

Financing Social Protection in Developing Asia: Now and In the Future

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- Financing Options and Issues
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ABSTRACT

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Demographic trends portend rapid aging of developing Asia, albeit at varying rates. This phenomenon, along with the need to extend coverage of social protection system, is likely to increase public and private expenditure on social protection, particularly for pensions and health care. This paper analyses the options for additional financing of social protection in Asian countries, and their implications for the financing mix involving public and private sectors. The indications are that as overall resources devoted to social protection increase both the government budgetary support (requiring fiscal space), and individual and household financing will need to increase. The paper explores these avenues, including possible efficiency gains from improving professionalism of provident and pension fund organizations in Asia. The paper also briefly discusses the possible role of social pensions in Asia.

The Context /1

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Social Protection

is emerging as an important public policy issue in developing Asia (broadly excluding high-income Asian economies of Japan, South-Korea, Singapore, Brunei, Taiwan and Hong Kong).

The Context /2

- ❖ The term Social protection does not have a precise analytical meaning. The term is used by different analysts according to the policy questions being addressed.
- ❖ The broadest definition is by UNRISD (United Nations Research Institute for Social Development). It defines the term as comprising “...policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people’s exposure to risks, and enhancing their capacity to manage economic and social risks, such as unemployment , exclusion, sickness, disability and old age” (UNRISD, 2010.)
- ❖ The old age pensions or retirement financing, and healthcare are among the largest components of social expenditure in most countries, including those in Developing Asia. For many low and middle income countries, expenditure on social safety nets to cope with natural and other disasters are also significant.

The Context /3

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FACTORS:

- Demographic trends
- Labour Market Dynamics
- Urbanization
- Internal and Cross-border Labour Mobility
- Rising Living standards
- Global Integration.



DEMOGRAPHIC TRENDS-

reflected in declining fertility rates and increasing life expectancy, portending rapid ageing. (Tables 1a to 1c)

- Between 2011 and 2030, Developing Asia's share in global population will decline slightly (from 45.5 % to 43.6%) , but its proportion in global aged (above 60 and above 80) will rise markedly (from 39.4 % to 46.4%, and 28.8 % to 35.3 % respectively).
- This implies more rapid pace of aging than for the world as a whole.

Table 1A: Developing Asia: Select Demographic Indicators, 2011 and 2030

Country	Total Population (millions)		Population aged 60 or over (millions)		Population aged 80 or over (millions)	
	2011	2030	2011	2030	2011	2030
World	6974.0 (100.0)	8321.4 (100.0)	783.7 (11.2)	1,378.9 (16.6)	110.3 (1.6)	195.4 (2.3)
Developing Asia	3166.0 (45.4)	3624.1 (43.6)	308.3 (39.3)	637.6 (46.2)	31.5 (28.6)	68.5 (35.1)
Cambodia	14.3 (0.5)	17.4 (0.5)	0.9 (6.4)	1.9 (10.9)	0.0 (-) ^a	0.2 (0.8)
China	1341.3 (42.4)	1393.0 (38.4)	165.1 (12.3)	340.0 (24.4)	18.2 (1.4)	39.0 (2.8)
India	1224.6 (38.7)	1523.4 (42.0)	92.6 (7.6)	187.7 (12.3)	8.1 (7)	18.2 (1.2)
Indonesia	242.3 (7.7)	279.7 (7.7)	20.2 (8.3)	43.9 (15.7)	1.9 (0.8)	4.5 (1.6)
Lao People's Democratic Republic	6.3 (0.2)	7.8 (0.2)	0.4 (6.0)	0.8 (9.7)	0.0 (-)	0.0 (-)
Malaysia	28.9 (0.9)	37.3 (1.0)	2.3 (8.0)	5.5 (14.7)	0.2 (0.6)	0.5 (1.4)
Myanmar	48.3 (1.5)	54.3 (1.5)	4.0 (8.2)	8.2 (15.1)	0.4 (0.8)	0.6 (1.1)
Papua New Guinea	6.8 (0.2)	10.1 (0.3)	0.3 (4.6)	0.7 (7.0)	0.0 (-)	0.0 (-)
Philippines	94.9 (3.0)	126.3 (3.5)	5.6 (5.9)	12.6 (10.0)	0.4 (0.5)	1.1 (0.9)
Thailand	69.5 (2.2)	73.3 (2.0)	9.2 (13.3)	17.8 (24.3)	1.2 (1.7)	2.4 (3.2)
Vietnam	88.8 (2.8)	101.5 (2.8)	7.7 (8.6)	18.5 (18.3)	1.1 (1.3)	2.0 (1.9)

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2010 Revision*, <http://esa.un.org/unpd/wpp/index.htm>, Accessed on February 28, 2013 and 20 May, 2013.

■ Percentage of total world population

■ Percentage of respective world population

^a '-' stands for negligible

■ Percentage of Developing Asia

■ Percentage of the country's total population

Note: Figures for China, India and Papua New Guinea are for the years 2010, 2030

The Context /4

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- The share of elderly in Developing Asia of three countries, China, India and Indonesia.
- This implies that how these three countries address the financing (and other challenges) in coping with the aging population and will have major bearing on how Developing Asia as a whole addresses demographic related challenges.
- By 2030, in nearly all countries of Developing Asia Total Fertility Rate (TFR) will be lower than the global average.
- For the 2010-2015 period, life expectancy at age 60 in developing Asian countries is projected to be lower than the global average (with the exception of Vietnam, where it is greater for both males and females, and Thailand, where it is greater for males)

Table 1B: Fertility Rate, Life Expectancy and Median Age in Developing Asian Countries

Country	Total Fertility Rate ^a		Life expectancy at birth		Life expectancy at age 60 (2010-15)		Median Age	
	2010-2015	2025-2030	2010-2015	2025-2030	Male	Female	2010	2030
World	2.5	2.3	69.3	72.4	18.0	22.0	29.2	34.1
Cambodia	2.4	1.9	63.7	69.5	16.0	17.0	22.9	31.3
China	1.6	1.6	73.8	76.4	18.0	21.0	34.5	42.5
India	2.5	2.2	66.0	69.9	16.0	18.0	25.1	31.2
Indonesia	2.1	1.8	70.0	74.3	17.0	19.0	27.8	35.1
Lao People's Democratic Republic	2.5	1.9	67.9	72.4	16.0	18.0	21.5	30.2
Malaysia	2.6	2.2	74.6	77.1	18.0	20.0	26.0	31.7
Myanmar	1.9	1.7	66.0	71.1	16.0	18.0	28.2	35.9
Papua New Guinea	3.8	3.1	63.3	68.0	14.0	17.0	20.4	24.5
Philippines	3.1	2.6	69.2	72.5	16.0	19.0	22.2	27.1
Thailand	1.5	1.5	74.4	76.8	19.0	22.0	34.2	41.8
Vietnam	1.8	1.6	75.5	78.0	20.0	23.0	28.2	38.5

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2010 Revision*, <http://esa.un.org/unpd/wpp/index.htm>, <http://unstats.un.org/unsd/demographic/products/socind>, accessed on February 25, 2013 and 20 May, 2013

Note: The average number of children a hypothetical cohort of women would have at the end of their reproductive period if they were subject during their whole lives to the fertility rates of a given period and if they were not subject to mortality. It is expressed as children per woman.

The Context /5

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- The median age will however exhibit a mixed trend with five sample countries exhibiting higher than global average, and six countries exhibiting lower.
- The old age dependency ratio and its converse (the number of economically active age persons supporting each elderly) in Developing Asia will exhibit mixed trends with three countries in 2030 exhibiting higher ODR than the global average.

Table 1C: Trends in Old-Age Dependency Ratios in Developing Asian Countries, 2010 and 2030

Country	Old-Age Dependency Ratio ^a	
	2010	2030
World	11.6 (8.6)	18.0 (5.6)
Cambodia	5.9 (16.9)	10.2 (9.8)
China	11.0 (9.1)	24.0 (4.2)
India	8.0 (12.5)	12.0 (8.3)
Indonesia	8.2 (12.1)	15.1 (6.6)
Lao People's Democratic Republic	6.3 (15.9)	9.1 (11.0)
Malaysia	7.4 (13.6)	15.7 (6.4)
Myanmar	7.4 (13.5)	14.1 (7.1)
Philippines	6.0 (16.8)	10.4 (9.6)
Papua New Guinea	5.0 (20.0)	7.0 (14.3)
Thailand	12.6 (7.9)	26.1 (3.8)
Vietnam	8.5 (11.7)	18.3 (5.5)

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2010 Revision*, <http://esa.un.org/unpd/wpp/index.htm>, Accessed on March 4, 2013 and 20 May, 2013

^aNumbers in parentheses refers to the population support ratio defined as persons between ages 15-64 which could potentially support those above 65; calculated as inverse of the old age dependency ratio.

The Context /6

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LABOUR MARKET DYNAMICS –
suggesting continuing high informality and contractual labor in the labor market. (Table 2)

- Data in Table 2 suggests that between 2010 and 2030, Developing Asia will need to generate 35 percent of livelihoods globally, with India alone accounting for 27 percent.
- The challenges of livelihoods creation will be severe in India, Indonesia and the Philippines while China is projected to exhibit shrinking of the labor force (Table 2).

Table 2: Developing Asia, Potential Livelihoods Generation^a by region (2010-2030)

Country	No. (Millions)	% of World Total	% of Developing Asia
World	913.2	100.0	-
Developing Asia	318.9	34.9	100.0
China	-10.4	-	-
India	244.5	26.7	76.7
Cambodia	3.0	0.3	0.9
Indonesia	32.3	3.5	10.1
Lao People's Democratic Republic	1.6	0.2	0.5
Malaysia	6.0	0.7	1.9
Myanmar	5.1	0.6	1.6
Philippines	24.7	2.7	7.7
Papua New Guinea	2.4	0.2	0.8
Thailand	0.6	0.1	0.2
Vietnam	9.1	1.0	2.9

Source: Calculated from Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2010 Revision*, <http://esa.un.org/unpd/wpp/index.htm>, accessed on February 28, 2013 and 21st May, 2013.

^a**Note:** This is defined as the number of economically active persons, defined as those between 15 and 64 years of age in a given region, for whom livelihoods will need to be generated in the formal or the informal sectors between 2010 and 2030.

The Context /7

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- As India's employment to population ratio (53.6) is much lower than the global average (60.3), (Table 3), it has the potential to grow faster if it raises this ratio. But this will require a more conducive environment for employment and livelihood creation. Such emphasis is also needed for Indonesia and the Philippines.
- Labor force participation rate of the aged population in developing Asia (with the exception of China and Vietnam) is substantially higher than the global average. Thus the elderly in most developing Asia are already participating in the labor market.

Table 3: Employment and Labour Force Participation Rates in Developing Asian Countries

Country	Employment-to-population ratio ^b ,2011: total	Labour force participation rates of population at ages 15–64 ^c (%),2010	Labour force participation rates of population at ages 65+ ^d (%),2010	Change in Labour force participation rates of population at ages 15–64 (%),2000-20	Change in Labour force participation rates of population at ages 65+ (%),2000-20
World	60.3	69.9	19.5	-0.5	0.9
Cambodia	81.2	81.3	44.0	-1.0	14.3
China	71.1	80.4	19.4	-4.3	-0.6
India	53.6	57.7	28.6	0.1	-6.4
Indonesia	62.8	70.4	52.7	1.1	10.4
Lao PDR	76.8	80.9	34.6	-1.6	4.0
Malaysia	58.6	64.7	23.8	-1.2	0.8
Myanmar	75.7	74.8	60.0	-3.3	2.9
Papua New Guinea	70.5	73.3	53.9	0.5	-1.2
Philippines	60.0	65.5	37.4	-1.1	-5.7
Thailand	71.2	77.4	30.6	-0.1	2.0
Viet Nam	75.3	77.3	13.0	-1.3	-4.0

Source: International Labour Organization, Key Indicators of the Labour Market database,2011 Seventh Edition (available from http://www.ilo.org/empelm/pubs/WCMS_114060/lang--en/index.htm), accessed on March 1,2013 and May 22,2013 and World Social Security Report,2010-11.

^aTable is based on latest data available

^bThe proportion of the working-age population that is employed. For most countries, the working-age population is defined as persons aged 15 and above, although that may vary slightly from country to country.

^cLabour force participation rates of population at ages 15–64 (%) = Economically active population aged 15–64 / Population aged 15–64

^dLabour force participation rates of population at age 65 and over (%) = Economically active population aged 65 and over / Population aged 65 and over

Note: Employment to population ratio figures for India, China and Papua New Guinea are for the year 2010

The Context /8

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- Since informalization of the labor force is expected to continue to be high in Developing Asia, extending social protection to them will be a major challenge.
- This is reflected in low effective coverage of the labor force (Table 4).
- For the pensions, active contributions as percentage of working age population globally is only about a quarter. Thus, three-fourths of working age population does not have a pension coverage.
- In developing Asia, except for Malaysia and the Philippines, the coverage for pensions is below the global average.

The Context /9

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- The coverage however does not necessarily imply adequate risk mitigation or benefit levels.
- As demand for social protection increases, the coverage including benefit levels, will also need to increase.
- Indeed, ILO and HelpAge International (<http://www.helpage.org/>) and others have argued for a universal social protection provision globally; while UNRISD has sought to balance the need for social protection with more conventional concerns for growth and macroeconomic management concerns.
- The financing needs are therefore expected to increase.

Table 4: Legal and effective coverage of selected branches of social security in Developing Asian Countries, 2010-11

Country	Estimate of legal coverage ^g for old age (% of the working-age population) ^a	Active contributors to a pension scheme (% of working age population) ^b	Estimate of legal employment injury coverage ^g (% of economically active population-Mandatory Coverage) ^c	Ratio: (employment injury contributors or protected persons (% of economically active population) ^d	Estimate of unemployment coverage ^g (% of the economically active population) ^e	Percentage of unemployed not receiving unemployment benefits ^f
World ^h	-	26.4	-	-	-	84.6
Cambodia	-	-	-	-	None	100
China	25-50	22.4	31.9	15.7	Less than one-third	87.1
India	25-50	6.4	7.5	-	Less than one-third	*
Indonesia	Less than 25	14.1	23.7	18.8	None	100
Lao PDR	Less than 25	0.7	7.3	-	None	100
Malaysia	25-50	63.8	67.6	48.6	None	100
Myanmar	-	-	-	-	None	100
Papua New Guinea	Less than 25	-	11.5	-	None	100.0
Philippines	50-75	54.7	50.4	62.7	None	100
Thailand	50-75	21.3	27.5	21.3	Between one-third and two-third	85.3
Viet Nam	Less than 25	12.4	23.7	15.5	Less than one-third	100

Source: Constructed from World Social Security Report, 2010-11. Sources by column are given below:

^a Table 16, Page 208, ^b Table 21, Page 240, ^c Table 17, Page 216, ^d Table 23, Page 253, ^e Table 18, Page 223, ^f Table 22a, page 245 - = Data not available; ^g Legal coverage is distinct from effective coverage. A population group can be identified as legally covered if there are existing legal provisions that such a group should be covered by social insurance for a given branch of social security, or will be entitled to specified benefits under certain circumstances for instance, to an old-age state pension on reaching the age of 65, or to income support (including old-age social pension) if income falls below a specified threshold; ^h Regional estimates are weighted by population

***Note:** 'Percentage of unemployed not receiving unemployment benefits': "Unemployment allowance" was added in 2005 to the existing Employees' State Insurance Corporation scheme, which covers sickness and maternity; and covers 24 per cent of all formal-sector workers, or 2 per cent of the entire workforce.

The Context/10

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- Greater need for and higher expectations generated for better social protection (requiring a shift in policy focus from absolute income to relative income) due to :

Urbanization(already more than half of Asia's population is urban, and the share is rising),

Extensive internal and cross-border labor mobility,

Rising living standards,

Deeper integration within developing Asia and with the rest of the global economy (exemplified by many bilateral, sub-regional and multi-country trade and economic agreements).

FINANCING OPTIONS AND ISSUES / 1

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- ❖ It is essential to distinguish between funding in an economic sense and financing i.e. the mix of instruments or methods such as social insurance primarily financed from contributions, budgetary financing, mandatory or voluntary saving, etc.
- ❖ The financing mix can be broadly divided into public and private sector shares. For pensions, the data collection both nationally and internationally is in terms of public spending and thus includes private spending. For healthcare however, there have been attempts to estimate national health expenditure and to delineate public-private shares.

FINANCING OPTIONS AND ISSUES /2

- ❖ The concept of economic funding is based on the premise that the primary source of economic security for both the young and the old is dependent on the current level of GDP and its trend in rate of growth. (*Barr and Diamond, 2008*)
- ❖ Thus any financing mix arrangements should be structured so as to enhance (or at least not diminish) core rate of economic growth. Greater share of GDP devoted to the elderly should ideally be from reduced consumption of rest of the population and of the government, rather than from the investment expenditure.
- ❖ The above also implies that merely requiring mandatory saving for retirement purposes does not necessarily imply funding in an economic sense.

FINANCING OPTIONS AND ISSUES /3

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- ❖ What will be the extent of financing needed for social protection in the future in Developing Asia? Obviously, it will depend on what is included in the social protection package- eg. If skill development is included as well as pensions and healthcare, that would require additional financing.
- ❖ This is not an easy question to address as unlike for the OECD countries, there are no systematic studies of pension and health care expenditure for Developing Asia.
- ❖ IMF(2011) has projected public pension expenditure (not total) as follows: (Appendix Table 4, p.53)
 - The global average will increase from 7.0 percent of GDP in 2010 to 8.1 percent by 2030, and to 9.7 percent by 2050.
 - The corresponding share for advanced countries are 8.4, 9.6, and 11.0

FINANCING OPTIONS AND ISSUES /4

- And for Emerging countries the respective shares are 5.6, 6.5 and 8.3
 - Among the Developing Asia, China's share will increase from 3.4 in 2010 to 6.7 in 2030 and 9.2 in 2050, implying need for additional fiscal space of 5.8 percent of GDP between 2010 and 2050.
-
- ❖ If private expenditure on pensions were added, greater proportion of GDP will need to be diverted to old age financing.
 - ❖ Social protection also involves health care, and other programs.
 - ❖ Given the low coverage of population , budgetary financed, non-contributory social pensions, resource-tested or universal, are increasingly advocated. The fiscal costs of such pensions vary depending on design, including benefit levels and indexation provisions.

FINANCING OPTIONS AND ISSUES /5

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- If expenditure on these were taken into account, and expectations of substantially greater coverage were to be realized (eg. through social pensions), fiscal space and additional societal resources needed for aging populations will be ever larger.
- ❖ Estimates of fiscal costs of social pensions have been summarized in Asher(2012).
 - In New Zealand, fiscal costs in 2009-10 were 4.3 percent of GDP; expected to increase to 8 percent of GDP by 2050.
 - In Australia, the fiscal costs of means tested pensions were 2.7 percent of GDP in 2009; projected to be 3.9 percent in 2050.
 - ILO has estimated that modest social pensions in low and middle income countries would be around 1 percent of GDP; but its estimates for full social protection package range from 3.7 percent to 10.6 percent of GDP.

FINANCING OPTIONS AND ISSUES /6

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- ❖ Even 1 to 1.5 percent cost range would require substantial fiscal reform in tax systems generating revenue of between 10 to 15 percent of GDP.
- ❖ Moreover, there is anecdotal evidence that state officials collect tax-like levies from individuals and businesses, but which do not get deposited in the state treasury, therefore not included in conventional tax revenue measures. Implication is that real tax burden in an analytical sense may well be much higher. This may reduce the scope for further increases un real tax burdens
- ❖ Even without robust fiscal cost projections, Developing Asia will need to generate substantial fiscal space to finance social protection.

FINANCING OPTIONS AND ISSUES /7

- ❖ Fiscal space may be defined as “...the financing that is available to government as a result of concrete policy actions for enhancing resource mobilization, and the reforms necessary to secure the enabling governance , institutional and economic environment for these policy actions to be effective for a specified set of development objectives.” (Roy, Heuty and Letouze ,2007).
- ❖ The above definition explicitly recognizes that if additional budgetary expenditure , including for social protection is not spent productively with outcome orientation, then the desired impact will not occur.
- ❖ An argument may be made that without reforming existing formal systems, and realizing real resources savings, additional fiscal (and private expenditure) space would be difficult to create without significant distortions elsewhere.

FINANCING OPTIONS AND ISSUES / 8

- ❖ It thus helps to reconcile narrow fiduciary view and developmental view of social protection.
- ❖ In post 2008 global environment fiscal and debt sustainability issues need to be addressed much more completely and seriously if they are not to impinge on economic growth and stability of Developing Asia. (Ferrarini et al 2012).
- ❖ There are several avenues to generate fiscal space and finance and fund social protection expenditure.
 1. There is scope for economic resource savings which can be obtained through greater professionalism in designing, administering, and evolving provident and pension funds, health care systems, and others.

FINANCING OPTIONS AND ISSUES /9

As an example, the Philippines SSS (Social security system) exhibits administrative costs of between 7 and 9 percent of contributions, while Malaysia's EPF(Employee Provident Fund) exhibits 3 percent. Any reduction in costs of SSS could improve benefits.

- Thus administrative and compliance costs funds in countries such as India, Indonesia and the Philippines remain high.
- The 2004 SJSN Law of Indonesia has insufficient clarity on financing, benefits etc., and does not adequately address needs for appropriate organizational incentive structures. These may generate contingent fiscal liabilities.
- There is limited scope for raising social security contribution rates in several countries (eg. China, India, Malaysia, Vietnam as the rates already are quite high (Table 5))

FINANCING OPTIONS AND ISSUES /10

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2. Enhancing competence to generate resources from unconventional sources, such as utilizing state assets, including land, property rights such as air-space, and oil and mining resources more completely and productively.
3. Exploring better coordination among and between pension and healthcare sectors for resource savings and for greater policy coherence (Bali and Asher , 2012).

FINANCING OPTIONS AND ISSUES /11

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4. Conventional tax reforms, improving compliance levels and efficiency .
5. Use of Sovereign Wealth Funds(SWFs), current surplus income and wealth over generations. China has been using this avenue.
6. Financial innovations, particularly at the pay-out phase is accumulation schemes.
 - The conventional practice of relying on annuities will be inadequate given limited financial instruments to mitigate longevity risk, and due to uncertainties in longevity trends due to uncertainties in medical technology breakthroughs.
 - Such innovations, which reduce transaction costs of service delivery and provide better risk sharing between the insurance company, the individual, and the government will be needed.

FINANCING OPTIONS AND ISSUES /12

7. Some high income countries have attempted to finance old age by developing instruments which convert real estate into a retirement consumption stream. They have however had a fairly limited success.
8. In developing Asia the individuals and the households will need to bear a greater proportion of increased share devoted to old age financing. Promoting its secure and stable policy and regulatory environment for long term savings by the individuals should therefore be an important instrument for financing old age. But this needs to be undertaken without creating contingent liabilities or fiscal risks.
9. With increased longevity ,healthcare costs will acquire greater significance thus promoting healthier products and habits should be part of public policies designed to reduce the need for health expenditure in old age.

FINANCING OPTIONS AND ISSUES /13

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- ❖ To realize the objective of more robust systems, each country will need to structure a combination of options suited to its context and capacities.
- ❖ A strong conclusion emerging from the above discussion is that there is an urgent need for greater professionalism in design, implementation, administration, and adoption of modern technology and governance structure of social protection systems and organizations in developing Asia. A shift from welfare-orientation approach to outcome oriented approach with benchmarking is essential.

**Table 5: Developing Asia, Contribution Rates of Social Security Programs, 2010
(in percent)**

Country	Old age, disability, and survivors (pensions)			All social security programs ^a		
	Insured person	Employer	Total	Insured person	Employer	Total
China ^d	8.0	20.0	28.0	11.0	29.0 ^{f,g}	40.0 ^c
India ^d	12.0	17.6	29.6	13.7	22.3	36.1
Indonesia	2.0	4.0	6.0	2.0	7.24 ^d	9.2
Lao People's Democratic Republic ^c	4.5 ^b	5.0 ^b	9.5 ^b	4.5	5.0	9.5
Malaysia ^c	11.5 ^b	13.5 ^b	25.0 ^b	11.5	14.8	26.3
Myanmar ^c	0.0	0.0	0.0	1.5	3.5	5.0
Papua New Guinea	6.0	8.4	14.4	6.0	8.4 ^f	14.4
Philippines ^c	3.3 ^b	7.1 ^b	10.4 ^b	4.8	8.8 ^d	13.6
Thailand ^c	3.0 ^b	3.0 ^b	6.0 ^b	5.0	5.2	10.2
Viet Nam ^c	7.0	13.0	20.0	9.5	2.1 ^d	30.5

Total may not add up due to rounding

Source: Constructed from Social Security Programs

Throughout the World: Asia and the Pacific, 2012, available at: <http://www.ssa.gov/policy/docs/progdsc/ssptw/2012-2013/asia/ssptw12asia.pdf>

a. Includes Old Age, Disability, and Survivors; Sickness and Maternity; Work Injury; Unemployment; and Family Allowances. In some countries, the rate may not cover all of these programs. In some cases, only certain groups, such as wage earners, are represented. When the contribution rate varies, either the average or the lowest rate in the range is used.

b. Also includes the contribution rates for other programs.

c. Contributions are submitted to a ceiling on some benefits.

d. Employers pay the total or most of the cost of work injury benefits.

e. Government pays the total cost of the universal old-age and disability pensions.

f. Employers pay the total or most of the cost of work injury benefits.

g. Employers pay the total cost of cash sickness and maternity benefits.

CONCLUDING REMARKS/1

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- ❑ The prominence of social protection and its financing as a public policy issue will become greater in the future due to variety of factors such as demographic and labor market trends, urbanization, internal and cross border labor mobility, rising living standards and global integration.
- ❑ While the databases and future age related expenditure projections are not robust in Developing Asia, a gap which must be addressed at the individual country levels and at the regional level, it is clear that constructing more robust social protection system will require substantial fiscal space as well as private funding.
- ❑ More robust databases for pricing of insurance products needed as the role of insurance increases
- ❑ Each country will need to fashion its own combination of various fiscal and other options to meet the financing needs.

CONCLUDING REMARKS/2

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- ❑ Major reforms of formal systems will be needed for sustainable and equitable social protection systems.
- ❑ These options should not be construed narrowly as essentially contributions or taxes but more broadly involving such areas as more enhancing capacities to generate resources from unconventional sources, and obtaining resource savings through greater professionalism, policy coherence, and organizational coordination. Conventional tax to GDP ratios are not fully representative of tax burden in analytical case.
- ❑ The financing aspects would also need to be tied with greater integration of the elderly in the community, including creating an environment in which their economic potential could be realized.
- ❑ This presentation has not discussed political economy and political management challenges in world in fashioning an appropriate combination of financing methods and instruments. However such challenges are formidable and greater research efforts need to be devoted to addressing them.

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