

Social Policy Highlight

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

Social security systems across Asia and the Pacific are noted for their capacities to deliver tailor-made measures that mitigate risk and which, by looking forward, are readily adaptable to a changing operational environment. Positively, ISSA evidence of recent developments and trends across the region's social security systems offers a confident outlook. Coverage extension, often targeting the most vulnerable, is being realized and proactive efforts to act earlier to prevent and cushion the impacts of downside events, including natural disasters, are increasingly sought. That said, the increasing complexity and uncertainty of societal, demographic and environmental change is creating new challenges requiring responses that are not only sustainable but ever more innovative. As this *Highlight* concludes, the wider adoption of state-of-the-art management techniques by social security administrations represents a major stepping stone to the fuller realization of Dynamic Social Security throughout the region.

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The importance of earlier and forward-looking interventions

There is mounting evidence of national social security systems in Asia and the Pacific adopting a more anticipative stance as regards risk and uncertainty. This is a key finding of a new report by the ISSA: *Asia and the Pacific: Addressing complex needs through innovative and proactive social security*. As the report underlines, this positive shift among the region's social security administrations is driven in large part by the need to address three contextual challenges.

Labour market fragmentation

The rapid transformation of economies in a context of globalization has led to an increase in labour market flexibility, shorter employment contracts and increased migrant flows.

This issue

- Confirms that social security in Asia and the Pacific is capable of extending coverage to vulnerable groups
- Supports earlier and forward-looking interventions by the region's social security programmes to address new challenges and meet complex needs
- Reveals how social security systems are responding to a broad range of shocks, crisis and natural disasters
- Identifies how ICT and modern management techniques improve social security administrations' service delivery in the region

One result is greater precarity in employment, leading to an increase in the proportion of the region's workforce engaged in the informal economy since the 1990s. In response to this, many social security systems have successfully transformed their administrative procedures and processes and adopted new policy measures to extend effective coverage to individuals impacted by these changes.

Key facts and figures

- The diverse region of Asia and the Pacific is home to over 60 per cent of the world's population, and includes high-income OECD member states such as the Republic of Korea and Japan and lower-income countries such as Cambodia and Myanmar. The region is characterized by large variations in key parameters, such as labour market structures, levels of economic development, and the maturity of social security schemes.
- About 1.1 billion people or 60 per cent of workers in Asia and the Pacific are in vulnerable employment that typically offers low-quality, unproductive, poorly-remunerated employment opportunities and little or no social protection.
- Coverage levels for social security and health care vary widely across the region, typically from universal access in higher-income countries to around 5 to 10 per cent of the population in some lower-income countries.
- 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.
- A number of countries are extending coverage to their populations, including self-employed, rural, migrant and expatriate workers.
- 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 Asia and the Pacific, 57 per cent live in rural areas compared to a global average of 49 per cent.

A mounting objective for social security is to cater better to workers with irregular working patterns. For instance, eligibility rule changes and the relaxation of vesting and minimum service requirements have facilitated coverage extension to an increasing number of workers. Simpler benefit rules and calculations, and linking contribution collection requirements to the earning patterns of such workers, also have positive impacts. Of course, for contributory programmes to be successful, effective compliance and inspection mechanisms are equally necessary.

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. In some countries, such as India and China, internal migrant workers pose significant administrative challenges. These challenges include developing solutions to avoid workers registering for social security more than once – or not at all – as they migrate between different administrative constituencies. Another is to ensure that the family members of registered workers who are left behind when the worker migrates in search of work also have coverage.

In turn, the rising flow of cross-border migrants presents specific bi-lateral and regional-level administrative and social protection challenges.

The rise in noncommunicable diseases

The incidence of noncommunicable diseases (i.e. diabetes, cancer, obesity, work-related stress) is increasing rapidly in the region, raising a number of challenges for social security systems. First, higher medical and disability costs impact levels of social security and health care expenditure. Second, labour market activity and productivity levels suffer, which may negatively impact social security income. The responses of many social security systems to this challenge, as in Malaysia, have focused on strengthening both the role of preventive health and proactive return-to-work measures.

An ageing population

Since the 1970s, birth rates have fallen dramatically in a number of countries in the region with this trend particularly marked in East Asia. At the same time, life expectancy is continuing to increase reflecting better access to medical care and social security and significant reductions in poverty levels. Although longer life expectancy is a positive development, it presents challenges for social security (old-age and disability pensions especially) and health care financing.

Demographic ageing poses particular questions for the design and sustainable financing of old-age benefits, not least because of worsening system dependency ratios. In response, many countries have adopted pension reforms with a focus on increasing the retirement age, with these often to be phased in gradually. However, the implications of such changes are complex and raise intergenerational equity issues regarding the financing of benefits and levels of benefits to be paid.

Major achievements in the extension of coverage

The proportion of workers in the informal economy is increasing in the region. These workers are often not registered or covered under social security systems. Not only is there a human-rights imperative to extend social protection to these workers, but the provision of benefits and services to them should provide a sound base for promoting economic growth and social cohesion.

Recent years have witnessed remarkable examples of the rapid extension of coverage across all branches of social security, including for migrant workers and workers in the informal and rural economies. These include:

- Widening eligibility conditions and facilitating the payment of contributions. In China, for example, the contribution rate for self-employed workers is lower than for salaried employees and the contribution base is flexible depending on the province.
- Increasing recognition of the difficulties faced by some workers in registering, including the remoteness of their workplace and their lack of access to financial services. These challenges have been met by strengthening the presence of the administration through the use of mobile offices and ICT or by working with worker representatives. Jordan and Sri Lanka, for instance, operate voluntary systems targeting nationals working abroad.

- Better strategic coordination between government agencies at local and national level to ensure the coherent delivery of benefits, as in Viet Nam.
- A perceivable trend towards universal coverage, with a common priority to extend access to health care (China, Indonesia, Viet Nam, Thailand). Such efforts have often required accompanying administrative measures including the use of ID cards.

Responding effectively to shocks, crises and natural disasters

Social security in the region is increasingly seen as an important actor in responding to the complex impacts of less easily predictable and often extreme shocks, crises and natural disasters. In many countries, this innovative role is conducted alongside the more traditional one of providing collective responses to life-cycle and labour market risks.

Economic shocks and employment-focused responses

Although arguably less so than in Europe and North America, the global crisis has also impacted Asia and the Pacific, with stagnating employment rates, particularly amongst youth workers, and an often significant impact on workers in the informal economy. In response, the region's social security systems have adapted the design and improved the coordination of benefits programmes and focused also on meeting broader employment objectives.

Social security systems have responded to the employment challenges caused by the crisis in several ways. A number of countries, including the Philippines, have linked social security interventions with job programmes and re-training. 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, contribution rates reduced, the duration of benefit payments was increased, and a system of partial unemployment insurance was developed. In Jordan, unemployment benefits were increased for low earners as were family benefits for poor families. In Thailand, provincial social security offices accelerated the payment of unemployment benefits.

Natural disasters

The impacts of climate change and the growing number and severity of extreme events coupled with the increasing impact of human activity has made the region particularly vulnerable to the effects of natural disasters. Social security administrations have reacted effectively to disasters often because of prior foresight, due preparation and risk management, ensuring they could respond rapidly to the needs created by the event. The hope is that social security systems' wider proactive engagement in anticipation of future extreme events will become an increasingly important element of National Social Protection Strategies across the region. A number of countries are showing the way.

In New Zealand, the social security system reacted effectively and quickly to the Christchurch earthquake. In the Philippines, extensive flooding in the north of the country required active involvement from social security agencies. 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 those affected.

Japanese social security and the 2011 earthquake and tsunami

In response to the 2011 events, the Japanese social security system introduced over 200 different measures. Some of these responded to short-term needs, including deploying increased numbers of medical staff, providing medical supplies, making special unemployment insurance payments, reviewing and strengthening occupational safety measures, relaxing deadlines for the payment of social security contributions, and opening one-stop shops to provide information. Longer-term measures included reductions in contribution payments, extending unemployment insurance, and easing the rules for survivor claims when the member of the family had disappeared.

Although the timing and extent of one-off natural disasters are difficult to predict, there is increasing consensus on the long-term impacts of other developments, for example, climate change and rising sea levels. This consensus is allowing social security administrations, such as in Kiribati, to develop strategic plans to mitigate the future negative social and economic impacts of environmental change.

ICT and modern management techniques for improved services

To deliver sustainable and effective services, social security systems require accompanying administrative measures and appropriate state-of-the-art technical support. Unsurprisingly, in a time of increasing financial constraints and public scrutiny, administrative excellence is increasingly seen as essential. In this regard, eight important trends have been observed in the region:

1. Achieving increased coordination and efficiency through organizational reform with a focus on bringing certain services under one roof and moving to a uniform level of service quality.
2. A focus on work processes to improve workflow and "Lean Methodology", all geared towards enhancing organizational management and effectiveness.
3. The use of performance indicators for better management, including standards on service quality, that allow an organization to monitor how well it is performing and to determine where further improvement is needed.
4. Empowered employees and codes of conduct are key to an organization's performance, resilience and dynamism. Responsive human resource policies are required to attract, develop and retain competent staff and inspire loyalty to the organization.
5. Risk management is offering administrations a proactive and preventive management tool, enabling the risks they face to be understood, assessed and either mitigated, accepted or if possible transferred.
6. The use of smart cards to improve access and track membership is leading to efficiency improvements and a reduction in the duplication of benefit provisions.

7. ICT is helping to improve coverage, contribution collection and benefit distribution.
8. E-services that provide services anytime and anywhere are revolutionizing the delivery of social security services that enable personalized responses to individual needs at lower costs.
5. Although the progressive societal role of social security is more widely recognized, further work is needed to fully assess its positive impacts. For instance, more effort is required to help design interventions to anticipate, mitigate and, if possible, prevent, the downside impacts of risk events.

Rising to meet the challenges

A main observation from the ISSA's Asia and the Pacific report is that the environment in which social security administrations are operating is becoming ever more complex. The report's four-point appraisal of the way forward for the region's social security administrations nonetheless remains positive.

First, the observed adoption of earlier and forward-looking interventions by social security systems to respond to risk and uncertainty has become a necessity. Second, 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. Third, 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. Fourth, realizing further improvement in social security administrations' service delivery is bound tightly with the appropriate application of ICT and modern management techniques.

Looking further forward, five major themes emerge from the report for continuing investigation by the ISSA's member organizations in Asia and the Pacific.

1. To meet the existing and innovative new roles of social security systems, there is a requirement for appropriate financing mechanisms that are adequate and robust.
2. The aim of innovation in social security must be to tailor approaches to different external situations and to meet complex needs. It must also enable the delivery of standard benefits and services to different parts of the population, including workers in informal and rural economies. Tailored approaches are made easier by the effective use of ICT, but equally require flexible management with an appropriate level of decentralization, delegation and empowerment of social security staff.
3. An increasingly tailored approach can lead to a fragmentation of benefits and services. Coherent programme design should avoid the duplication of benefits, a misalignment of incentives and inefficient use of resources.
4. A key prerequisite of addressing fragmentation challenges is coordination with other stakeholders. Coordination is also essential as social security administrations move into new areas where expertise from outside can be exploited – this is particularly so in responses to economic shocks and natural disasters.

Sources

ISSA. 2012. *Asia and the Pacific: Addressing complex needs through innovative and proactive social security* (Developments and trends). Geneva, International Social Security Association.

The **International Social Security Association (ISSA)** is the world's leading international organization bringing together national social security administrations and agencies. The ISSA provides information, research, expert advice and platforms for members to build and promote dynamic social security systems and policy worldwide.

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