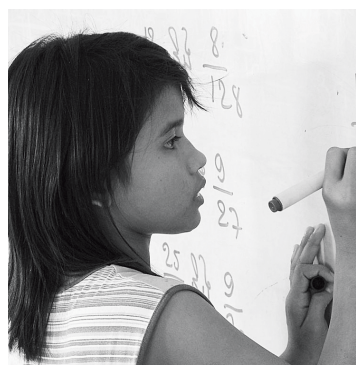


# Asia and the Pacific:

Addressing complex needs through innovative and proactive social security



# Asia and the Pacific: Addressing complex needs through innovative and proactive social security

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# Contents

**v | PREFACE**

**1 | CHAPTER 1** Introduction

**5 | CHAPTER 2** Addressing risk and uncertainty through earlier and forward-looking interventions

**11 | CHAPTER 3** Major achievements in extending coverage to informal and rural economies:  
The importance of flexible responses

**17 | CHAPTER 4** Responding effectively to shocks, crises and natural disasters:  
The key role of social security administrations

**23 | CHAPTER 5** Eight ICT and modern management techniques for improved service delivery

**29 | CHAPTER 6** Conclusion

**33 | REFERENCES**

**37 | APPENDIX** A.1 Social security programmes in selected countries in Asia and the Pacific  
A.2 Key demographic indicators in selected countries in Asia and the Pacific

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# Preface

This Developments and Trends report has been prepared to mark the occasion of the second Regional Social Security Forum for Asia and the Pacific, organized by the International Social Security Association (ISSA), hosted by the Korean Pension Service and held in Seoul, Republic of Korea from 30 October to 1 November 2012. This regional report for Asia and the Pacific supports continuing endeavours to better understand and address the key challenges facing ISSA member organizations in the different regions of the world.

The first Developments and Trends regional report presented at the regional Forum for Asia and the Pacific in Manila in October 2009, together with the issues identified in the 2010 Developments and Trends global report prepared for the World Social Security Forum in Cape Town, confirmed Dynamic Social Security as a vital element in ensuring social cohesion and facilitating economic development. A key message was that the successful pursuit of more equitable growth in the region had been facilitated by integrated national policy responses. In a rapidly changing regional and global environment, however, integrated policy and administrative responses must retain the capacity to be innovative and proactive. In this regard, and as this second regional report for Asia and the Pacific shows, the track record of the region's social security administrations is a positive one.

This report identifies four main issues for discussion: the promotion of earlier and forward-looking interventions in response to risk and uncertainty; successfully extending coverage to vulnerable groups; social security as a positive response to shocks, crises and natural disasters; and state-of-the-art techniques to improve

social security administration. These issues reflect the practical challenges faced by the region's social security administrations and highlight the innovative responses put in place to address them. The choice of these issues helps direct the ISSA's growing network of liaison offices and focal points for the countries of Asia and the Pacific in their efforts to build an expert platform for regional cooperation and the exchange of technical knowledge. The regional network represents the true essence and force of the ISSA: an effective platform to foster active cooperation among member organizations in their objective to develop and promote social security.

The purpose of this report is twofold: first, to synthesize and interpret some of the most important recent developments and trends in the region and, second, to provide the key background document for the Developments and Trends Session of the Regional Social Security Forum for Asia and the Pacific. Developments and trends in the region—the world's most populous—provide important signposts for social security administrations around the world. The discussions during the Regional Forum will provide an opportunity for all of us to build on the findings of this report and to debate its messages. I hope that this report will serve as an inspiring stimulus for our discussions and encourage you all to contribute actively, before, during and after the Regional Social Security Forum for Asia and the Pacific in Seoul. The outcome of these discussions will be carried forward to the World Social Security Forum to be held in Doha, Qatar, from 10 to 15 November 2013.

*Hans-Horst Konkolewsky*  
Secretary General



## CHAPTER 1

# Introduction

In Asia and the Pacific, which is home to over 60 per cent of the world's population, the roles of the region's national social security systems are evolving. This evolution sees a greater involvement of social security systems in addressing life-cycle and labour market risks and, increasingly, a broader set of risk factors in society.

We have witnessed a move from a narrow perception of the roles of social security programmes offering reactive responses to insured contingencies to a wider reality that also includes a more proactive engagement in anticipating, mitigating and preventing risks. This move has gone hand in hand with a greater appreciation of the challenges that accompany the rapidly changing national and global environment in which social security systems operate. This report reflects on the measures that the region's social security systems have taken in this direction and the extent to which these measures respond more effectively to a wider range of needs in society.

Four main issues for investigation are presented. These issues reflect the increasingly innovative and proactive roles played by modern national social security systems.

- The promotion of earlier and forward-looking interventions by social security systems in response to risk and uncertainty.
- The extension of social security coverage to vulnerable groups, such as those working in informal and rural economies.

- The effectiveness of social security systems in responding to shocks, crises and natural disasters.
- The use of information and communication technology (ICT) and modern management techniques to improve social security administrations' service delivery.

Since 2009, a number of measures taken by social security systems in response to the impacts of the financial and economic crisis have proved to be both efficient and cost-effective. For example, the use of more proactive and earlier interventions in the labour market to mitigate lower levels in economic growth has shown how social security can mitigate some of the negative impacts of economic slowdown. In some instances, interventions by social security programmes can actually help override such downside trends, for instance, by encouraging employers to avoid lay-offs and to retain workers in jobs. As a result, support for the shift towards a wider set of roles for social security systems has increased in many countries.

As the recent difficulties in the global economy remind us, risk and uncertainty is a fact of life. Consequently, for social security systems to be sustainable they must embody the capacities to anticipate future changes in the environment in which they operate and to adapt appropriately. Although anticipated, an important degree of uncertainty may nevertheless remain in the future evolution, and especially as regards the magnitude of the impacts, of such trends. To this end, there



is a heightened need for forward-looking and earlier social security interventions. Chapter 2 of this report looks to the evidence of how social security administrations are responding in this important regard.

In many countries in the region, social security coverage amongst salaried employees is relatively high (Box 1.1.). However, a number of countries have large populations working in informal and rural economies. Extending coverage to these groups is challenging, requiring tailored and often innovative responses. Social security is increasingly being asked to reach out to the most vulnerable groups and to ensure that they receive benefits that are appropriate to their needs. Impressive levels of political commitment to extend coverage, not least in the world's most populous countries of China and India, auger well for further future coverage extension efforts. Chapter 3 highlights a number of approaches to extend coverage in a significant and sustainable way to those living and working in informal and rural economies.

In a manner that has been largely specific to the region, social security systems also play a more immediate, supportive role for populations in responding to crises, shocks and natural disasters. Although not a conventional role for many social security systems, the increasing frequency of extreme natural events has led to growing demands for often impromptu emergency responses by social security programmes. Such demands can be a challenge for social security systems, but they may also be an opportunity—social security systems are uniquely positioned to contribute positively to such a role and effective interventions can lead to increased public support and confidence in social security itself. However, the extent of any such interventions should be managed carefully to avoid feeding the growth of unrealistic public expectations about the roles of social security and also to avoid situations where the cost of meeting such expectations would require levels of expenditure that are neither reasonable nor sustainable. Chapter 4 highlights examples of such interventions, demonstrating the pros and cons

### 1.1. Key facts on Asia and the Pacific

- About 1.1 billion people or 60 per cent of the region's workers are in vulnerable employment that typically offers low-quality, unproductive, poorly-remunerated employment opportunities and little or no social protection. Public health and social security spending is estimated to be only 5.3 per cent of GDP (excluding West Asia), compared to 10.2 per cent in Latin America and the Caribbean (ILO, 2011).
- Coverage levels for social security and health care vary widely across the region, from universal access in higher-income countries to around 5 to 10 per cent of the population in lower-income countries. A number of countries are extending coverage to their populations, including self-employed, rural, migrant and expatriate workers. Most significantly, China's remarkable and rapid extension of coverage across all branches in recent years includes, for example, a more than 500 per cent increase in health care coverage.
- In 2010, the region was host to 53 million migrants, accounting for 1.3 per cent of the region's total population and 25 per cent of the world's total migrant population (ESCAP, 2011). These migrants are often employed in the informal sector.
- The past ten years have witnessed a trend of increasing informalization of employment in Asia and the Pacific—compared to in Latin America and Africa where the rate has reduced (ILO and WTO, 2009).
- While the urban population grew at an average rate of 2 per cent per annum in Asia and the Pacific between 2005 and 2010, the urbanization rate in 2010 varies widely across the region from an average of 75 per cent in high-income countries to 27 per cent in the less-developed countries.
- Of the 4.2 billion people who live in Asia and the Pacific, 57 per cent live in rural areas compared to a global average of 49 per cent.

for social security systems of these types of, often emergency, responses.

Interventions involving social security programmes that address broader societal risks or emergencies stemming from crises, shocks or natural events necessitate greater institutional collaboration and coordination. The administration and delivery of such interventions require ongoing adaptation in social security organizations' human resources, business processes and administration. In this regard, to improve service delivery, a number of administrations have made significant advances. Chapter 5 highlights eight concrete

and practical ways in which ICT and modern management techniques have improved the effectiveness and efficiency of operations, underlining that such measures are also a prerequisite for longer-term ambitions to successfully extend coverage.

By adopting a multifaceted approach to managing life-cycle and labour market risks and, increasingly, broader societal risk factors, the national social security systems of Asia and the Pacific covered in this report demonstrate that they have the capacities to be innovative and proactive in responding to the diverse challenges facing the world's most populous region.



# Addressing risk and uncertainty through earlier and forward-looking interventions

In Asia and the Pacific, there is mounting evidence of national social security systems adopting a more anticipative stance as regards risk and uncertainty. To counter the challenges, growing importance is being accorded to policy measures that intervene as early as possible (preventive) and which incorporate forward-looking (proactive) elements. This chapter highlights responses to three challenges which, if not addressed, may have an important negative impact on social security systems.

## **Interdependent economies and increased labour flexibility and mobility**

Over recent decades, the increasing globalization of markets, reductions in transportation costs and improved forms of communication have heightened interdependency in national economies worldwide. One consequence of this is that countries are now more vulnerable to adverse external changes in global markets and the impacts of such changes are increasingly felt by populations. For example, multinational companies are capable of rapidly transferring production, and thus employment, from one country to another. For the countries that lose multinational employers, such relocation may have a negative impact on the national labour market and incite increased demand for unemployment benefits, social assistance payments and support for workers to find alternative jobs.

Alongside the globalization and interdependence of markets, contemporary labour markets are often characterized by shorter-term contracts and increased flexibility in working-time regulations and in the hiring and firing of workers. Other developments see increased fragmentation in the working patterns of employees and growing numbers of both internal and cross-border migrants in search of work. Contributory social security programmes, which were designed originally on the basis of a relatively stable employer/employee relationship, are confronted with a need to adapt. In particular, growing numbers of self-employed persons, workers with irregular employment patterns and migrant workers<sup>1</sup> are often not eligible to receive benefits under existing rules (ISSA, 2012). In countries where coverage is provided to such “atypical” workers, the income-earning and working patterns of such individuals can present important challenges for the collection of contributions and the administration of benefits. Thus, a challenge for social security administrations is to implement appropriately designed measures that offer all workers regardless of their status access to benefits and services appropriate to their needs.

It is to be expected that the nature of such responses and the capacities of countries to deliver these will differ. Indeed, evidence from the region shows that innovative policy and administrative responses take different forms and are country-specific.

1. When grouped together with workers in the rural economy, these types of workers are often considered “atypical” despite representing the majority in many national labour markets.

### *Irregular working patterns*

Measures that seek to respond to the challenges of irregular working patterns often focus on changes to benefit calculation and contribution payment rules. For instance, specific changes may include a relaxing of vesting requirements and minimum service rules and simpler contribution and benefit calculation rules and payment processes. Administrative measures that may be called upon include realizing better coordination between state-level and federal agencies and between tax and social security bodies (Box 2.1.).

### *Internal migrant workers*

The coverage of internal migrant workers is an important challenge for social security administrations in Asia and the Pacific. Although some of the policy focus has been placed on changing eligibility rules to ensure such workers are covered, there is recognition that tailored administrative measures are needed if the challenges raised by such workers are to be addressed correctly (Box 2.2.). These can include better coordination amongst different agencies, the introduction of national ID systems, and the use of ICT to ensure that irregular working patterns are recognized fully and accurately. For example, the problem of “double coverage” of internal migrants in China has been addressed through the innovative use of ICT.

### *Cross-border migrants*

Increasing levels of cross-border migration in the region has required changes in policy and administrative practices to ensure access to social security coverage for foreign workers (Box 2.3.). In many countries in the region, such workers are covered on the same basis as employed nationals. However social security administrations have had to adjust their processes and services, for example, through the provision of information in different languages. Key issues for access to long-term benefits in particular are bi-lateral and multilateral national agreements permitting the mutual recognition of migrant workers’ accrued rights, and the development of the necessary infrastructure for the portability of benefits.

### **The rise of noncommunicable diseases (NCDs)**

NCDs are the most important cause of death globally, including in the majority of low- and middle-income countries. For the region of Asia and the Pacific, the trend is one of an increasing incidence of NCDs. For instance, in Indonesia, the number of Jakarta residents suffering from diabetes increased eight fold over 25 years. And among the ten countries with the highest prevalence of diabetes in the world, five countries, namely Bahrain, Kuwait, Oman, Saudi Arabia and the

## **2.1. Transforming retirement systems to reflect irregular work patterns**

Australia’s compulsory retirement savings programme (Superannuation) covers all workers. However, workers who frequently change jobs often find themselves with multiple pension accounts, which may be difficult to track and are not cost-efficient. In 2011, Australia introduced new measures to deal with this issue. A major part of the reform (known as SuperStream) includes measures establishing industry-wide standards to improve the quality of data, using e-commerce, adopting the worker tax-file number as the identifier for the entire system, simplifying administrative processes, and eliminating duplicate accounts.

## **2.2. Ensuring coverage of the families of internal migrant workers in India**

In India, the Employees’ State Insurance Corporation has taken measures to tackle issues raised by an increasing number of internal migrant formal-sector workers. Previously, only one identity card was issued to the working member of a household. Consequently, when workers left their family behind to take up employment in other regions, the family (who were not in possession of the identity card) de facto lost the right to access medical benefits. Each covered formal-sector worker is now provided with two biometric identity cards, one of which is retained by the worker and the other by the family members, allowing continuing access to medical services for all the family.

### 2.3. China extends coverage to immigrant workers

As of November 2011, it became compulsory for foreign workers in China to join the basic pension and medical insurance schemes as well as to receive coverage for work injury, unemployment and maternity benefits. Regulations require employers to register workers within 30 days of the issuing of work permits. Foreign workers are provided with a unique ID number and card.

United Arab Emirates are from the Middle East. Typically, NCDs have been addressed as a distinct public health issue. Given that they have a potentially devastating effect on health system finances and also impact on a number of social security branches—including disability benefits, family benefits and unemployment insurance—this perspective is changing.

Positively, there is scope for social security administrations to play a role in support of the preventive and proactive measures being put in place to respond to the increasing incidence of NCDs in the region. Importantly for social security systems, these preventive and proactive measures can often make a significant impact on NCD incidence and do so at a relatively low and manageable cost.

The increased incidence of NCDs poses a number of challenges to social security and health care systems. First, families may be confronted by onerous medical and disability-related costs. Second, there are the negative impacts on labour market activity and productivity as well as heightened levels of stress within families, often involving the need for healthy family members to opt out of paid work to provide informal care. These factors reduce the economic activity that should be supportive of social security finances while increasing demands for support from social security and health care systems.

Evidence, as seen in the case of the Social Security Organisation of Malaysia, draws attention to the fact that a number of social security administrations are taking measures to not only put in place preventive measures against NCDs but to improve proactive rehabilitation efforts so that those diagnosed with an NCD

might continue to work. Examples of practices seen in the region include programmes that support the early recognition of risk factors using body mass index and rapid tests for diabetes, blood pressure measurement, cancer screening and fitness tests. The Food for School Programme in the Philippines, for example, facilitates healthy eating.

#### An ageing population

The pace of ageing in the region is particularly rapid as a result of substantial increases in life expectancy rates and, in many countries, significant reductions in fertility rates since the 1970s. Those aged 60 or older currently represent around 10 per cent of the region's population; this figure will increase to 27 per cent in the next 50 years. Average life expectancy from birth and from retirement age—the latter being a critical component of cost increases for old-age pension systems—have increased dramatically. Since 1990, life expectancy at birth in the region has risen by over five years, from 65 to 70.5 years. Although much of the increase in life expectancy is due to a fall in infant mortality rates, there has also been a significant improvement in elders' health status leading to a significant increase in life expectancy at age 60. Current demographic predictions suggest these trends will continue across the next two decades, although the extent to which improvements in life expectancy may continue is subject to serious debate.

The rapid pace of ageing will translate into higher costs for old-age benefit provisions.<sup>2</sup> The old-age dependency ratio, which has already increased from 8 to 10 per cent over the last 20 years, will move to 17 per cent in the next two decades. If not addressed by appropriate policies and administrative changes, population ageing

2. However, the share of total expenditure for some other types of benefits, such as family allowances, may experience a relative decline.

may threaten the long-term financial equilibrium of some benefit programmes and reduce the adequacy of benefits provided by others. For example, national provident funds in Asia and the Pacific will need to address the challenge of a longer retirement period during which accumulated funds are to be drawn down (longevity risk); this requires measures to prevent retirees exhausting prematurely their retirement savings, such as through annuity solutions appropriately designed and affordable for all population groups.

Social security systems also need to adapt to address intergenerational equity issues and to ensure that system design is consistent with national and regional employment policy. Retirement ages are relatively low in the region and in many countries there is a need for these to better take into account increased life expectancy. The possible reforms of social security programmes, including changes to the pensionable age, need to be crafted to ensure that transition to the new terms of eligibility are reasonable and simple to understand, and that they can be properly implemented and administered.

A key element of any response to population ageing that involves the reform of existing social security programmes is the development of effective and tailored communication tools and the provision of simple and understandable information on how changes will impact the individuals concerned. In Malaysia, the Employees Provident Fund has set up “Basic Savings”, a benchmark which allows members to gauge the adequacy of retirement savings at each year of their life

from age 18 to 55. Although there is a need to ensure that the population has access to required information and services, limited levels of financial literacy may mean that when asked to make decisions about retirement many people will not be able to make full use of the information available to them without appropriate guidance.

Evidence from the region indicates increasing political awareness of the issues raised by demographic changes. Although the urgency of responses designed to counter the challenges of ageing in particular varies considerably, for many countries there remains a window of opportunity to adjust the design of social security programmes to ensure that they continue to meet their objectives.

### Conclusion

A number of country examples highlight that social security systems are promoting earlier interventions and putting in place forward-looking measures to address risk and uncertainty and to anticipate myriad possible changes to the complex environment in which they operate. Over and above sustained political will, appropriate financing mechanism and wide public support, for social security programmes to be successful, two further requirements are:

- A fundamental transformation in the design and operation of many social security administrations and programmes within national, but often fragmented, social security systems.
- Greater coordination and coherence in the actions of all public agencies and other stakeholders.







# Major achievements in extending coverage to informal and rural economies: The importance of flexible responses

The extension of social security coverage to people living and working in informal and rural economies constitutes one of the biggest challenges facing social security administrations in Asia and the Pacific. In general, workers in the informal and rural economies are not recognized, registered or regulated and they are often not protected under labour or social security legislation.

Between the 1990s and 2009, informal employment as a share of total employment among the region's developing economies increased from 68.5 per cent to 78.2 per cent. As for all developing regions, it is very difficult to collect reliable figures for those working in agriculture in Asia and the Pacific. What is known, however, is that despite significant rural-urban migration, more than half of the population of the region (57 per cent) still live in rural areas.

Although the region has been branded as the locomotive of global economic development, its growth has been accompanied by growing inequalities and remains fragile owing to the impacts of increases in food and energy prices, the continuing global financial crisis, and natural disasters in a number of countries. As a consequence, there is a sizeable vulnerable working population in the region. The majority of these people work in the region's informal and rural economies and

lack access to adequate livelihood opportunities, which forces many to consider internal and cross-border migration as a survival strategy.

## **Reaching out to rural and informal economies**

Typically, contributory social security schemes in the region provide coverage for salaried employees in formal employment. Given the large, indeed increasing, number of workers in the informal economy in many countries and the important size of the region's rural population, efforts designed to extend coverage significantly should include the targeting of these workers. The sheer size of the informal economy — employing over 90 per cent of the workforce in India, for instance — raises significant legal, financial and administrative barriers to realizing the objective of coverage extension.

## **Legal, financial and administrative barriers**

In most cases, informal and rural workers have low and variable incomes and often change job frequently. Such income and work patterns present important challenges for social security administrations and require tailored responses, such as flexibility regarding the payment of contributions. But it also means that questions regarding the adequate financing of benefits need to be addressed and resolved to realistically reflect the capacities of such workers to contribute.

National legislation may exclude certain categories of workers, such as those who do not have a formal employment relationship or those with earned income lower than the required minimum. Although reform can remove such legal obstacles, many of the barriers to extending effective coverage are related to issues of administration and to the difficulties faced by workers in physically accessing benefits and services.

#### *Weak frontline infrastructure and administrative capacity*

The infrastructure and administrative procedures of social security programmes are often tailored towards and designed for workers in formal employment. Thus, the setup of an extensive national network of frontline public offices with appropriate administrative capacity and personnel capabilities is indispensable if coverage is to be effectively extended to those living and working in the informal and rural economies.

#### *Lack of support mechanisms for workers in rural and informal economies*

Many workers may not have bank accounts, thereby complicating the payment of benefits and contributions, may be illiterate, may not have appropriate documents or may not have the time or knowledge necessary to register for benefits.

#### *Lack of coordination/integration among different social security schemes*

The existence of many separate contributory social insurance schemes run by government agencies tends to produce a fragmented national social security system. This can result in a limited pooling of risk, limited redistributive impacts and high administrative costs. Ideally, to avoid disincentives to contributory effort, the design of contributory schemes should be well coordinated with non-contributory ones as well as being coherent with macro-economic, fiscal and employment objectives.

#### **Recent major developments and achievements in coverage extension**

In response to these potential barriers to coverage extension, many social security administrations in Asia and the Pacific have introduced a system of social security identity cards in tandem with online

service platforms, strengthened their frontline service network, launched special coverage expansion campaigns — such as Jordan’s social security “Ambassador” and “Mobile Office” that are targeted on the voluntary coverage of nationals working abroad — and implemented an integrated collection system under which different social insurance contributions are collected by a single agency. Recent advances in coverage extension can be categorized under four main headings.

#### *Moving towards universal coverage*

Guided by the principles of social solidarity, universality, equity and sustainability, social security laws have been enacted and national social security strategies put in place in many countries in the region, providing a sound legal basis for coverage extension to informal and rural economies. In Viet Nam, for instance, the 2008 Law on Health Insurance came into force in 2009 with the aim of achieving universal health insurance by 2014. The Ministry of Labour, Invalids and Social Affairs (MOLISA) has formulated a ten-year (2011-2020) Social Protection Strategy, which not only embraces social transfers but brings labour market policies, social insurance policies, health care policies, social assistance and poverty reduction programmes, as well as access to public social services into a consistent and comprehensive framework. In China, the 2010 Social Insurance Law came into effect in 2011, paving the way for an acceleration of coverage extension in all social security branches. Efforts have been strengthened to gradually improve the adequacy of benefits and ensure linkages between different social security programmes. Although the national objective is to realize “social security for all” by 2020, over 95 per cent of the population had already been covered under different health care insurance programmes by the end of 2011 and the government expects to cover the whole population under old-age social insurance programmes by the end of 2012. Similar positive developments can be observed in many other countries, such as Indonesia, Jordan and Thailand.

Putting in place universal coverage for all workers avoids discrimination between workers and facilitates continuing coverage for those who move in and out of the formal sector. But there are also a number of

challenges relating to this approach: workers in rural and informal economies usually have lower financial capacities than formal-sector workers and typically do not benefit from an employer contribution. Thus, benefit and contribution rules may require to be amended to reflect not only the financial capacity of those covered but their different demands for benefits and services. In addition, administration challenges must be addressed. In the first instance, verifying the status of workers in rural and informal economies is difficult. Therefore where universal programmes have managed to reach these workers, it is likely that significant administrative effort—including the use of mobile offices and by working closely with worker representatives—as well as financial subsidies will have been required.

#### *Extending coverage by relaxing the eligibility criteria of existing schemes*

Many existing contributory social security schemes have extended coverage to those engaged in rural, informal or atypical work by amending entitlement conditions. These changes may be related to contribution requirements (level or frequency of payment) or the nature of benefit provision itself.

In China, for instance, the contribution rate that applies for self-employed workers and people engaged in flexible work in urban areas is lower than that of formal-sector employees. In addition, the basis on which employee contributions can be paid is flexible, ranging from 40 to 100 (or even 300) per cent of the base contribution depending on the province, and workers can choose to contribute every month, quarter, half year or annually. As a result, China saw the total number of participants increase from 178 million in 2005 to 284 million in 2011, with the expectation that it will rise to 357 million by the end of 2015. Under the new Chinese Social Insurance Law implemented in July 2011, foreign employees—many in the informal sector—can now access retirement, medical, work injury, unemployment and maternity benefits, similar to those for Chinese citizens.

Although easing eligibility criteria allows coverage extension using existing schemes, it does so at the risk

of creating inequalities in treatment between informal and formal workers. It may also create incentives in favour of “informality” if the terms for adhesion to social security programmes for non-formal workers are too generous. Effective inspection and compliance measures are therefore also required.

#### *Extending coverage through new voluntary or mandatory contributory programmes*

In a number of countries, new voluntary or mandatory contributory programmes have greatly enhanced social security coverage for vulnerable groups, including for people working in informal and rural economies. In Indonesia, for example, a universal maternity benefit was implemented in January 2011 for all pregnant women who are not covered by any maternity scheme (Kosen, 2011). In July 2011, Jordan implemented unemployment insurance (using individual savings accounts) financed by a one per cent employee contribution and a half per cent employer contribution. In Malaysia, the mandatory health insurance scheme for foreign workers came into effect in 2011. The Republic of Maldives plans to implement universal health insurance under a public-private partnership which covers both inpatient and outpatient services.

In Sri Lanka, a new Voluntary Pension Fund for all Sri Lankans was introduced in May 2011. The programme is operated through a simple and low-cost electronic infrastructure, which uses mobile phone technology for registration, member contributions and the payment of monthly pensions. The new programme is expected to benefit millions of small business and self-employed workers as well as expatriate workers. In China, the government finances around 80 per cent of the contributions (up to 100 per cent for qualified vulnerable groups) to the New Rural Medical Scheme, which was first piloted in 2003, promoted nationwide in 2007 and covered over 97 per cent of rural residents by the end of 2011.

#### *Covering vulnerable groups via (non-)conditional cash transfer programmes*

The Benazir Income Support Programme, implemented in Pakistan since 2009, targets millions of families defined as the “poorest of the poor” by providing

a cash grant of PKR 2,000 to each family every alternative month and offering microfinance credit, vocational training and health insurance coverage. In 2011 in the Philippines, the government more than doubled the budget for its anti-poverty conditional cash transfer strategy known locally as the *Pantawid Pamilyang Pilipino Program* (4P). The programme, which is currently providing direct financial support to more than half a million of the Philippines' poorest families, has led to significant increases in school enrolment, child immunization, and prenatal medical care. Solomon Islands and Vanuatu have established universal free primary health care services and free education services at primary school. Thailand's budget-funded "500 Baht universal pension scheme", implemented in 2009, covers all elderly persons (aged 60 or older) without access to public facilities for the elderly or without income. In India, the *Rashtriya Swasthya Bima Yojana* programme, co-financed by central and local government, provides health coverage for those (60 million people) living below the poverty line in India, and has been progressively extended to other groups of urban, rural and domestic workers.

## Conclusion

To be successful, coverage extension must be supported by improvements in effective, innovative and flexible administrative measures. In parallel, the effective extension of coverage to informal and rural economies

may require national measures aiming to formalize the informal sector, including regulations on minimum wages and labour contracts, and policies to address the urban-rural divide and to promote equity. The recent evidence of extending coverage to populations living and working in informal and rural economies permits three general observations:

- Tremendous achievements have been made under both contributory and non-contributory schemes, owing to strong political will and financial commitment from many governments and the pursuit of administrative excellence in social security.
- A number of countries have implemented means-tested programmes to cover vulnerable populations. However, challenges associated with such programmes, including high administration costs, risks of corruption and disincentives, may prompt some countries to transfer from a means-tested approach to a universal one or link non-contributory programmes with contributory ones.
- Mandatory schemes are preferable to voluntary schemes as the latter are often confronted with disincentive effects, adverse selection and moral hazard barriers. Where a voluntary scheme does exist, measures such as reduced or flexible individual contribution rates, tax rebates and government contribution subsidies as well as offering participation based on family units can help address such barriers and quickly extend coverage.





# Responding effectively to shocks, crises and natural disasters: The key role of social security administrations

Social security systems are typically understood as offering collective responses to prevent or mitigate the impacts of what are, in many cases, predictable life-cycle and labour market risks. Yet, with increasing frequency, social security systems have demonstrated that they are also capable of responding to the complex impacts of less-easily predictable, harder-to-manage and often extreme shocks, crises and natural disasters.

The capacity of social security administrations to respond appropriately in both types of situation is certainly important for covered and vulnerable populations, but it is equally important for the public standing of social security organizations. First, it showcases in a positive light and supports the further development of the organizational and administrative capacities of social security agencies. Second, in seeking to address covariate risks affecting society at large as well as individual risk factors, this dual capacity helps strengthen and widen public support for social security.

The capacity to respond to shocks, crises and natural disasters is not without challenges. When benefits and services are to be provided in what are often extraordinary circumstances in response to largely unforeseen downside events, it is highly likely that this will require additional financial resources to meet what are exceptional expenditure needs. This requirement, however, should be met without weakening the capacity to meet

recurrent, conventional social security expenditures. Further, the precedents of national social security administrations having intervened flexibly and rapidly to successfully address exceptional events may raise unrealistic political and public expectations about the robustness of social security systems to do so again in future, even to respond to more extreme, and potentially catastrophic, events.

## Economic shocks

The negative impacts of the global financial and economic crisis have been most keenly felt in Europe and North America. Nonetheless, the Asia and the Pacific region has also been affected. Although there has been a relatively smaller downside impact on economic growth across the region, and although unemployment has remained relatively stable in many countries, this masks a more serious picture. Those particularly affected have been the region's large informal-sector working population as well as new entrants to the workforce who are faced with stubbornly-high youth unemployment.

Social security has responded to these labour market challenges by adapting the design of programmes, stepping up coordination with other stakeholders, and improving service delivery. For workers in the formal sector, responses have included extending eligibility periods and the duration of payments as well as linking



responses with employment policy objectives. For example, in the Republic of Korea, the government significantly increased the amount of the employment retention subsidy to support job-sharing efforts in the private sector. The Social Insurance Organization of Bahrain is cooperating closely with the Ministry of Labour to ensure the jobless receive benefits and access to training. In many countries, to address the needs of the population working in the informal sector, work programmes and cash and in-kind payments have been used.

In addition to the responses of unemployment insurance programmes that operate in some of the region's countries, social security systems have responded in a number of ways to the challenges caused by the crisis. These include:

- In Australia, one-off cash payments made to low- and middle-income pensioners.
- In China, struggling enterprises were allowed to delay or reduce social security contributions for health, disability and unemployment benefits.
- In Japan, unemployment insurance was extended to temporary workers and contribution rates reduced. The duration of benefit payments was increased, and a system of partial unemployment insurance was developed.
- In Jordan in 2009, unemployment benefits were increased for low earners and family benefits increased for poor families.
- In the Philippines, coverage was extended under the Health Insurance system to nearly 5 million families from the poorest 25 per cent of the population. Local government and the Philippine Health Insurance Corporation shared the contribution cost.
- In Thailand, provincial social security offices accelerated the payment of unemployment benefits.

- A number of countries have tied increased levels of social security interventions with job programmes and re-training.
- The Philippine's Social Security System relaxed the eligibility requirements to enable more members, especially minimum-wage and low-income workers in Metropolitan Manila, to borrow funds for college, vocational or technical courses under the Educational Assistance Loan Program.

The financial and economic crisis has not only impacted on the needs and situation of the population but on the financial situation of social security administrations. Increases in benefit payments and a reduction in contribution income has left many social security programmes facing significant financial constraints. At the same time, many social security reserve funds have suffered significant asset price falls (Box. 4.1.).

### Natural disasters

Many countries in the region are particularly vulnerable to the damaging impacts of earthquakes and tsunamis. In addition, climate change is increasing the number of extreme weather events in the region, with a rise in the frequency of flooding and droughts. The region's geography makes it particularly vulnerable to these events but human activity in the last 30 years means that the economic and social impacts of such changes have been amplified.

Faced with this reality, there is increasing evidence that social security systems are not only able to respond to these events but, in many countries, have already prepared action plans to ensure that their responses are effectively and efficiently carried out. In New Zealand, the social security system reacted quickly to

## 4.1. Reserve fund impacts

Economic crises leave social security systems vulnerable to increases in benefit payment obligations and a reduction in contribution income from employees and employers as well as state transfers. In addition, those programmes with reserve funds are impacted through a fall in the value of these funds. The ISSA Reserve Fund Monitor has highlighted these impacts and suggested paths to possibly reduce future adverse impacts. Social security administrations are increasingly monitoring reserve fund performance and have put in place a number of measures to diversify assets held, better manage risk, and improve the information available to enable active management of portfolios.

## 4.2. Social security and the March 2011 earthquake and tsunami in Japan

In response to the 2011 earthquake, the Japanese social security system introduced over 200 different measures to respond to the situation. Some of the measures responded to short-term needs, including deploying increased numbers 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 addition, deadlines for the payment of social security contributions were relaxed and one-stop shops to provide information were set up. Within three weeks the 30 local pension offices affected had already reopened; at the same time, due to problems with the postal service, the population were encouraged to use the on-line service provided to allow checking of social security entitlements. Longer-term measures included reductions in social security contribution payments, extending unemployment insurance, and easing the rules for survivor claims when the member of the family had disappeared.

## 4.3. Climate change—preparation for tipping points

Many island states in the Pacific are exposed to rising sea levels and the increasing frequency of extreme natural events. These countries have already put in place adaptive measures to respond to these changes and social security benefits are often integrated into such programmes. For example, in Kiribati, a range of measures including the building of sea defences and the mass relocation of the population are being considered. Such measures may need to be accompanied by other measures such as re-training, unemployment coverage, health services and family benefits. They show the genesis of a National Social Protection Strategy and provide pointers for other states in the region faced with the uncertainty related to the impacts of climate change.

the Christchurch earthquake by putting in place additional staff to respond to queries from the public. In the Philippines, extensive flooding in the north of the country required active involvement from social security agencies in the form of short-term assistance for displaced workers. Following floods in early 2012 in many Australian states, the Australian Government Disaster Recovery Payment administered by the Department of Human Services provided lump-sum payments to eligible adults and children affected by the floods.

The example of Japan (Box. 4.2.) shows that flexibility is required in social security responses to ensure that not only needs are met but that the environment in which social security programmes operate is taken into account. This means that benefit and contribution rules and documentation requirements may have to be relaxed and adapted.

The case of one-off extreme events can be contrasted with gradual changes, which may lead to tipping points,

for instance when the external environment changes dramatically after reaching a threshold. In this regard, rising sea levels offer a visible example (Box 4.3.).

### Conclusions

Social security systems have shown to be dynamic actors as part of national responses to shocks, crises and natural disasters. These events can severely diminish the capacities of social security administrations, impeding their ongoing ability to react rapidly and effectively. Therefore, to remain dynamic actors, there are a number of prerequisites that social security administrations should put in place:

- Foster an organization-wide understanding that exceptional benefits and services delivered in response to the eventuality of shocks, crises and natural disasters are an incontrovertible operational risk.
- A detailed and practical disaster recovery programme, particularly for ICT systems.
- Trained personnel who will be able to respond effectively.

- Organizational culture and governance structures, as well as effective coordination with other agencies, allowing quick decisions and some decentralization of decision-making.
- Running of simulations and the testing of different scenarios.
- Legislative ability and administrative flexibility to change benefits and contribution rules so as to be able to adapt them to the reality of the situation.





# Eight ICT and modern management techniques for improved service delivery

For Asia and the Pacific, as for all regions, realizing improved operational efficiency and customer services is essential. The positive message of the last three years is that innovation in management techniques and the appropriate use of ICT, leading to enhanced perceptions of customer service and measurable improvements in operational efficiency, are increasingly part of the operations of the region's social security administrations. This chapter identifies eight concrete and specific measures that have developed in the region over this period.

## **1. Better coordination and increased efficiency through organizational reform**

Fragmentation of benefit and service delivery is a reality in many countries in the region. Such fragmentation is commonly viewed as an obstacle to cost efficiencies, operational effectiveness and to realizing improved levels of customer service. Many social security administrations have therefore introduced organizational reforms aimed at consolidating social security services under one roof, cutting through bureaucratic complexities, and moving social security services to a higher but uniform level of quality. This has resulted not only in more cost-efficient delivery but often better customer experiences through clarity of benefit delivery and the extension of services provided.

In Australia, the Human Services Legislation Amendment Act 2011 integrated Centrelink and Medicare

Australia into the Department of Human Services. The sharing of services and infrastructure has given access to multiple services from over 50 co-located offices around Australia. It also enables people to do more of their business online or over the phone, while providing targeted and intensive help for those who need it. In the Republic of Korea in 2000, the government merged all health insurance societies into a single insurer, the National Health Insurance Corporation (NHIC). Scale economies led to a decline in the share of administrative cost to total expenses, from 10 per cent (in the 1990s) to about 4 per cent (in the 2000s). In 2008, the management of the long-term care programme was integrated with the NHIC, leading to further efficiencies in the use of its resources. In its most recent move, the government integrated the collection system of the four mandatory social insurance programmes under the management of the NHIC.

## **2. Focus on work processes**

In an environment where the workings of national social security systems are under increased public scrutiny, the region's social security administrations are looking closely at their work processes to ensure that the tasks carried out are performed in the most effective way and using the right personnel. New and innovative approaches to improving workflow processes and "Lean Methodology" are two examples of this trend towards enhanced organizational management and effectiveness.

In 2011, the Fiji National Provident Fund launched a redesign of its workflow processes based on the Lean Methodology concept that aligns processes to customer value through the use of the right people with the right skills and their work environment. Based on a recent study of the largest two social security organizations in India, namely, the Employees' Provident Fund Organization and the Employees' State Insurance Corporation, an articulated policy on customer satisfaction led to an improvement in organizational effectiveness as it ensured the strategic alignment of organizational structures, processes and service delivery (Singh, 2010).

### **3. Use of performance indicators for better management**

It is a recognized management insight that “what gets identified, gets measured; what gets measured, gets managed”. Performance indicators, including standards on service quality, allow an organization to monitor how well it is delivering on programme promises and thus facilitate determining the areas where further improvements can be achieved.

The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) of Australia places a strong emphasis on reporting against programme objectives rather than simply reporting the level of programme activity. Its performance framework assists programmes to set clear performance expectations, assess where levels of performance have been met, set benchmarks to monitor trends and offer feedback to services on their performance. FaHCSIA continually reviews its performance indicators and revises these as needed, to ensure that performance measures reflect the desired outcomes, are aligned with government priorities, and deliver client-oriented outcomes (FaHCSIA, 2011). The Employees Provident Fund of Nepal values prompt service to members and measures its performance against the following standards: funeral expenses to be paid within half an hour; accident indemnity within one week; special loan within 30 minutes; housing loan within four days; and educational loan within four days.

### **4. Empowering employees and codes of conduct**

People—and the experience, capacities and professionalism that they have—are key to an organization's

performance, resilience and dynamism. Social security organizations in the region fully appreciate the importance of responsive human resource policies to attract, develop and retain competent staff and inspire loyalty to the organization.

The 2009-2013 plan of PT JAMSOSTEK Indonesia incorporates a development plan for its human resources, the Competency-based Human Resource Management (CBHRM), which clearly defines the proposed policies and strategies to build staff competencies, performance management and assessment systems, compensation, career planning and employee development (PT JAMSOSTEK, 2010). The Ministry of Social Development (MSD) of New Zealand finalized its Code of Conduct in 2011, which emphasizes the four key standards of fairness, impartiality, responsibility, and trustworthiness. It provides staff with guidelines about conduct that will not be tolerated, and the consequences of not meeting those expectations (MSD, 2011). For the Samoa National Provident Fund, empowering employees is essential to create and sustain business success in the delivery of social security services (Lameko-Poutoa, 2010). Finding the right people to do the job is a first step that must be continuously reinforced through staff empowerment, including training, mentoring, rewards and recognition and internal communication.

### **5. Risk management as a proactive and preventive management tool**

Embedding and using an integrated approach to risk management is an emerging trend among social security organizations in the region. Administrations are putting in place tools and processes to ensure that the risks which they face are understood, assessed and either mitigated, accepted or if possible transferred. These risks touch a wide variety of operational areas—from exposure to the effects of natural disasters to energy disruptions and the investment of reserve fund assets. By carrying out full risk assessments, the evidence from certain administrations is that not only can measures be put in place but a better understanding of their working environment often results.

The MSD of New Zealand has a Risk and Assurance team that undertakes a range of planned and responsive

activities through its Total Assurance Plan. This includes planned audits across the Ministry's core processes, a programme of regular stocktakes across business areas, and responsive reviews when there are changes that may have an impact on the control environment. The Total Assurance Plan provides assurance that the Ministry's network of risk management activities, controls and governance is adequate and functioning effectively (MSD, 2011). The Corporate Risk Scorecard Approach of the Employees Provident Fund (EPF) of Malaysia is guided by the MS ISO 31000:2010 Risk Management-Principles and Guidelines. The EPF requires all its business units to develop their respective risk registers and clear lines of responsibility and accountability. The Public Authority for Social Insurance of Oman uses the Enterprise Risk Management Framework (COSO-ERM Framework), which has enabled the organization to deploy resources in a manner that minimizes losses, maximizes opportunities, and provides good business value (PASI, 2009).

#### **6. Use of smart cards in improving access and tracking membership**

Administrators are increasingly turning to ICT solutions for a range of issues, and the use of biometric cards and smart cards is a key element of this. Evidence from the region shows that the introduction of ID cards has allowed more effective tracking of those covered and their entitlements and has led to efficiency improvements and a reduction in the duplication of benefit provisions.

The *Rashtriya Swasthaya Bima Yojana* programme of India uses smart cards to provide cashless insurance cover equivalent to about USD 650 per annum for a family of five. In addition to the smart card, biometric technology is used to provide more protection from fraud and to improve targeting. One thumb impression is collected for each of the beneficiaries during enrolment at the community level. The fingerprint is used to identify the beneficiary at the hospital (UNDP and ILO, 2011). The Unified Multipurpose Identification System (UMID) is a collaborative endeavour of four social security organizations in the Philippines in partnership with the Civil Registration Office. The UMID uses biometrics to ensure the unique identity

of the cardholder. The card facilitates any transaction with the government and with any of the four agencies.

#### **7. ICT to improve coverage, contribution collection and benefit distribution**

The increasing use of ICT is improving coverage and improving how contributions are paid and benefits provided. Mobile technology, online processes for data transmission and the processing of information for the purposes of registration, remittance of contributions and payment of benefits are among recent innovations.

Since 2009, the Social Security Corporation of Jordan has taken major steps to extend social security coverage by simplifying administrative procedures. Mobile technology and personal digital assistants (PDAs) facilitate the extension work. ICT-enabled partnerships with banks simplify the registration of new members and the transfer of contributions (SSC, 2009). The Public Institution for Social Security of Kuwait maintains one-stop shops for members and front-line offices that are equipped with computers linked to internal departments and external agencies to facilitate the transfer of data and information. The ICT support also includes a document retrieval system that archives and retrieves personal files, data and information at greater speed (Al Arbeed, 2010).

The EPF of Malaysia's strategy to strengthen the programme is supported by an integrated and interactive IT system that monitors and alerts for overdue contributions, quickly detects defaulting and non-complying employers, and classifies accounts in default. The online submission of investigation reports enables definitive action to be taken against non-complying employers within a 60-day cycle. Aiming to improve the quality and accessibility of services, the Ministry of Social Welfare and Labour of Mongolia recently introduced one-stop shops for employment promotion services, social insurance services, and social welfare services.

The Social Security System of the Philippines requires employers to submit employee lists and contributions in electronic format, thus eliminating encoding errors and reconciliation efforts. An Automated Records



Management System is converting paper documents and microfilm records into digital format. A major overhaul of the IT system that supports registration and collection is underway to allow automated billing of employers as well as the immediate posting of contributions to member accounts within 24 hours. Also in the Philippines, the Government Service Insurance System (GSIS) requires government agencies to submit employee contributions through prescribed electronic remittance forms. Agencies in default are suspended, leading to the suspension of the GSIS privileges of their employees. To reinforce the vigilance of employees, GSIS advises them of the suspension of their agency through SMS.

Since 2010, the Employees' Provident Fund (EPF) of Sri Lanka has been collecting member contributions through electronic media (e-returns) instead of paper documents. Direct debit arrangements with banks allow employers to make monthly payments through electronic transfer of funds. An image scanning project enables the EPF to maintain all member information in electronic form, reducing the cost of storing, handling and securing information as well as the time to retrieve data and information (EPF, 2010).

## **8. E-services—providing services anytime and anywhere**

Web-based communication and e-services are revolutionizing the delivery of social security services in the region, with mobile devices and Short Message Service (SMS or “text”) driving a new “high-tech, high-touch” mode of service that enables personalized, almost instantaneous responses to individual needs at lower costs. E-applications are facilitating the 24/7 accessibility of social security services, with possibilities to carry out inquiries and transactions even from remote areas.

In its drive to satisfy its customers, the National Pension and Provident Fund (NPPF) of Bhutan is prioritizing greater accessibility to members (hotline, SMS, e-mails, telephone calls to be answered within 2 rings) and providing online services for contribution collection and claims. The SUPERTxt service of the Fiji National Provident Fund (FNPF) provides members with a monthly update of their FNPF balance (FNPF, 2011). The EPFiGMS of the Employees' Provident Fund

Organisation (EPFO) of India is an internet-based grievance handling platform that manages and tracks member grievances until their final redress.

To improve service delivery, the Kiribati Provident Fund has computerized its systems, improved connectivity of remote areas by installing a satellite dish and by connecting branch offices to the main server of the Head Office, and has developed its website to allow members to view balances and pay contributions online. The status of member accounts may be checked through SMS. The payment of contributions through the internet is a new service offered by the Social Security Organization of Malaysia. The IT infrastructure of EPF Nepal supports helpdesks, online and face-to-face interaction with clients, and e-services where members can view the status of their accounts, update personal information, and provide feedback.

One of the programmes administered by the MSD of New Zealand is Family Start, which is a home-visit based programme run by 32 separate non-governmental organizations (NGOs). An integrated IT solution FS-Net improved the capacity of NGOs to deliver the Family Start programme to clients, guaranteed the confidentiality of client data, and allowed more time to help families with high needs. At the same time, it enabled the Ministry to receive accurate and timely reports to monitor programme delivery and the prudent deployment of funds (MSD, 2009).

The introduction of eGOSI services by the General Organization of Social Insurance of Saudi Arabia offers members with easy, cost-effective and 24/7 service availability (Alghafees, 2010). And the Social Security Office of Thailand recently introduced e-payment of contributions. Recent innovations introduced by the Central Provident Fund Board (CPF Board) of Singapore show how it is taking advantage of high personal computer and broadband penetration in Singapore to continuously and effectively respond to the growing sophistication in the service needs of its members for excellent service. The “Different strokes for different folks” framework of the CPF Board offers a clear example of how customer profiling is transforming the delivery of social security services.

### **Conclusions**

Social security administrators in the region are committed to improving operational efficiency and customer experience. The evidence of recent years shows:

- An emerging trend in the region to offer automated or self-service systems to those most likely to use these. This trend is paired with continuing support to

maintain and enhance person to person, front-office services for those members in need of help.

- Increasingly, customer profiling is being used as a strategic approach allowing social security organizations to tailor services more closely to the needs of members.



## Conclusion

This Developments and Trends report for Asia and the Pacific has highlighted the range of challenges and pressures faced by social security administrations in the region and the innovative and proactive responses put in place to respond to them. Despite the fact that the region is characterized by large differences in the economic, social, demographic and labour market environments in which social security administrations operate, this report has identified a number of trends of interest not only for those in the region but also elsewhere. Four key messages can be drawn from these:

- The adoption of earlier and forward-looking interventions by social security systems to respond to risk and uncertainty concerning the magnitude of the future evolution of trends is a necessity.
- Broadening the extension of social security coverage to include vulnerable groups, such as those working in informal and rural economies, is possible and has positive impacts.
- Social security systems are increasingly seen as a key element in coordinated and coherent national responses to shocks, crises and natural disasters, thus enhancing systems' visibility and strengthening public support for them.
- Realizing further improvement in social security administrations' service delivery is bound tightly with the appropriate application of information and communication technology and modern management techniques.

A main observation from this report is that the environment in which social security administrations are operating is becoming ever more complex with rapidly

changing and interdependent external factors. Examples highlighted in the report include changes in the labour market with increasing levels of internal and cross-border migration, a stubbornly high level of informal-sector activity and more fragmented employment patterns, an increase in NCDs which raise challenges for administrations across different branches, and an increasing frequency of often short-term and extreme events, the impacts of which may be exacerbated by human and economic activity.

In this context, social security is increasingly recognized as an important actor not only in responding to traditional life-cycle risks such as old age and disability, but also in areas where new and developing risks are being most keenly felt — for example, youth unemployment caused by growing volatility in economic activity and an increase in the precarious nature of the labour market, extreme events caused by natural disasters and climate change, and the growing incidence of NCDs such as diabetes and obesity. The fact that social security programmes are being asked to play these roles reflects positively on the perception of social security and the competences within social security organizations. However, it also raises a number of challenges as well as requiring a transformation in the way social security administrations operate if these tasks are to be carried out effectively. In a period of reducing economic growth rates in the region, there will be increasing pressure on social security systems to be effective as well as efficient. Ultimately, the capacity of social security administrations to be flexibly innovative is paramount.

Looking forward, five major themes emerge from this report which are likely to remain pertinent for administrations in the region:

- *Financing challenges.* Existing and new roles will require appropriate financing mechanisms that are not only adequate but as robust as possible to external pressures. Covering workers in the informal sector who have limited financial resources and responding effectively to natural disasters are two examples which highlight this need. Examples in the region show that although some administrations are rethinking how to secure sources of financing, there may be further efforts required in this direction.
- *Tailored approaches.* Many of the examples of social security innovation in the region reflect a tailored approach. The aim is to adjust approaches to different external situations where needs vary. It is also to enable the delivery of standard benefits and services to different parts of the population such as the informal sector and rural populations who have different needs and characteristics. Such tailored approaches have been made easier by the effective use of ICT; however, such an approach requires flexible management with an appropriate level of decentralization, delegation and an empowerment of employees working in social security administrations. In addition, the choice of differentiated responses may not only imply increased administration and management requirements but may lead to a fragmentation of benefit and service delivery and act as a barrier to labour mobility. The examples in the region of administrations' responses to covering the informal sector show that there is no "one size fits all" response to this question.
- *Fragmentation of delivery.* An increasingly tailored approach together with the expansion of existing schemes to new parts of the population has in many countries led to a fragmentation of benefits and services. In addition, "second pillar" pension provision can add a new level of complexity for individuals and, in turn, administrations. There is a recognition that this fragmentation of delivery may result in duplication of benefits, a misalignment of incentives and inefficient use of resources. Evidence from the region shows that administrations have devoted effort and investment of resources to address this issue, often with significant positive impacts.

- *Working with others.* A key prerequisite of addressing the fragmentation issue is working with other stakeholders — agencies, employers, employee representatives and other organizations and civil-society associations — to ensure delivery is coordinated. But this is also essential as social security administrations move into new areas where expertise from outside can be exploited to improve the way social security provides benefits and services. This has been particularly observed in the response of social security programmes to economic shocks and natural disasters in the region.
- *Assessing and analysing the impact of social security.* Although the positive role of social security is increasingly recognized publically and politically, there is still much work to be done to properly assess and analyse the positive—and negative where they exist—impacts. Social security is increasingly seen as a prerequisite for national economic growth by supporting human capital development, reducing business and economic risks and alleviating social conflict. A future challenge for the region will be to address the increasing inequalities seen in a number of countries; social security has a role to play in this area through earlier interventions to anticipate, mitigate and, if possible, prevent the downside impacts of risk events.

As social security systems continue to play a positive role in the region's changing environment, there has been a transformation in how administrations operate. This report has highlighted a number of trends in this regard including a focus on work processes and the adoption of modern management techniques such as Lean Methodology, use of performance indicators to improve management, empowering employees, and increased use of risk management techniques. Coupled to this has been the increasing adoption of ICT where appropriate—for example to facilitate access, improve communication and increase coverage and the collection of contributions. The adoption of new technologies is also a challenge in itself—new projects and tools need to be managed to ensure that outputs and costs of such projects meet expectations.

Looking further ahead, social security systems will be required to anticipate the "megatrends" that will not only

affect the needs and situation of the covered population but also impact on the ability of social security administrations to meet their operational objectives. These megatrends include societal, demographic, health, economic and environmental changes whose impacts may be both uncertain and difficult to predict. This will not be easy

and will require an openness and flexibility on the part of administrations to respond to these challenges. However the evidence highlighted in this Developments and Trends report is positive and indicates the capacity of social security in the region to respond effectively to the changing environment in which it operates.



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# Appendix

### A.1. Social security programmes in selected countries in Asia and the Pacific

Country	Old age	Disability	Survivors	Sickness	Maternity	Work injury	Unemployment	Family
Australia	•	•	•	•	•	•	•	•
Bahrain, Kingdom of	•	•	•			•	○	
Bangladesh	•			•	•	•		
Brunei	•	•	•	• <sup>a</sup>		•		
China	○	•	•	○	•	•	•	•
Fiji	•	•	•			•		
India	○	•	•	○	•	•	•	
Indonesia	•	•	•	• <sup>a</sup>	○	•		
Iran, Islamic Republic of	•	•	•	•	•	•	•	•
Japan	•	•	•	•	•	•	○	•
Jordan	•	•	•		•	•	○	•
Kiribati	•	•	•			•		
Korea, Republic of	•	•	•	• <sup>a</sup>		•	•	
Kuwait	•	•	•			b		
Lao, People's Dem. Rep. of	•	•	•	•	•	•		
Lebanon	•	•	•	• <sup>a</sup>		•		•
Malaysia	•	•	•	○ <sup>a</sup>		•		
Marshall Islands	•	•	•	• <sup>a</sup>				
Micronesia	•	•	•					
Myanmar				•	•	•		
Nepal	•	•	•	• <sup>a</sup>		•		
New Zealand	•	•	•	•	•	•	•	•
Oman	•	•	•			•		
Pakistan	•	•	•	•	•	•		
Palau	•	•	•					
Papua New Guinea	•	•	•	• <sup>a</sup>		•		
Philippines	•	•	•	•	•	•		
Qatar	•	•	•			*		
Samoa	•	•	•	• <sup>a</sup>		•		
Saudi Arabia	•	•	•			•		
Singapore	•	•	•	•	•	•		
Solomon Islands	•	•	•			•	b	
Sri Lanka	•	•	•	• <sup>a</sup>		•		•

## A.1. Social security programmes in selected countries in Asia and the Pacific – continued

Country	Old age	Disability	Survivors	Sickness	Maternity	Work injury	Unemployment	Family
Syrian Arab Republic	•	•	•			•		•
United Arab Emirates	•	•	•	• <sup>a</sup>				
Vanuatu	•	•	•					
Viet Nam	•	•	•	○	•	•	○	
Yemen	•	•	•			•		

Source: Adapted from SSA and ISSA (2011).

*Notes:*

Where there is no scheme or no information, the entry is left empty.

- Social security programme exists.
- Social security programme introduced or existing coverage extended to new groups since 2007.
- \* Work injury coverage planned to be included as part of the next pension reform.

Sickness includes income replacement and/or medical benefits.

<sup>a</sup> Medical benefits only.

<sup>b</sup> Coverage is provided under other programmes or through social assistance.

## A.2. Key demographic indicators for selected countries in Asia and the Pacific

	Total population	Old age dependency ratio (%) <sup>a</sup>		Youth dependency ratio (%) <sup>b</sup>		Life expectancy at birth (years)		Statutory pensionable age		Life expectancy at age 60
Country	Millions	2010	2050	2010	2050	Men	Women	Men	Women	Unisex
Australia	23.1	37	70	31	34	79.1	83.8	65	64	24.1
Bahrain, Kingdom of	1.3	5	70	26	30	74.0	75.4	60	55	19.4
Bangladesh	149.7	12	41	50	26	67.4	68.3	65	65	16.5
Brunei	0.4	9	46	38	27	75.3	80.0	60	60	20.4
China	1,359.5	20	79	29	26	71.1	74.5	60	60	19.4
Fiji	0.9	13	40	46	34	66.1	71.9	55	55	16.0
India	1,232.8	13	35	49	31	62.8	65.7	58	58	16.9
Indonesia	241.6	14	52	42	28	66.3	69.4	55	55	17.6
Iran, Islamic Republic of	74.7	12	71	33	26	70.3	73.9	60	55	17.6
Japan	134.5	65	124	24	30	79.3	86.1	65	65	25.1
Jordan	6.2	11	33	66	31	71.7	74.3	60	55	18.7
Kiribati	0.1	10	26	58	34	61.7	66.5	50	50	NA
Korea, Republic of	49.1	26	107	24	27	76.5	83.3	60	60	22.4
Kuwait	2.7	6	41	39	32	73.5	75.2	50	50	20.9
Lao, People's Dem. Rep. of	6.2	11	33	58	27	64.8	67.3	60	60	16.4
Lebanon	4.3	18	57	38	26	69.9	74.2	64	64	17.9
Malaysia	28.6	13	40	49	33	71.2	75.7	55	55	18.9
Marshall Islands	0.1	9	35	68	49	69.4	73.7	60	60	NA
Micronesia	0.5	14	42	50	34	69.9	74.1	65	65	18.4
Myanmar	48.3	13	47	39	27	62.1	65.0	c	c	17.4
Nepal	30.1	12	29	63	30	66.7	68.0	58	58	16.6
New Zealand	4.5	36	71	33	34	78.0	82.2	65	65	23.2
Oman	2.8	7	56	40	24	70.9	74.8	60	55	19.5
Pakistan	174.6	12	27	61	32	63.8	65.4	60	55	18.0
Palau	0.02	13	45	32	27	68.4	74.8	60	60	NA
Papua New Guinea	6.9	9	19	69	43	59.5	63.7	55	55	14.8
Philippines	93.7	10	28	60	38	64.5	71.3	60	60	17.9
Qatar	1.8	2	51	16	17	78.1	77.3	60	55	19.9
Samoa	0.2	15	26	69	45	68.6	74.9	55	55	18.2
Saudi Arabia	27.6	8	39	47	28	72.2	74.4	60	55	18.2
Singapore	5.2	23	103	25	26	78.5	82.7	55	55	22.8

## A.2. Key demographic indicators for selected countries in Asia and the Pacific – continued

	Total population	Old age dependency ratio (%) <sup>a</sup>		Youth dependency ratio (%) <sup>b</sup>		Life expectancy at birth (years)		Statutory pensionable age		Life expectancy at age 60
Country	Millions	2010	2050	2010	2050	Men	Women	Men	Women	Unisex
Solomon Islands	0.5	10	22	72	44	65.1	67.8	50	50	16.5
Sri Lanka	21.2	22	61	40	32	71.2	77.4	55	50	20.2
Thailand	70.3	22	73	31	27	70.2	77.1	55	55	18.3
United Arab Emirates	7.5	1	77	21	22	75.3	77.0	60	60	20.6
Vanuatu	0.2	10	24	68	45	68.2	72.1	55	55	17.3
Viet Nam	88.9	14	68	35	27	72.3	76.2	60	55	20.3
Yemen	24.1	8	16	86	49	62.5	65.4	60	55	16.0

Sources: ESA (2011); SSA and ISSA (2011); United States Census Bureau (2012); ILO (2010).

Notes:

- <sup>a</sup> Population aged 60 or older divided by population aged 15-59 inclusive.
- <sup>b</sup> Population aged 14 or younger divided by population aged 15-59 inclusive.
- <sup>c</sup> There is no old-age pension programme for private-sector workers.



### Asia and the Pacific: Addressing complex needs through innovative and proactive social security

*Asia and the Pacific: Addressing complex needs through innovative and proactive social security* identifies, synthesizes and interprets the most important recent developments and trends in social security in Asia and the Pacific.

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