

# PROMOTING INCLUSIVE GROWTH AND SOCIAL COHESION

**Priorities for social security**



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## PROMOTING INCLUSIVE **GROWTH** **AND SOCIAL** **COHESION**

There are emerging signs that the global economy is beginning to recover from the COVID-19 crisis. A wide divergence in the pace of recovery across the world is anticipated. In Asia and the Pacific, the more developed economies are likely to have a faster rebound than those that are less developed. Generally, the poor – and those who fell into poverty because of the crisis – face an uncertain period of hardship.

Social security is a main component of the unprecedented measures implemented by governments to respond to the pandemic. The International Labour Office's COVID-19 online monitor recorded 363 such measures in 40 countries in Asia and the Pacific, 73 per cent and 27 per cent of which involved the use of non-contributory and contributory social security schemes, respectively (ILO, 2020c). Beyond the region's more developed economies, governments' heavy share in financing social security benefits highlights the limited reach of contributory programmes and the need to provide social assistance to those without social protection.

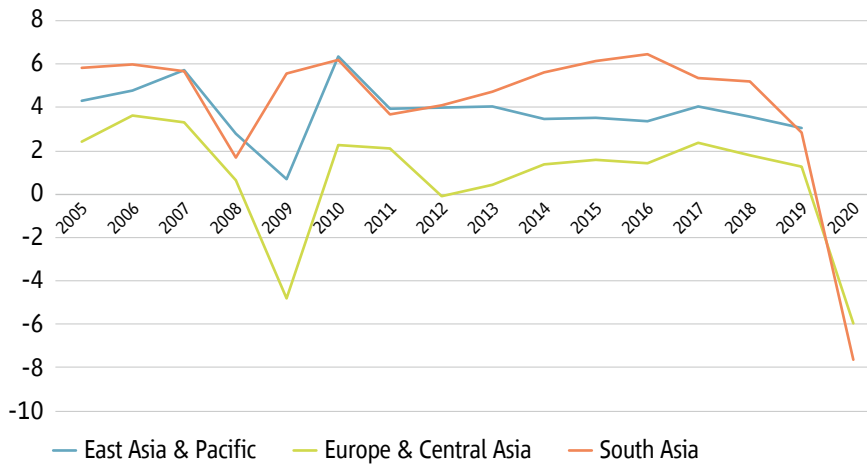
At the same time, the crisis underlines that national unemployment programmes often do not have the capacity to deal with external shocks of an extraordinary scale. By design, these programmes address job losses that are structural in nature, providing income replacement in the form of cash benefits usually for up to three months only.

Government emergency measures to support household consumption patterns during the pandemic were stabilizing and reassuring. By definition, emergency measures are temporary. An important question, therefore, is whether these temporary measures are a prelude to the development of a policy of supporting permanent social protection coverage, especially for those workers who cannot afford current contributory programmes.

To make a real difference to social and economic recovery in the region, to promote social inclusion and economic growth, social security systems must be part of a sustained and inclusive growth and development policy.

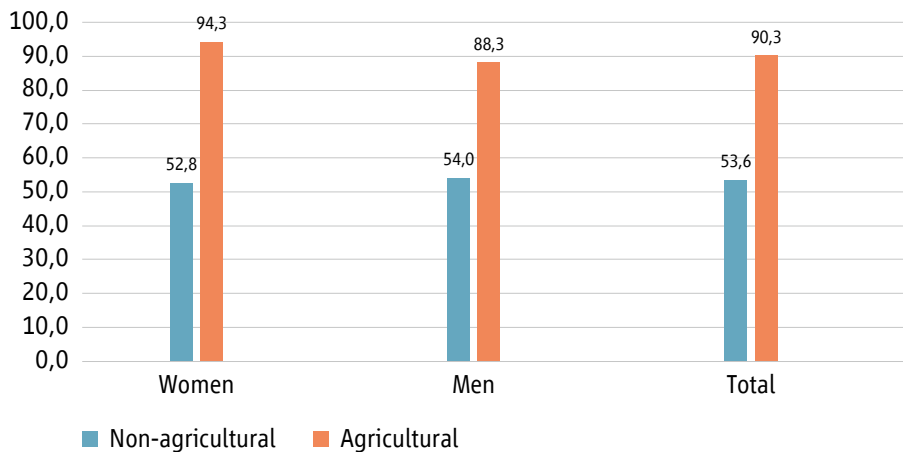
## Indicators of growth and inequality

Figure 1. GDP per capita growth 2005–2020



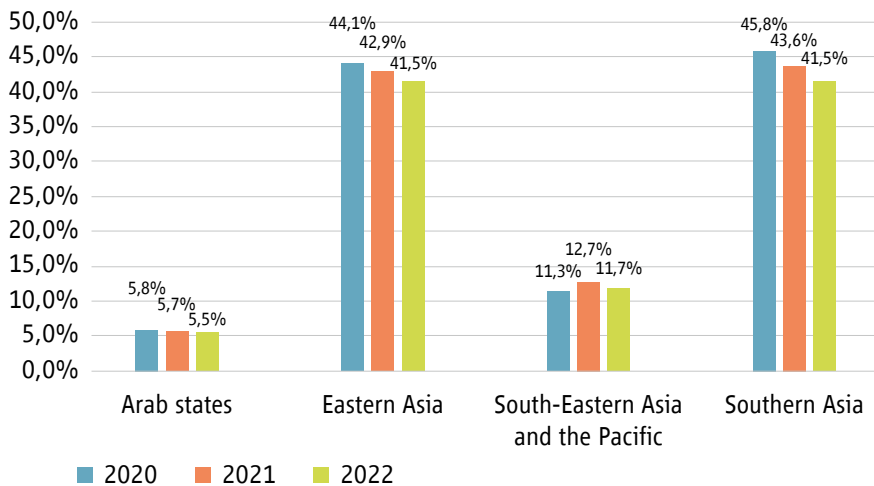
Source: World Bank (2021).

Figure 2. Proportion of informal employment in Asian employment, 2021 or latest year available



Source: ILO (2021b).

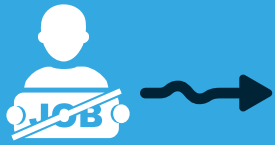
Figure 3. Expected evolution in unemployment in 2021–22



Source: ILO (2021c).



## Unemployment and poverty rates



Asia and the Pacific's unemployment rate remained comparatively low, at 4.4% in 2019, compared with the global level of 5.4%, and has changed little over the past decade. By sub-region, the highest unemployment rate in 2019 was 5.3% in South Asia, followed by 4.6% in the Pacific Islands, 4.4% in East Asia and 2.5% in South-East Asia.

Source: ILO (2020a).



In Asia and the Pacific, 14% of unemployed workers receive unemployment benefits with strong sub-regional differences ranging from 24.2% in South-Eastern Asia and the Pacific to 0.6% in Southern Asia.

Source: ILO (2021a, Fig. 4.29).



Due to the COVID-19 pandemic, working hours in Asia and the Pacific decreased by an estimated 15.2% in the second quarter of 2020 and by 10.7% in the third quarter of 2020, relative to pre-crisis levels.

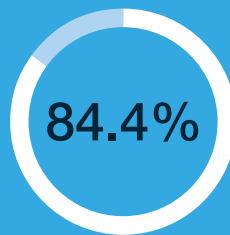
Source: ILO (2020a).

## Informality levels



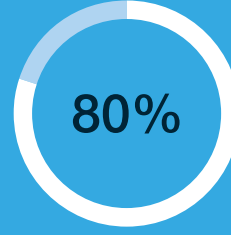
In Asia and the Pacific, informal workers account for nearly 60% of non-agricultural employment, ranging from around 20% in Japan to over 80% in Myanmar, Bangladesh and Cambodia.

Source: ILO (2021b).



In 2020, Asia and the Pacific registered the world's second highest youth informality rate (84.4%), following Africa (93.4%).

Source: ILO (2020b, p. 7).



Over 80% of workers in South Asia are engaged in the informal economy, and over 90% of the region's enterprises are informal.

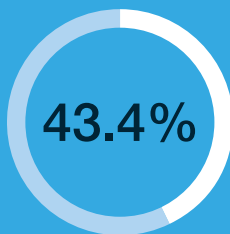
Source: Bussolo, Sharma and Timmer (2020).

## Vulnerable groups: Workers in economically high-risk jobs and trainees



In Asia and the Pacific, a total of 716 million workers (37.6% of total employment) were employed in the economic sectors that were most exposed to the collapse of productive activities as a result of the COVID-19 pandemic.

Source: ILO (2020a).



By sub-region, East Asia had the largest share of workers in the more exposed sectors (43.4%) followed by South-East Asia (40%).

Source: ILO (2020a).



More than 85% of technical and vocational schools and training centres (TVETs) were closed as a measure to counter the COVID-19 pandemic.

Source: ILO, UNESCO and World Bank (2020).

## SOCIOECONOMIC PARAMETERS IN ASIA AND THE PACIFIC PRIOR TO THE PANDEMIC

Asia and the Pacific had close to two decades of strong economic growth prior to the COVID-19 pandemic. While the regional gross domestic product (GDP) growth rate slowed from 5.1 per cent in 2018 to 4.4 per cent in 2019, it was well above the global rates for these years of 3.5 per cent and 2.8 per cent, respectively. The average annual labour income share, however, grew only in East Asia, the sub-region that has a greater number of more advanced economies; inequality worsened in the other sub-regions (ILO, 2020a).

The share of the population living below the USD 1.90 per day extreme poverty line significantly declined, from 37.6 per cent in 1997 to 20.5 per cent in 2007 and 7.5 per cent in 2017 (ILO, 2018a). The proportions who lived in moderate or near poverty were 16.8 per cent in East Asia, 34.4 per cent in South East Asia and the Pacific, and 56.7 per cent in South Asia.

Informality is prevalent in Asia and the Pacific, with up to 1.3 billion of the world's 2 billion informal workers living in the region. Except for the South East Asia and the Pacific and South Asia, men outnumber women in informal employment, with 70.5 per cent of all men in informal employment compared to 64.1 per cent for women. In South East Asia and the Pacific, the comparative numbers are 75.2 per cent and 75.4 per cent, respectively. In South Asia, the proportions are 86.8 per cent and 90.7 per cent, respectively. Informality affects the young population extensively, with an estimated 86.3 per cent of workers aged 15–25 in informal employment (ILO, 2018b).

Informality and educational attainment are negatively correlated. Regional data show that those who completed tertiary education are less likely to be informally employed than workers who completed no more than primary education, with 0.31 and 0.90 probabilities, respectively (ILO, 2018a). Informality and poverty are linked in a vicious cycle, each being a cause and a consequence of the other. Juxtaposing inequality in the picture further complicates the relationship between informality and poverty.

Evidence from the region indicates that reductions in poverty do not necessarily translate into reductions in inequality. The People's Republic of China (hereafter, China) is the first country to achieve the poverty reduction target set by the United Nations Sustainable Development Goals, on the back of its real GDP growth rate that has averaged 9.5 per cent since the 1980s. However, it is now one of the most unequal countries in the world in terms of income, wealth and education outcomes (ADB, 2019). In the Republic of Korea, the poverty rate before the pandemic was at 0.2 per cent, but the country's highly segmented dualistic labour market of regular and non-regular workers led to wide inequality in wage incomes (OECD, 2011). Both countries are expanding access to education and upgrading workforce skills as important parts of their responses to these challenges. This is noteworthy in the context of the region's efforts to recover from the current crisis.

## SOCIAL SECURITY, INCLUSION AND SOCIAL COHESION

As a consequence of the COVID-19 crisis, it is estimated that growth in the Asia and the Pacific region shrunk by 2.2 per cent in 2020, a drop of nearly 7 percentage points from the previous year and the region's first negative growth rate for a number of decades. The region lost an estimated 81 million jobs in 2020 (32 million jobs for women and 49 million jobs for men), and an additional 22 million to 25 million people were pushed into extreme poverty. The job losses are highest in South Asia at nearly 50 million, followed by 16 million in East Asia, 14 million in South-East Asia, and 0.5 million in the Pacific Islands (ILO, 2020a). The negative ramifications of these developments on informality, poverty and inequality are important. According to the United Nations, the pandemic has reversed decades of progress on reducing poverty, inequality and exclusion (UN, 2020). The pandemic has confirmed unequivocally the need for universal health-care programmes and universal social protection floors as well as to attach a high priority to social security in national policy agendas.

The potency of social security as a policy instrument in the recovery process rests on its inherent capacity to influence both sides of the economy. On the one hand, the demand side effects are immediate and come from the income multipliers of social security expenditures. The supply side effects, on the other hand, may not be as immediate as these are essentially returns on a country's investments in its human resources. Social investment to transition people out of poverty through education and capacity building, for example, may take some time to yield returns, but the effects may be more robust to the extent that the acquired skills subsequently enable greater income security and social mobility.

Whether viewed from the demand or supply side, social security is empowering. The concept of economic empowerment – enabling people to respond to their own needs and sense of well-being – is fundamental to any definition of inclusion and social cohesion. Without economic empowerment, it would be difficult for people to feel included in society. It is through economic empowerment that social security creates important pathways to inclusion and social cohesion. That the best route to economic empowerment is through gainful and productive employment makes social security and decent employment inextricably linked.

To strengthen inclusive growth and social cohesion requires more than comprehensive social security systems alone. There are many policy synergies between social security and employment as well as with health care, climate resilience, education and training, school-to-work and job-creating initiatives, internships and entrepreneurship as well as microfinance and support for start-ups. Capturing and building on these synergies will draw out the highest returns for investments in social security. To move in this direction, policy implementation needs to be vastly improved. In this regard, advances in digital technologies can help overcome institutional silos in the public sector, to improve policy coordination and integration.



## SOCIAL SECURITY AND POLICY SYNERGIES

Institutional infrastructure to support coordination and follow through actions are important to connect the implementation of social security policy with other public policies, and vice versa. It is not enough, for example, for non-contributory social security schemes to identify the programme participants and to provide, for instance, employment training. Just as important are the follow through actions, to ensure that programme participants are able to use the acquired skills and to find work, and that job opportunities lead to better and more secure employment, improved incomes and, over time, social mobility.

Coordination should simplify – not complicate – policy implementation. It requires the streamlining of policies and processes to make these contiguous, logical and connected within and across institutions. There has to be clarity in the goal to be achieved by coordination; namely, economic empowerment that will in turn foster inclusion and social cohesion. Formal agreements among the relevant institutions will provide the basis for defining the tools and norms to put coordination into practice, ideally on a sustainable basis and shielded from the vagaries of party politics. The sharing of social data and interoperable databases are important enablers of policy coordination, including the establishment of an interoperability framework, standards, roles and responsibilities and all related details such as service level agreements, data semantics, exchange and maintenance (ISSA, 2019; ILO, ISSA and UNDESA, 2021).

Country examples from the region show the efforts of governments and social security organizations to build policy synergies, some of which are based on simple institutional networks while others are more elaborate and wide-ranging.

Australia's Department of Human Services (DHS) was established in 2009 by the Government by integrating the three large, separate agencies of Centrelink, Medicare and the Child Support Agency. In 2012, DHS developed *myGov*, which provides secure online access to a range of Australian government services in one place. DHS was renamed as Services Australia in 2019, with the vision "to make government services simple so people can get on with their lives". The *Corporate Plan 2021–22* (Services Australia, 2021) underlines, among other things, optimized partnerships with many other public agencies as essential to providing seamless service to shared customers across the whole of government.

In China, one way to extend social protection to a large number of people is through social protection community services (SPCSs), the two components of which are active labour market policies (ALMPs) and access to social protection. SPCSs are community public services formed by partnerships between the public and private sectors, civil society and NGOs, and supervised by government. ALMPs take the form of social and home-based services, such as

medical care and domestic assistance, care services and social activities to help older persons, people with disabilities and children. Provided too are occupational training and re-employment services. The SPCSs also arrange for social security registration, contribution collection and benefit payment services. China's Five-Year Plan 2016–20 provides for the expansion of SPCSs to increase household income and consumption, achieve universal coverage, and develop the country's service sector (Ortiz, Schmitt and De, 2019).

In India, 2005 legislation established the country's flagship rural employment programme, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). A social protection programme with a rights-based legal guarantee, it provides for at least 100 days of guaranteed employment per year to every rural household whose adult members volunteer to do unskilled manual work; a daily unemployment allowance if an applicant is not provided employment within 15 days of having demanded work; and, in case of failure of wage payment within 15 days from work completion, workers are entitled to a compensation of 0.05 per cent per day of the wages earned, until the payment of wages. The programme keeps millions of India's citizens out of poverty. The COVID-19 pandemic led to increases in programme allocations, wage rates and employment level provisions as part of government support (Accountability Initiative, 2021).

In 2018, the Social Security Organisation of Malaysia launched the Social Synergy Programme (SSP) aimed at building systematically and progressively the coordination of social insurance, social assistance and labour market interventions that address the problems of poverty, programme dropout, and duplication of social security benefits. The SSP platform *MySynergySystem* is underpinned by blockchain technology that enables data to be shared and managed soundly and consistently across government agencies and non-governmental organizations (NGOs) through which benefits and assistance are provided to citizens. The sound and consistent management of shared data prevents the overlapping of benefits and, among other things, allows tracking the progress of programme participants. The innovation is significant and a major step to address the issue of silos and Malaysia's fragmented social security ecosystem.

The natural climate of the Philippines is marked by an average of 20 typhoons per year, five of which are destructive. The Department of Labour and Employment (DOLE) links disaster and climate risk management with social security and active labour market policies through short-term wage employment and entrepreneurship for people affected by natural calamities and shocks. It provides employment and entrepreneurship opportunities to displaced, disadvantaged and unemployed workers, most of whom work in the informal economy. Well-designed programmes build capacity and create opportunities for the poor and the marginalized. Programme participants receive training on workplace safety and DOLE pays them the prevailing regional wage and registers them with the country's social security and health insurance programmes (Ortiz, Schmitt and De, 2019).



## POST-PANDEMIC PRIORITY AREAS IN SOCIAL SECURITY

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Policy-makers in the Asia and the Pacific region are anticipating the post-pandemic work that lies ahead. For the foreseeable future, beyond the need to maintain the provision of emergency incomes, employment and business stimulus measures, national governments must engage in social dialogue to identify social security priorities, mobilize fiscal space, and forge a social contract to work progressively towards universal programmes, either by scaling up existing programmes or implementing new schemes.

Critical to these deliberations are three priority areas:

**Reliable systems to establish identities and deliver lifelines of support.** For many developing countries in the region, two immediate lessons of the pandemic for government were the need to know who and where the citizens were and the need for an effective delivery infrastructure to extend lifelines of support. The pandemic enabled many countries in the region to build registries of people who were without social security coverage. These registries can serve as a starting point for governments to identify and extend social protection to vulnerable groups.

Noteworthy is India's universal biometric ID system, *Aadhaar*, which has facilitated the delivery of COVID-19 social and welfare services (Saini and Hussain, 2021). Established in 2009, *Aadhaar*

uses personal biometrics, making it a secure and effective deterrent against fake or ghost identities. Among its many features are a verification system that allows banks, telecommunication companies and government departments to authenticate a person's identity; a platform that enables direct remittance of money to recipients' bank accounts; and a system to verify benefit entitlements against amounts received.

**Digital inclusion and digital connectivity.** The E-Government Survey 2020 of UNDESA reports an increase in the number of countries in Asia and the Pacific that provide online services for vulnerable groups (UNDESA, 2020). The region's positive trend on digital inclusion means more and more people are able to access digital services effectively. Despite the quarantine and lockdown measures made necessary by the pandemic, reliable digital connectivity enables a wide range of 24/7 online services. These include those that involve providing/obtaining information; filing inquiries, claims and complaints; and receiving/making payments. Digital inclusion and dependable connectivity are priority areas for countries where many citizens still remain outside the digital environment and where the Internet and other digital services lag behind population needs.

**Inter-institutional coordination and follow-through actions.** Social security is but one of several policy instruments that aim at supporting economic empowerment and inclusion and social cohesion. Implementing social security policy in isolation misses important synergies with other social policies that address the same goals. To capture these synergies, inter-institutional coordination



is a must. Importantly, data sharing will generate new information on whether programmes implemented by different institutions are dovetailed and contiguous on the ground, such that the effectiveness of policies to transition people from vulnerable conditions to one of income security can be measured, verified and improved. Without coordination and data sharing, social security programmes will continue to be evaluated on a stand-alone basis and policy synergies will remain unmanaged if not wasted.

One cannot exaggerate the importance of granular information to track the progress of participants in programmes that, for example, aim to build skills that promote employability, entrepreneurship and productive activity. Such data are critical to understanding and managing the effectiveness of these programmes and to improving

follow-through actions that would bridge programme participants to gainful employment and eventually enable income security and social mobility. The sharing of data of public institutions involved in the whole cycle of capacity building – from the funding of it by social security bodies through to training, joining the labour market, finding and keeping a job – is critical to determining whether synergies in the social security ecosystem are effectively being captured. At the same time, the security and privacy considerations that arise from data sharing need to be addressed through advances in information and communication technology. There is much to be gained with interoperable databases in the public sector. ■

## GOOD PRACTICES

### Towards universal coverage and social protection floors

**Indonesia** reprioritized its spending by cutting expensive fuel subsidies and successfully managed political resistance to this change by establishing a compensatory scheme to support low-income families, while at the same time working to extend social protection by supporting the creation of a universal health-care system and extending pension coverage to both public- and private-sector workers. The schemes are contribution-financed while the contributions for the poor and near-poor are covered by government. Removing fuel subsidies and expanding contributory revenues are two of the options available to countries to expand fiscal space for social protection.

**Mongolia** has universal health insurance coverage, with contributions fully subsidized for vulnerable groups and herders. The country provides universal and free general education; a universal Child Money Programme for all children up to age 17 that offers a monthly allowance of approximately USD 7; early-child nutrition for children aged 2–5; universal social insurance coverage for sickness, maternity and work injury, with subsidized contributions for herders, self-employed and informal workers; employment promotion, return to work, retraining and unemployment programmes; a three pillar pension system composed of i) a universal basic pension indexed to the cost of living; ii) mandatory social insurance old-age pension coverage, with subsidized contributions for herders, self-employed and informal workers; and iii) supplementary pension plans; and an integrated benefits and services package that includes a long-term care system for older persons.

Source: Ortiz, Schmitt and De (2019).

### Empowerment of women

**Jordan** launched *Reaya* in 2020. Administered by the Social Security Corporation (SSC), *Reaya* is Jordan's care programme for women's empowerment that aims to support the return to work of women at the end of a period of maternity leave.

Women in Jordan have a low participation rate in the formal economy. Studies show that care of children and family responsibilities are the main reasons for women leaving the labour market. The lack of childcare facilities and the high cost of nurseries compounds this situation.

The programme provides the following benefits:

- **Child-care programme delivered through nurseries.** New mothers can have their infants cared for in SSC-approved nurseries. The SSC directly pays the nursery a monthly care allowance according to the monthly wage of the insured mother.
- **Child-care programme delivered at home.** The SSC provides a monthly subsidy of 25 Jordanian dinar (JOD) for a period of six months to the insured mother who opts to have the child cared for at home.
- **Support for nursery.** The SSC supports the operational costs of accredited nurseries up to 50 per cent of the operating costs and with an annual maximum of JOD 10,000. The subsidy covers part of the salaries of nursery workers, rent, utilities and maintenance costs.

Source: ISSA (2021).



## KEY MESSAGES

- The concept of economic empowerment is fundamental to any definition of inclusive growth and social cohesion. It is through economic empowerment that social security creates important pathways to inclusive growth and social cohesion. Social security is empowering, whether viewed from the demand side or the supply side of the economy.
- Social security “cannot do it alone” and must work as a key partner. Capturing and building on the synergies between social security, employment and other socioeconomic policies will enable to maximize the investments made through social security. Emergency social security measures can only have temporary, stop-gap effects. To make a real difference to social cohesion, social security must be an instrument of inclusive growth.
- The reversal by the COVID-19 pandemic of decades of progress in reducing poverty and inequality indicates not only the severity of the pandemic but also the fragility of the progress that had been achieved.
- The COVID-19 pandemic confirmed unequivocally the need for universal health-care programmes and universal social protection floors.
- There will likely be wide divergence in the pace of recovery from the crisis across countries. The richer, more developed countries are likely to have a faster rebound than poorer, less developed countries, which will need new and immediate financing for recovery and sustainable development.
- Governments must engage all stakeholders to identify social security priorities, mobilize fiscal space, and phase the scaling up of existing programmes and the implementation of new schemes, to realize progressively universal coverage in the medium to long term.
- A reliable identification system, digital inclusion and dependable digital connectivity are priority areas as the countries of Asia and the Pacific emerge from the pandemic. Digital connectivity, together with dependable identification, make possible a wide range of online personalized services for government and citizens.
- Governments need to develop sound inter-institutional coordination that covers policy, operations and service delivery. In particular, data sharing constitutes a key enabler of a whole-of-government approach to managing different policy instruments and social information. The sharing of government databases also raises a number of security and privacy issues.

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