of this shift, estimates suggest that over 4 million Australians – a third of the national workforce – now eschew job security and superannuation contributions in favour of freelance work facilitated by peer-to-peer online platforms.

Digital communication technologies have already transformed the regulation and delivery of services and the supply of labour. More forms of work-on-demand via phone apps in the gig economy are matching supply and demand by using under-utilized assets, such as transportation and cleaning services. Another manifestation of the so-called collaborative or “sharing” economy is the commercial use of traditional residential accommodation, commonly for rent to business travellers and tourists, which can result in accommodation shortages and higher prices for the local community.

The emerging digital economy therefore affects how some people undertake their work and where they work, but influences also the human geography of cities, towns and villages – where people live.

Digital platforms offer a new set of tools to find work opportunities and earn income. Access to these tools is incomplete, however. The digital divide – i.e. the exclusion of some sections of society from access to new information communication technologies (e.g. personal computers and smartphones) – continues to exclude many of the poorest women and men, thus placing them in a position of further disadvantage in the labour market.

Another factor for countries to consider is demography, especially trends in population

ageing and net migration within and across countries. Also important is the demographic profile of the working-age population and the respective proportions of those therein who are in continuing education, employment, or inactive, as well as the gender split. All these factors, and others, have an incidence on likely levels of national productivity. Skills shortages and mismatches have become visible in the region, inciting deeper reflection on how education and skills training are organized.

The debate on how to impose taxation on the use of robots that replace workers in a variety of tasks has entered the policy-making domain. This applies equally to levying social security contributions from enterprises that use robots in production lines and in service delivery. A further debate is how to regulate the relationship between an employer and employees in the context of the collaborative or sharing economy. Some arguments propose that platform-based workers are self-employed contracted workers, while others consider such workers as a new category of employee.

The legal decisions taken on these matters at national level have implications for the application and enforcement of the labour code, social security laws and occupational health and safety regulations. As the use of digital tools, new machines and AI affect employment, social

security institutions must respond in a timely and effective manner.

## | RESPONDING TO THE DIGITAL ECONOMY

Social security and occupational safety and health (OSH) systems developed in response to the risks associated with the societal structures, labour markets, labour relations and production technologies of the mid twentieth century. The digital shift and increasing automation, and trends in the individualization, flexibilization and informalization of contemporary forms of work, such as cloud working, pose serious challenges not only for managing risks but also for the traditional financing of many national social protection programmes.

In practical terms, the growing reach of the digital economy and the increased use of automation, new work practices and non-conventional employment relationships imply a need for regulatory reform. In national jurisdictions, some business operations may currently side-step national labour codes as well as social security and OSH legislation. Some countries have moved to start to address these challenges.

Legal responses present an important first step to uphold the social protection and labour ►►



rights of workers and to counter employers' avoidance of contribution payments. Malaysia has passed a new Self Employment Social Security Bill under which each taxi driver and his or her digital platform service provider are to be required to contribute 1.25 per cent of their monthly income to Malaysia's Social Security Organisation (SOCSO) per month. Viet Nam and the Philippines have introduced similar legal reforms.

A number of countries in the region have enacted legislative responses to address employment misclassification (i.e. to combat false self-employment), ensure equal treatment, implement minimum wage and minimum benefit policies, and assign obligations and liabilities in multi-party work arrangements. Other countries have introduced measures to restrict the use of non-standard employment, although it is too early to assess their effectiveness.

New technology demands new skills. A further challenge is the ageing of workforces, which implies a decline in the relative weight of the working-age population. The required response is to seek to retain workers for longer in the workforce, but also to encourage workers to develop requisite skills.

Singapore's Retirement and Re-employment Act requires employers to offer re-employment opportunities for eligible employees aged 62–67. China has established an integrated digital business licence registry and adopted various policies to promote mass entrepreneurship and innovation. A major Chinese online service provider has claimed that its retail platforms have created 30 million job opportunities, including offering help to young entrepreneurs, rural communities and disadvantaged groups.

With a decline in traditional work relationships, there is a nascent debate on using alternative taxation approaches to finance social security

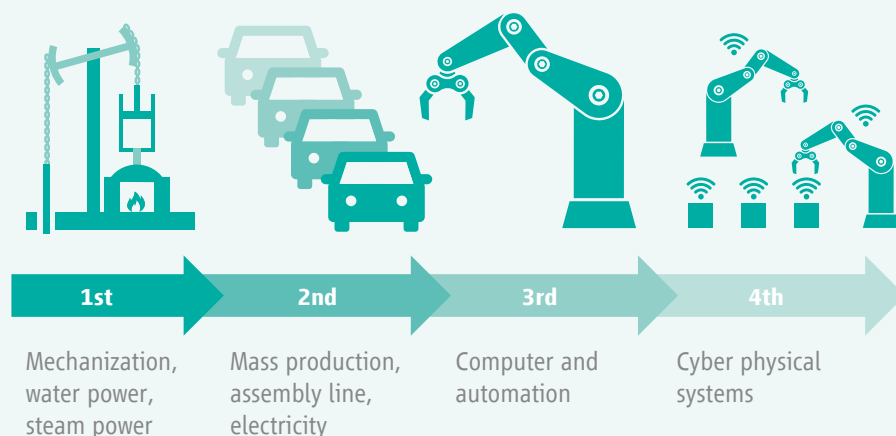
programmes. Levying taxes on robots and other automated work process is one possible approach. The Republic of Korea has announced a "robot tax".

In spite of these developments, the future scenario for many elements of conventional social security is uncertain. Amongst the Sustainable Development Goals (SDGs) adopted in 2015, Goal 8 promotes inclusive and sustainable economic growth, full and productive employment and decent work for all. Such ambitions do not necessarily sit comfortably with greater automation and new digital solutions. This generates discussions on how to provide a minimum level of income protection for all. In this context, universal basic income is viewed less as a politically utopian or economically unfeasible policy option but rather as a possible approach to ensure social cohesion and stability in the future.

Social security administrations are no less impacted by digitalization and increasing automation than other public service providers. Overall, much of this impact is positive, with improved quality outcomes for service delivery. The perceived threat to service continuity and quality posed by the imminent retirement of many social security administrators in ageing countries has diminished – because technological solutions have compensated for such staff losses.

For administrators, the upside of the digital economy is the rapid offer of new digital solutions. The downside is when existing institutional practices evolve slower than do changes in the world of work. Take the case of when legal codes and regulations become outdated in the light of technological change. When bringing these up to date, the challenge is that this will happen at a slower pace than is desirable to offer seamless protection to all workers in all forms of work.

## THE FOURTH INDUSTRIAL REVOLUTION



Source: Willis Towers Watson (2017)

## PRIORITIES OF ISSA MEMBERS

Member institutions that consider the labour market situation to be a priority challenge

World **66%**  
 Asia and Pacific **55%**  
 Africa **79%**  
 Americas **71%**  
 Europe **70%**

Source: ISSA global member survey (2015)

## IT STAFFING CHALLENGES



The high mobility of IT staff imposes high turnover costs for employers

Source: Willis Towers Watson (2017)



Around 70% of employers pay higher wages to employees with critical IT skills

## THE FUTURE OF WORK



Estimated number of low-skilled IT jobs to be replaced by automation and AI in India by 2021

Source: www.techgig.com



**4 million workers**

A third of Australia's national workforce are freelance workers facilitated by peer-to-peer online platforms

Source: www.news.com.au



## CHALLENGE 7







## Employment of young workers

High levels of unemployment and underemployment among young women and men is a major challenge in Asia and the Pacific. The coordinated responses of social security administrations, public employment services and education and training institutions can help improve employability and reduce levels of unemployment, underemployment and inactivity. To achieve these goals, social security systems are looking beyond their conventional role as providers of income protection. Of concern, with only 22.5 per cent of unemployed workers under effective unemployment protection in the region, one challenge is to counter the emerging rhetoric that once more sees workers' social security as a cost for employers. To the contrary, the goal must be to extend social security coverage and expand formal labour markets.

**T**he region of Asia and the Pacific has over 700 million young people aged 15–24, comprising 60 per cent of the world's youth. Thanks to dynamic social and economic development, especially in China and India, the two most populous countries, youth unemployment in this region remains the lowest among all regions throughout the world, and secondary and tertiary education gross enrolment rates have witnessed substantial increases in recent years. Despite such achievements, a large number of younger workers have great difficulty in entering formal

stable employment and remain excluded from social security programmes. Legal coverage for unemployment protection through contributory, non-contributory or employment guarantee schemes under national legislation ranges from 15.9 per cent in South-Eastern Asia, 24.8 per cent in Eastern Asia, to 39.7 per cent in Southern Asia (including an estimated 24.4 per cent under India's employment guarantee scheme). Nearly half of all workers, or more than 900 million people, are affected by vulnerable employment in the region, ranging from 31 per cent in Eastern Asia to ►►

72 per cent in Southern Asia. The proportion of adolescent and youth migrants is 19 per cent in Asia and 13 per cent in the Pacific, and are mostly female. Confronted with difficulties in transiting to the labour market, some young people may seek to prolong periods in full-time education. In countries such as Indonesia and the Philippines, about 25 per cent of youth are not in either education, employment or training.

Economic downturns tend to affect employment rates among younger workers more than older workers. The evidence of the 2007–08 global crisis substantiates this, with many younger workers losing their jobs, reaching unprecedented levels in many countries in the region. The world economy has since rebounded, but revitalized growth in many economies has not gone hand in hand with a comparable rate of job creation. In some economies, levels of long-term unemployment remain high and jobless growth is a worrisome trend.

## **| LABOUR MARKET CHALLENGES AND YOUNG WORKERS**

In spite of robust economic growth in recent years, youth in Asia and the Pacific continue to face a multitude of challenges, including inequitable employment opportunities and inadequate social protection. Poor quality employment is pervasive and high-skill employment remains low in many of the region's developing economies. While rapid developments in digitalization and gig- and platform-economies offer new opportunities for young people, they also make the organization of work more flexible and less formal, particularly for the young workers involved. This raises serious questions for labour protection and social security programmes.

The challenge is to identify practical measures to improve the employability of young workers, to provide them with access to social protection, and better prepare them for a rapidly digitalizing economy. To provide coverage to those engaged in the growing number of new and combined forms of employment, consideration should be given to strengthening the current trend towards the introduction and extension of unemployment protection

programmes. This should include developing new unemployment insurance schemes for the self-employed and persons in non-standard jobs. To this end, labour authorities and social security administrations need to anticipate the future of work, to design employment promotion and social security programmes that are efficient, relevant and sustainable.

In economies with a younger demographic profile, there are often insufficient numbers of new decent jobs created for large numbers of new job-market entrants. Good job opportunities for better-educated young workers remain particularly rare in many countries in the region; the alternative may be to accept low-return opportunities in the informal economy. Emigration may be the considered response by some, with a huge loss in potential for developing economies. In some regions, unemployment is significantly higher among women.

The longer-term social security implications of high levels of youth unemployment remain relatively under-discussed. For all workers, career gaps affect the acquisition of full contributory pension rights.

A further challenge for low-paid workers especially is that many pension schemes have reduced their redistributive role and tightened the link between individual contributions and future benefits. Shorter contributory periods combined with contributions paid on lower levels of earnings equates with less generous pension entitlements. Of course, young people are important consumers for national economies, and their consumption patterns important economic drivers. Continuing high numbers of underemployed or unemployed young workers act to limit economic activity and growth.

## **| RESPONDING TO THE NEEDS OF YOUNG WORKERS**

Benefits for the working-age population are typically part-financed by workers, as are most unemployment benefits. While it is important to encourage activity, a joint financing approach penalizes those with fractured work histories, especially those who often transit in and out of periods of work. A common response to all forms of economic insecurity is to provide tax-financed

income support. Practice shows that such forms of support are focused less on workers and more commonly target societies' vulnerable youngest and oldest populations.

Regional initiatives, such as those of the Asia-Pacific Economic Cooperation (APEC), acknowledge the need to improve work opportunities for the region's younger workers, as well as to improve the protection available to those who are unemployed. Broader measures will require a degree of additional public expenditure. In Asia and the Pacific, just over two in every ten workers have access to effective unemployment protection. Coverage is typically higher in more developed economies, though reductions in social budgets have also weakened some unemployment protection measures in recent years. While this may help incentivize job searches, it presupposes the availability of suitable work.

There is progress in extending protection to workers. In recent years, a number of countries in the region have initiated unemployment benefit programmes. Malaysia launched a new unemployment insurance scheme in 2018, administered by the Social Security Organisation. Such programmes are essential and their introduction should offer income security to workers when transiting from unemployment to work. Singapore's SkillsFuture programme offers training for citizens, mostly

young people, to learn new skills for contract work or short-term projects.

In Nepal, the National Employment Fund, in partnership with selected providers, offers training and employment services to poor youth with less than ten years of formal education. The providers, ranging from technical and vocational training institutions, public and private employment service agencies to skilled artisans offering apprenticeships, receive outcome-based payments. Hong Kong (China) has established an Employee Retraining Board and a Continuous Education Fund, which subsidizes training fees to encourage workers aged 15–64 to upgrade their skills.

In Papua New Guinea, the Urban Youth Employment Project provides urban youth with income from temporary employment opportunities, and seeks to increase employability through the provision of life skills training and public works job placements. In the Philippines, about 42,000 village-based youth councils help youth (aged 15–21) to participate in public governance processes, including managing 10 per cent of their villages' annual budgets.

China has seen near-continuous unemployment insurance reforms. Among others, the reforms aim at covering greater numbers of workers, raising the level of unemployment benefit, ►►

*“Good job opportunities for better-educated young workers remain particularly rare in many countries in the region”*



promoting unemployment prevention, widening the scope of benefits to include the payment of basic health insurance and pension insurance contributions by the fund on behalf of the unemployed worker, implementing a vocational skill upgrading subsidy, and promoting the employment of university graduates.

The experiences of many national social security administrations suggest that interventions should be multiple and staged in a manner that acknowledges the dynamic nature of risks. For unemployed young workers, risk factors should be identified and specific actions put in place at all stages. Beyond income protection, younger workers frequently need activation measures, such as skills (re-)training, and such measures should have a gender dimension. There is general agreement about the need for timely action in support of the unemployed: a rapid response is more likely to result in a worker's earlier return to employment.

Social security administrations cannot meet the challenges alone. Top-level political support for active labour market policies may be necessary to drive employment growth and to counter the potential risks of social instability and civil unrest among the marginalized working-age population.

Apprenticeship systems that operate as an integral element of labour markets in some countries may be a factor in lower unemployment rates among young workers. They can help bridge the transition between education and work, while providing valuable employment and life skills. Such systems require national-level collaboration between employers, trade unions and governments, including the setting of wage levels, creating a national minimum wage, and enforcing labour market regulation.

Global and regional economic cycles aside, to reduce unemployment among young workers, public policy is necessary to create an appropriately skilled workforce and the conditions that permit job creation. Also necessary is close collaboration and coordination among different public institutions and employers' and workers' organizations. A holistic approach should involve effective labour market regulations, including active labour market policies that promote decent jobs for youth, to improve social protection and assistance programmes, and to develop effective unemployment benefit programmes.

## YOUNG WORKERS IN ASIA-PACIFIC



**718 million**

Estimated number of people in the region aged 15–24

Source: UNDESA (2015)



**20%**

Percentage of workers in Asia-Pacific aged 15–24

Source: ILO (2012)



**10 times**

Young people are up to 10 times more likely to be unemployed compared to adults in some countries

Source: UNESCAP (2017)

## EMPLOYMENT CHALLENGES



**80 million**

Unemployed young people in Asia-Pacific

Source: UNESCAP (2017)



**11%**

Youth unemployment rate in Asia-Pacific in 2017

Source: ILO (2017b)



**3 out of 10**

Nearly a third of young workers who have jobs are in the informal economy

Source: ILO (2017b)

## CASUALIZATION OF WORK



**All working ages**

The increasing casualization of work confronts workers of all ages

Source: ILO (2017b)



**Education**

Casual employees are more likely to have lower education levels



**Gender**

Men are more likely to be in casual forms of work



## CHALLENGE 8







## Inequalities across the life course

Social security systems support social cohesion and tackle inequalities in society. In this regard, tackling income inequality is just one, albeit very important, objective. Social security systems also help address inequalities between genders, in access to labour market opportunities, or access to health care and services, and enable people to mitigate risks and realize their potential across the life course. Working closely with other stakeholders, the growing capacities of social security administrations to respond to the dynamic nature of risks strengthens their hand as effective actors to address multiple inequalities.

**A**lthough inequality between countries has generally reduced, levels of inequality within countries has grown – seven out of ten people now live in a country that is more unequal than 30 years ago. As regards income inequality, within the Asia and the Pacific region, half of countries show higher levels of inequality compared with the 1990s, including those that are the most populous. This growing concentration of wealth threatens social cohesion, social inclusion and economic growth. It also presents challenges as regards meeting the 2030 Sustainable Development Goals.

Inequalities in Asia and the Pacific often have a tight relationship with the structure of national

labour markets. A majority of workers face insecure forms of employment. The postulate that economic growth would lead to greater labour market formalization has, in many instances, not materialized. Informality in the labour market is a key driver of inequality, with both direct and indirect impacts. Informality exposes workers more to workplace risks and precarity – an absence of decent working conditions, often low and varying income patterns, and limited access to social protection. The design of national tax systems, which too often have regressive features, and contribution evasion and the enforcement of tax collection represent important indirect challenges. ►►

Commonly, consumption taxes provide a high proportion of total national tax take, with a relatively low proportion coming from income tax. The narrowness of the tax base, as well as the fact that ensuring high collection rates is challenging, has negative implications for the financing of all social security programmes, but for tax-financed programmes with a redistributive aim in particular. This has important ramifications, given that the latter can have a relatively greater positive impact for more marginalized and poorer sections of society.

## CHALLENGES TO SOCIAL COHESION

A cause, but also an effect, of inequality is the widening distribution of health status and mortality of the region's population. As a result, while the increase in life expectancy has been particularly dramatic in the region, with a near 30-year increase over 60 years, healthy life expectancy has not increased at the same rate. Women in South-East Asia, for example, on average live ten years in poor health.

Younger generations are particularly at risk. Young workers often face inadequate employment opportunities (unemployment and underemployment, but also excessively long hours), and poor levels of educational attainment may exacerbate access problems. Of course, youth with tertiary-level education are not immune to the problems of unemployment and underemployment across the region. Productivity levels in many countries in the region remain weak.

Among other challenges, women may face continuing discrimination and unequal access to the labour market in particular, while poverty rates remains high among indigenous communities and migrants as well as for the LGBT community and those with physical disabilities or mentally handicapped. Together, these examples suggest that current levels of human capital investment may be insufficient.

## RESPONSES TO SUPPORT SOCIAL COHESION

Social security systems can make important contributions to help address inequalities and strengthen social cohesion, but to do so, both in terms of inputs and outcomes, first requires the effective design and financing of programmes and services.

This is most evident when set in the context of the region's large informal labour markets. It has been difficult – but not impossible – for social security programmes to cover informal economy workers effectively. To extend effective coverage, there should be a focus on the real needs and contributory capacity of the different sectors of the population. In the Republic of Korea, for instance, efforts to address low coverage levels in the national pension system included contribution subsidies to companies with nine or fewer employees as well as for low wage earners. Closer collaboration with other ministries and the private sector also assisted coverage extension.

Generally, supporting social cohesion requires prioritizing the development of appropriate financing mechanisms for universal benefit systems that offer adequate benefits. Thereafter, there is a need to understand better the characteristics of the different sections of the population. In practice, this means designing approaches to ensure that benefits are accessible to the most vulnerable groups (i.e. those who are the most negatively exposed to unequal outcomes: for instance, the poor, women, indigenous and minority groups, migrants and persons with disabilities).

In turn, while universal and targeted social security programmes offer two different approaches to reduce inequalities, such programmes should represent only a part of the broader response. Social security institutions commonly work with other stakeholders in a wide range of public policy areas, from health provision to job training, education and care provision. Social security institutions can also play a direct role in improving country infrastructure through investment in projects, for example in the building of affordable housing.

In the region, social security programmes are making positive interventions to help reduce inequalities. These responses reveal a growing engagement to understand the factors that drive the recent growth in inequalities.

**Focus on cash transfers.** There has been increasing interest in targeted and conditional cash payment (CCT) programmes over the last decade. Critical evaluation shows that while these may reduce income poverty, they have only weak or even negative impacts on reducing wider measures of inequality. Targeting CCT payments to women, for example, may reinforce traditional gender roles and thus leave issues of gender inequality unaddressed. From the programme design perspective, depending on the eligibility criteria selected, CCTs require comprehensive systems of data management and the ability to profile household income. In practice, they have higher administrative costs due to the continuous need to assess accurately beneficiaries and to avoid incorrect payments. A further challenge is the stigma felt by some beneficiaries eligible to receive targeted benefits, which may result in the non-takeup of benefits, including by those most in need.

Universal cash benefits typically have lower administration costs and can significantly reduce income poverty by the automatic nature of providing benefits to all. These may help mitigate underlying structural inequalities in

society, but they cannot alone eradicate them. Universal non-cash benefits, such as fuel or food subsidies, also face challenges. Differences in household consumption patterns often mean that higher-income households have a disproportionate usage of such subsidies, thus reinforcing existing inequalities.

**Health.** Annually, around 20 million noncommunicable disease-related deaths occur in the South-East Asia region, mainly affecting the poorer sections of society. Such health issues have significant direct impacts (health-related costs, disability benefit payments, etc.) and indirect impacts (on mobility, social inclusion, carers, productivity, etc.). As elsewhere, diabetes and obesity have become major public health concerns. Mental health issues are growing, with unipolar depression being particularly commonplace in the region.

Measures that aim to reduce health risks not only improve health indicators but also strengthen social and economic inclusion across the life course. Indonesia operates a programme to improve cognitive resilience and functioning. India has introduced a number of measures that will support the improved health of pregnant women, mothers and infants. Other programmes support healthy eating in pregnancy, improving the learning environment in schools, stress management, healthy living, and the early detection of risk factors. ►►



**Working with other stakeholders.** Given the many different types of inequality, as well as the scale of the informal economy across the region, public social security agencies often work with other stakeholders with more developed grassroots ties to enhance social and economic inclusion. To identify the employees of small companies without pension coverage, who would otherwise be vulnerable to the risk of old-age poverty, the Republic of Korea's National Pension Service works closely with industrial associations and four government ministries.

**A broader conception of targeting.**

Conventionally, the term “targeting” applies to benefit programmes that provide cash and services to population groups that meet specified criteria. Providing cash transfers to households that satisfy income-test, asset-test or proxy-means test criteria are common examples. An emerging broader usage of the term observed in the region, sometimes called “smart targeting”, infers that benefit programmes are increasingly capable of, and concerned with, focusing upon the needs of individuals and households to better tailor access, eligibility and the type of benefits provided.

For example, in a number of countries, including in Central Asia (e.g. Tajikistan and Turkmenistan), the definition of covered employment includes non-contributory periods spent caring for persons with disabilities or young children. In this manner, social security legislation recognizes that such households, owing to the profiles of the household members, may have a degree of distance from the labour market. This and other instances of smart targeting permit social security systems to better meet the evolving social protection needs of populations while taking into account multiple risk factors that may impact well-being. In the absence of such measures, such potentially vulnerable households would face, in all likelihood, a greater risk of exclusion.

In the same vein, to support social cohesion and combat inequalities, information and communication channels for smart targeting also need to reflect the different characteristics of populations groups – for example, providing information in different languages and adapting information for those with visual or hearing impairments.



## TRENDS IN INEQUALITIES



**330 million**

Number of people in Asia-Pacific living on less than \$1.90 a day

Source: ADB (2016)



**1.5 billion**

Number of people in the region who lack proper sanitation

Source: ADB (2016)



**9 out of 10**

Most people in the region have access to electricity

Source: ADB (2016)



**80%**

Percentage of rural dwellers in the region with access to safe water

Source: OECD and WHO (2016)

## HEALTH WORKFORCE DEFICITS



**50%**

A health workforce deficit affects over half of the region's rural population

Source: OECD and WHO (2016)



**25%**

A health workforce deficit affects over a quarter of the region's urban population

## GENDER INEQUALITY



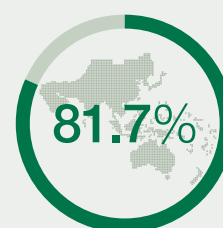
Proportion of women in the region's labour force

Source: ADB (2015)



Women's earnings were 38.2% lower as opposed to men's in 2013

Source: Euromonitor International (2014)



Percentage of women in vulnerable employment, as opposed to 72.4% of men

Source: ILO (2017)



## CHALLENGE 9







## New risks, shocks and extreme events

Societies and economies are exposed to different and often unpredictable economic, societal, political, and environmental shocks. Social security systems can absorb and attenuate the worst consequences of these risks and help to reduce the frequency and severity of others. They therefore enable societies to recover more rapidly from downside impacts and to be better prepared for future events. In a world of growing uncertainty, social security programmes' roles in managing risk have extended beyond offering traditional reactive responses. Professional and well-resourced social security administrations may be one of the few countrywide actors able to manage and assume risk on a large scale.

**T**he region of Asia and the Pacific is the most disaster prone in the world. This relates to certain environmental, social, health, political and economic shocks in particular. However, the frequency and severity of such shocks are arguably increasing. As one example, the past decades have seen a significant increase in the destructiveness of tropical cyclones. The established link between the recent rise in sea surface temperature and increasing tropical cyclone intensity implies that social security institutions should factor in possible responses to this risk as part of future budgeting and planning decisions.

There are a number of examples of social security systems anticipating and responding to these evolving forms of risk, but this movement is nascent. Nevertheless, with external shocks more frequently exacerbating the uncertainties associated with life cycle and labour market risks, this trend is likely to gain momentum in the region's countries.

To respond effectively, social security institutions should track risks as well as the response measures implemented in a phased manner. In the first instance, this should take place during a planning and preventive period to identify potential shocks and reduce their possible impacts. The next steps should ►►

be the delimitation of the institution's role during the shock itself and, thereafter, its follow-up role. Follow-up is important because although shock events may be short, their negative impacts can be much longer lasting, and in some cases enduring.

## | NEW CHALLENGES FOR SOCIAL SECURITY

There have been an exceptional number of unprecedented climate extremes in the region during the last decade. For example, in 2010, Pakistan experienced the worst flooding in the country's history; in 2013, the Philippines was hit by typhoon Haiyan, the strongest storm ever recorded to strike land; and India suffered severe heat waves in 2015 and 2016. In many countries, around 50 per cent of the population live in low lying coastal areas. Sea levels have already increased by some 20 centimetres in the last century, with a similar or bigger increase projected for the next century. More than other regions, flooding threatens a number of the region's major cities.

Weather-related events and environmental degradation caused by excessive or inappropriate human activity also create shocks. Pertinent examples in this regard are flooding and landslides, which can seriously affect households and livelihoods. As one regional example, the heightened use of water sourced in the Himalayas is placing this vital natural resource under pressure – threatening the possibility of not only water penury but also conflicts.

Economic and health shocks affect livelihoods, often requiring the rapid mobilization of targeted interventions. While the origins of health shocks and the distribution of health risks are often rooted in the local environment, growing global movements of people and goods increase the risk of the geographic movement of viruses and parasites. Economic globalization also heightens the risk of the global contagion of economic crises. Finally, political risk in parts of the region is particularly elevated. Most of the more than 5 million refugees from the Syrian Arab Republic have moved to neighbouring countries, necessitating emergency humanitarian and social policy responses.

## | RESPONDING TO NEW RISKS

In spite of operational constraints and external pressures, many social security institutions have shown themselves to be capable of adapting to new and diverse sets of risks. The region provides evidence of a number of specific responses.

**Environmental risks.** In India, the National Rural Employment Guarantee Scheme supports projects on water conservation (drought prevention), re-forestation, and flood control, with positive impacts on groundwater levels and improved soil fertility leading to improved land productivity and erosion control of arable land.

**Economic and financial shocks.** The exposure of many of the region's economies to fluctuations in natural resource prices means that the economic situation of countries can deteriorate quickly, with rapid rises in unemployment. Significant currency fluctuations are also common. Universal benefits offer one particular important response, given that by delinking access to benefits to strict employment-related conditions, risk is diversified and wider coverage attained. Geopolitical emergencies create financial shocks for households and families. The financial insecurity faced by Syrian refugees in Jordan has prompted the introduction of a monthly cash transfer to refugees in urban settings, which recipients typically use to pay housing rents.

Another issue is the investment management of reserve funds and the savings held by National Provident Funds, including the possibility of partially delinking investment returns from national economic growth and thus spreading risk. Investing in international financial markets involves risk too, however. The regulatory and institutional framework of a social security institution can be enshrined to ensure a degree of independence and autonomy in all aspects of investment management, irrespective of any political changes at the national level.

**Health risks.** The growing incidence of noncommunicable diseases (NCD) in the region is a new risk but also a shock. Coupled with changes in family structures, NCD incidence has direct cost implications for health systems,

for the financing and meeting of caring needs, and for labour market activity rates.

A number of preventive health measures that seek to reduce risk through improved diets, pollution control and encouraging more physical exercise, alongside the development of early detection methods for NCDs, operate in the region. For example, the National Health Insurance Service in the Republic of Korea has introduced targeted screening (cancer screening rates have increased from 29 to 44 per cent from 2006 to 2013) and health promotion centres. A remaining challenge for the region is a shortfall of over 8 million formal long-term carers, although some national institutions are moving to address this.

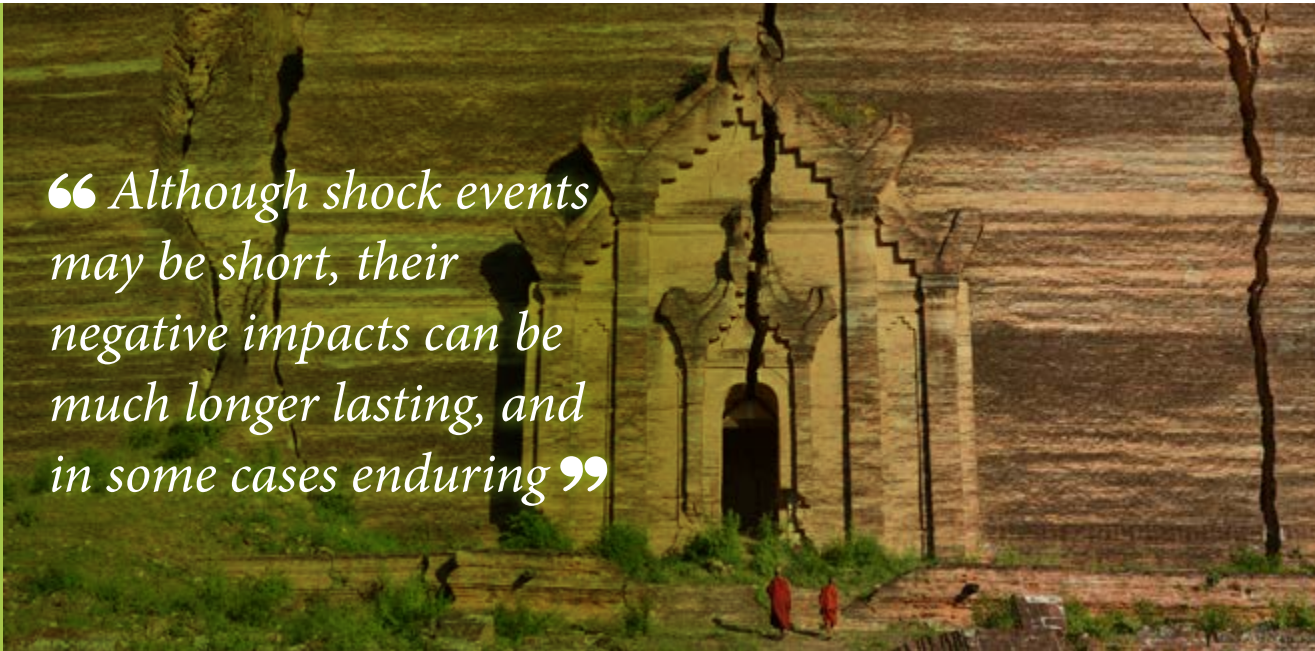
**Climate change.** The region is particularly vulnerable to climate change for two reasons – the high numbers of extreme events that have direct, short-term and often life threatening impacts and those with longer-term impacts (degradation of health status, negative impacts on enterprises, etc.). Responses should reflect this situation.

Owing to the Philippines' recognized vulnerability to climatic risk events (for instance, 70 per cent of all tropical cyclones in the Northwest Pacific make landfall on its national territory), the country is a regional leader in risk awareness and planning. The Philippines

Disaster Risks Reduction and Management Act formally encourages youth to engage in disaster risk reduction and response activities, including creating rapid response groups, identifying high-risk areas and aiding in the public dissemination of disaster preparation awareness. The Social Security System provides different forms of support that include calamity and emergency loans awarded at concessional rates, advanced payment of pensions for up to three months, and accelerated procedures for benefit processing and pay out. Elsewhere, as a prevention and mitigation response, the Bangladesh authorities have set up a climate adaptation fund.

Climate change is one factor driving migration from some Pacific island states towards more developed economies, such as Australia and New Zealand. Although the numbers of people involved remain relatively small, this may suggest the need to develop international social security agreements concerning the future financing and delivery of social protection for "climate" migrants.

**Natural disasters.** Non-climate change related disasters have also occurred in the region, prompting innovative responses. The Japanese social security system introduced over 200 different measures to respond to the aftermath of the 2001 tsunami, including deploying increased numbers ►►



*“Although shock events may be short, their negative impacts can be much longer lasting, and in some cases enduring”*



of medical staff to affected regions, providing medical supplies to those having lost health insurance cards, making special unemployment insurance payments to affected people and reviewing and strengthening occupational safety measures. In New Zealand, the social security system reacted quickly to the 2011 Christchurch earthquake by making available additional staff to respond to queries from the public.

**Managing risks.** In order to respond effectively to operational risk as the result of an external event, social security institutions may adapt working practices. Effective and robust delivery systems are essential if the damage inflicted by the extreme event or shock weakens the traditional infrastructure. While e-services are important and scalable, these are dependent on the supply of electricity. In the event of a loss of electrical power, other networks and channels are equally necessary. Mission critical infrastructures must therefore be the subject of rigorous business continuity planning and fail-safe approaches, including ostensibly redundant measures and contingencies retained as possible crisis response mechanisms.

To mitigate risks associated with shocks, it is also important to develop and expand national health, social protection and education

coverage. Adequate and sustainable coverage is, by definition, an effective long-term shock absorber. Often, the hardest hit areas are those that are the most geographically remote and with the least developed infrastructures (e.g. a lack of access to health care professionals and medical facilities). When shocks do occur, it is important that responses across networks are coordinated to avoid the duplication of effort as well as the wastage of resources. Responsibilities should be determined and goals identified from the outset.

The response to shocks and emerging risks must include a number of different measures and the involvement of a range of stakeholders. There will be a need for tailored ad hoc measures that respond to the specific impacts of shocks. However, it is worth restating that effective responses to shocks will typically require a response element to address the initial needs (often mitigation, followed by rehabilitation measures) and a preventive element to reduce future risk and the severity of impacts. For example, recognizing the need to adapt to the negative effects of climate change on health and income security, Pacific island countries such as the Solomon Islands and Vanuatu are embarking on expanding their national floors of social protection.

## CLIMATE CHANGE



## High risk

Many of the countries of Asia-Pacific are highly exposed to natural disasters and the consequences of climate change

Source: UNESCAP (2017)



**+100 million**

Potential increase in people in the region living in extreme poverty resulting from climate change by 2030

Source: UNESCAP (2017)



**+1.6 billion**

The number of people in the region at risk of tropical cyclones by 2050

Source: ADB (2017)

## THE FINANCIAL CHALLENGE FOR DEVELOPING ECONOMIES IN ASIA-PACIFIC

Lower market prices for primary products on global markets



=

Lower national income



=

Less ability to finance emergency responses



Source: IMF database

## CYBERSECURITY RISK



**60%**

Percentage of digital businesses expected to suffer major service failures due to digital risk by 2020

Source: Equinix (2017)



**\$ 400 billion**

Estimated annual cost of cyber-attacks on businesses

Source: Bahl (2016)



**90%**

Percentage of consumers in Asia-Pacific concerned about the protection of online personal data

Source: Bahl (2016)



## CHALLENGE 10





## Protection of migrant workers

With over 1 billion internal and international migrants worldwide, the higher numbers and greater diversity in the nationalities of migrant workers present administrative challenges for social security systems. In spite of progress, the social security protection of migrants globally remains weak, with only a fifth of migrant workers having the full protection and portability of their social security rights. Once considered mainly a South to North issue, the global nature of migrant flows has evolved. The example of Asia and the Pacific speaks for itself. The third largest migration corridor in the world is Bangladesh–India.

**L**abour migration largely occurs under temporary migration regimes and for less-skilled work. Migrants often fill jobs unattractive to nationals and some occupations are highly gendered. Importantly, the region of Asia and the Pacific is also an important source of skilled workers, in particular from China, India and the Philippines.

While women comprise around half of international migrants there are important gender differences by economic sectors, the quality and security of the work, levels of pay, exposure to health and safety risks, and the adequacy of social security protection.

Internal migrants also face social security challenges in Asia and the Pacific. This is

especially so in large countries, and particularly those with a federal structure, multiple cultures and linguistic groups, and a fragmented social security system. China, for example, has close to 40 million farmers-turned-internal migrant workers. About one in five Indian workers are internal migrants who have moved across district or state lines.

Given the important population movements in the region, the pressing issue for social security decision-makers is how to extend adequate and sustainable coverage to all workers. ►►



## | MIGRATION IMPACTS AND CHALLENGES

Migration will continue in Asia and the Pacific, though the sources of flows and their magnitude will evolve. In a context of demographic ageing, it is widely understood that migrants are an important resource, and their effective integration in the labour market is a benefit for local economies. For instance, ageing Japan has seen a rise in immigration, with workers coming from Nepal, the Philippines, Thailand and Viet Nam.

Migrants working in the regulated economy are typically those who have the financial means to move country or region, are commonly in the cohort aged 20–39, with their education completed and paid for, and are already economically active. Such workers tend to be younger than the general population, which is attractive for host countries looking for ways to rejuvenate their demographic profile. Migrants bring many beneficial economic, demographic and social impacts to the host country. These include an injection of skills and competencies that may not exist or be in short supply. Migrant workers are also often entrepreneurial and hardworking.

The remittances that migrants send home are hugely significant for their domestic economies. Yet remittances often come at the cost of trade-offs for migrant-sending countries. One trade-off stems from developments in global care chains and the manner in which they affect women particularly. With ageing populations, the increasing labour force participation of women, and the insufficient public provision of care in developed countries, there is a heightened demand for domestic workers and carers for children, the elderly and for those who are in poor health or disabled. Consequently, many women in the region are leaving their own dependants to accept work as domestic helpers and caregivers in more developed countries. This results in “care deficits” in migrant-sending countries.

Of course, migrant workers also raise policy challenges for migrant-receiving countries. The offer of competitive migrant labour may depress wages and challenges posed by

cultural differences and social integration are commonplace.

For social security administrations in Asia and the Pacific, as in the other regions of the world, the practical challenges posed by migrant workers are many, but they are surmountable. These can arise out of the atypical work-career characteristics of many migrant workers, such as short careers in the host economy, with frequent job change, and periods of activity in the informal economy.

An administrative challenge for migrant workers in some countries remains the absence of electronic files and the continuing use of paper records. The widening use of ICT in social security administration reflects its practicality in the exchange of information and data. For some countries, ICT costs can be prohibitive. Other challenges for migrants’ coverage include cross-country differences in social security concepts, terminology and practices, political and legal barriers, and data availability.

## | SOCIAL SECURITY RESPONSES TO MEET MIGRANT WORKERS’ NEEDS

In addition to an affirmed human rights’ rationale for extending coverage and offering equality of treatment, there are many positive trade-offs for social security programmes and the economy of extending coverage to migrant workers.

***Eligibility requirements, access and coverage.*** Extending coverage ensures access to essential benefits and services to help mitigate various risks. It enhances social cohesion, facilitates economic growth and strengthens public support for social security programmes. Generally, extending coverage to migrant workers is positive because it strengthens efforts to formalize labour markets, thus weakening the potential for exploitation and facilitating greater mobility. Importantly, migrant workers are often net contributors to the social security system.

To minimize stress and to facilitate social cohesion, social security systems are developing appropriate responses. Effective public communication is a first step to inform



migrant workers of their social security rights and entitlements.

An innovative approach adopted by the General Organization for Social Insurance of Saudi Arabia is the proactive registration of expatriate workers as soon as they arrive in the country. Inter-agency cooperation ensures increased efficiency, higher data quality, accuracy, fair and just compensation and virtually 100 per cent social security coverage of expatriate workers, who comprise more than 80 per cent of the country's private-sector workers.

However, many migrant workers are economically active in areas that tend to be less subject to the employer-employee relationship, which is fundamental for much of social security administration and financing. Often this relates to types of caring and home-based work mostly done by female migrant workers. The weak regulation and oversight of these sectors can present challenges for social security registration and administration.

**International agreements.** By amending social security legislation and adapting benefits and contribution structures, the extension of coverage to migrant workers is possible in Asia and the Pacific. Bilateral social security agreements are a cross-frontier mechanism to extend portable coverage to international migrant workers. These help verify the personal

identity of migrant workers and their eligibility to social security, and thereafter permit the calculation of personal entitlements and their portability. Not only do such agreements set down the rules regarding treatment, they enable coordination measures to support how the administration of cases is undertaken and how effective communication occurs between different stakeholders.

Bilateral agreements can take significant time to implement. Once in place, they have a number of strengths. Social security agreements hold to coordination principles and embrace equality of treatment, determination of applicable legislation, maintenance of acquired rights, maintenance of rights in course of acquisition, and the payment of benefits abroad.

In practical terms, social security agreements ensure the portability of social security rights and therefore prevent the exclusion of workers from social protection coverage in both the home and host country, avoid the double payment of contributions in the same, and the totalization of years of contributions helps workers satisfy minimum eligibility requirements. Nevertheless, many migrants – most commonly, informal and rural economy workers – do not benefit from these types of agreement, as they do not have any contributions paid in their home countries. ►►

*“The practical challenges posed by migrant workers are many, but they are surmountable”*



Countries in the Asia and the Pacific region have concluded 165 bilateral social security agreements. Overall, 80 per cent of such agreements are between a country from the region and a country outside Asia and the Pacific. The conditions of the agreements vary in content, but most include provisions for the totalization of periods of coverage and seek to prevent double contributions. Owing to the particularities of financing social security in Australia and New Zealand (tax-financed universal social security systems with residence conditions), bilateral agreements with these countries include benefit stipulations only.

As one further factor, temporary foreign workers in many of the region's countries are not subject to compulsory coverage. For instance, the affiliation of foreign workers by the Employees' Provident Fund of Malaysia is voluntary, while social insurance coverage in the country is not applicable to foreign workers.

In other countries, progress is underway. In Thailand, Cambodian migrant workers receive social protection benefits under certain conditions. In Japan, national and local governments are removing some barriers that prevent access for foreign residents to national health insurance and pension programmes. As all social security systems in the region become more deeply rooted, and as coverage extends and migration continues to grow,

the need for bilateral social security agreements will increase. In some of the smaller Arab States – countries with the highest proportion of migrant workers to domestic workers – greater progress is required to improve the social protection of the large numbers of migrant workers.

In addition to bilateral social security agreements, multilateral social security agreements offer a platform to facilitate closer cooperation. In Asia and the Pacific, two flagship examples are the Gulf Cooperation Council agreement and the 2005 Baku Declaration among the countries of Eurasia. Based on their implementation, assessments of their effectiveness will be possible.

To extend protection to migrant workers (the majority of whom are without the full protection and portability of their social security rights), there are other effective administrative responses. These may include the set-up of mobile offices and procedures to encourage affiliation, tailored multilingual communication, and the use of appropriate communication channels. The National Pension Service of the Republic of Korea is one body providing specialized pension services for foreign nationals. Another example is the Philippines' Social Security System, which has social security offices in over a dozen countries where Filipino nationals are numerous in the workforce.

## REGIONAL MIGRANT FLOWS



**+21 million**

International migrants in Asia-Pacific increased between 1990 and 2013

Source: ILO (2016)



**5.2 million**

9 countries in the region account for over 5 million international migrant workers

Source: ILO (2016)



**66%**

2/3 of international migrants in ASEAN come from other ASEAN States

Source: UNDESA (2015)

## MIGRANTS AND GENDER



**58%**

In 2013, more than half of migrants in Asia were men

Source: ILO (2016)



**3.1% per year**

The annual increase in male migrants in Asia

Source: ILO (2016)



**1.9% per year**

The annual increase in female migrants in Asia

Source: UNDESA (2015)

## ARAB STATES AND MIGRANT WORKERS



**35.6%**

Over a third of the workforce in the sub-region are migrants

Source: ILO (2016)



**11.7%**

The Arab States host over 1/10 of migrant workers worldwide, most of them from South and South-East Asia

Source: ILO (2016)



**\$ 109 billion**

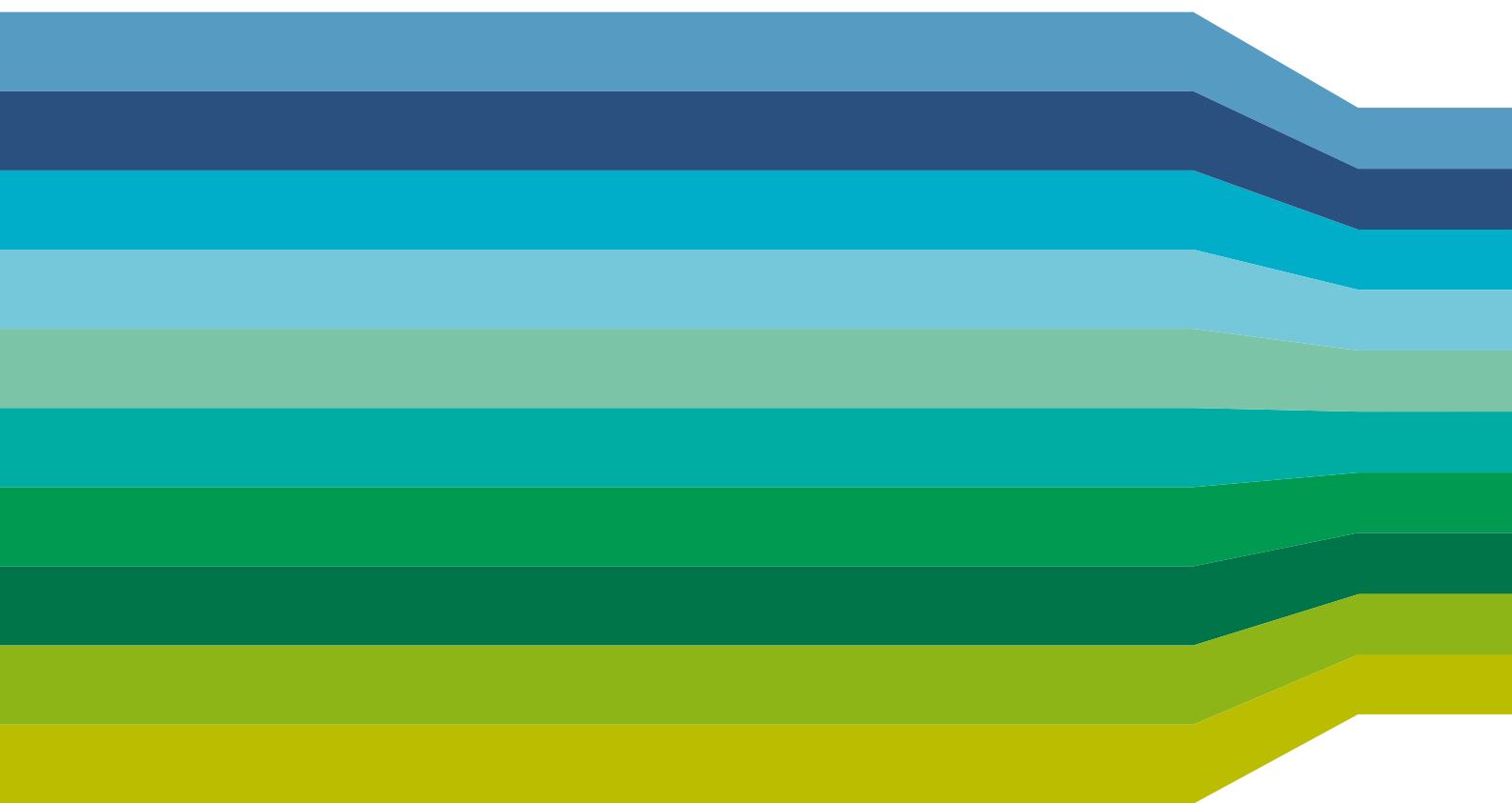
Remittances of migrant workers in the Arab States in 2014, mainly to Asian countries of origin

Source: World Bank (2015)









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