development ASIA
An initiative of Asian Development Bank
sharing development know-how

INSIGHT

Tracking Asia's Progress in Strengthening Social Protection Systems

There is slow progress in social assistance in Asia, but there are noteworthy improvements in old-age protection through noncontributory social pensions and welfare assistance. Photo credit: ADB.

Social protection spending and coverage are increasing, yet some countries continue to favor the nonpoor over the poor, and men over women.

Introduction

Social protection expenditure is increasing in Asia, but more is needed to achieve substantial coverage of the poor and vulnerable by 2030.

Analysis by the Asian Development Bank (ADB) of 2015 data suggests that across 25 countries [1] in Asia, average public spending on social protection was 5.3% of aggregate gross domestic product (GDP) and the average expenditure per intended beneficiary was 4.0% of GDP per capita. However, there was a wide variation in expenditure at country level, ranging from less than 1% of GDP in Bhutan, Cambodia, the Lao People's Democratic Republic (Lao PDR), and Myanmar to 21% of GDP in Japan.

There are positive trends across the region, as many countries have expanded their public expenditure and made real efforts to strengthen social protection systems. This resulted in the expansion of

coverage and, in some cases, benefits in different areas of social protection, including pensions, health insurance, and welfare assistance.

Despite these gains, there is an urgent need to increase public expenditure in social protection to develop comprehensive and sustainable social protection systems. This is especially pertinent for upper-middle-income countries and lower-middle-income countries. Greater investment would help them close existing coverage gaps to achieve the social protection target of the United Nations Sustainable Development Goals by 2030. Resources are required to support expansion in coverage and benefits.

This article is adapted from the *Social Protection Indicator for Asia: Assessing Progress*. The report looks at the level of resources invested in social protection both as a share of aggregate gross domestic product (GDP) and as a share of GDP per capita for each intended beneficiary. It also reviews the extent of coverage, benefit size, and distribution of expenditure along with poverty and gender lines between 2009 and 2015. It provides an assessment of the major categories of social protection: social insurance, social assistance, and active labor market programs; and corresponding programs (e.g., pensions, health insurance, welfare assistance, child welfare, and others).

Findings

The extent of spending depends on both a country's income and its policy agenda.

High levels of national income can enable greater social protection spending, as is the case in richer countries. Countries with high national income also spent above the regional average in per capita terms. They were well ahead of other income groups, spending an average of 11.6% of aggregate GDP, or 7.9% of GDP per capita for each intended beneficiary.

Among regional groups, East Asia had the highest expenditure (11.5% of aggregate GDP, or 6.4% of GDP per capita). Correspondingly, countries with high national income tended to offer the most generous social protection benefits.

But country income does not explain the full extent or pattern of social protection spending, which reflects national policy priorities. Social protection expenditure was especially high in countries with social protection systems stipulating broad-based national social protection entitlements. In particular, higher spending on social protection is underpinned by the existing policy priorities to support universal health care and old-age social protection. Thus even countries with lower income can enhance spending on social protection, provided they set policy goals and develop a policy framework to ensure that all people can access and benefit from social protection.

A trade-off is apparent between widening coverage and offering generous benefits to all intended beneficiaries.

Only a few countries have managed to distribute, for example, generous social insurance benefits across most of the intended beneficiaries, notably all three high-income countries (Japan, the Republic of Korea, and Singapore), with social insurance coverage of more than double the Asian average of

35.2%.

Many countries have expanded social protection coverage but still, offer small benefits. Some lower-middle-income countries with the highest social insurance coverage—Indonesia (51.2%), Viet Nam (59.3%), Mongolia (71.8%), and Philippines (84.9%)—had modest benefit size. Maldives had the widest coverage in South Asia (71.4%), but spent only 4.6% of GDP per capita ($338.68) on each actual beneficiary. Similarly, social assistance coverage in Thailand was 19.3% and just above 30% in Cambodia, Indonesia, and the Philippines. This pattern reflects the ongoing trend to cover more poor people but with limited investment in benefit size. All these countries had small benefits, both as a share of GDP per capita and in monetary terms. Each actual beneficiary in Thailand, for instance, received the equivalent of only 2.6% of GDP per capita ($152.36). In South Asia, Sri Lanka combined low benefits ($47.11) but reached 54.7%.

Many other countries provided generous benefits to a small share of their population, usually via social insurance, which serves mainly as an instrument for supporting workers in the formal economy. For example, social insurance benefits in Malaysia reached $6,728.14 and that in Bhutan, $1,171.82; however, coverage was low (6.1% in Malaysia and 1.0% in Bhutan). In social assistance, the actual monetary benefits were notably high in Japan ($4,125.85), Singapore ($2,865.98), and Republic of Korea ($2,259.38). However, social assistance coverage in these countries was limited due to the prevalence of social insurance as the primary social protection program. In active labor market programs (ALMPs), the relatively high benefits in high-income countries were accompanied by low coverage—4.8% of intended beneficiaries—mainly because governments regard these programs as residual to social insurance.

Several countries combined small benefits and low coverage. Social insurance benefits in Cambodia and Myanmar were below $100, covering 9.0% and 1.4% of intended beneficiaries; Nepal had low benefits of $333.31 and coverage of 2.7%. Social assistance benefits in the Lao PDR, Myanmar, and Nepal were below $100 and coverage was low. In ALMPs, most countries combined small benefits with paltry coverage.

Social insurance is expanding and dominates the other two categories.

Social insurance dominated expenditure in Asia across all income groups and regions, at four-fifths of social protection spending (4.2% of 5.3% as a share of aggregate GDP). It also had the widest coverage among the three social protection categories, reaching a third of intended beneficiaries. It was also largest in terms of benefits, both as a share of GDP per capita (21.4% of GDP) and its monetary value ($1,121.42). The dominance of social insurance spending was largely driven by contributory pensions.

Social insurance expenditure was higher than or near the Asian average (4.2% of GDP) in the three high-income countries, and in upper-middle-income People’s Republic of China (PRC) and Malaysia. Social insurance is the primary social protection program in the high-income countries, supporting more than 78% of intended beneficiaries. These countries have the highest share of social insurance expenditure in Asia, spending 10.0% of aggregate GDP (and 6.6% of GDP per capita).

Between 2009 and 2015, social insurance spending climbed in all but three countries (Georgia, Mongolia, and Thailand). Average social insurance spending increased from 2.5% to 3.2%, and coverage rose by 11.6 percentage points, from 25.1% to 36.6%. Seventeen countries expanded social insurance coverage over this period. Between 2009 and 2015, social insurance benefits increased by 1.3 percentage points, from 20.8% to 22.1%. Social insurance benefits rose in 10 countries but declined in 13.

This dominance of social insurance, however, does not mean that all countries have adequate coverage for their intended beneficiaries. A third of intended beneficiaries in Asia are not reached by social insurance. Social insurance in large parts of Asia remains limited and mostly supports a small subsection of the population employed in the formal economy.

Old-age pension is expanding.

Spending on contributory pensions (2.8% of aggregate GDP) accounted for the largest share of social insurance spending of 4.2% of aggregate GDP. It was high in high-income countries (4.3% of aggregate GDP), largely due to high expenditure in Japan (10.8% of aggregate GDP). Regionally, East Asia spent the highest (5.3% of aggregate GDP), with Mongolia (5.1%) and PRC (3.3%) at the fore. It is followed by Central and West Asia (5% of GDP). These countries have undertaken reforms to strengthen and expand contributory programs. Notably, the PRC has also extended pension entitlements by promoting noncontributory or social pensions.

The extension of pension entitlements through social assistance has been especially prominent in Southeast Asia and South Asia, which historically had less inclusive contributory systems. The highest spending on assistance to the elderly was in the upper-middle-income countries (0.5% of aggregate GDP), with especially high spending on universal Old-Age Basic Pension and Senior Citizen Allowance in Maldives (2.3%) and Old-Age Pension in Thailand (0.5%). Between 2012 and 2015, governments in many lower-middle-income countries (including Bangladesh, Nepal, Philippines, and Viet Nam) increased funding and expanded their noncontributory social pensions.

Social protection in health remains inadequate.

Average spending on health insurance across Asia (0.9% of aggregate GDP) remained low. Only a handful of countries spent above this average, including high-income Japan (8.3% of GDP) and Republic of Korea (2.8%), as well as upper-middle-income Maldives (2.7%).

Between 2009 and 2015, a number of countries in Asia have supported institutional reforms and increased social expenditure to expand health insurance coverage. In fact, the PRC, Maldives, and Thailand have achieved universal pension coverage.

The average share of expenditure on health assistance in Asia was negligible at 0.1% of GDP. [2] Spending on health assistance was highest in the upper-middle-income countries (0.3%of GDP). Central and West Asia had the largest spending (0.2% of GDP), with Armenia, Azerbaijan, and Georgia dominating the group.

Social assistance is improving, but modestly.

Social assistance covered only 18.4% of intended beneficiaries, leaving the majority of the poor and vulnerable without support. From 2009 to 2015, social assistance spending increased in nine countries. Spending volume remained nearly unchanged in aggregate terms. From 2009 to 2015, social assistance coverage increased from 18.4% to 19.1%. Social assistance benefits remained unchanged at 5.7% from 2009 to 2015; 11 countries improved their benefit size and 12 countries decreased it.

The widest coverage was achieved in upper-middle-income countries. This group includes Azerbaijan, Georgia, and Thailand, which with lower-middle-income Armenia, covered over a quarter of intended beneficiaries. The lower-middle-income countries in Southeast Asia had some of the highest social assistance coverage in Asia. This is largely due to the expansion in social assistance schemes in Cambodia, Indonesia, Philippines, and Viet Nam, covering over a third of intended beneficiaries. Other countries that expanded social assistance coverage include Maldives, Nepal, and Sri Lanka.

The low coverage in the three high-income countries is due to their use of social insurance as the main social protection category.

Welfare assistance is the main program for social assistance.

Welfare assistance was the biggest contributor to social assistance expenditure in Asia. By income group, the highest spending was in the high-income countries (0.6% of GDP) and by region in Central and West Asia (0.9% of GDP). There was a significant expansion of welfare assistance programs in the PRC, Indonesia, and the Philippines.

Further expansion of welfare assistance can help address the persistent poverty and improve other socioeconomic outcomes in Asia. Evidence suggests that welfare assistance and more specifically conditional and unconditional cash transfers have an important role in supporting the poor and vulnerable.

Expenditure on child welfare and on disability assistance is negligible

Spending on child welfare programs in Asia was at a low 0.3% of GDP. Spending was highest in Japan (0.5% of GDP) and Republic of Korea (0.4% of GDP) in the high-income group, and in Uzbekistan (0.8% of GDP) and the Kyrgyz Republic (0.7% of GDP) in the lower-middle-income group. By region, Central and West Asia had the highest spending on child welfare in Asia (0.6% of GDP). Many welfare assistance programs in the region seek to address child poverty, including basic needs, nutrition, and access to health and education. Still, it is important to enhance funding and coverage of programs to tackle other life cycle and social vulnerabilities, e.g., through birth grants, integrated early childhood development services, and child protection measures.

Expenditure on disability assistance was also limited, which is compounded by the fact that disability in the region is often invisible and highly stigmatized. Both high-income and upper-middle-income countries spent more (0.2% of GDP) on disability assistance than lower-middle-income countries. Central and West Asia provided the highest share of funding (0.2% of GDP).

Active labor market programs are underdeveloped.

By income group, high-income and lower-middle-income countries spent more (0.1% of aggregate GDP) than the upper-middle-income group. By region, East Asia, Southeast Asia, and South Asia spent 0.1% of GDP each. At country level, the highest level of expenditure (0.3% of GDP) was in Bangladesh and Singapore. The overall coverage of ALMPs was very low, averaging 1.5% across Asia.

The most prominent programs in the region included workfare programs in Singapore, and cash-for-work and food-for-work programs in Bangladesh.

ALMPs can play a crucial role in improving the existing skills supply and promoting inclusion in the labor market. International experience shows that proactive skills development and training support can adjust to the rapidly growing skills requirements in the labor market. It can help reduce reliance on vulnerable jobs and enhance the quality of jobs for young people. Skills development should be made a central pillar in national planning as well as in expanding technical and vocational education and training and improving the quality and relevance of general-track education. It is important that these programs specifically target women to reduce their dependence on vulnerable forms of work.

Progress in pro-poor spending is too slow and patchy.

Social protection spending in Asia still favors the nonpoor over the poor. The discrepancy was highest in social insurance, where spending on the nonpoor for each intended beneficiary as a share of GDP per capita was five times as high as that on the poor. Only Georgia moved to a pro-poor spending pattern in social insurance between 2009 and 2015.

The results were more equitable in social assistance, where aggregate spending was evenly split between the poor and nonpoor. Social assistance expenditure on the poor prevailed over that on the nonpoor in 13 countries and was equal in four. The number of countries that favored the poor in social assistance increased from nine to 13 between 2009 and 2015.

Fourteen countries in the study increased expenditure on the poor in social insurance—a majority—but only 11 did in social assistance and 5 in ALMPs. Both the other countries' slow progress in enhancing pro-poor expenditure and insufficient coverage of the poor should flag a key policy priority: extending coverage to support the poor who are not covered by current arrangements. This is challenging, especially in social insurance where it is hard to raise contributions from workers in the informal economy.

Social protection is becoming more gender-sensitive but needs to be more inclusive.

Social protection expenditure in the region prioritized men over women: 2.1% of GDP per capita on men

vs 1.9% on women. Social insurance expenditure favored men in 20 countries because the majority of women are engaged in the informal economy and are less likely to afford social insurance contributions than men. Social assistance favored women in 11 countries, showed equal results in 10, and favored men in 4.

Progress toward more gender-sensitive expenditure was seen at country level. All countries in 2015 spent more on men than women in 2009, and spending came to favor women in four countries (Armenia, Kyrgyz Republic, Uzbekistan, and Viet Nam) and became equal in another four (Cambodia, PRC, Lao PDR, and Thailand). Five countries came to spend more on women in social insurance, six in social assistance (bringing the total to 11), and two in ALMPs. Sixteen countries increased spending on women in social insurance and nine countries in social assistance, but two countries (Bhutan and Mongolia) decreased spending on women in both categories. The design of social protection, therefore, needs to incorporate mechanisms that address gender-specific barriers to accessing social protection.

[1] Armenia, Azerbaijan, Bangladesh, Bhutan, Cambodia, Georgia, Indonesia, Japan, Kyrgyz Republic, Republic of Korea, Lao People's Democratic Republic, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, People's Republic of China, Singapore, Sri Lanka, Tajikistan, Thailand, Uzbekistan, and Viet Nam.

[2] Health assistance data in this study does not include expenditure on tax-funded health assistance linked with health insurance schemes. These are considered under health insurance.

Resources

Asian Development Bank (ADB). 2019. *The Social Protection Indicator for Asia: Assessing Progress.* Manila.

ADB. Social Protection and Labor.

Sri Wening Handayani
Principal Social Development Specialist, Sustainable Development and Climate Change Department, Asian Development Bank

Sri Wening Handayani is the focal point for social analysis for ADB's projects, and provides training on poverty and social analysis. She has authored several papers on social protection. She has a PhD in Sociology from the University of Missouri.

Babken Babajanian
Associate Professor, London School of Economics and Political Science

Babken Babajanian has extensive experience in applied policy research and program design, and has previously worked with the World Bank, Asian Development Bank, and the Overseas Development Institute. He has a Masters in International Affairs from Columbia University and a PhD in Social Policy from the London School of Economics.

Last updated: September 2019