



Time for Equality

The Role of
Social Protection
in Reducing Inequalities
in Asia and the Pacific



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Time for Equality

The Role of
Social Protection
in Reducing Inequalities
in Asia and the Pacific

Foreword

Social protection is central to ESCAP's vision of a resilient Asia and the Pacific founded on the principles of shared prosperity, social equity and sustainability. Since its establishment in 1947, ESCAP has promoted social protection as part of an overall strategy of reducing inequality, particularly addressing the exclusion of the most vulnerable groups, and offering a path out of poverty and dependence.

The Asia-Pacific region has in the past decades experienced remarkable economic growth. As a result, living standards have drastically improved, allowing hundreds of millions to lead better and more productive lives. Yet despite this progress, the rich have got richer at the expense of the poor, and unequal social opportunities persist. These inequalities suggest that market-led growth alone is not enough to close the existing development gaps.

With the recently adopted 2030 Agenda for Sustainable Development, inequality and social protection have moved to the centre of the policy agenda, both globally and in the region. National Governments are also increasingly recognizing that inequality serves as an impediment to sustainable development and that social protection is an effective instrument for narrowing development gaps, and, in particular, for reducing inequality.

This report explores the linkages between inequality and social protection. Overall, it argues that inequality, in its multiple forms, is on the rise in Asia and the Pacific, and that this is having an adverse impact on sustainable development. The report provides evidence that social protection is an effective instrument to reduce inequalities, and, by so doing, contributes to the integration of the economic, social and environmental dimensions of sustainable development. While countries in the region are increasingly recognizing the importance of social protection, important coverage gaps still remain. It is encouraging, nevertheless, that substantial steps are being taken to ensure that all individuals have access to income security and health care along the life-course. Some of these country experiences in expanding social protection are examined here.

Building on its strength as the most comprehensive regional intergovernmental forum in Asia-Pacific and its unique convening authority, ESCAP's work has focused on supporting governments in moving towards more comprehensive and robust social protection systems based on the principle of universality. ESCAP member States, in adopting resolution 67/8 of on "Strengthening social protection systems in Asia and the Pacific," recognized that "social protection is an investment in people and in long term social and economic development." They further acknowledged that, "Political commitment at the highest level and the participation of multiple actors, including the beneficiaries themselves, are crucial to formulate and implement social protection policies that effectively meet the needs of all in society."

It is hoped that the analysis and findings contained in this publication will provide member States and other stakeholders with a solid foundation to pursue evidence-based policies that reduce social vulnerabilities, build resilience and promote equality for all.



Shamshad Akhtar

Under-Secretary-General of the United Nations and Executive Secretary of ESCAP



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Acronyms

ADB	Asian Development Bank	MDGs	Millennium Development Goals
AIDMI	All India Disaster Mitigation Institute	MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
ASEAN	Association of Southeast Asian Nations	MIP	Medical Insurance Programme
BMIUW	Basic Medical Insurance for Urban Workers	MIPAA	Madrid International Plan of Action on Ageing
CCS	Country Cooperation Strategies	MIUR	Social Medical Insurance for Urban Residents
CCT	Conditional cash transfer	MNT	Monglian tughrik
CIESIN	Centre for International Earth Science Information Network	MOABP	Maldives Old-Age Basic Pension
CMP	Child Money Programme	MOE	Ministry of Education
CRVS	Civil registration and vital statistics	MOLHSA	Ministry of Labour, Health and Social Affairs
CSMBS	Civil Service Medical Benefit Scheme	MOLISA	Ministry of Labour, Invalids and Social Affairs
DHS	Demographic and Health Surveys	MRPS	Maldives Retirement Pension Scheme
DSWD	Department of Social Welfare and Development	NCD	Non-communicable diseases
EIU	Economist Intelligence Unit	NCMS	New Co-operative Medical Scheme
EPI	Environmental Performance Index	NDC	Notional defined contribution
ESCAP	Economic and Social Commission for Asia and the Pacific	NEET	Not in employment, education or training
GDP	Gross Domestic Product	NRPS	New Rural Pension Scheme
GMI	Guaranteed Minimum Income	NSAP	National Social Assistance Programme
HDF	Human Development Fund	NSCB	National Statistical Coordination Board
HDI	Human Development Index	OAP	Old-Age Pension
HEF	Health Equity Funds	ODA	Official Development Assistance
HSGIQ	Household Subsistence General Information Questionnaire	OECD	Organisation for Economic Co-operation and Development
ICPD	International Conference on Population and Development	PFRF	Pension Fund of the Russian Federation
ILC	International Labour Conference	PHC	Primary Health Care
ILO	International Labour Organization	PISA	Programme for International Student Assessment
IMF	International Monetary Fund	PPP	Purchasing Power Parity
LDCs	Least Developed Countries	PSFGS	Primary School Fee Grant Scheme
MAUR	Medical Assistance for Urban Residents	PSWP	Pacific Seasonal Worker Programme
MBPF	Monthly Benefit for Poor Families	RMB	Chinese renminbi
		RUB	Russian rouble

SCBS	Senior Citizens Benefit Scheme	UNDP	United Nations Development Programme
SNPF	Samoa National Provident Fund	UNESCO	United Nations Educational, Scientific and Cultural Organization
SSA	Social Services Agency	UNICEF	United Nations Children's Fund
SSFGS	Secondary School Fee Grant Scheme	UNRISD	United Nations Research Institute for Social Development
SSS	Social Security Scheme	URPS	Urban Residents Pension Scheme
TCF	The Citizens Foundation	USD	United States dollar
UA	Unemployment allowances	VND	Vietnamese dong
UCS	Universal Health Coverage Scheme	WHO	World Health Organization
UI	Unemployment insurance	WST	Samoa tala
UNDAFs	United Nations Development Assistance Frameworks	YCELP	Yale Centre for Environmental Law and Policy
UNDG	United Nations Development Group		

Regions

Where possible, countries and territories are coloured by subregion in the figures within this publication.



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EAST AND NORTH-EAST ASIA: China, Democratic People's Republic of Korea, Hong Kong, China, Japan, Macao, China, Mongolia, Republic of Korea



.....

NORTH AND CENTRAL ASIA: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Turkmenistan, Uzbekistan



.....

PACIFIC: American Samoa, Australia, Cook Islands, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, New Caledonia, New Zealand, Niue, Northern Mariana Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu



.....

SOUTH-EAST ASIA: Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Viet Nam



.....

SOUTH AND SOUTH-WEST ASIA
Afghanistan, Bangladesh, Bhutan, India, Iran (Islamic Republic of), Maldives, Nepal, Pakistan, Sri Lanka, Turkey

Executive Summary

Inequalities are a growing concern in the region

Despite impressive economic growth and significant progress in poverty reduction, inequality persists in the region, and in some instances has intensified. Growing disparities in income and wealth, as well as unequal social opportunities, reinforce each other, disproportionately affecting women and the most vulnerable members of society, including the poor, youth, persons with disabilities, migrants and older persons.

Inequalities are complex

One of the difficulties in analysing inequalities is that they are multidimensional. Analysis, therefore, should not be limited to the economic sphere, and specifically to inequality of income. Policymakers and stakeholders need to take into consideration three main types of inequality: inequalities of opportunity; inequalities of outcome; and inequalities across key population groups.

The notion of an “inequality trap” appropriately frames the multidimensionality of inequalities. Such traps have two salient characteristics. First, they are generated by the interplay of differences across the distribution of income, social location and access to political resources. Second, they tend to reproduce themselves over time, such that disadvantages become intergenerational. In Asia and the Pacific, inequality traps take form through three principal mechanisms: educational asymmetries, rent-seeking and patriarchal structures.

Inequalities undermine the three dimensions of sustainable development

Inequalities matter for intrinsic reasons — they undermine human dignity and social justice. Inequalities also matter for instrumental reasons — they undermine the three dimensions of sustainable development by stifling economic growth, undermining social cohesion and solidarity, and hampering environmental governance.

- Inequalities can threaten the region’s economic dynamism and sow the seeds of economic crisis by shortening the length of economic growth spells. Inequalities also have the potential of undercutting inclusive, pro-poor growth strategies and creating a middle-income trap. Countries in the region would have achieved greater success in poverty reduction had not income inequalities increased along with economic growth. While China, India and Indonesia have greatly reduced the number of persons living in poverty, an additional 190 million people could have been lifted out of poverty in those countries combined had inequality not increased. Moreover, household debt and balance of payments deficits are more pronounced in countries with higher inequality, further jeopardizing economic stability.
- Inequality creates disparate social development opportunities and outcomes. For example, in several countries in the region children from the top quintile of family income attend school for four or five years more than children from the bottom quintile. Furthermore, the

percentage of births attended by skilled birth attendants is more than seven times greater for women in the top quintile than for those in the bottom quintile. These disparities between the rich and the poor can undermine trust and weaken bonds of solidarity, often contributing to rising levels of crime and social unrest. In extreme cases, especially when it is manifested along ethnic lines, inequality can lead to polarization, extremism and even failure of the State.

- In societies where inequality abounds, collective action is trumped by the pursuit of individual or group interest. In such societies, there is less public support for policies designed to protect the environment and “govern the commons.” In contrast, in more equal societies with a high degree of social cohesion, citizens tend to work together to protect global public goods, including the environment. Furthermore, collective action and institutions at the local level can moderate the adverse impacts of inter-group inequalities.

Social protection is an effective measure to tackle inequalities

It is increasingly recognized that there is no automatic trade-off between growth and equality; that market-led growth alone is not enough to achieve sustainable development; and that redistribution has a positive impact on the economy. It is in the context of a growing consensus concerning the positive role of redistributive policies that social protection has come to the fore.

Social protection refers to a broad set of government transfers of income or services — such as health care, education or labour market programmes — designed to reduce vulnerability and

build resilience. It includes social insurance contributory schemes such — as health insurance, old-age pensions and unemployment, maternity, sickness and disability benefits — as well as social assistance non-contributory schemes in the form of cash transfers (often conditional) to poor households, persons with disabilities and other vulnerable groups.

The United Nations common framework for advancing social protection coverage is the Social Protection Floor, in which a horizontal dimension aims to achieve universal coverage of the entire population with at least minimum levels of protection by providing non-contributory benefits. A vertical dimension progressively ensures higher levels of protection by the development of contributory benefits.

Social protection promotes sustainable development

By reducing inequalities, social protection spurs sustainable development. More specifically, social protection fosters economic growth, promotes social integration, and contributes to positive environmental outcomes.

- Social protection enhances the total level of economic output through the improvement of labour productivity. A strong positive correlation has been empirically established between social spending and the level of output per worker. There is also a positive link between social protection and inclusive economic growth from the point of view of the developmental role of the State in enhancing employability and stimulating the economy. Furthermore, the purchasing power of cash transfers invigorates domestic demand and provides replacement income that smoothes consumption during economic downturns.

- Social protection reduces social exclusion through the promotion of solidarity and social integration. In addition to promoting inclusive growth, social protection has a positive social impact by addressing non-economic or social vulnerabilities caused by structural inequalities and inadequate protection of rights. Individuals living in countries with well-established and generous social protection systems have higher trust in their governments. Furthermore, social protection programmes that have gender-sensitive design features are an efficacious mechanism for empowering women; while cash transfers that focus on historically underprivileged groups can help mitigate horizontal inequalities.
- By reducing income and social inequalities, social protection contributes to environmental sustainability. There is a positive correlation between government expenditures on social protection and countries' Environmental Performance Index (EPI). In the short-term, social protection can build resilience to catastrophic climate change by increasing the adaptive capacity of those that rely on weather-dependent livelihoods. In the long term, social protection can also promote environmental sustainability by, for example, improving water resource management or reforestation.

commitment and the strong evidence showing the positive contributions social protection has on individuals, households and society, important social protection coverage gaps remain.

- More than 85 million children under the age of five are chronically malnourished; 18 million children of primary school age are not in school; and nearly 20 million births are not attended by skilled health personnel.
- More than one billion workers in Asia and the Pacific are in vulnerable employment, characterized by low wages, few benefits, limited job security and often hazardous working conditions.
- Only 30 per cent of persons above the retirement age receive an old-age pension; an estimated eight out of ten workers are still not covered by a pension scheme.
- Out-of-pocket health expenditures in the region are among the highest in the world; 80 per cent of the population has no access to affordable health care.

These coverage gaps present both a challenge and an opportunity for countries in Asia and the Pacific to step up efforts in expanding and strengthening their social protection systems.

Social protection gaps prevail in Asia and the Pacific

Governments in Asia and the Pacific are strengthening their efforts to broaden social protection coverage, and 21 out of 26 developing countries in the region for which data are available recorded an increase in social protection spending as a share of total government expenditures during the past two decades. Despite this increased

More can be done to enhance social protection

This publication puts forth eight broad and complementary approaches that countries in the region could take in order to further strengthen social protection, and, by so doing, build a more inclusive, sustainable and resilient Asia-Pacific region.

Recommendations and actions

Anchor social protection in a rights-based foundation	<p>Ensure that social protection entitlements are embodied in national constitutions and regional integration frameworks.</p> <p>Develop comprehensive social protection legislation to ensure the coherent delivery of entitlements.</p>
Design social protection systems to create synergies	<p>Adopt the Social Protection Floor as a national framework for building comprehensive schemes (and avoiding fragmentation, exclusion and overlaps).</p> <p>Create an inter-ministerial coordinating mechanism to ensure coherence across schemes at both national and subnational levels.</p> <p>Ensure that all social protection schemes are resilient to demographic and epidemiological changes, economic shocks and natural disasters.</p> <p>Ensure that benefits do not create work disincentives.</p> <p>Introduce mutual obligations for receiving certain benefits (for example, mandatory participation in training and skills development courses).</p>
Prioritize and increase investments in social protection	<p>Frame the financing of social protection as an investment in the social sector commensurate to investments in “hard” infrastructure.</p> <p>Build broad political consensus around the importance of social protection.</p> <p>Show political commitment by funding social protection with domestic resources (for example, earmarking of financial resources, and removing/reducing general subsidies and investing the savings in social protection).</p>
Strengthen taxation systems for financing social protection	<p>Broaden the income-tax base and introduce progressive taxation.</p> <p>Shift from taxing consumption to taxing personal income and capital gains.</p> <p>Develop a compliance framework and strengthen tax law enforcement.</p>
Explore innovative ways of financing social protection	<p>Establish a national task force to develop and implement a country-wide innovative financing strategy.</p> <p>Convene periodic national and regional multi-stakeholder consultations to take stock of innovative schemes and forge partnerships (for example, public-private partnerships and social and solidarity economy initiatives).</p>
Promote social dialogue to foster public support for social protection	<p>Create a multi-stakeholder advisory body at the national level to provide guidance on social protection issues.</p> <p>Ensure participation of representatives from the private sector, civil society and research institutes in all governmental processes related to social protection.</p>
Promote productive and decent work	<p>Formulate forward-looking macroeconomic policies that facilitate job-rich growth along the decent work agenda.</p> <p>Harmonize national labour laws with international labour standards.</p> <p>Implement and monitor compliance with national labour laws.</p> <p>Develop labour market programmes to foster labour mobility and strengthen employability.</p>
Enhance the evidence base on inequalities and social protection	<p>Collect more and better gender disaggregated data on income and wealth across individuals and households for rural and urban areas and key population groups, including youth, migrants, older persons and persons with disabilities.</p> <p>Collect data on disparities in access to health care and education, as well as on the dynamics of exclusion from social capital and political participation.</p> <p>Establish a database of social protection good practices, focusing on design, implementation and evaluation.</p> <p>Create learning initiatives with countries that have a long history in developing social protection systems.</p> <p>Establish and enhance national registry databases of beneficiaries and social protection management and monitoring systems.</p> <p>Develop well-functioning systems of civil registration and vital statistics.</p>

Inequalities take centre stage

Despite stellar economic growth and significant progress in terms of poverty reduction, inequality persists in Asia and the Pacific, and in some instances has intensified. Growing disparities in income and wealth, as well as unequal opportunities, reinforce each other creating an “inequality trap” that disproportionately affects women and the most vulnerable members of society, including the poor, youth, persons with disabilities, older persons and migrants.

With the adoption of the 2030 Agenda for Sustainable Development, policymakers and other stakeholders from the region have acknowledged that existing inequalities are having a powerful corrosive effect on the economic, social and environmental dimensions of development: inequality stifles the region’s economic dynamism; it undermines social cohesion and solidarity; and it hampers environmental sustainability. With the explicit endeavour in the agreed 2030 Agenda for Sustainable Development, to reach those furthest behind first, addressing inequality is fundamental for realizing sustainable development.

Inequalities are on the rise in the region

THE GREAT RECESSION THAT MARKED THE END OF THE FIRST DECADE OF THE 21ST CENTURY IS A STARK REMINDER OF THE COSTS ASSOCIATED WITH THE GROWING GAP BETWEEN THE RICH AND THE POOR. Reaching an apogee in 2011, the Occupy protests and the uprisings in some Arab countries were propelled by a young generation disgruntled with growing inequalities. A slew of recent works, moreover, have stoked public debate on inequality. Thomas Piketty's tome (2014) is perhaps the most emblematic of these. Nobel laureates Paul Krugman (2014a), Michael Spence (2014), and Joseph Stiglitz (2012a) have weighed in on the issue, reminding us of the economic and social costs of rising inequalities, and of the difference redistributive policies can make.

In the last two decades, the region has experienced impressive economic growth. The average annual growth rate of GDP for Asia-Pacific developing countries reached 7.0 per cent (ADB, 2012), and it is expected to continue to grow at about 5.8 per cent in 2015 (ESCAP, 2015). This sustained growth has lifted living standards across the region, enabling hundreds of millions to lead more dignified and productive lives. The number of people living on less than USD 1.25 per day (2005 PPP), for example, decreased by 950 million, or from 52 per cent of the population in 1990 to 18 per cent in 2011 (ESCAP, Online Statistical Database). This economic growth has provided opportunities for countries to invest in education, health care and social welfare programmes.

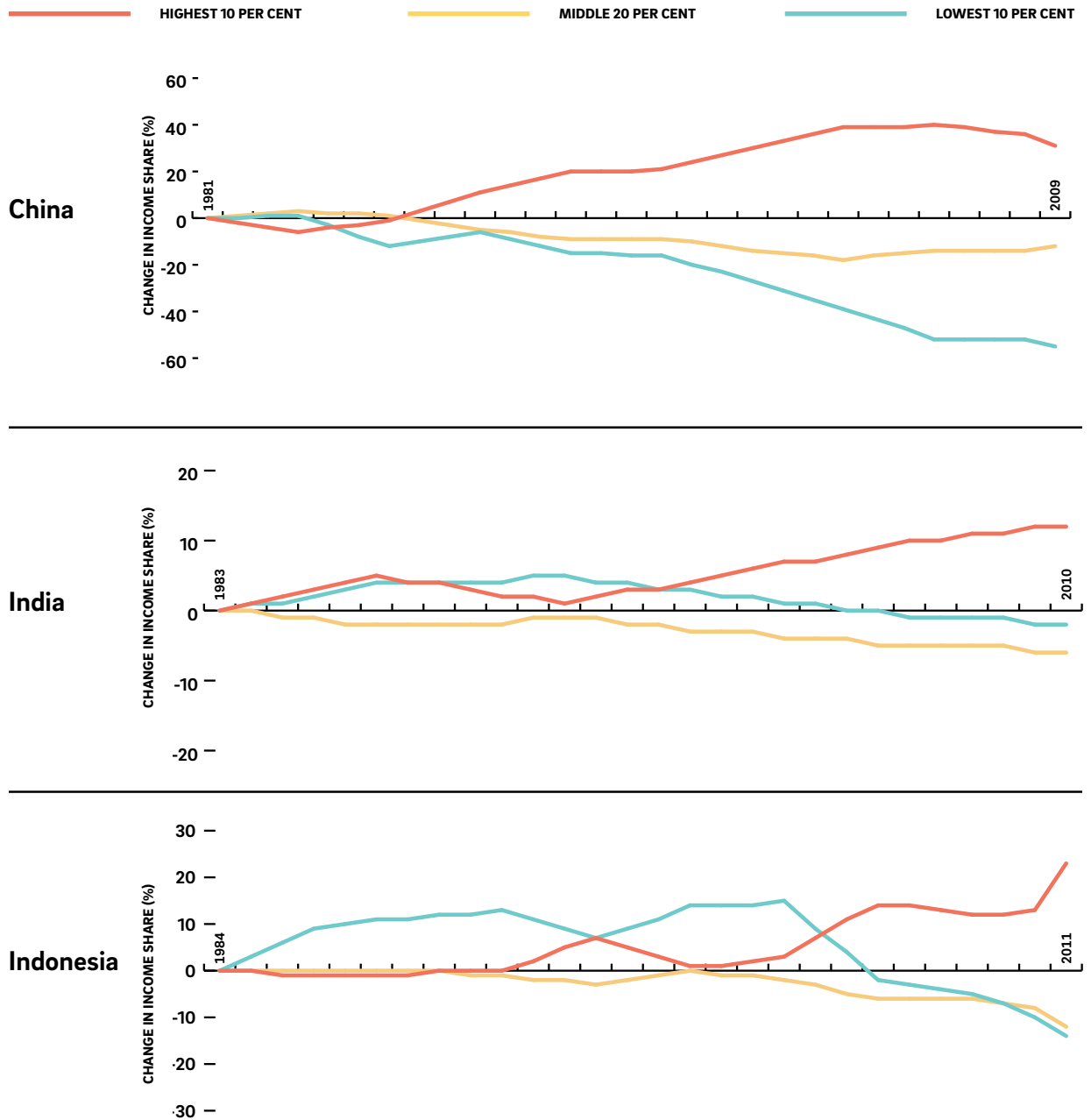
Despite this high and enduring economic growth and significant progress in terms of poverty eradication, inequality persists in Asia and the Pacific, and in some instances has intensified, between women and men, urban and rural areas, and different age and ethnic groups.

The case of the region's three most populous countries and economic pacesetters illustrates the contrasting trend between poverty reduction and rising inequalities. In China, India and Indonesia, poverty has dropped rapidly since the 1980s, while the gap between rich and poor has widened significantly. In China, the share of the population living below the USD 1.25 a day poverty line (2005 PPP) dropped from 84 per cent to 12 per cent between 1987 and 2010 (ESCAP, Online Statistical Database). While the income share of the rich increased by 30 per cent, the share of the poor decreased by 48 per cent when compared to the late 1980s (World Bank, World Development Indicators Database). The same trend holds for India and Indonesia; the share of the population living below the USD 1.25 a day poverty line dropped from 66 per cent in 1978 to 33 per cent in 2011 in India, and 63 per cent in 1984 to 16 per cent in 2011 in Indonesia (ESCAP, Online Statistical Database).

This development contrasts with both the narrative of "equitable" or "shared growth" that defined the "Asian miracle" — the rise of the Asian Tigers — in the 1960s, as well as with recent trends in other parts of the developing world, in particular Latin America, where income inequality has been decreasing over the last two decades.

The income of the rich is increasing at the cost of those at the bottom

Percentage change in income share, selected countries



SOURCE ESCAP, based on World Bank, World Development Indicators database.

NOTE The three country graphs track the distribution of income between the rich (upper decile), the poor (lower decile), and the middle class (middle quintile) as it has changed in relation to the first available year.

Given these prospects, it is encouraging that inequalities have moved to the centre of policy circles in Asia and the Pacific. This was evidenced in a survey of over 1,500 “global elites” conducted by the World Economic Forum (2013). The Davos-based organization asked policymakers, public intellectuals, and civil society and business leaders to identify “What are the top trends facing the world in 2014 and 2015?” The response was categorical: inequality was identified as the number one issue of concern in the Asia-Pacific region, and the second most important issue, globally.

An important nuance must be made at the outset when examining this issue of inequalities—a nuance that captures the paradoxes of the age of globalization and increasing regional connectivity: the claim that inequalities are on the rise in the region, refers specifically to inequalities within countries (Milanovic, 2011). Inequalities between countries have in fact been narrowing (Lakner and Milanovic, 2013). That is, the overriding trend in the global economy is the process of convergence that began after the Second World War (Spence, 2014). This development is the result of a greater enrichment of developing countries vis-à-vis the richer countries. In other words, the growth rates among rich countries have been lower than those of emerging countries.

This catch-up has not only been in terms of economic growth; it has also been about living fuller and better lives (Deaton, 2013). Over the past decade, for example, there has also been an increasing convergence in terms of the Human Development Index (HDI) (UNDP, 2013a). Like the rest of the world, Asia and the Pacific saw a notable improvement in all HDI components, with more rapid progress in low- and medium-HDI countries.

One interpretation of these contrasting trends is that the price that has been paid by emerging economies for decreasing the gap with developed economies has been the increase in the inequality within their national borders (Chotikapanich et al., 2014; Lakner and Milanovic, 2013). This view brings forth the question of how countries in the region can best manage globalization and regional integration. At the heart of this issue is the challenge of balancing market-led growth with the improvement of the well-being of individuals and households. This question has already emerged as a central political issue in Europe and North America, where, from the point of view of the world income distribution, workers from rich countries are being squeezed by the ever-richer global elite and the rising Chinese and Indian middle classes (Krugman, 2015).



“At the heart of this issue is the challenge of balancing market-led growth with the improvement of the well-being of individuals and households”

The drivers of economic growth are also behind rising inequalities

Technological change and globalization are considered by some analysts to be the main drivers of the region's rapid economic growth as well as the basic forces behind rising inequalities within countries (ADB, 2012). Technological change and globalization have favoured skilled workers over unskilled, capital over labour, and urban and coastal areas over rural and inland regions.

One manifestation of this interplay is that economic growth is not generating sufficient decent and productive employment opportunities, as evidenced by the large and underproductive agricultural sector in many countries, as well as the high share of workers in vulnerable employment, an issue to be further discussed in chapter 4 (ESCAP, 2013a). Economic growth in the region has not been accompanied by a proportionate expansion in formal sector employment. The developing countries of Asia and the Pacific experienced such jobless growth during the period 2009–2013 as on average GDP grew by 6.4 per cent per annum while employment grew by only 1.3 per cent. Moreover, during the pre-crisis period of 2000–2007, employment only increased by 1.7 per cent per year (ESCAP 2014a).

Another manifestation of the interplay between technological change and increasing connectivity is the unequal access to science, technology and innovation within and between countries.

Despite the trend toward convergence between countries, science technology and innovation gaps remain. Exemplified by the “digital divide” that exists between people and countries in the region (ESCAP, 2014b), this gap is driven in large part by unequal access to higher education. For example, while the average enrolment rate in high-income Asia-Pacific countries is around 75 per cent, it is below 20 per cent for the Least Developed Countries (LDCs) in the region (Figure 1.2).

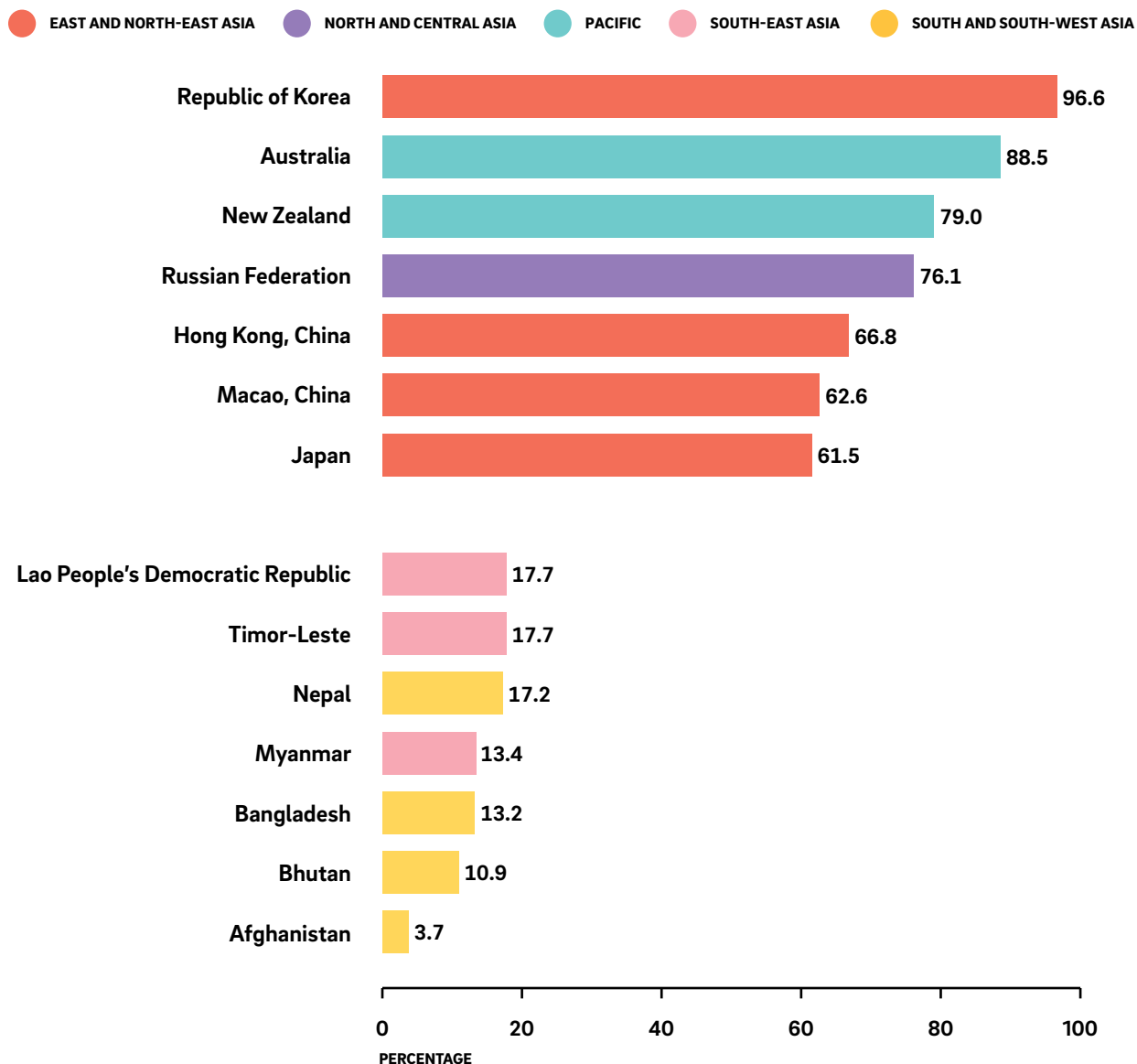


“... economic growth is not generating sufficient decent and productive employment opportunities”

Some of the policies that have dominated the development agenda since the 1980s have further exacerbated inequalities in the region. Designed to create a “race to efficiency” through market incentives, these policies have, in certain contexts, created a “race to the bottom.” Such policies include financial liberalization, regressive taxation, privatization in the context of weak regulation, public expenditure policies that fail to protect the poor during crises or adjustment periods, and labour market policies that lead to precarious forms of employment. Other drivers are the existence of discriminatory political, legal and sociocultural norms, based on income, gender, ethnicity and language.

There are stark disparities in higher education

Gross enrolment ratios in tertiary education, selected countries, latest available year



SOURCE ESCAP, based on UNESCO, Institute for Statistics.

NOTE Data refer to year 2014 for the Republic of Korea; 2013 for Australia, New Zealand, Macao, China, Hong Kong, China, Lao People's Democratic Republic, Nepal and Bhutan; 2012 for the Russian Federation, Japan, Bangladesh and Myanmar; 2011 for Afghanistan; and 2010 for Timor-Leste.

NOTE The gross enrolment ratio in tertiary education refers to the total enrolment in tertiary education, regardless of age, expressed as a percentage of the eligible official school age population corresponding to tertiary education in a given school year. For the tertiary level, the population used is the five age cohorts immediately following the official secondary school graduation age.

The complexity of inequalities must be better understood

There are three main types of inequalities

One of the difficulties in analysing inequalities is that, like human development, inequalities are multidimensional (UNDP, 2013b). In addition to economic foundations, individuals need broader social, cultural and political resources to flourish and lead meaningful lives (Nussbaum, 2011). Indeed, as with human development, inequality must be understood against a broader framework, and should not be limited to inequality of income, for example. With this in mind, it is important to consider the three main types of inequality (Figure 1.3).

INEQUALITIES OF OUTCOME

INEQUALITIES OF OPPORTUNITY

INEQUALITIES ACROSS POPULATION GROUPS

Inequalities of outcome reinforce material deprivation

Inequalities of outcome are concerned primarily with disparities in material dimensions of human well-being and are usually expressed in terms of the gap between the rich and the poor. Economic inequality is used more or less synonymously with inequality of outcome, and is typically measured in terms of disparities in income, primarily because these data are the most comprehensive. The past two decades have been associated with a widening of the gap between the rich and the poor in Asia and the Pacific. For example, over the past 20 years, the Palma ratio—which measures the ratio of the

income share of the top 10 per cent to the bottom 40 per cent of a country's population — increased from 1.0 to 2.1 in China and from 0.8 to 2.0 in the Russian Federation (Figure 1.4). In many countries, the richest 10 per cent have almost twice as much income as the poorest 40 per cent. In countries where income inequality did not rise, it remained at very high levels. This is the case for Malaysia and Thailand, for instance. Such large gaps between the rich and poor undercut inclusive, pro-poor growth and undermine upward mobility. As will be shown in chapter 4, this income inequality has been perpetuated in and through persistent vulnerable employment.

Inequalities of opportunity undermine the ability of individuals to lead meaningful lives

Inequalities of opportunity refer to unequal access to the chances required to sustain and improve livelihoods and lead meaningful lives. This type of inequality is not concerned with achieving similar material outcomes, but rather with leveling the playing field, that is, with ensuring that all members of society have an equal chance to pursue life objectives. Unequal access to health care and education are the main determinants of inequality of opportunity. Many countries in the region are lagging in the Millennium Development Goals (MDGs) targets on health. Nearly 80 per cent of the region's population still has no access to affordable health care. Furthermore, despite the remarkable progress that has been achieved in improving overall access to education, as many as 18 million children of primary school age are not in school. As will be elucidated in chapters 3 and 6, these development gaps in health and education exacerbate inequalities.

Inequalities across key population groups perpetuate historical vulnerabilities

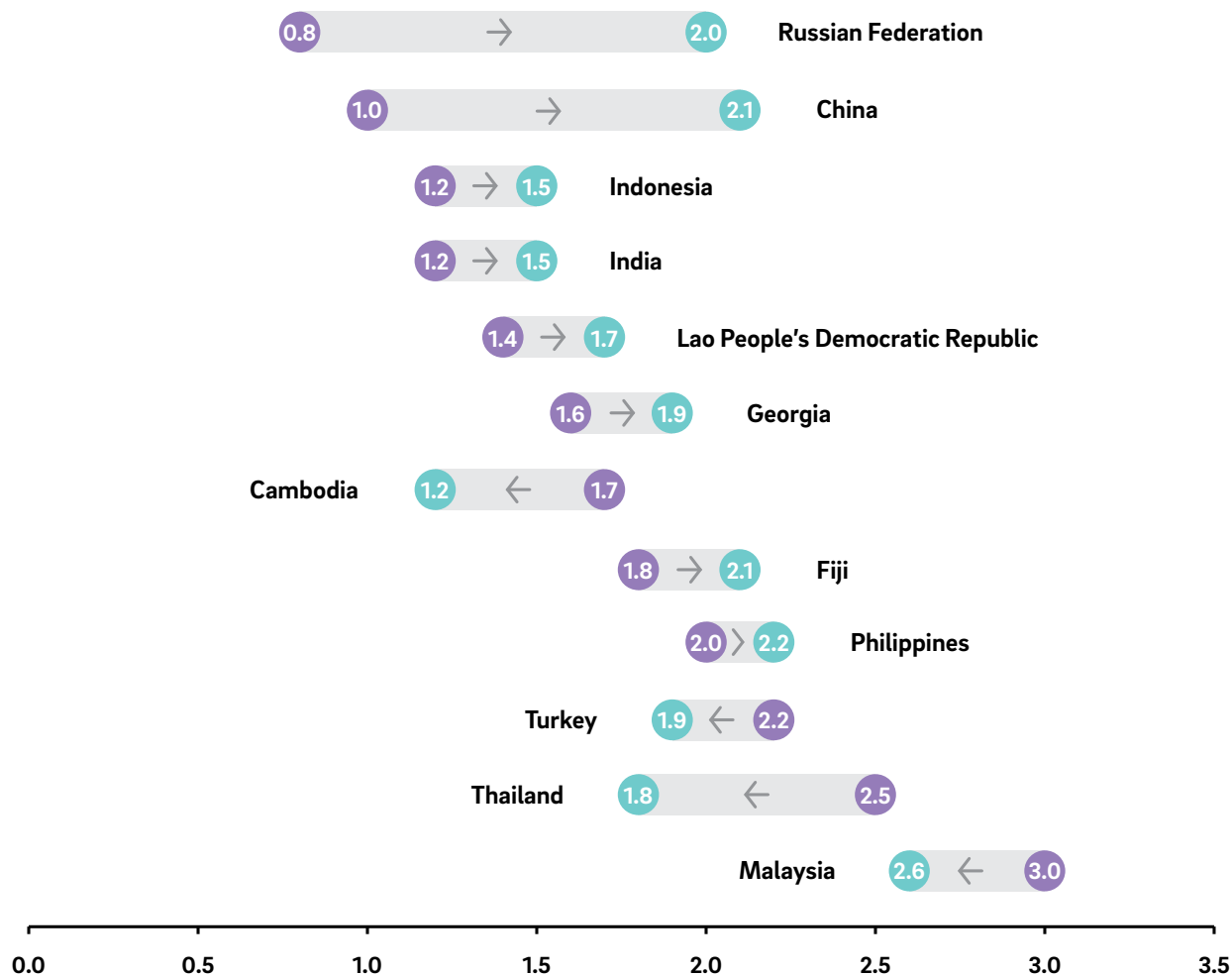
Characteristics that identify a social group to which an individual belongs — including gender, age, ethnicity, disability or migrant status — have considerable influence on well-being and economic outcomes (United Nations, 2013a). Group — or horizontal — inequalities created along these lines are reinforced by lack of voice and power and impede the full and free participation of all persons in civic and political life. This in turn undermines good governance and the capability of all people to be agents of sustainable development. Beyond individual and group exclusion, these types of inequalities threaten economic growth and national stability by weakening social bonds, undermining environmental sustainability and feeding disengagement and dissent. It is important to address horizontal inequalities because they constitute a large component of overall inequalities within countries. In the region, women, youth, older persons, persons with disabilities, and international migrants are particularly susceptible to social exclusion (Box 1.1).



“inequalities threaten economic growth and national stability by weakening social bonds, undermining environmental sustainability and feeding disengagement and dissent”

The richest 10 per cent have twice as much income as the poorest 40 per cent

Palma ratio, selected countries



SOURCE ESCAP, based on World Bank, World Development Indicators.

NOTE The Gini coefficient is the most commonly used indicator to measure income inequality. Recently, arguments have been made in favour of an alternative measure – the Palma ratio – which measures the ratio of the income share of the top 10 per cent to the bottom 40 per cent of a country's population. The Palma ratio offers a way to more intuitively understand income inequality. For a given elevated Palma value, it is clear that the gap between rich and poor can be reduced either by raising the share of national income of the poorest 40 per cent or decreasing the share of the top 10 per cent (Cobham and Sumner, 2013; Palma, 2011).

NOTE Data for earliest year refer to 1981 for China and Thailand; 1983 for India; 1984 for Indonesia and Malaysia; 1985 for Philippines; 1987 for Turkey; 1988 for Russian Federation; 1992 for Lao People's Democratic Republic; 1994 for Cambodia; and 2002 for Fiji. Data for latest available year refer to 2008 for Fiji; 2009 for Malaysia; 2010 for China and Indonesia; 2011 for India; and 2012 for Cambodia, Lao People's Democratic Republic, Philippines, Russian Federation, Thailand and Turkey.

Disparities across key population groups constitute a large component of overall inequalities in the region

Women and girls

In their diversity, women and girls across the region are connected by inequality, discrimination and oppressive gender stereotypes. In terms of economic power and participation, there are inequalities in access, treatment and outcomes, most evident in levels of material wealth, including poverty (ILO, 2012a). With occupational segregation drawing upon traditional, and restrictive, gender roles, women predominate in vulnerable employment, characterized by low-pay, low productivity, restricted occupational options and little, if any, social protection.

Youth

The region is home to 717 million young persons aged 15 to 24 years, or 17 per cent of the total population. The number of inactive young people – that is, not in employment, education or training (NEET) – for the handful of developing countries in the region for which data are available was 21 per cent in 2012, higher than the Organisation for Economic Co-operation and Development (OECD) average of 16 per cent in 2010 (ILO, 2013a). Youth – and in particular young women – face barriers to health care, and especially to sexual and reproductive health services. They also tend to have lower civic engagement and political participation than adults, which has further sowed the seeds for social unrest (Park and Lee, 2007; Chang, 2012).

Older persons

The region is experiencing population ageing at an unprecedented pace. The number of persons 65 years or older in the region is expected to triple from 323 million in 2013 to around 901 million by 2050. Older persons are particularly at risk of poverty and social exclusion, often lacking access to adequate resources, services and participation. Age-based discrimination and rigid working conditions pose challenges to remaining active in working life (ESCAP, 2013c). Weak social protection systems combined with rural-to-urban migration and changing family structures, leave older persons in precarious conditions.

Persons with disabilities

The region is home to an estimated 650 million persons with disabilities, or 15 per cent of the population. Households with members having a disability are disproportionately poor (United Nations, 2011). Research in Cambodia, India, Indonesia, Mongolia and nine other non-Asian developing countries, for example, revealed that disability is associated with about a 10 percentage point increase in the probability of falling into the two poorest quintiles (Filmer, 2008). The inequalities faced by persons with disabilities are deeply rooted in persisting social stigma, attitudinal and institutional barriers and discrimination. The perception of persons with disabilities as powerless and incapable of contributing is reinforced by stereotypes and a dire lack of accessible environments in Asia and the Pacific.

International migrants

In the context of increasing connectivity at the global and regional levels, international migration in Asia and the Pacific is on the rise, with an estimated 59 million migrants (one quarter of the world's migrants) living in the region (United Nations, 2013b). To circumvent legal restrictions, many migrants use irregular channels; some are even smuggled or trafficked. As a result of multiple vulnerabilities related to their status, migrants often work under precarious conditions. Though migrants contribute to the economic prosperity and cultural diversity of their destination countries, they often face inequalities in remuneration, social protection and access to social services, including health care.

Inequalities reinforce each other creating an inequality trap

Inequality of outcome, inequality of opportunity, and horizontal inequalities reinforce each other, disproportionately affecting women and the most vulnerable, including youth, migrants, persons with disabilities, and older persons. The notion of “inequality trap” appropriately frames the multidimensionality and reinforcing dynamic of inequalities.

Inequality traps are “persistent differences in power, wealth and status between groups that are sustained over time by economic, political and socio-cultural mechanisms and institutions” (Bourguignon et al., 2007). The resulting dynamic protects the rich from downward mobility and hinders the poor from achieving upward mobility.

Inequality traps have, then, two salient characteristics. First, they tend to reproduce themselves over time such that disadvantages become, by definition, intergenerational. Second, inequality traps are generated by the play of differences across the distribution of income, social location and access to political resources (Bebbington et al., 2008).

The notion of an inequality trap is helpful in differentiating between two concepts that are often obfuscated: poverty and inequality. These two concepts denote two distinct phenomena that, having different structural causes and ramifications, require different policy measures. Poverty can be measured as absolute or relative poverty, and is also a multidimensional concept. Absolute poverty describes a situation where a person falls below a certain standard of living; while inequality describes a relative situation, not necessarily grounded in poverty. This distinction is essential for accurately understanding the changes that have been transpiring in Asia and the Pacific. As was suggested at the outset of this chapter, though the region’s stellar economic growth has

lifted hundreds of millions out of poverty, the gap between the rich and the poor is increasing. Indeed, today the region finds itself in a situation where there is less absolute poverty, but greater inequality.

An inequality trap, then, needs to be distinguished from a poverty trap (Rao, 2006). In a poverty trap, the income of the poor does not grow beyond some fixed threshold: the poor remain poor because, for example, they are undernourished, and thus, unproductive. By contrast, in an inequality trap the situation of the poor may improve over time, but the patterns of relative disadvantage continue to exist. To mitigate poverty traps countries may give pride of place to addressing extreme inequalities of outcomes by ensuring that no one falls below a certain level of material deprivation. To mitigate inequality traps countries may give pride of place to addressing inequalities of opportunity by ensuring equal access to education and health care, in particular across vulnerable population groups.

There are a variety of inequality traps that take form in and through different mechanisms. It is beyond the scope of this publication to exhaustively cover all variations of this phenomenon. Box 1.2 describes the three most common pathways of inequality traps in the region: the transmission of inequalities through educational asymmetries, rent-seeking and patriarchal structures.



“Inequality of outcome, inequality of opportunity, and horizontal inequalities reinforce each other, disproportionately affecting women and the most vulnerable, including youth, migrants, persons with disabilities, and older persons.”

Pathways of inequality traps

Educational asymmetries

Socioeconomic status determines the opportunity to access education, undermining intergenerational mobility. The educational achievement of children, in other words, reflects the social and economic position of the parents: Poor children are likely to remain poor because they receive low quality education; and rich children are likely to remain rich because they receive high quality education. This holds analogously for horizontal inequalities: Research has shown that there is a non-convergence in intergenerational educational mobility patterns between ethnic groups across cohorts; in other words, the educational achievement levels tend to improve at a slower rate for excluded minority groups (Cruces et al., 2012).

Rent-seeking

Against the backdrop of the interplay of inequality, low trust and corruption that exists in societies with low social integration, economic elites monopolize political resources through the development of nepotistic and clientelistic networks that produce plutocratic or oligarchic power structures (Uslaner, 2008). Egregious manifestations of this dynamic have historically been the caste system, slavery, apartheid and colonialism. In liberal market democracies this dynamic manifests itself through more subtle rent-seeking behaviour, as, for example, opposition by the economic elite to “easy-money” (inflationary) policies, which though they can have a positive impact on the economy as a whole, are directly detrimental to the very wealthy (Krugman, 2014b and 2014c).

Patriarchal structures

Patriarchal institutions and social relations create, maintain and perpetuate the subordination of women by men in both public and private domains. In this pervasive manifestation of inequality, power, decision-making authority and control of resources predominantly lie with men. Discrimination in education, such as subject streaming and early drop out circumscribe women’s access to decent work and negatively impact their income-generating opportunities. This in turn reduces the options for women outside marriage and increases their economic dependence on men. With little or no decision-making authority and control of resources, women lack the collective influence to transform these patriarchal structures, practices and norms.

Inequalities undermine the three dimensions of sustainable development

The Asia-Pacific region as a whole has had considerable success in achieving the MDGs, particularly in reducing levels of poverty (ESCAP, ADB and UNDP, 2013). Yet, the framework for those Goals did not fully address the various forms of inequality, nor their structural underpinnings (Economic Commission for Europe and others, 2012).

Inequalities matter for intrinsic reasons — they undermine human dignity and social justice, the principles upon which human rights are grounded. Inequalities also matter for instrumental reasons — they undermine the three dimensions of sustainable development: inequalities stifle economic growth; they undermine social cohesion and solidarity; and they hamper environmental governance.

It is therefore encouraging that the 2030 Agenda for Sustainable Development recognizes the powerful and corrosive effects of inequalities on sustainable development (General Assembly resolution 70/1). The Sustainable Development Goals, adopted by the General Assembly in September 2015, identified inequality as both a stand-alone and cross-cutting issue. The 2030 Agenda explicitly endeavours to reach the furthest behind first. Therefore, addressing inequality is fundamental for realizing the Agenda.

Inequalities stifle economic growth

While a certain level of income inequality may be essential for the effective functioning of a market economy, evidence suggests that high levels of inequality hamper economic prospects.

As such, inequality could threaten the region's economic dynamism, sow the seeds of economic crisis, and undermine the sustainability of economic growth. Multi-decade and multi-country evidence suggests that inequality is a more robust predictor of growth duration than many of the variables understood to be fundamental for growth (Berg and Ostry, 2011: 13). For example, a 10 per cent reduction in income inequality has been found to increase the expected length of a growth spell by 50 per cent. Research suggests, moreover, that income inequality can potentially lead countries such as China, Malaysia and Thailand into a middle-income trap, that is, into long-term economic stagnation that could prevent these countries from obtaining high-income status (Egawa, 2013).

High levels of income inequality also undercut inclusive, pro-poor growth strategies, making it more difficult to reduce poverty through growth (UNRISD, 2010). Moreover, household debt and balance of payments deficits are more pronounced in countries with higher inequality. ESCAP calculations show that, had income inequality not increased in China, the poverty headcount rate (using the USD 1.25-a-day poverty line) would have been reduced to 5 per cent in 2008, instead of stalling at 13 per cent. Similarly, in India, the poverty rate would have declined to 30 per cent, instead of remaining at 33 per cent; and in Indonesia, it would have declined to 6 per cent, instead of 16 per cent (ADB, 2012: 41). In other words, had inequality not increased, an additional 190 million people would have been lifted out of poverty in these three countries alone.

Inequalities undermine social cohesion and solidarity

A growing divide between the rich and the poor is often a factor in rising levels of crime and social unrest, as it undermines trust and weakens bonds of solidarity (Khatiwada, n.d.). Research suggests that equality is a strong determinant of generalized social trust over time. One study of 43 countries from across the globe, for example, found that when moving from low levels of income inequality to very high levels, trust declines by 23 per cent (Rothstein and Uslaner, 2005). Furthermore, under certain conditions, inequality can weaken political institutions and lead to instability, which in turn can facilitate rent-seeking, deter foreign investment, and impede the domestic consensus required to adjust to shocks and sustain growth (Ostry et al., 2014).

In extreme cases, especially where it is manifested along ethnic lines, inequality can lead to polarization, radicalization, and even the failure of the state (UNRISD, 2010). A study by the Asia Foundation of 26 subnational conflict areas across Asia and the Pacific found that the uneven development between conflict-affected areas and the rest of the country increased the widespread perception of injustice, unequal opportunities, and marginalization that fueled animosity and agonistic movements (Parks et al., 2013).

Inequalities hamper environmental governance

In equal societies with a high degree of social cohesion, people tend to work together to protect global public goods, including the environment. In contrast, in societies where inequalities abound, collective action is trumped by the pursuit of individual or group interest. In such societies, there is less public support for policies designed to protect the environment and “govern the commons” (Stiglitz, 2012b; Ostrom, 1990).

Inequalities generate social resentment and disincentives to contribute to collective action. Such resentments and disincentives generate a vicious circle of pervasive free-riding and overuse of resources which consequently lead to unsustainable environmental outcomes. One quantitative analysis of 228 cases of forest usage by local communities collected between 1994 and 2002 in India, Nepal, Kenya, Uganda, Bolivia and Mexico found, first, that inequalities had consistent and statistically significant negative effects on forest conditions; and, second, that collective action and institutions at the local level can moderate the adverse impacts of inter-group inequalities (Andersson and Agrawal, 2011: 873).

This chapter has considered the multiple forms of inequality that are on the rise in Asia and the Pacific. Chapter 2 will examine the role of social protection in reducing these inequalities and contributing to sustainable development. ■

The pivotal role of social protection in reducing inequalities

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Social protection has proven to be an effective measure for tackling disparities in income and unequal access to health care and education as well as empowering vulnerable populations. By reducing inequalities, social protection promotes sustainable development: it supports inclusive growth, facilitates social integration and contributes to positive environmental outcomes.

Recognizing its central role in promoting sustainable development, countries in the region have made substantial progress in enhancing social protection systems. Yet, despite the progress that has been made, important coverage gaps remain. A lack of political will and fragmented social dialogue contribute to reduced fiscal space. In addition, pervasive labour informality, population ageing, and increasingly frequent and intense natural disasters compromise the viability of social protection systems.

In this context, the United Nation's Social Protection Floor Initiative has proven to be an important common framework for moving toward broader and more robust social protection systems.

Social protection emerges as a critical development instrument

THAT INEQUALITY UNDERMINES SUSTAINABLE DEVELOPMENT DOES NOT IN ITSELF JUSTIFY REDISTRIBUTIVE POLICIES. The “medicine” — redistributive policies — could in fact be worse than the “disease” — inequalities. This was the conventional view underpinning the structural adjustment programmes of the 1980s and 1990s, when a trade-off between equity and inefficiency was posited. This view began to lose sway after the 1997 Asian Financial Crisis.

Over the past decade, in particular, in the context of the Great Recession, there has been a growing consensus that market-led growth alone is not enough to achieve sustainable development and that redistribution is good for the economy (Ostry et al., 2014). A report published in August of 2014 by one of the world’s largest rating agencies, Standard & Poor’s, making the case for redistributive policies, suggests just how mainstream this new view of inequality and the role of social policy has become (Maguire, 2014).

It is in the context of a growing consensus concerning the positive role of redistributive policies that social protection has come to the fore. Responding to diverse local conditions and aspirations, countries have employed a variety of definitions, terminologies and approaches; and international organizations have devised different ways of classifying social protection.

In this publication, social protection refers to government transfers of income or services such as health care or education that are designed to

reduce vulnerability and build resilience. These transfers, for example, may be from the affluent to the poor, the active to the old or the healthy to the sick.

Social protection is anchored in the universal rights of everyone to social security, and to a standard of living adequate for the health and well-being of themselves and their families (ILO, 2010a). These are rights laid down in Articles 22 and 25 of the Universal Declaration of Human Rights (1948). Social protection is also anchored in articles 9, 11, 12 and 13 of the International Covenant on Economic, Social and Cultural Rights (1979). The core idea is that no one should live below a minimum standard of living, and that everyone should have access to at least basic social services.

In addition to fulfilling basic social and economic rights, the role of social protection in preventing people from falling into poverty and in reducing the duration of poverty has long been established (Economic Commission for Africa and others, 2012). More recently, the developmental role of social protection has also been recognized. By improving equity, opportunity and resilience, social protection provides a solid foundation for sustainable development (World Bank, 2012; Devereux and Sabates-Wheeler, 2004).

Indeed, originally understood exclusively in terms of poverty reduction, today social protection is being integrated into broader national economic and social development policies. Since the new millennium there has been a move away from

fragmented approaches that see social protection as only short-term safety nets toward a more comprehensive, transformative, and integrated approach that views social protection as a pillar of sustainable development (United Nations Economic and Social Council, 2014). In this context, social protection is understood as measures that not only help people meet their basic needs, but also contribute to their long-term well-being and broader societal goals of equity, social justice and empowerment. From this perspective, social protection augments human capital and expands human capabilities (Sen, 1997).

Within this broader developmental or transformative framework, social protection has proven to be an effective measure to tackle disparities in income and unequal access to health care and education as well as empowering vulnerable populations. For example, taxes and transfers have been found to reduce the Gini coefficient by about 25 per cent in OECD countries (Joumard et al., 2013). In developing contexts, one study in Latin America found that direct transfers alone reduced the Gini coefficient in several countries by 1 to 9 per cent (Lustig et al., 2013).

It is important to highlight, however, as will be discussed, that social protection tackles inequality not just by redistributing resources based on normative rules among citizens, but as societal investments in social and human capital which have long-term growth enhancing effects.



“...social protection has proven to be an effective measure to tackle disparities in income and unequal access to health and education as well as empowering vulnerable populations”

Social protection has moved to the centre of the policy agenda

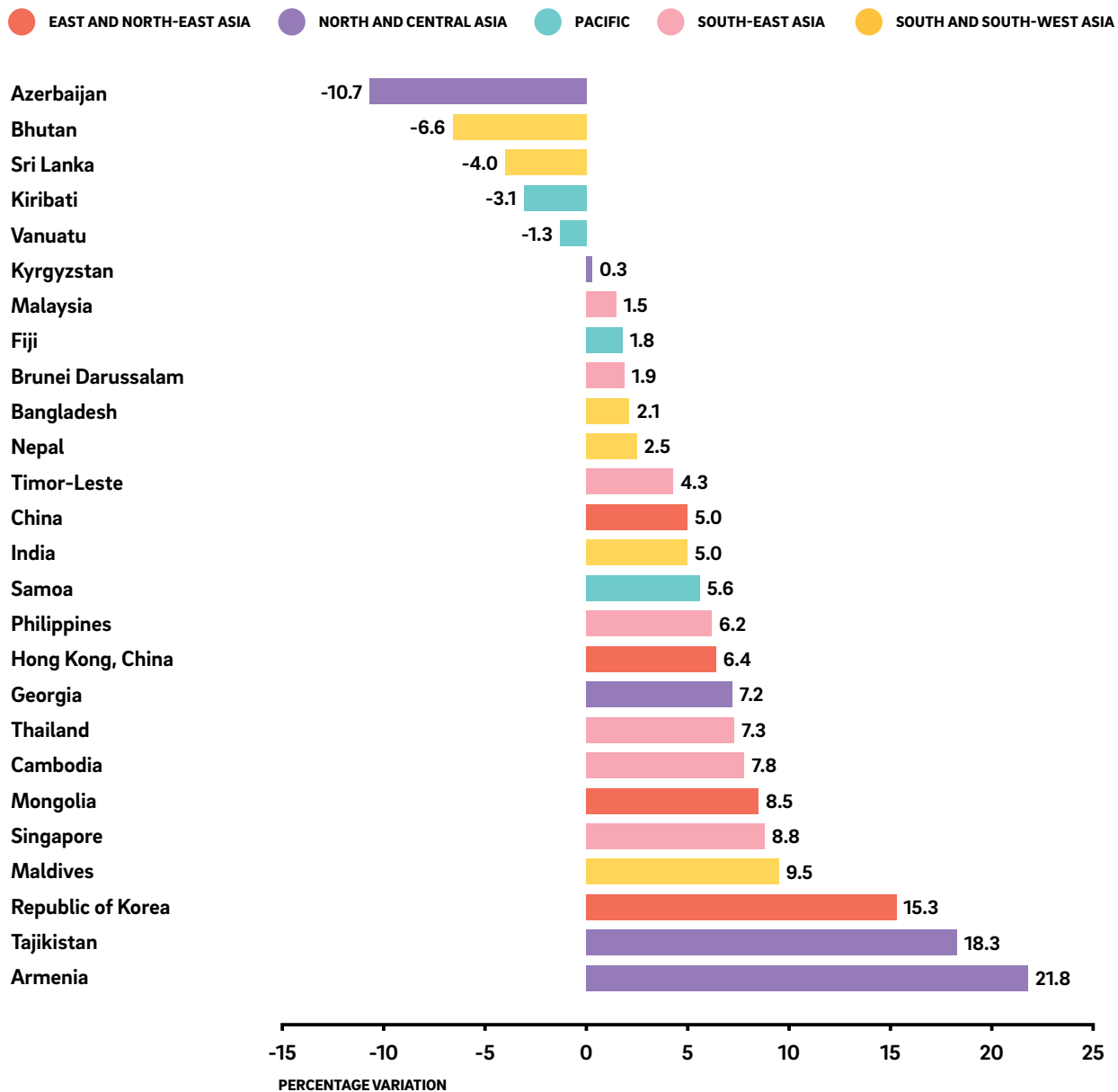
That social protection has become a priority for the majority of governments in Asia and the Pacific is evident from the increase in government investments in this area. Twenty-one out of the twenty-six developing Asia-Pacific countries for which data are available demonstrated an increase in social protection spending as a share of total Government expenditures between the earliest and latest years they have data available for (Figure 2.1).

The Social Protection Floor Initiative, which in recent years has come to provide the guiding framework for United Nations work in the area of social protection, in many ways exemplifies this shift in development policy at both the regional and global levels. More will be said about the Social Protection Floor at the end of this chapter.

That social protection has moved to the centre of the policy agenda in Asia and the Pacific is also evident from the many regional initiatives that have crystallized in the past decade. The adoption of the “Declaration on Strengthening Social Protection” by the member States of the Association of Southeast Asian Nations (ASEAN) in October 2013, at the 23rd ASEAN Summit in Brunei Darussalam, has also confirmed the growing regional importance of social protection. The Declaration is grounded on the principle that everyone is “entitled to have equitable access to social protection that is a basic human right and

A majority of countries have increased investments in social protection

Percentage change in spending on social protection as a share of total government expenditures, selected countries, earliest and latest available year



SOURCE ESCAP, based on ADB, Key Indicators for Asia and the Pacific 2014, Country Profiles.

NOTE Government spending on social protection is calculated as the sum of government expenditures on health, social security and welfare.

NOTE Data for earliest available year refer to 1996, except for Singapore (1995); Kiribati (1997); Vanuatu (1998); Azerbaijan and India (1999); Bhutan (2002); China (2000) and Timor-Leste (2007). Data for latest available year refer to 2013, except for Vanuatu (2004); Brunei Darussalam and Samoa (2011); China, Fiji and India (2012).

based on a rights-based/needs-based, life-cycle approach and covering essential services as needed.”

Furthermore, the level of engagement vis-à-vis social protection has increased dramatically as evidenced by the number of United Nations Development Assistance Frameworks (UNDAFs) that prioritize the development of social protection. Several United Nations agencies have, under the aegis of the United Nations Development Group (UNDG) in Asia and the Pacific, joined forces to promote social protection floors and support countries in

designing and implementing their national social protection strategies. Toward this end, between 2007 and 2013, UNDG Social Protection Floor Joint Teams were established and Assessment-Based National Dialogue Exercises were conducted in Cambodia, India, Indonesia, Lao People’s Democratic Republic, Mongolia, Myanmar, Nepal and Thailand.

Indeed, social protection promises to assume an increasingly important role as a development priority with the adoption of the Sustainable Development Goals and the 2030 Agenda for Sustainable Development (Table 2.1).

TABLE 2.1

Social protection prominently appears in the Sustainable Development Goals

Goal		Target	
1	End poverty in all its forms everywhere	3	Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable
3	Ensure healthy lives and promote well-being for all at all ages	8	Achieve universal health-care coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
5	Achieve gender equality and empower all women and girls	4	Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate
10	Reduce inequality within and among countries	4	Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

SOURCE ESCAP, based on General Assembly resolution 70/1.

Social protection spurs sustainable development

As was established in chapter 1, inequalities undermine the three dimensions of sustainable development by stifling economic growth, undermining social cohesion and solidarity, and hampering environmental governance. In contrast, by reducing inequalities, social protection spurs sustainable development.

Social protection fosters inclusive growth

There is growing recognition that social protection is a productive factor in that it sustainably enhances the total level of economic output through the improvement of labour productivity. For OECD countries, for example, statistical analysis has demonstrated a strong positive correlation ($r=0.88$) between social spending and labour productivity (ILO, 2005).

An analogous correlation analysis conducted by ESCAP for the Asia-Pacific region shows the same positive relationship between spending on social protection and labour productivity (Figure 2.2). Of the selected 17 Asia-Pacific countries, Bangladesh and Japan represent the two extreme cases: While in Bangladesh, on average persons employed

generate around USD 5,500 of GDP per year and only 10 per cent of total Government expenditures are invested in social protection, in Japan, employed individuals on average generate over USD 75,000 of GDP and social protection accounts for 68 per cent of Government expenditures. Countries with high social protection spending also demonstrate high labour productivity, while countries with lower spending on social protection also have lower labour productivity.

An anachronistic interpretation of this relationship is that investments in social protection can only be increased as labour productivity and output increase. In other words, increased productivity is a prerequisite for social protection. Another interpretation, which has come to hold sway in recent years, is that social investments are necessary to increase labour productivity. That is, social spending creates a more productive work-force.

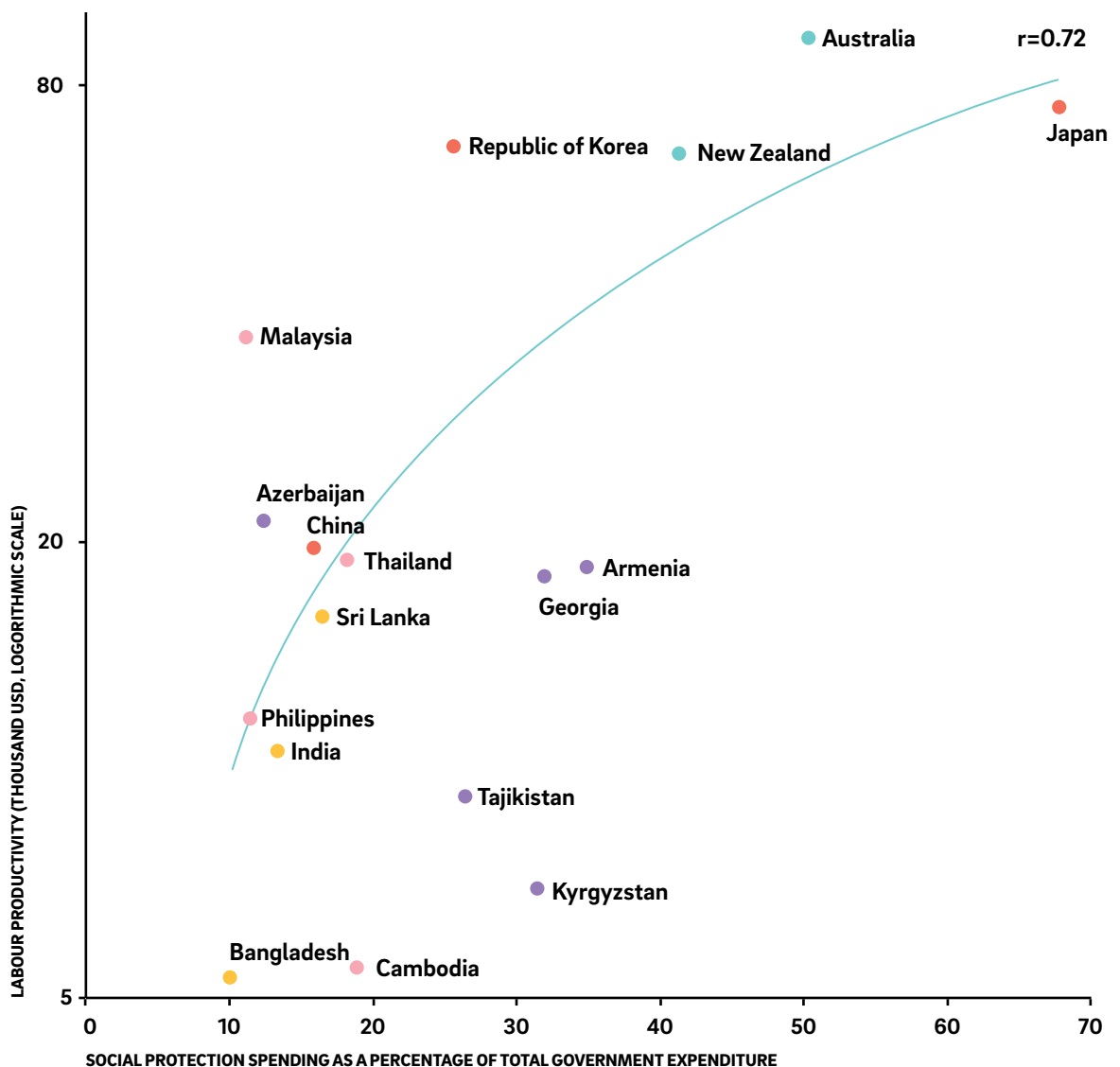
While correlation analysis cannot resolve this debate over causality, it does serve to debunk the once relatively accepted claim that social protection hampers economic growth, that is, that high social protection spending is commonly associated with low productivity. On the contrary, well-designed, -integrated and -implemented social protection systems enhance human capital and facilitate asset accumulation (Alderman and Yemtsov, 2012).

The positive link between social protection and inclusive economic growth has also been established from the point of view of the developmental role of the state in creating jobs and stimulating the economy. A substantial body of literature suggests, for instance, that social protection can contribute to economic growth through infrastructure development. As will be further elucidated in chapter 4, labour market programmes, like public works programmes are particularly effective in this regard (Hirway et al., 2009).

Countries with higher investments in social protection also have higher labour productivity

Selected countries, latest available year

● EAST AND NORTH-EAST ASIA
 ● NORTH AND CENTRAL ASIA
 ● PACIFIC
 ● SOUTH-EAST ASIA
 ● SOUTH AND SOUTH-WEST ASIA



SOURCE ESCAP, based on data from ADB (2014) and The Conference Board, Total Economy Database.

NOTE Labour productivity, calculated as GDP generated per person employed in terms of annual hours worked in 2013 (US dollars, 2005 EKS PPP), measures the efficiency with which inputs are used in an economy to produce goods and services. It serves as a proxy for economic growth, competitiveness and living standards within a country (ILO, 2014d).

Furthermore, it has been pointed out that the purchasing power of cash transfers (for example, conditional cash transfers or social pensions) stimulates the development of local markets and revitalizes local economic activity. At the macro-level, cash transfers function as an automatic stabilizer against economic shocks. For example, research in Cambodia has shown the positive direct growth effects of social protection (Mideros et al., 2012; CPRC, 2009).

With a more secure foundation and with greater security against the risk of failure, individuals and families can invest in their own futures and have greater confidence to engage in economic activity, beyond ensuring basic economic survival in order to meet their own basic needs and the needs of their dependents. By promoting opportunities and generating income, then, social protection can stabilize the economy through providing replacement income that smoothes consumption in recessions and thus prevents a deepening of economic downturns due to collapsing consumer confidence and its negative effects on domestic demand.

Social protection promotes social integration

Social protection contributes to reducing social exclusion through the promotion of solidarity and social integration. In addition to promoting inclusive growth, social protection has a positive social impact by addressing non-economic or social vulnerabilities caused by structural inequalities and unfulfilled rights (Babajanian and Hagen-Zanker, 2012). Some of the scholarship has sought to explain this through the mechanism of social capital (Attanasio et al., 2008). The idea being that social protection, and, in particular, conditional cash transfers, foster social capital—that is, social ties and cooperation

—by encouraging individuals to participate in social activities. Enrolling children in school, for example, allows vulnerable and excluded individuals to build ties with school administrators, teachers and other parents. Similarly, taking a child for a medical check-up allows individuals to interact with health professionals and other patients. The bonds of reciprocity created by these interactions form important vectors of support that also generate economic benefits.

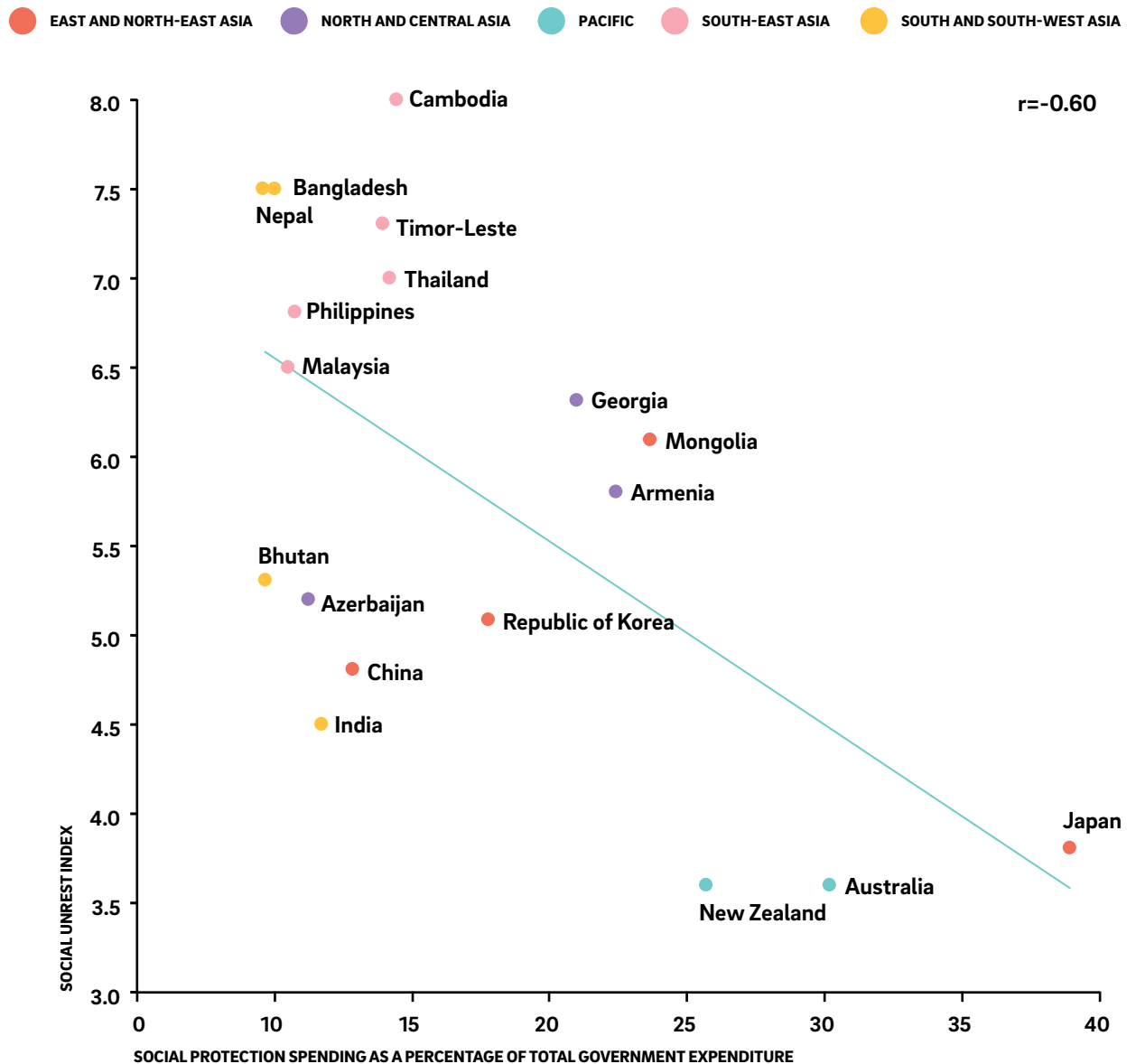
In like fashion, it has been found that social protection programmes that have gender-sensitive design features are an efficacious mechanism for empowering women (Holmes and Jones, 2010). Furthermore, cash transfers that focus on historically underprivileged groups can help mitigate horizontal inequalities. In Nepal, for example, several social protection schemes support socially excluded individuals by using caste and ethnicity-based as well as geographic criteria (Koehler, 2011).

Moreover, research conducted in the United States and the Nordic region has found that individuals living in countries with well-established and generous social protection systems, with relatively few means-testing schemes, have higher trust in their Governments. The existence of high quality unconditional programmes in the areas of health care and education has also been found to be associated with relatively high social solidarity and cohesion (Rothstein and Uslaner, 2005).

Closely related to the trust and cohesion argument in favour of social investments, it has also been found that societies with well-established social protection mechanisms are better able to deal with conflict and its aftermath. Analysis of social unrest in 14 states in India between 1973 and 1999 found, for example, that social protection is more effective than policing in the maintenance of stable social environments (Justino, 2011).

Countries with higher investments in social protection are less susceptible to social unrest

Selected countries, latest available year



SOURCE ESCAP, based on data from ADB (2014) and The Economist Intelligence Unit (EIU), Social Unrest Index 2009/10.

NOTE Developed by EIU, the Social Unrest Index is a composite of 15 indicators that measure a country's general underlying social and historical propensities towards instability as well as economic distress. Scores range on a scale from 0 to 10, where 10 represents the highest risk of events that pose a serious extra-parliamentary or extra-institutional threat to governments or the existing political order. Such events will almost invariably be accompanied by violence and public disorder.

The correlation depicted in Figure 2.3 supports these findings. The amount of investments in social protection seems to be inversely related to the propensity for social unrest, as measured by the Economist Intelligence Unit (EIU)'s Social Unrest Index. Australia, Japan and New Zealand, for example, invest over 40 per cent of total Government expenditures on social protection and score below 4 on the Social Unrest Index, indicating a relatively low risk of upheaval. On the other hand Bangladesh and Nepal invest around 10 per cent of Government expenditures on social protection and score around 7.5, indicating a much higher propensity for social turbulence.

Social protection contributes to positive environmental outcomes

By reducing income and social inequalities, social protection contributes to environmental sustainability. Figure 2.4 illustrates the positive relationship that exists between investments in social protection and environmental outcomes. The more countries in the region spend on social protection as a percentage of total Government expenditure, the better they fair on the Environmental Performance Index (EPI), a composite of 20 indicators that reflect national-level environmental data. For example, Australia and Japan, which spend over 50 per cent of their government expenditures on social protection, have an EPI of over 70. By contrast, Bangladesh, India and Nepal, which spend less than 15 per cent of total Government expenditures on social protection, have an EPI of less than 40.

This positive correlation substantiates claims about the role of social protection in promoting environmental sustainability in both the short- and long-term. In the short-term, social protection builds resilience to catastrophic climate change

by increasing the adaptive capacity of those that rely on weather-dependent livelihoods. Social protection enables individuals to evade vicious circles of vulnerability such as selling their productive assets and instead allowing them to invest in their livelihood. For example, in the aftermath of the Indian Ocean tsunami of 2004, Aceh's system of community-linked cash transfers, which had been established six years earlier and subsequently strengthened, became a central delivery mechanism in the rebuilding of livelihoods and infrastructure in Indonesia (UNDP and UN Habitat, 2014; World Bank, 2011a; Davies et al., 2009).

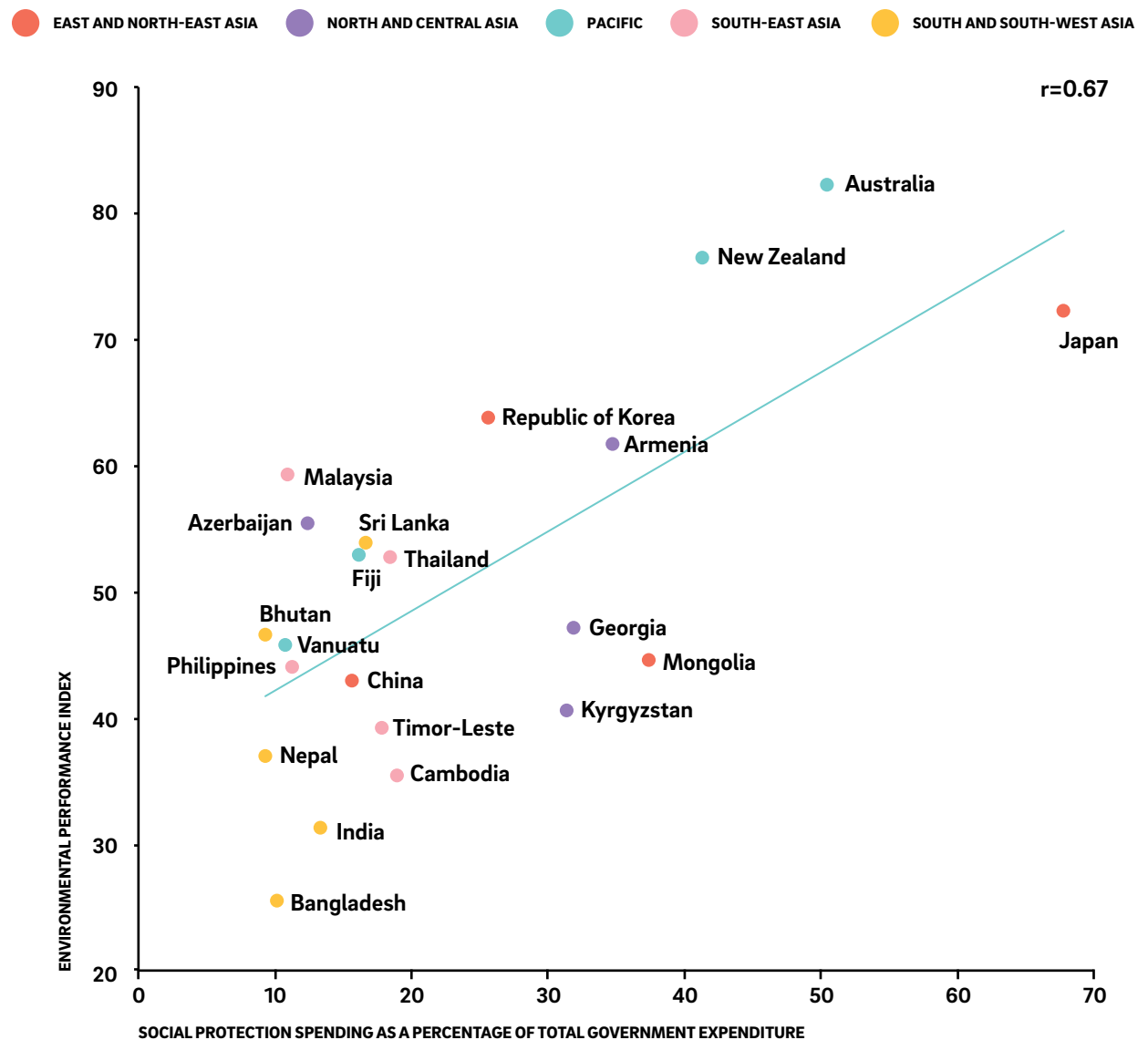
In the long-term, moreover, social protection promotes livelihood diversification by building more sustainable food systems and natural resource management. For instance, when social protection consists of public works programmes for land conservation and the building of terraces, it helps improve water resource management, water harvesting and reforestation (FAO, 2014).

...

"In the long-term, social protection promotes livelihood diversification by building more sustainable food systems and natural resource management."

Countries with higher investments in social protection have better environmental track records

Selected countries, latest available year



SOURCE ESCAP, based on data from ADB (2014) and Hsu et al. (2014).

NOTE The Environmental Performance Index (EPI) was developed in 2014 by the Yale Center for Environmental Law and Policy (YCELP) and the Center for International Earth Science Information Network (CIESIN) at Columbia University, in collaboration with the Samuel Family Foundation and the World Economic Forum. EPI ranks countries on environmental issues in two areas: protection of human health from environmental harm and protection of ecosystems. Within this framework, the EPI scores country performance in nine issue areas comprised of 20 indicators. The 2014 EPI includes 178 countries.

Social protection reaches only a few

Recognizing its central role in economic and social development, countries in Asia and the Pacific have made substantial progress in strengthening social protection. Indonesia, for example, embodied a rights-based approach to social protection through constitutional amendments enacted in 2002. Thailand now hosts a universal health-care system, ensuring that all Thai residents (including irregular migrants) have free access to health care. Health-care coverage is expanding quickly in China where authorities have made great progress in providing health care for everyone. In Sri Lanka, elementary and secondary education is compulsory and provided free of charge. Children in the Philippines have improved access to nutrition. Working-age groups below the poverty line in India are guaranteed employment up to 100 days a year; and, all older persons in the Maldives and Samoa now have access to a non-contributory pension.

Coverage gaps endure due to low investments in social protection

Despite this progress, important social protection coverage gaps remain in the region. Only 30 per cent of persons above the retirement age receive an old-age pension (ILO, 2010a). Only 10 per cent of the unemployed receive out-of-work benefits (ESCAP, ADB and UNDP, 2013). In addition,

over 1 billion people are vulnerably employed and lack basic social protection; and so too are the large majority of migrants (ESCAP, 2013a). Furthermore, 80 per cent of the population lacks access to affordable health care (ESCAP, 2013a). These coverage gaps present a major opportunity for countries in Asia and the Pacific to strengthen social protection systems.

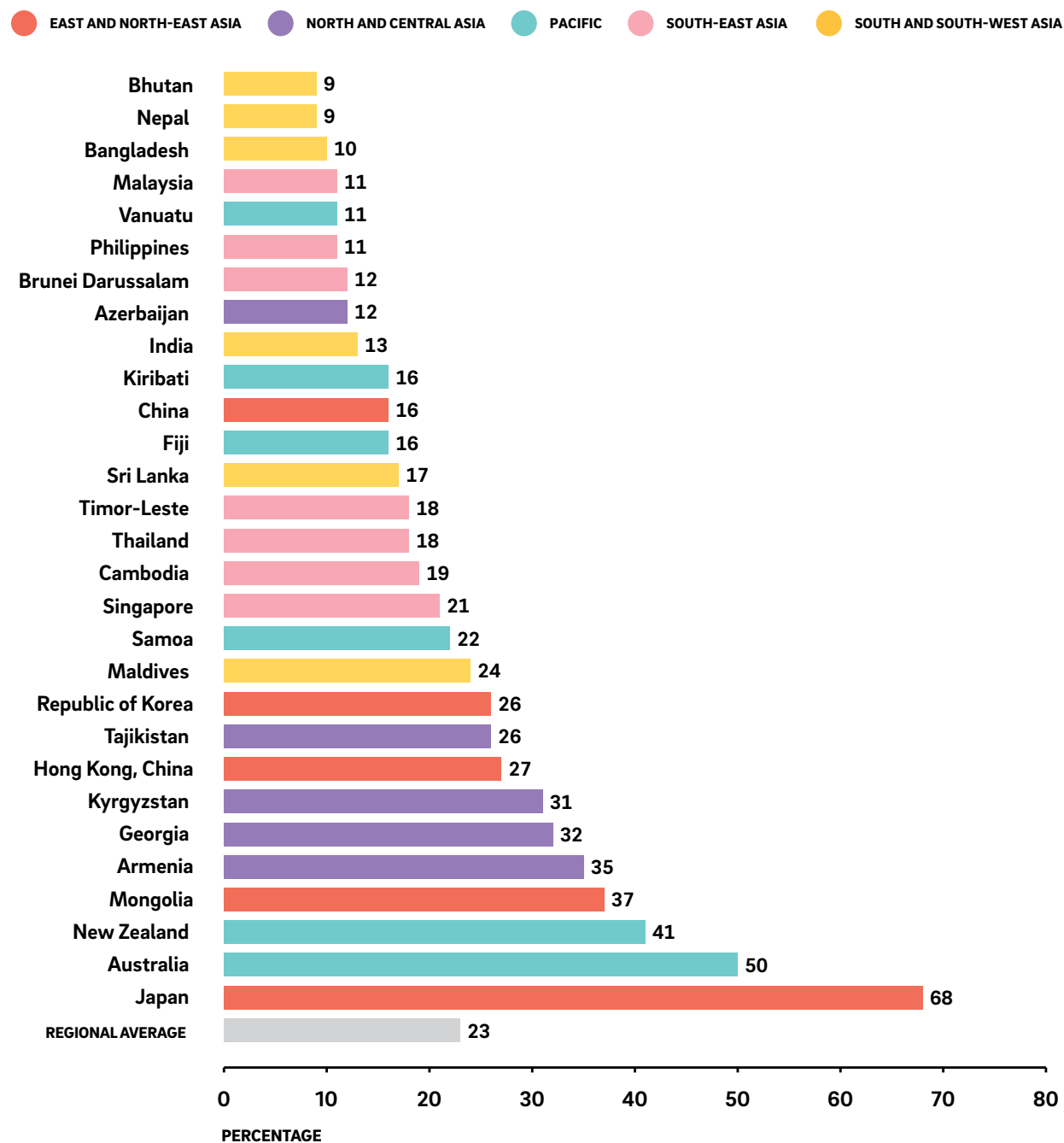
As suggested earlier in this chapter, a majority of countries in the region have increased their investments in social protection. Still, further progress needs to be made. Low investments in social protection result in poor availability and quality of public social services and low levels of social protection benefits. The majority of developing countries in the region spend less than one fifth of total Government expenditure on social protection (Figure 2.5). This gap in the financing of social protection has been corroborated by the ADB (2013a) in its work on the Social Protection Index.

Three factors stymie the viability of already fragile social protection systems

At least three factors exacerbate this situation, potentially undermining the viability of social protection systems in the region. First, as alluded to in chapter 1, and as will be further developed in chapter 4, informal employment is pervasive throughout Asia and the Pacific, with informal workers accounting for two-thirds of those employed in the region. This high-level of job-related vulnerability is one of the factors contributing to a narrow tax base which compromises the financing of social protection. Furthermore, to provide coverage to the large number of those employed informally, countries will need to substantially depend on non-contributory schemes.

The majority of countries spend less than one-fifth of Government expenditures on social protection

Social protection spending as a percentage of total government expenditure, latest available year



SOURCE ESCAP, based on data from ADB (2014).

Second, as will be elucidated in chapter 5, due to the tremendous improvements in life expectancy combined with falling fertility rates, the region is experiencing population ageing at an unprecedented pace. This demographic transition will strain already weak social protection systems, and, in particular, old-age pension schemes.

Third, Asia and the Pacific is the most disaster prone region in the world. For example, a person living in the region is almost twice as likely to be affected by a disaster as a person living in Africa; almost six times as likely compared with Latin America and the Caribbean; and 30 times more likely than a person living in North America or Europe. According to ESCAP calculations, there were a total of 120 occurrences of natural disasters in Asia and the Pacific in 2014, which affected about 79 million people; caused over 5,000 deaths; and incurred economic losses of over USD 60 billion (International Disaster Database).

Rapid economic growth and population expansion over the coming decades, along with the impacts of climate change, will increase the exposure and vulnerability of the region to disasters. This increasing propensity to natural disasters implies that greater social protection investments are needed.

A lack of political will and fragmented social dialogue result in poor fiscal space

It has been well established that, while the investment requirements for a basic social protection package may not be insignificant, they are feasible, even for low-income countries (ESCAP, 2013a; ILO, 2014a). The issue of finding fiscal space for social protection should be understood as one of a nation's top priorities. This issue of priorities is poignantly illustrated by comparing the share of government expenditures that countries spend on the military and on social protection (Figure 2.6).

In 1996, 11 out of the 28 countries for which data existed, spent more on the military than on social protection. In 2013, this number had decreased to 5. This fall corroborates what was observed earlier in this chapter: countries in the region are giving greater priority to social protection. On the other hand, there is still scope for improvement; a number of countries still need to increase their efforts in prioritizing spending for social protection.

Finding the fiscal space for social protection can be understood, therefore, as one of political will. This lack of political will may be linked more broadly to a weak social dialogue around social protection between policymakers and stakeholders which in turn, perpetuates the lack of political will. Indeed, there is scope for strengthening the national consensus on social protection.



“Asia and the Pacific is the most disaster prone region in the world. A person living in the region is almost twice as likely to be affected by a disaster as a person living in Africa; almost six times as likely compared with Latin America and the Caribbean; and 30 times more likely than a person living in North America or Europe.”

.....

Shortcomings in terms of design and implementation abound

The failure to secure adequate fiscal space for social protection is no doubt important. Especially when it is cast as lack of political will and a fragmented and weak social dialogue. However, the social protection gaps that exist in the region should not be reduced to this issue of fiscal space alone. In addition to underspending, there are also shortcomings in the region in terms of the design and implementation of social protection systems.

Social protection tends to be narrowly framed as short-term poverty alleviation initiatives that are designed piecemeal. Multiple laws and decrees may result in a lack of coherence in the overall social protection framework. Responsibility for social protection schemes is often divided among a range of Government entities (Ministries of Planning, Health, Labour, etc.) and levels (central, regional, local, etc.). Moreover, lack of coordination may exist between the central Government and implementing agencies and authorities. This fragmentation leads to inefficiencies and gaps in the delivery of services. The opportunity thus exists for countries to mainstream social protection into national economic and social development policies.

Potential beneficiaries, moreover, are not accurately targeted. Identification mechanisms often lead to incoherent results due to different targeting methodologies applied by different programme administrators, leading to inclusion and exclusion errors. Countries could therefore benefit from establishing or enhancing national registry databases of beneficiaries and social protection management and monitoring systems.

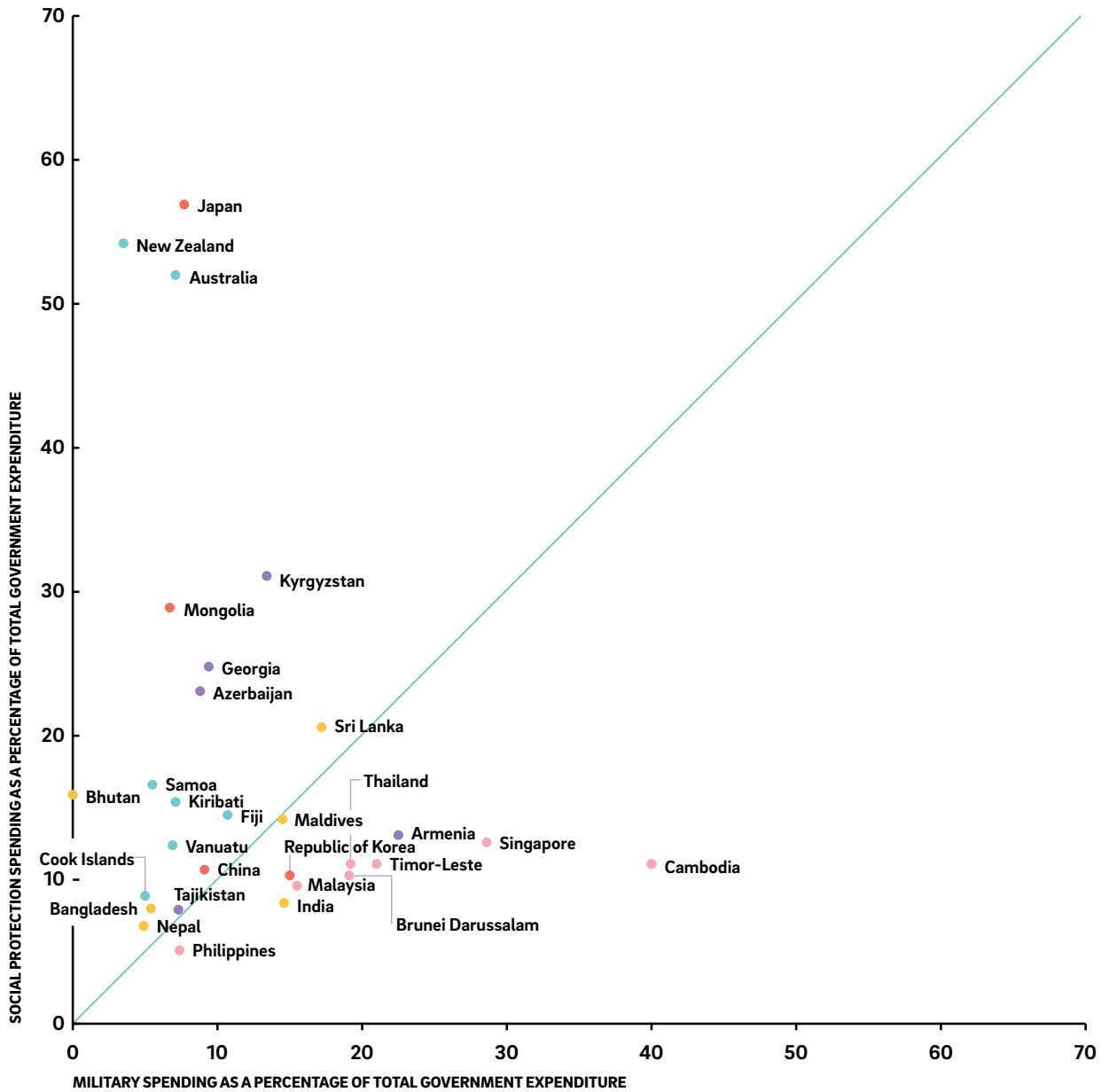
Furthermore, though certain entitlements may be guaranteed, accessibility to actual benefits is compromised as a result of infrastructure and other supply-side constraints. Additionally, social security systems can appear complex and confusing to beneficiaries. Countries thus have the opportunity to invest in adequate delivery mechanisms and develop appropriate dissemination strategies and channels.

...

“The social protection gaps that exist in the region should not be reduced to this issue of fiscal space alone. In addition to underspending, there are also shortcomings in the region in terms of the design and implementation of social protection systems.”

More countries are prioritizing investments in social protection over military spending

1996

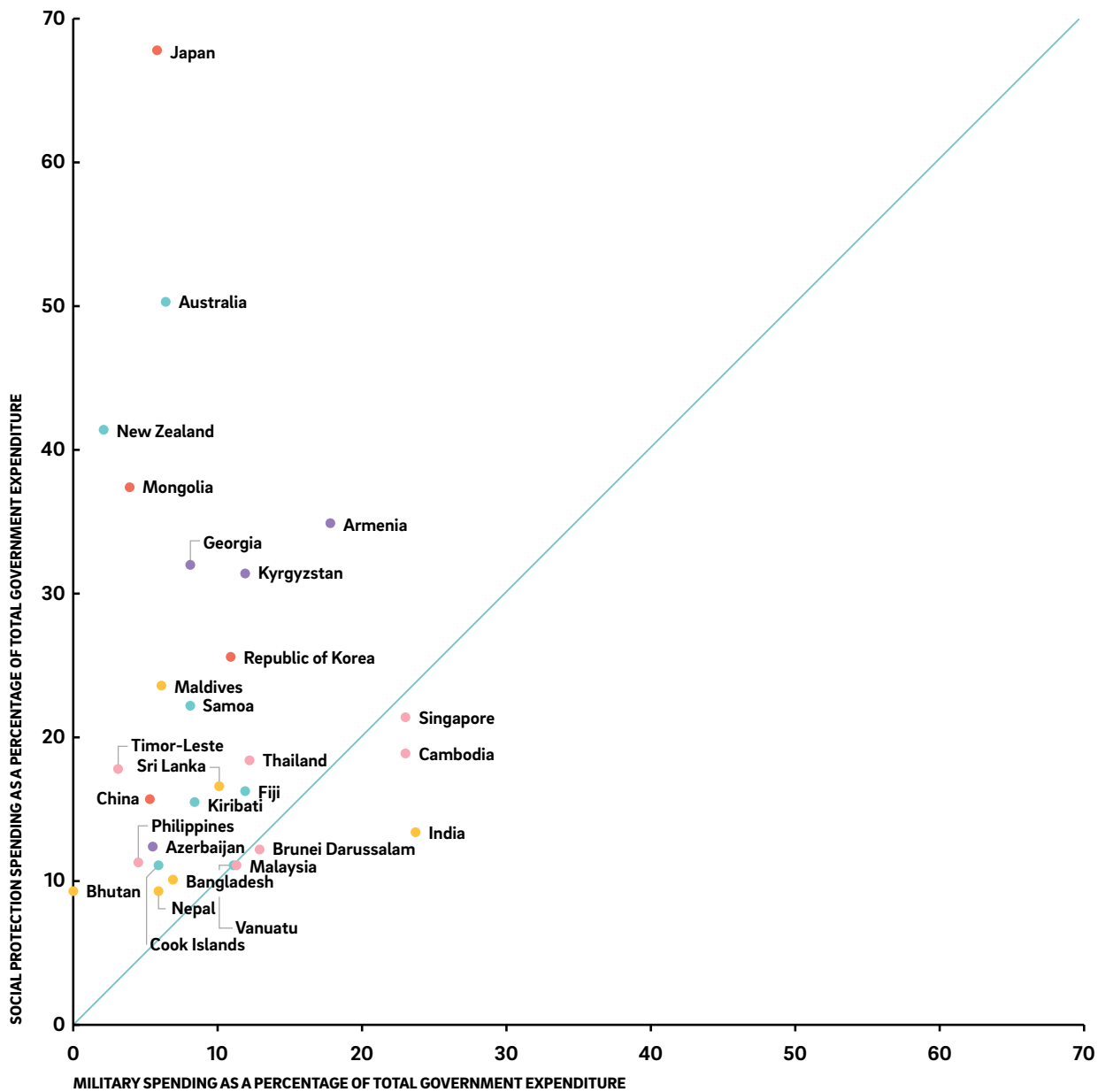


SOURCE ESCAP, based on data from ADB (2014).

FIGURE 2.6

● EAST AND NORTH-EAST ASIA ● NORTH AND CENTRAL ASIA ● PACIFIC ● SOUTH-EAST ASIA ● SOUTH AND SOUTH-WEST ASIA

2013



NOTE The percentage of total government expenditure allocated to social protection and the military are equal for all points along the 45-degree (diagonal) line. Below the diagonal line, the share of military spending is greater; and above it, the share of social protection spending is greater.

The Social Protection Floor provides a common framework

The ESCAP region is home to 4.3 billion people, or 60 per cent of the world's population. It has a geographical scope that stretches from Turkey in the west, to the Pacific island nation of Kiribati in the east, and from the Russian Federation in the north, to New Zealand in the south.

This vast territory is one of tremendous diversity and disparity. For example, there are in the region OECD countries such as Japan, Australia, New Zealand and the Republic of Korea, and LDCs, such as Afghanistan and Myanmar. There are also transition economies, the majority of which are land-locked, such as Kazakhstan and Kyrgyzstan, and Small Island Developing States, such as Nauru and Tonga. There are countries experiencing population ageing, such as China and Japan; and youthful countries that are trying to reap a “demographic dividend”, such as India and Pakistan.

Behind this diversity and disparity lurk different national aspirations and circumstances, and, consequently, different approaches to social protection. In such a heterogeneous context, the Social Protection Floor has proven to be an invaluable common framework for moving toward broader and more robust social protection systems.

In April 2009, the United Nations Chief Executives Board launched the Social Protection Floor Initiative in response to the global financial and economic crisis (ILO and WHO, 2011). The adoption by consensus, of Recommendation No. 202, in 2012, by 185 ILO member States at the International Labour Conference (ILC) gave impetus to implementation and reflected a global commitment to the cause of extending social protection to all.

In May 2011, the 67th ESCAP Commission session endorsed the Social Protection Floor by adopting resolution 67/8 on “Strengthening social protection systems in Asia and the Pacific.” This resolution calls upon member States to “invest in building social protection systems that might form the basis of a ‘social protection floor,’ which would offer a minimum level of access to essential services and income security for all, and subsequently enhance the capacity for extension, according to national aspirations and circumstances.”

Furthermore, at the ILO's 15th Asia and the Pacific Regional Meeting (APRM) held in Kyoto, Japan in December 2011, Governments and stakeholders declared that “building effective social protection floors, in line with national circumstances” was a national priority to achieve the Asia and the Pacific Decent Work Decade 2006–2015.



“... the Social Protection Floor has proven to be an invaluable common framework for moving toward broader and more robust social protection systems”

.....

The Social Protection Floor framework corresponds to a set of essential social services and income security measures that all persons everywhere should enjoy in order to fulfill the rights embodied in human right treaties. The essential social services and income security along the life-course, or components of the Social Protection Floor framework, ensure that all in need have access to social services in the area of health as well as income security for children, the working-age population, and older persons. There are thus four core components of the Social Protection Floor (ILO, 2012b):

- Basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, health care, and any other necessary goods and services.
- Basic income security, at least at a nationally defined minimum level, for persons of active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability.
- Basic income security, at least at a nationally defined minimum level, for older persons.
- Access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality.

As well as consolidating existing schemes, Governments aiming to strengthen the Social Protection Floor will want to extend and enhance them. This is part of a two-dimensional strategy (Figure 2.7). A horizontal dimension aims to achieve the universal coverage of the population with at least minimum levels of protection through expanding or increasing the breadth of coverage by providing non-contributory benefits. The creation of this “floor” involves increasing the number of persons covered by existing social

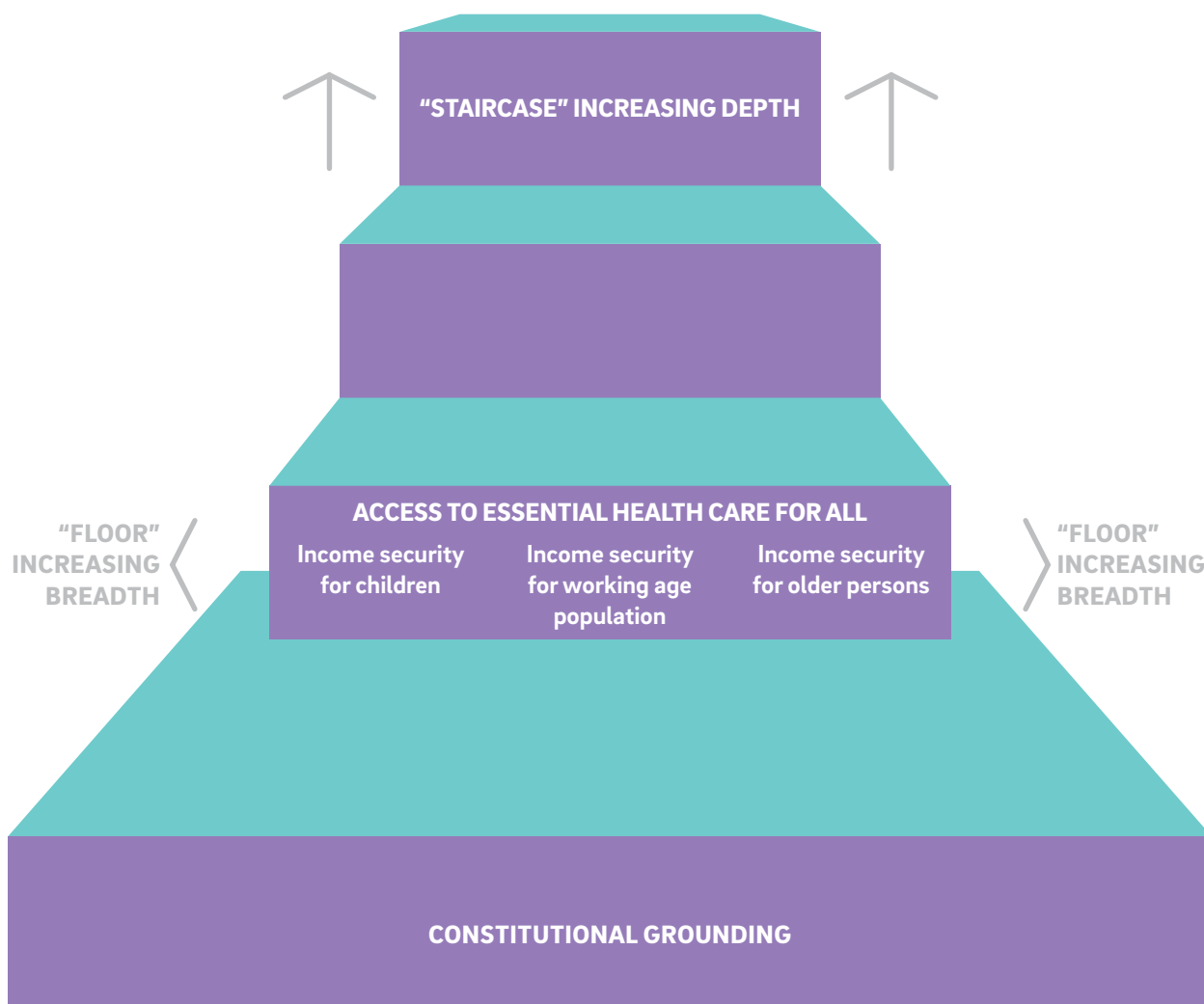
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protection schemes. It also involves developing new mechanisms in, for instance, the area of health and education as well as for those that are vulnerably employed.

A second vertical dimension progressively ensures higher levels of protection following international labour standards by developing more robust contributory benefits. This enhancement, or increase in the depth of coverage, implies moving up from the floor to the “staircase,” either by increasing the levels of benefits in existing schemes or by designing new schemes.

Social protection, in such a framework, can be seen as being at the core of an integrated and holistic development policy, rather than solely a response to crisis. Poverty and vulnerability, in turn, are addressed not as isolated and static issues but as multidimensional and interdependent experiences.

The Social Protection Floor is an important framework for building synergies



SOURCE ESCAP, Social Development Division.

While not all countries will be immediately able to put in place all components for the whole population, the Social Protection Floor provides a framework to plan progressive implementation of a social protection system. Indeed, the Social Protection Floor is a tool to help frame social protection and to identify priority options for the short-, medium- and long-term. Furthermore, it facilitates policy coherence across programmes and ministries, reducing fragmentation and seeking synergies with other development strategies to help ensure that individuals benefit from services and social transfers across their entire life-course.

Governments need to design their “floors” according to national economic constraints, political dynamics and social aspirations. Nowhere is this idea of developing a plurality of social protection floors and staircases more germane than in Asia and the Pacific. As suggested earlier, the striking diversity of the region implies that countries require different social protection mechanisms and have different human development needs, fiscal space and necessary trade-offs. Indeed, the Social Protection Floor is an important framework for building synergies to advance social protection in a diversity of national contexts.

More will be said about the Social Protection Floor in chapter 7, when directions for moving forward are discussed. Prior to this, social protection initiatives and the specific inequalities they tackle will be examined across each of the four components of the Social Protection Floor: children (chapter 3), working-age population (chapter 4), older persons (chapter 5), and health care (chapter 6). Each chapter will begin by elucidating, in broad strokes, the relevant form of inequality. Then, a social protection initiative that addresses the inequality in question will be provided for each of the five ESCAP subregions: East and North-East Asia, North and Central Asia, the Pacific, South and South-West Asia, and South-East Asia. ■

Tackling the inequalities faced by children

More than 85 million children under the age of 5 years are chronically malnourished or stunted in the region. Eighteen million children of primary school age are not in school, and nearly 20 million births are not attended by skilled health personnel. This web of basic deprivations creates inequality traps that undermine individual life projects and the prosperity of nations.

The Convention on the Rights of the Child (1989) obligates States to provide access to affordable nutrition, health care and education for all girls and boys. Social investments in children that include education, nutrition and health objectives can enhance human capital, break intergenerational poverty and foster sustainable development.

Recognizing social protection as both a human right and as generating shared prosperity and greater social equity, countries in the region have taken significant steps to promote the well-being of children through a variety of social protection initiatives.

Millions of children in the region are born into an inequality trap

MANY CHILDREN IN THE REGION FACE INADEQUATE ACCESS TO NUTRITION, HEALTH CARE AND EDUCATION. These basic deprivations have long-lasting — and often irreversible — effects. Failure to meet these basic needs impedes children from developing the capabilities required to construct meaningful life projects. Contributing to inter-generational poverty cycles, this inequality trap also has a significant adverse impact on the region's social and economic development. Indeed, inequality traps burden children more than other segments of the population. This is the case even in the world's richest countries (Stiglitz, 2014).

Child malnourishment has devastating effects

Though the proportion of the Asia-Pacific population estimated to be undernourished has steadily decreased in the past two decades, undernourishment still afflicts approximately 533 million people in the region, accounting for about 15 per cent of the population, or 63 per cent of the world's hungry people (ESCAP, 2014a; ESCAP, ADB and UNDP, 2013).

Food insecurity in the region is exacerbated by rapid economic growth, industrialization and urbanization, combined with higher and more volatile food prices (Dawe et al., 2014). Increases in food prices disproportionately affect poor households, as they spend a larger share of their total income on food. It has been estimated that, each year, from 2001 to 2010, an additional

112 million people in the region could have been lifted out of poverty had food prices not increased (ADB, 2013b). Perhaps the most pernicious consequences of food insecurity are the cataclysmic effects it has on children.

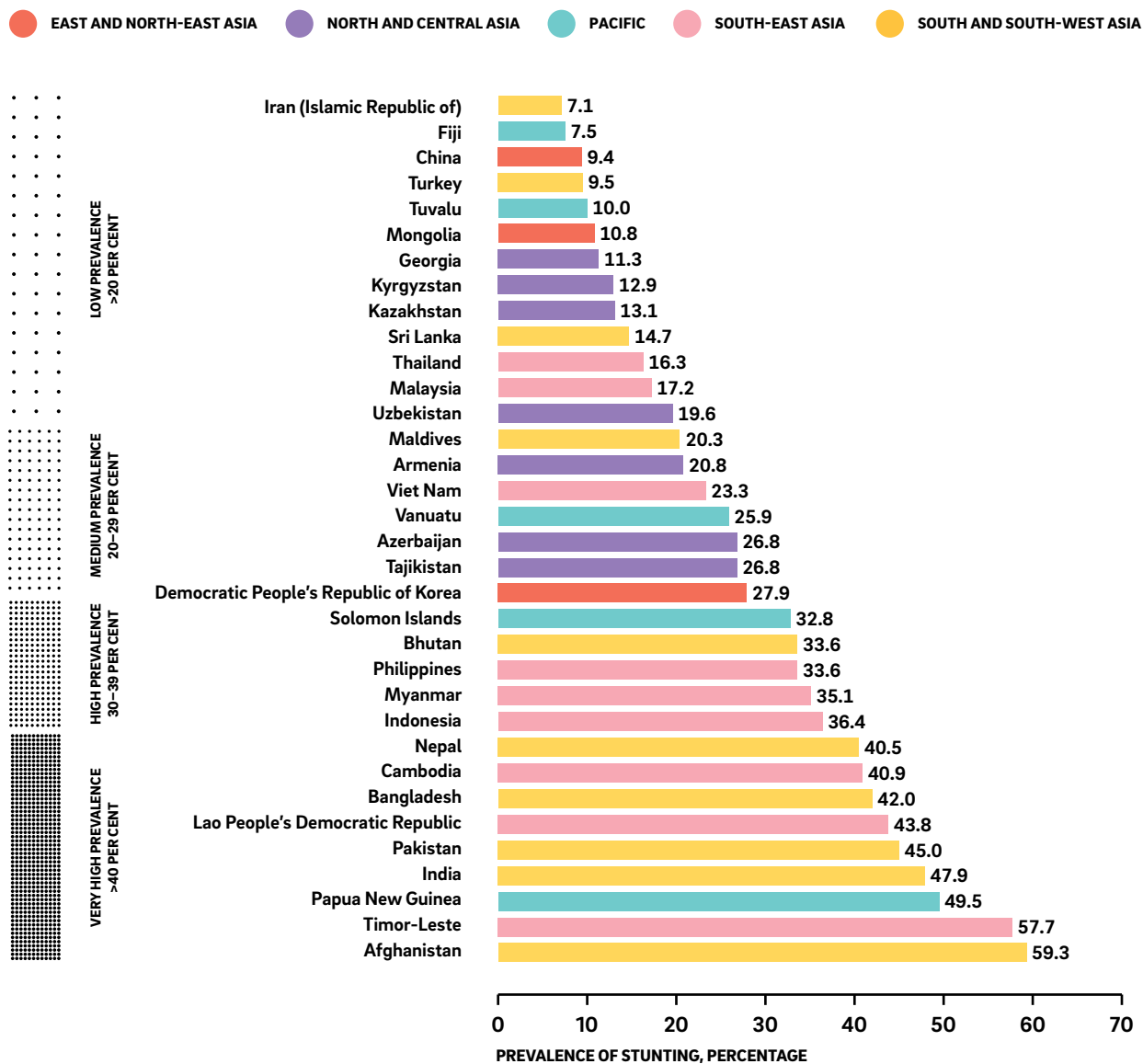
As a result of pervasive food insecurity, more than 85 million children under the age of 5 years are chronically malnourished or stunted in Asia and the Pacific (UNICEF, 2014). Stunting represents a serious public health issue for 21 of the 34 Asia-Pacific countries for which data are available (Figure 3.1). Out of these 21 countries, 7 have a medium prevalence of stunting, 5 a high prevalence, and the remaining 9, a very high prevalence, according to World Health Organization (WHO) defined thresholds. These high levels of stunting lead to irreversible consequences on the health and development of individuals, families, countries and the region.

Children who suffer from growth retardation due to poor nutrition or frequent infections are more at risk of illness and death (WHO, 2014a). Stunting is the result of poor nutrition and infection and not due to genetic differences. Most stunted children remain so up to adulthood, and as adults continue to reap adverse consequences. Women of short stature, for example, are at greater risk of obstetric complications due to a smaller pelvis. Furthermore, small women are more likely to deliver an infant with low birth weight, thus contributing to the intergenerational cycle of stunting.

The impact of stunting can range from reduced school attendance to a future loss of productivity. Statistical analysis of over 130 countries

Stunting is a serious issue for a majority of countries

Prevalence for selected countries, latest available year



SOURCE ESCAP, based on UNICEF, WHO and World Bank, Global Database on Child Growth and Malnutrition.

NOTE Data refer to year 2014 for Kyrgyzstan; 2013 for Bangladesh, Indonesia, Turkey and Mongolia; 2012 for Democratic People's Republic of Korea, Pakistan, Thailand, Tajikistan and Sri Lanka; 2011 for Papua New Guinea, Lao People's Democratic Republic, Nepal and the Philippines; 2010 for Cambodia, Bhutan, Viet Nam, Armenia, Kazakhstan and China; 2009 for Timor-Leste, Myanmar, Maldives and Georgia; 2007 for Solomon Islands, Vanuatu and Tuvalu; 2006 for India, Azerbaijan, Uzbekistan and Malaysia; and 2004 for Afghanistan, Fiji and Islamic Republic of Iran.

NOTE Prevalence of stunting is defined as the percentage of children aged 0–59 months who are below minus two standard deviations from median height-for-age of the WHO Child Growth Standards. The prevalence ranges are those currently used by WHO to classify levels of stunting among children under 5 years of age.

demonstrated that for every 10 per cent increase in stunting, the proportion of children reaching the final grade of primary school dropped to between 6 per cent to 8 per cent (Grantham-McGregor et al., 2007). Moreover, research suggests that, compared with non-stunted children, stunted children were less likely to be enrolled in school; were more likely to enroll late; were at higher risk of attaining lower achievement levels or grades for their age; and had disproportionately poorer cognitive ability or achievement scores.

Vulnerable children that do not reach their developmental potential are less likely to be productive adults. The loss of productivity takes form through two pathways: fewer years of schooling and diminished capacity for learning per year in school. This is confirmed by a study from Brazil that suggests that the deficit from being both stunted and in the lowest income quintile, compared with being non-stunted and in the middle quintile was more than two grades (Grantham-McGregor et al., 2007). Furthermore, data from the Philippines suggest that, when controlling for years of schooling and income, the combined reading and math test score of stunted children was equivalent to two fewer years of schooling (Grantham-McGregor et al., 2007).

Analysing data from over 50 countries, including Indonesia and the Philippines, it was estimated that the loss in adult income from being stunted but not poor was 22.2 per cent; the loss from being poor but not stunted 5.9 per cent; and the loss from being both stunted and poor, 30.1 per cent (Grantham-McGregor et al., 2007).



“For most countries in the region, average years of education tends to increase with income level”

Lack of access to education accentuates the inequalities faced by children

Despite the remarkable progress that has been achieved in promoting overall access to education in the region, as many as 18 million children of primary school age are not in school. The region, moreover, has three of the world's top five largest out-of-school populations in absolute terms: namely, in Pakistan (5.4 million in 2011), India (1.7 million in 2010), and the Philippines (1.5 million in 2009). Often it is children living in war-stricken areas or isolated communities, or those belonging to ethnic minorities or with disabilities that have less access to education (ESCAP, ADB and UNDP, 2013).

Inequalities in access to education within countries become more pronounced in secondary education. Indeed, there are still several countries in the region where more than half of children or young people are not in secondary school. Generally, countries with high levels of secondary enrolment have also closed gender gaps. Inversely, in several of those countries where secondary enrolments are low, the gender gap is relatively large. There are also several countries where significantly more girls than boys are enrolled in secondary education, such as Armenia, Bangladesh, Bhutan, Fiji, Mongolia, Samoa, the Philippines and Thailand (UNESCO, Institute for Statistics Database).

Educational completion tends to be lower among low-income groups, particularly in times of crisis, when poor households are often pressed to take their children out of school owing to financial constraints. Table 3.1 shows that, for most countries in the region, average years of education tends to increase with income level. In some countries, moreover, there are significant gender gaps in average years of schooling in the lower income

Number of years in school increases with family income

Select countries, 2005

	Q1, lowest		Q3, middle		Q5, highest		Q5-Q1	
	GIRLS	BOYS	GIRLS	BOYS	GIRLS	BOYS	GIRLS	BOYS
Armenia	8.3	8.1	9.3	9.0	9.6	10.1	1.3	2.0
Azerbaijan	9.4	10.1	10.4	11.0	11.4	11.4	2.0	1.3
Bangladesh	3.5	3.8	5.6	5.6	8.1	8.0	4.6	4.2
Cambodia	2.8	4.0	4.7	5.8	7.8	8.7	5.0	4.7
Georgia	10.6	10.2	11.3	11.4	12.7	12.4	2.1	2.2
Indonesia	6.7	6.6	9.0	9.0	11.0	11.3	4.3	4.7
Kazakhstan	11.6	11.2	12.4	11.9	13.4	13.1	1.8	1.9
Kyrgyzstan	10.5	10.4	10.6	10.4	11.0	10.8	0.5	0.4
Lao People's Democratic Republic	4.5	7.4	8.3	9.0	8.2	8.0	3.7	0.6
Myanmar	3.4	3.8	5.5	5.6	7.7	7.7	4.3	3.9
Nepal	2.4	5.0	4.3	6.4	8.2	9.3	5.8	4.3
Pakistan	1.1	3.8	4.4	6.2	8.8	9.1	7.7	5.3
Tajikistan	8.6	9.8	9.2	10.1	10.3	11.3	1.7	1.5
Turkmenistan	5.3	7.4	8.4	9.2	8.9	9.4	3.7	2.0
Viet Nam	5.2	5.3	8.5	8.8	10.2	10.7	5.0	5.4

SOURCE UNESCO, Deprivation and Marginalization in Education database.

NOTE The column "Q5-Q1" is the gap in years of schooling attributable to income differences between the rich and the poor.

quintiles, but these gender gaps decrease or diminish in higher income quintiles.

School completion also varies between different regions of a country. The educational completion rates are significantly lower in less developed and peripheral regions than in more developed regions (ADB and UNICEF, 2011).

Poor access to health care amplifies the risk many children in the region face

A number of countries in the region are not on track to achieve the MDGs 4 and 5 on reducing child and maternal mortality and achieving universal access to reproductive health care respectively. Across the region, during 2011, around 3 million children under five years of age died and nearly 20 million births were not attended by skilled health personnel (ESCAP, ADB and UNDP, 2013).

Across the region, almost 30 per cent of births are not attended by skilled health personnel, while around 18 per cent of mothers do not visit a pre-natal clinic even once during their pregnancy. As a result, infant mortality remains the second highest in the world, after Africa, with 32 deaths per 1,000 live births. Maternal mortality mirrors that trend, with 142 deaths per 100,000 live births, compared with 463 in Africa, but only 11 in Europe (ESCAP, 2013d).

Children born into poor households are more likely to receive insufficient health care (Figure 3.2). In countries such as Bangladesh, Nepal and Timor-Leste skilled birth attendance remains scarce in the lower four income quintiles, with a significant increase between the fourth and fifth quintile. In these countries, improvements

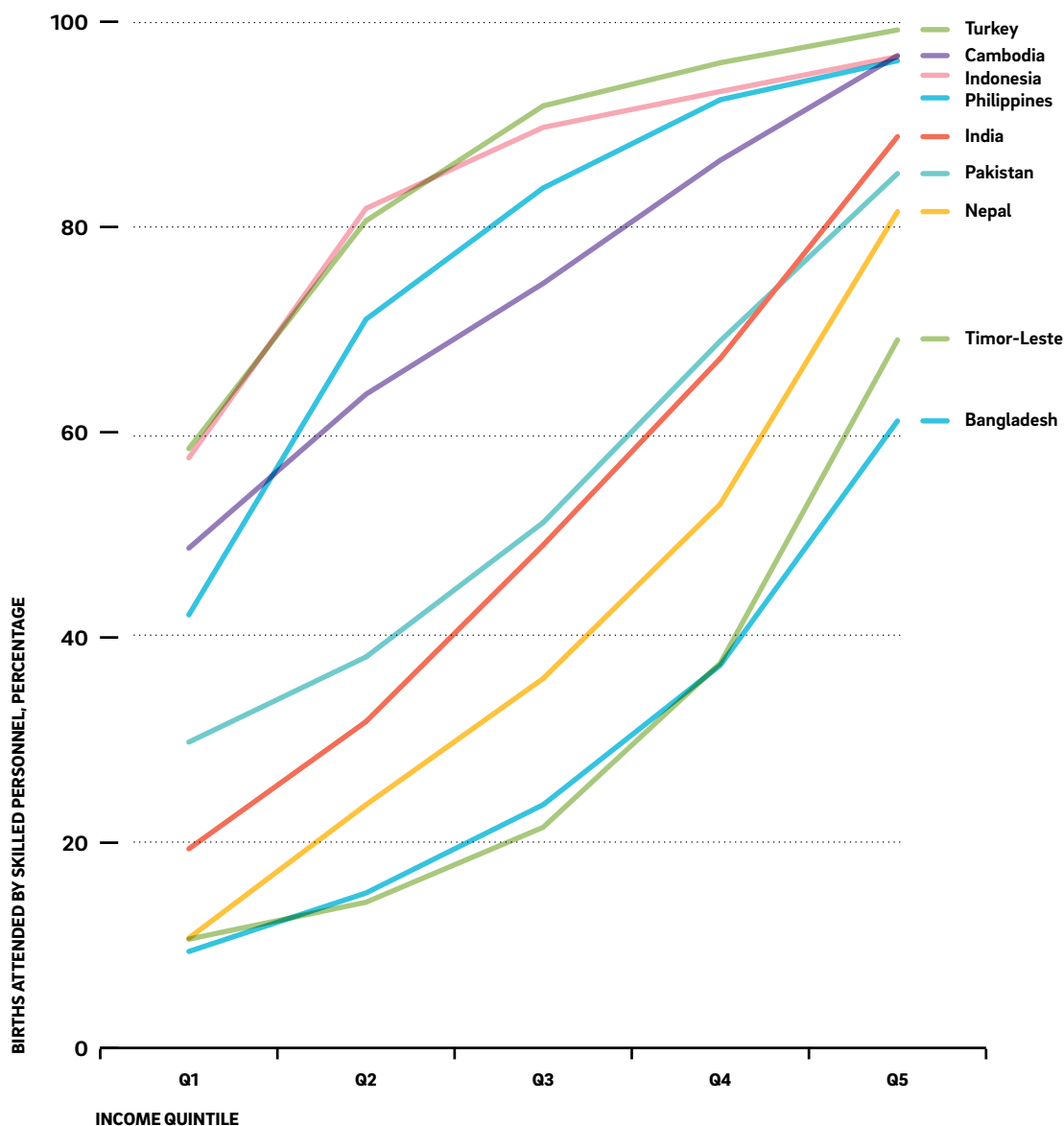
over time have taken place mainly in the highest income quintile. For instance, in Bangladesh, in 1996, 1.8 per cent of births in the lowest income quintile were attended by skilled personnel, compared with 29.7 per cent in the highest quintile. In 2011, these figures had increased to 9.4 per cent and 61.1 per cent, respectively. In other countries, such as Indonesia and the Philippines, the lack of attendance of skilled personnel at births seems to prevail only in the lowest income quintile.



“Children born into poor households are more likely to receive insufficient health care”

Number of births attended by skilled personnel rises sharply with income

Percentage of total number of births by income quintile, selected countries, latest available year



SOURCE ESCAP, based on World Health Organization Global Health Observatory Data Repository.

NOTE Data refers to year 2013 for the Philippines; 2012, Indonesia and Pakistan; 2011, Bangladesh and Nepal; 2010, Cambodia; 2009, Timor-Leste; 2005, India; 2003, Turkey.

The region is taking important steps to guarantee the well-being of children

Children do not choose the conditions into which they are born; and they do not have the same abilities as adults to protect and care for themselves. For this reason, in 1924, the League of Nations adopted the Geneva Declaration on the Rights of the Child, and, in 1989, the international community adopted the Convention on the Rights of the Child.

The Convention on the Rights of the Child obligates States to provide access to affordable nutrition, health care and education for all girls and boys. Article 24, which focuses on health, spells out the principle responsibility of States to: “diminish infant and child mortality”; ensure the provision of “necessary medical assistance and health care”; combat “disease and malnutrition”; and ensure “pre-natal and post-natal health care for mothers”. Articles 28 and 29 recognize the right to education, obliging States to “make primary education compulsory and available free to all,” but also encourage State parties to make “general and vocational secondary education” available and accessible to every child. As suggested in chapter 2, situated in this normative framework, Social Protection Floors Recommendation No. 202 guarantees, “basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care, and any other necessary goods and services” (ILO, 2012b).

In addition to being a human right, investments in social protection programmes for children that include education, nutrition and health objectives can improve human capital, breaking intergenerational poverty and enabling nations to fuel economic development.

Longitudinal studies indicate that nutritional interventions aimed at preschool children lead to measurable improvements in adolescence and adulthood. Early interventions also yield higher returns compared with remedial services later in life, as suggested by Carneiro and Heckman (2003), who compared investments in young children with investments in low-skilled adults.

Furthermore, it is undisputable that education has a positive impact on labour productivity and is also associated with higher wages. At the same time, more education, particularly for women and girls, has important health ramifications on children and contributes to reduce high levels of fertility, independent of the level of development. Indeed, there is a definite positive relation between education, health outcomes, earnings and higher economic growth.

Interventions to secure good health are particularly important for young children. Adequate immunizations can save children’s lives and prevent serious diseases that can cause permanent conditions. As intimated earlier in this chapter, access to health care is also associated with improved cognitive development and school achievement and with higher school enrolment. Early childhood health-related interventions may also help reduce inequalities. Interventions in India, for instance, reduced school drop-out rates by 46 per cent and 80 per cent for the lower and middle castes, respectively (World Bank, 2011b).

Recognizing it as both a human right and as generating positive economic and social benefits, countries in the region have taken significant

steps in promoting the well-being of children through social protection programmes that have nutritional, health and educational objectives. Some countries provide child benefits to all children, regardless of the income status of their households. Other countries provide means-tested schemes as part of their broader social protection coverage. These include a wide range of cash transfer programmes for children and families introduced in recent years, including conditional and non-conditional benefits.

Many countries have already made efforts to increase female school attendance through, for instance, cash transfers conditional on school attendance of girls in the household. Several countries have also improved the overall quality of education. For example, in the Programme for International Student Assessment (PISA) 2009 study of the OECD, which measures skills in mathematics, reading and science of secondary students, Indonesia was identified as one of the countries that had made the most progress since 2000. These overall improvements are largely attributed to improvements among the lowest income groups (OECD, 2010). New Zealand, moreover, has made progress in improving early childhood education for Maori children, involving Maori communities in curriculum development, and Maori language speakers in teaching, thus responding better to the needs of indigenous children (UNESCO, 2010).

In what follows, a social protection initiative aimed at promoting the well-being of children will be presented for each of the five ESCAP subregions.

East and North-East Asia: Mongolia's Child Money Programme

Children make up approximately 27 per cent of the population of Mongolia (ESCAP Online Statistical Database). In 2005, the Government of Mongolia launched the Child Money Programme (CMP), with the aim of contributing to the reduction of interregional poverty and inequality as well as the improvement of the well-being of children. The Ministry of Social Welfare and Labour operated the scheme with a budget of approximately Mongolian tugriks (MNT) 18.1 billion, or USD 15.5 million (2007 exchange rate), financed by taxes on copper exports, allocated to CCTs designed to meet the health and education needs of vulnerable families.

The CMP provided in its first stage a monthly cash allowance of MNT 3,000 (USD 2.56, 2007 exchange rate) for families with three or more children for mandatory immunizations and school enrollment (Araujo, 2006). These CCTs were made available to eligible families with children under the age of 18 living below the national minimum subsistence level. Every household had to provide the local social officer with the following: 1) identification card and marriage certificate of the parents; 2) children's birth, vaccination and school enrollment certificates; and 3) the Household Subsistence General Information Questionnaire (HSGIQ), in order to determine the income situation of the household.

In 2006, the CMP was expanded to a universal entitlement for all children under 18 who lived with

their parents, were not engaged in child labour, followed mandatory immunizations, and were enrolled in school. In addition to the existing monthly payment, a subsequent quarterly payment of MNT 25,000 (USD 21.35, 2007 exchange rate) was introduced for every child under the age of 18, financed by the Human Development Fund (Jackson et al., 2011). According to the Mongolian Ministry of Social Welfare and Labour, about 647,500 children were registered under this scheme by the end of 2005, about 63 per cent of all children, and more than twice as many as the total number of poor households in the country (Hodges et al., 2007).

The CMP has experienced difficulties to ensure access to child benefits for the most disadvantaged families, such as migrants or families living in isolated regions. These vulnerable groups do not hold up-to-date identification cards to register into the programme because generally they are not registered in their district of residence. However, the enhanced role of the Government of Mongolia in the development and financing of specialized protection services for children in situations of extreme vulnerability is testimony of its effort to invest in children's human development for a broader national Social Protection Floor and the reduction of inequality.

North and Central Asia: Kyrgyzstan Monthly Benefit for Poor Families

Children make up approximately 30 per cent of the population of Kyrgyzstan (ESCAP Online Statistical Database). The number of children living below the poverty line is 46.0 per cent, with 5.6 per cent of children living in extreme poverty, particularly in rural areas (IMF, 2014). In this precarious context, in 2010, the Government of Kyrgyzstan launched the Monthly Benefit for Poor Families scheme (MBPF), which is the only social transfer specifically targeted at the poorest households with children, aimed at providing a guaranteed minimum income.

The Ministry of Social Development is responsible for the implementation of the programme with a budget of approximately 2.4 per cent of GDP allocated to non-contributory social protection expenditures (World Bank, 2014).

The MBPF provides an average monthly benefit of around Kyrgyzstani soms 235 (USD 4.00, 2010 exchange rate) to poor households with children. This cash transfer is made available to eligible families living below the Guaranteed Minimum Income (GMI) with children up to the age of 16 (or 21 if full-time students). The level of the GMI is adjusted on an irregular basis as it depends on the available funds allocated by the Ministry of Finance.

Eligibility for the MBPF is determined by a means-test. In order to access the benefit, households have to submit proof of income. A number of difficulties are encountered by the social worker in monitoring proof of informal income, such as from subsistence agriculture, informal work or remittances. Recognizing the limits of the MBPF, the Ministry of Social Development is exploring alternative ways of targeting poor households with children (Gassmann, 2013). Currently, 340,000 families receive the benefit, a number

which represents only 16 per cent of all children living in poverty (IMF, 2014).

More decisive action is needed in order to improve the provision of benefits to poor children in Kyrgyzstan. Furthermore, the size of the benefit is currently not sufficient to meet the most basic needs. Nonetheless, the effort by the Government to provide a social transfer to the poorest households with children shows its commitment to breaking inequality traps and levelling opportunities in the years of childhood.

The Pacific: Samoa's School Fee Grant Schemes

In Samoa, children make up approximately 37 per cent of the entire population, putting heavy pressure on the education system (ESCAP Online Statistical Database). Primary education is compulsory and close to universal for all 5- to 14-year-olds. Indeed, 94.8 per cent of children attended primary school in 2012, with attendance rates slightly higher for young girls compared with boys (World Bank, World Development Indicators Database). In 2010, the Government of Samoa launched the Primary School Fee Grant Scheme (PSFGS) which removes fees for students from vulnerable families and aims to improve the quality of primary education by enhancing teacher's skills and the quality of the teaching materials. Given the limited fiscal space for education, the Government recognized a need to draw on external funding to ensure the achievement of universal primary education by 2015, with the support of Australia and New Zealand.

The Ministry of Education, Sports and Culture (MESC) operates the scheme with an estimated budget of Samoan tala (WST) 4.6 million, or USD 1.9 million (2010 exchange rate). Every year, the Ministry of Finance funds public primary schools

and mission primary schools with an allocation of WST 100 (USD 41) per student and WST 200 (USD 82) for children with special needs (Australian Department of Foreign Affairs and Trade, 2010). The scheme benefits students in 142 government schools, 15 mission schools and three schools for children with disabilities (UNESCO and Ministry of Education, Sports and Culture of Samoa, 2014). Between July 2010 and June 2011, 130 students attended school for the first time; and by the end of 2012, a total of 159 students never previously enrolled in primary school were able to begin their education (Ministry of Education, Sports and Culture of the Government of Samoa, 2011).

In 2013, the PSFGS was expanded to cover also children in secondary school through the Secondary School Fee Grant Scheme (SSFGS), with the aim to increase secondary school enrolments to 85 per cent by 2016. The MESC received additional New Zealand dollar 5 million (USD 4.1 million in 2013 exchange rate) financial support from New Zealand for children aged 9 years to 11 years in public and mission schools. The expansion of the SSFGS resulted in an increase of children enrolled in secondary schools, which currently stands at 71 per cent (New Zealand Ministry of Foreign Affairs and Trade, 2013).

While reaching all children with disabilities remains a challenge, the expansion of the PSFGS and the provision of free and compulsory primary and secondary education demonstrate the Government's effort to support the country's move toward universal education for all children in Samoa.

South and South-West Asia: Sri Lanka's Universal Education System

Youth in Sri Lanka enjoy high literacy rates 99 per cent for girls and 98 per cent for boys. These high rates are attributed to national policies for free and compulsory education in Sri Lanka, dating back to the 1940s. More recently, in 1997, the Government passed the Compulsory Education Ordinance, further strengthening the national framework for universal primary education that was enshrined in the 1978 Constitution. Free and compulsory primary education is implemented by the Ministry of Education (MOE), which manages 9,905 public schools with over 4 million students and 223,333 teachers (Ministry of Education of the Government of Sri Lanka, 2012).

The State provides free education at primary, secondary and university levels, which is compulsory for children between 5 and 13 years of age (World Bank, 2013b). The Government also uses the education system as an effective platform to ensure access to nutrition, providing a mid-day meal for children in designated coverage areas. In order to maintain high enrolment rates, children are also provided with free text books and two sets of uniforms.

After completing primary education up to grade 5, students are eligible for the competitive scholarship exam for entrance into the so-called “popular schools” in urban centres, which are equipped with the best facilities. Upon entering grade 9 students are offered the option to continue with academic studies, enroll in an apprenticeship for technical work or join agricultural production. Those who successfully complete secondary school up to grade 13 and then complete the Ordinary Level receive a General Certificate of Education. In 2000, approximately 4.2 million students attended public school and around 95,000 students attended private schools (UNICEF, 2013).

While the country's free and universal education policies have contributed to social mobility and reduced poverty among low income groups, some challenges remain in improving quality and relevance of the education provided. Nonetheless, Sri Lanka's free and compulsory education system forms an important part of the national Social Protection Floor. Indeed, the Government's efforts to invest in the well-being of children through the provision of universal education and meeting nutritional needs, helps to reduce inequality traps.



“Sri Lanka's free and compulsory education system forms an important part of the national Social Protection Floor. Indeed, the Government's efforts to invest in the well-being of children through the provision of universal education and meeting nutritional needs, helps to reduce inequality traps”

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South-East Asia: The Philippines' "4 Ps" Programme

Children make up approximately 34 per cent of the population in the Philippines. According to the World Bank, 88 per cent of these children attended primary school in 2009. In 2008 the Government launched the Pantawid Pamilya Pilipino Programme, popularly known as the "4Ps," to alleviate the immediate needs of the poor and break the intergenerational poverty cycle through investment in human capital targeting children. The Department of Social Welfare and Development (DSWD) operates the scheme with a budget of approximately USD 500 million allocated to CCTs designed to meet the health, nutrition and education needs of vulnerable children.


The 4Ps provides eligible families with USD 140 a year per household for health and nutrition expenses and USD 70 per child for educational expenses, for up to three children per household. These CCTs are made available to eligible families living below provincial poverty thresholds in the poorest municipalities with children up to 14 years of age, selected by the National Statistical Coordination Board (NSCB). The 4Ps is the largest social protection programme in the Philippines. In 2012, the scheme reached over 3 million registered households in 1,261 municipalities nationwide (Chaudhury et al., 2013).

The receipt of the transfer is subject to six conditions: 1) children aged 3 to 5 must attend day-care or preschool at least 85 per cent of the time; 2) children aged 6 to 14 must enroll in school and attend at least 85 per cent of the time; 3) pregnant women must receive pre- and post-natal care and give birth with the assistance of a medical professional; 4) parents must attend family development seminars; 5) children aged 0 to 5 years must receive regular health check-ups

and vaccines; and 6) children aged 6 to 14 years must receive de-worming pills twice a year.

Expansion of the 4Ps is planned until 2016, with the total number of family beneficiaries estimated to reach about 5.2 million. The DSWD maintains standardized non-discretionary selection of beneficiaries, avoiding challenges posed by subjective selection or patronage. The 4Ps is the result of the Government's commitment toward broadening social protection. While the Government aims to expand the provision of basic social services to all, its current resource constraints urged the adoption of a targeted approach, prioritizing the poor and vulnerable. The rest of the population enjoys free primary education.

There is a significant increase of 3.4 percentage points in the school participation rate of children of 4Ps families aged 6–14 years compared with children in matched non-4Ps families (Tabuga et al., 2013). However, the programme does not seem to influence the school participation of children beyond those that are covered by the programme. Nevertheless, investments in social protection initiatives such as the 4Ps have improved access to primary and secondary education, enhanced health outcomes and raised the nutritional level of children in the Philippines. ■



Tackling the inequalities faced by working-age individuals

More than 1 billion workers in the region are in vulnerable employment, characterized by low wages, few (if any) benefits, limited job security and often hazardous working conditions that undermine their fundamental rights. Though women are a key driver of the region's economic growth, gender-based inequalities prevail in terms of economic power. Despite the fact that young people are a major resource for economic growth and innovation, in many countries in the region, youth are up to ten times more likely to be unemployed than adults.

The right to decent work and protection against unemployment is a firmly established international norm, anchored in Article 23 of the Universal Declaration of Human Rights (1948) and Article 6 of the International Covenant on Economic, Social and Cultural Rights (1966). Ensuring decent work through social protection is not only a human right, it also fosters inclusive economic growth by increasing the productivity of labour and the enhancement of productive assets.

Anchored in constitutional and legal provisions, initiatives for protecting working-age individuals and ensuring decent work have in recent years proliferated throughout the region.

Hundreds of millions of working-age individuals risk falling into an inequality trap

DESPITE THE REGION'S CONTINUED ECONOMIC GROWTH, NEARLY THREE IN FIVE OF THE REGION'S WORKFORCE – MANY OF WHOM ARE WOMEN, YOUNG PEOPLE AND PERSONS WITH DISABILITIES – REMAIN TRAPPED IN LOW-PRODUCTIVITY AND VULNERABLE JOBS (ESCAP, 2013a). As a result, one out of every three (1.64 billion) people in the region live on less than USD 2.00 per day, deprived of basic rights (ESCAP Online Statistical Database). Informal workers make up as much as 80 per cent of the labour force in some countries in the region and lack legal as well as social protection against many risks, including unemployment, workplace injury, sickness and disability. Furthermore, these workers are not covered by compulsory old-age pension schemes.

Persistent vulnerable employment perpetuates inequalities

One reason why the region continues to experience significant levels of poverty and rising inequality is that economic growth has not generated a sufficient number of decent and productive jobs. This is due to the nature of growth and the pattern of structural change in many countries in which workers remain in the agricultural sector or move from agriculture into low-productivity services. As a consequence,

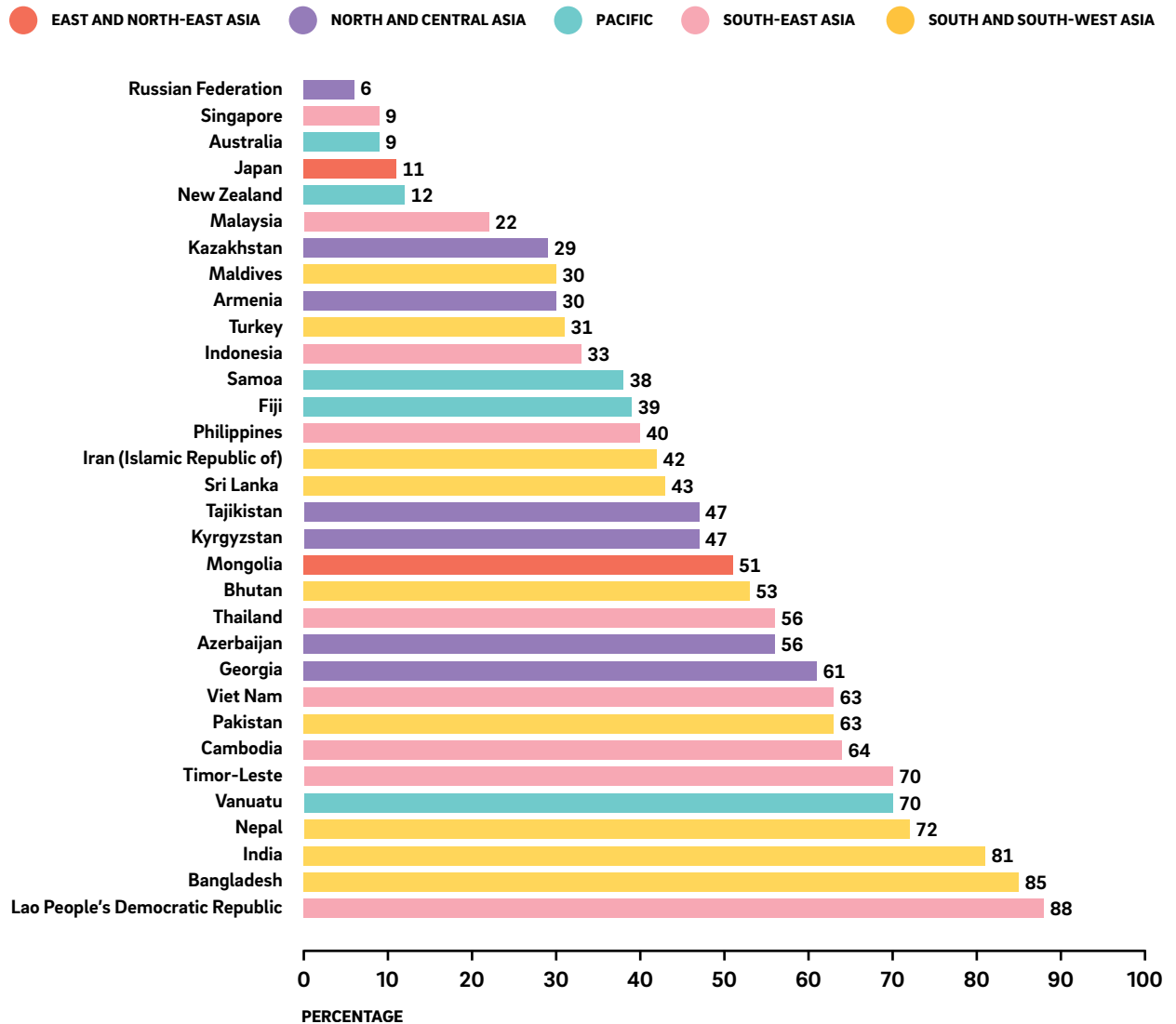
more than one billion people are trapped in vulnerable employment, and economic insecurity has been on the rise, in spite of economic growth (ESCAP, 2013a).

In 2013, 63 per cent of women and 56 per cent of men in the region were in vulnerable employment, that is, they were either self-employed or contributing family workers, two employment groups often characterized by higher poverty rates and limited social protection (ESCAP, 2014a; ILO, 2014a). In Bangladesh, India and Lao People's Democratic Republic, more than 80 per cent of all workers are engaged in vulnerable employment and in other countries, such as Nepal, Timor-Leste and Vanuatu, over 70 per cent of workers are employed under precarious conditions (Figure 4.1).

As has been suggested, pervasive vulnerable or informal employment hampers growth and development. Low levels of productivity and labour standards, and the underutilization of a country's labour force imply that its full growth-potential is not being realized. Moreover, the inability of large proportions of the labour force to earn a safe and decent living limits the capacity to accumulate savings, leading to a lower level of capital available for investment, thereby further hindering development. It also limits the ability to invest in children's education, thereby increasing not only the vulnerability of current generations, but of future ones as well (ESCAP, 2013a).

Vulnerable employment is pervasive throughout the region

Percentage of total employment, selected countries, latest available year



SOURCE ESCAP, based on Millennium Development Goals Indicators, Goal 1, Target 1.B, Indicator 1.7.

NOTE Data refer to year 2013 for Azerbaijan, Indonesia, Kazakhstan, Malaysia, Singapore, Sri Lanka, Thailand, Turkey, and Viet Nam; 2012 for Bhutan, Cambodia, Mongolia, and the Philippines; 2011 for Armenia and Samoa; 2010 for Georgia, India, and Timor-Leste; 2009 for Tajikistan and Vanuatu; 2008 for the Australia, Fiji, Iran (Islamic Republic of), New Zealand, Pakistan, and Russian Federation; 2006 for Maldives and Kyrgyzstan; 2005 for Bangladesh and Lao People's Democratic Republic; and 2001 for Nepal.

NOTE Vulnerable employment is defined as the sum of the employment status groups of own-account workers and contributing family workers. Own-account workers are those workers who, working on their own account or with one or more partners, hold the type of jobs defined as self-employment jobs (that is, remuneration is directly dependent upon the profits derived from the goods and services produced), and have not engaged on a continuous basis any employees to work for them during the reference period. Contributing family workers, also known as unpaid family workers, are those workers who are self-employed, as own-account workers in a market-oriented establishment operated by a related person living in the same household.

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The main feature of vulnerable or informal employment is a lack of income security in the event of unemployment, sickness, disability or work-related injury. As has been intimated above, often excluded from more secure work opportunities, women and vulnerable groups such as youth, older persons and migrants have little choice but to accept informal low-quality jobs. Indeed, the “decent work deficits” that characterize the conditions of workers in poor-quality, unproductive and unremunerated jobs are highest in the informal economy, and, in particular, among women and youth.

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Disparities between and within rural and urban areas abound

Driven by the geographic determinants of economic activity, spatial inequalities also impact the prospects that working-age individuals will obtain decent and productive work and that prosperity will be shared by all (Kanbur et al., 2014). The spatial inequalities that have received the most attention in the region are disparities between rural and urban areas, though disparities within rural and urban areas as well as between subnational regions are not inconsequential.

In China disparities between rural and urban areas are to a large extent driving income inequality (Figure 4.2). In many of the other countries in the region, including Cambodia, Lao People’s Democratic Republic, Thailand, Timor-Leste and Viet Nam, it is intra-urban inequality that predominates. Still, in other countries, it is intra-rural inequality that accounts for the major portion of total inequality. This is the case in, for example, Indonesia, Mongolia and the Philippines.

Agricultural wages have grown at a slower pace than wages in most other sectors, reinforcing and even exacerbating inequalities between rural and urban areas. This is the case in, for example, China.

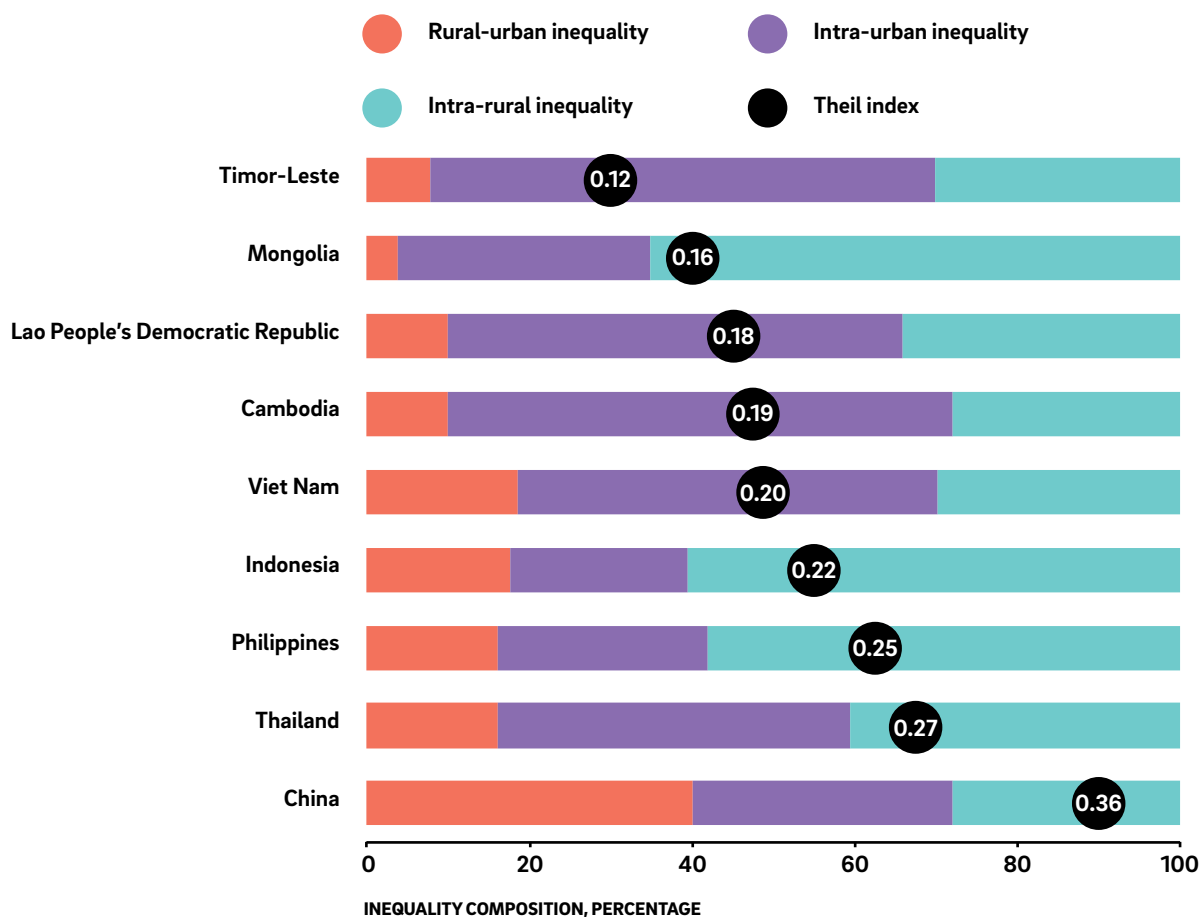
In many countries of the region, the share of the labour force working in the agricultural sector is significantly larger than its contribution to GDP (ESCAP, 2013a). This implies low productivity and wages. For instance, in India and Nepal more than half of the labour force is employed in agriculture, whereas the share of agriculture in GDP is 14 per cent and 35 per cent, respectively. In Papua New Guinea, about 90 per cent of the labour force is occupied in rural areas, whereas the agricultural sector accounts for only 36 per cent of GDP.



“... the “decent work deficits” that characterize the conditions of workers in poor-quality, unproductive and unremunerated jobs are highest in the informal economy, and, in particular, among women and youth”

The rural-urban gap accounts for the lowest share of total income inequality in most countries

Decomposition of the Theil Index by sector, selected countries, latest available year

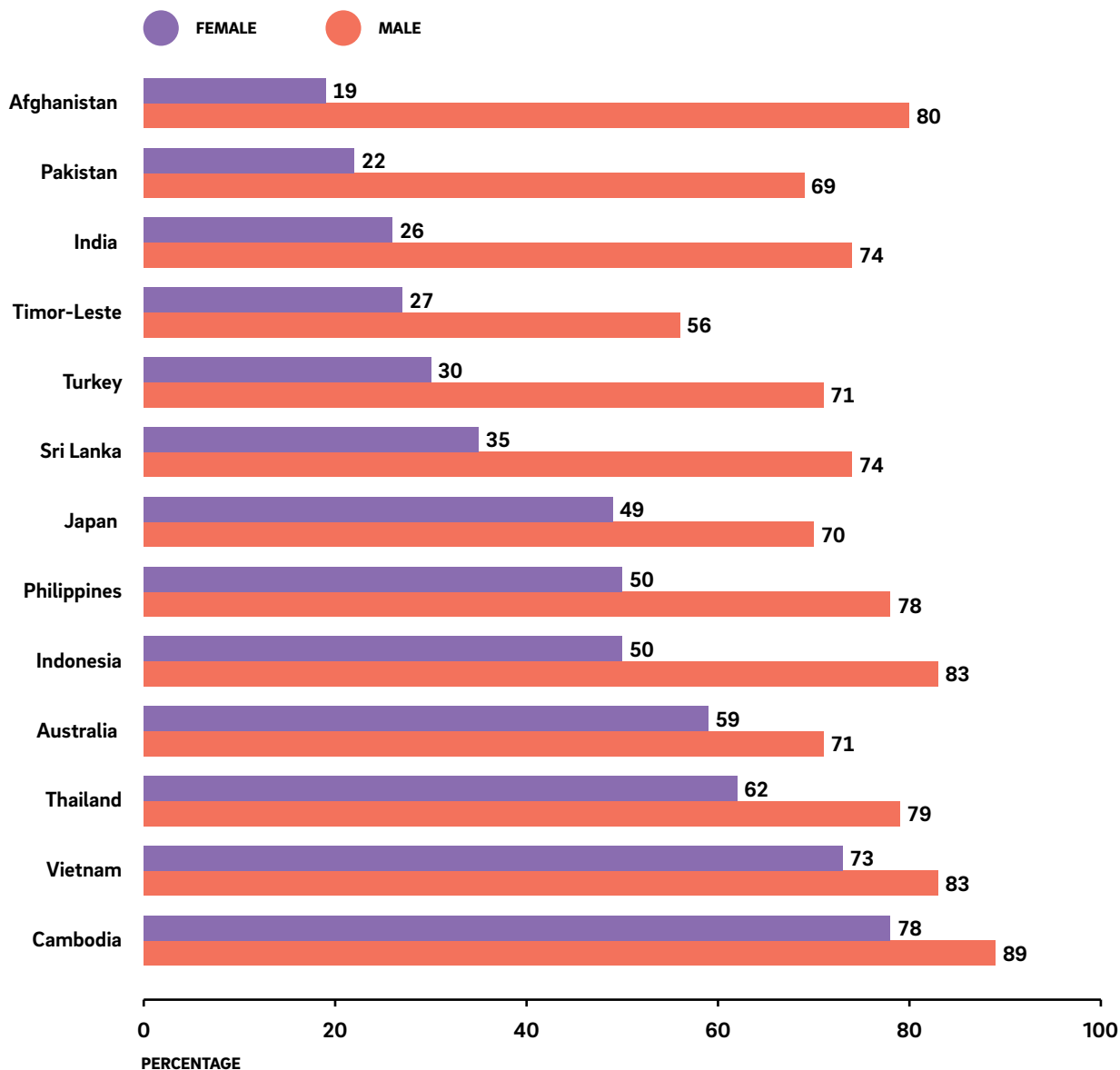


SOURCE: World Bank (2011).

NOTE: The Theil index captures the spatial dimensions of inequality, allowing for the decomposition of inequality into the part that is a result of the inequality within areas (e.g. intra-urban and intra-rural) and the part that is the result of the differences between areas (e.g. rural-urban) (Haughton and Khandker, 2009). In China, for example, rural-urban inequality constitutes approximately 40 per cent of inequality; while intra-urban and intra-rural represent approximately 30 per cent each. This decomposition of inequality is measured by the stacked bar graph (left-hand side vertical axis). The data points measure the Theil index, along a range from 0 to 1, where 0 represents perfect equality and 1, perfect inequality (right-hand side vertical axis).

Women are less likely than men to participate in the labour force

Female and male labour force participation rates, selected countries, latest available year



SOURCE ESCAP, based on ILO, ILOSTAT database.

NOTE Data refer to year 2014 for Australia, India, Japan, Sri Lanka, Thailand, Turkey, and Viet Nam; 2013 for Cambodia, Indonesia, Pakistan, the Philippines, and; 2011 for Afghanistan; and 2010 for Timor-Leste.

NOTE Labour force participation rate is the proportion of the population age 15 and older that is economically active; that is, it is the share of all people who supply labour for the production of goods and services during a specified period.

Women continue to be excluded from economic opportunities

Significant economic inequalities between men and women abound in Asia and the Pacific. One important determinant of this inequality are the gender disparities in accessing the labour market and obtaining decent jobs. In most countries in the region, women are less likely than men to be integrated into the labour market, that is, less likely to be employed or actively looking for a job. In Afghanistan and Pakistan, for example, around only 20 per cent of women participate in the labour force, compared with over 80 and 69 per cent of men, respectively. This gap is much smaller in countries such as Cambodia, Thailand and Viet Nam (Figure 4.3).

Women, moreover, are more likely to be in vulnerable employment than their male counterparts: in East Asia, 53 per cent of women are engaged in vulnerable employment, compared with 45 per cent of men; in South-East Asia and the Pacific, the corresponding percentages are 66 and 59; and in South Asia, the figures are 84 and 76 per cent, respectively (ILO, 2012). The need for women to combine work with caring for other family members and household work often pushes them into insecure jobs.

Though women are a key driver of the region's economic growth, gender-based inequalities prevail in terms of economic power (Figure 4.4). Women, for instance, encounter direct and indirect discrimination in pursuing livelihoods, as reflected in their higher rates of unemployment and lower employment rates (for example 30.4 per cent for women compared with 78.5 per cent for men in South Asia) and the enduring gender wage gap (ILO, 2012a; ILO, 2011a). For female own-account workers, moreover, inequalities are manifested in limited access to property, assets and credit, or access being conditional on the existence of a male guarantor (EIU, 2012).

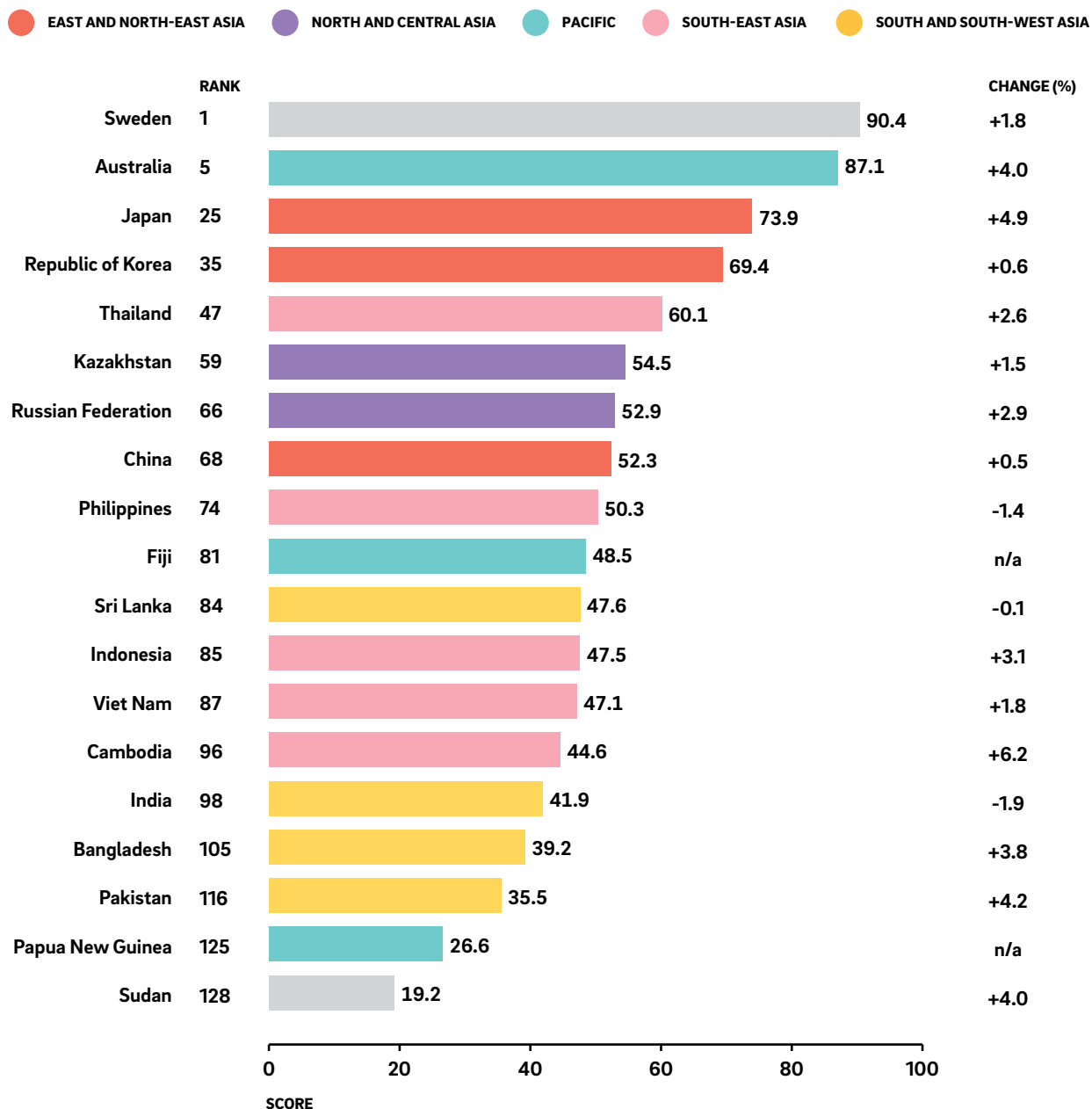
Many young people are excluded from the labour market

Despite the fact that they are a major resource for economic growth and innovation, young people are everywhere in the region excluded from the economic and social dimensions of development. Youth, for example, face disproportionately high barriers to accessing the labour market. This not only undermines life-projects, it also represents a loss in productivity at the national level. In 13 of the 32 countries for which data exist, youth unemployment rates are exceeding 15 per cent (Figure 4.5). Moreover, in several countries of the region, youth are over five times as likely to be unemployed than adults. In addition, as first-time jobseekers, many unemployed youth in the region do not qualify for any social protection benefits.

Exclusion from the labour market often has its roots in a poor transition from school to work, the result of a mismatch between education and labour market demands. A manifestation of this mismatch is long-term unemployment. Being out of work for over 12 months has devastating effects on young people, starting a downward spiral into poverty and precosity. Often these youth are discouraged and stop looking for work altogether, leading to skills obsolescence. This prolonged inactivity threatens future prospects. Long periods of unemployment, moreover, can generate unhealthy lifestyles, and can also lead to religious and political radicalization that in turn can contribute to social unrest. In Mongolia, almost half of all youth that are unemployed have been so for over 12 months. In Japan, this number is 30 per cent; and in the Russian Federation it is 20 per cent (ILOSTAT Database).

The economic prospects of women vary widely across the region

Women's Economic Opportunity Index, 2012, selected countries



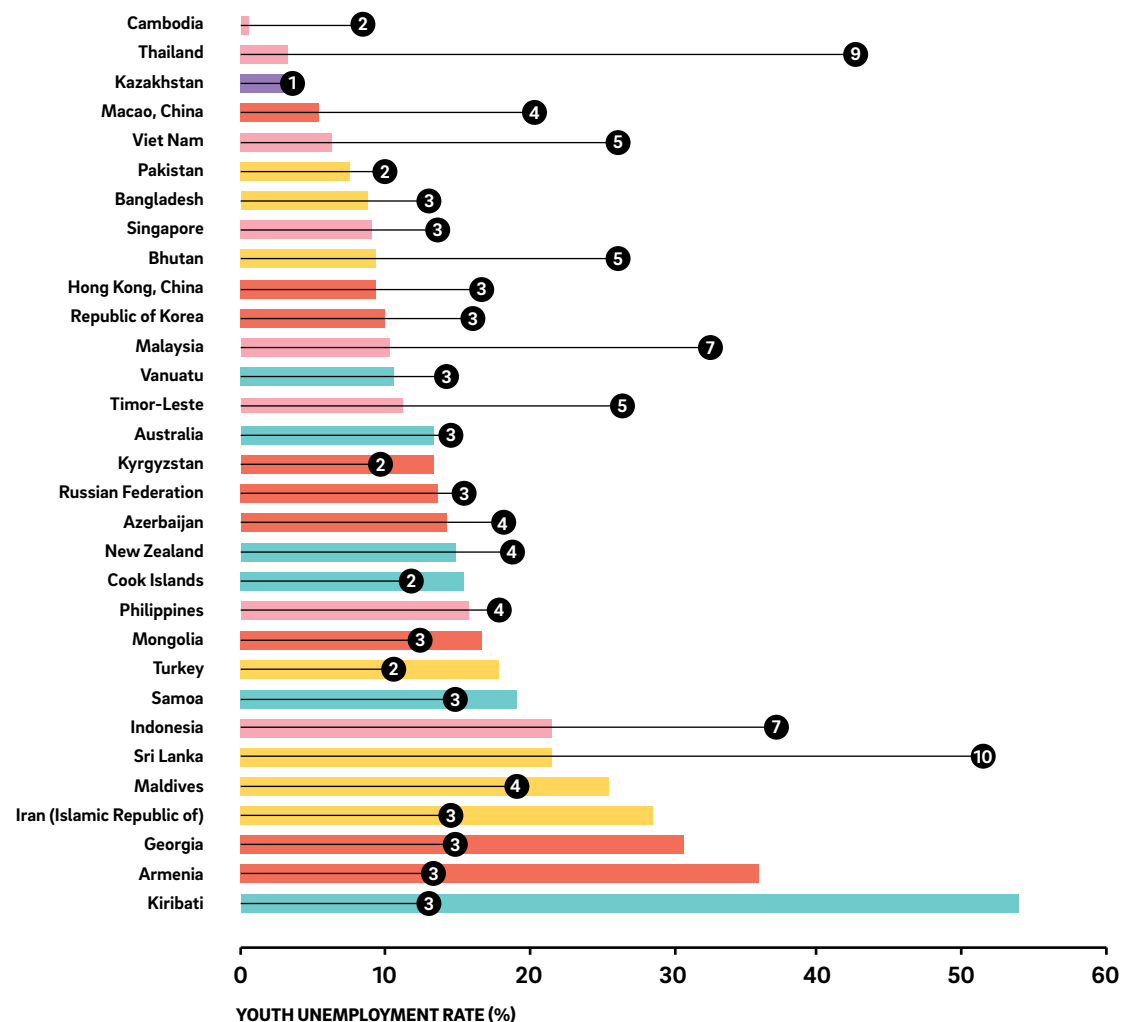
SOURCE ESCAP, based on EIU (2012).

NOTE The Women's Economic Opportunity Index assesses the environment for female employees and entrepreneurs across 128 countries, scoring countries from 0 to 100, where 100 is the most favourable. The Index brings together 29 indicators measuring access to finance, education and training, legal and social status, and the general business environment. Percentage change (%Δ) indicates the change in the index score since 2010.

Youth are up to ten times more likely to be unemployed than adults

Latest available year

● EAST AND NORTH-EAST ASIA
 ● NORTH AND CENTRAL ASIA
 ● PACIFIC
 ● SOUTH-EAST ASIA
 ● SOUTH AND SOUTH-WEST ASIA
 ● YOUTH UNEMPLOYMENT TO ADULT UNEMPLOYMENT RATIO



SOURCE ESCAP, based on ILO, ILOSTAT Database.

NOTE Data refer to year 2014 for Australia, Bhutan, Republic of Korea, Macao, China, Hong Kong, China, New Zealand, Philippines, Sri Lanka, Turkey and Viet Nam; 2013 for Armenia, Indonesia, Kazakhstan, Kyrgyzstan, Malaysia, Mongolia, Russian Federation, and Thailand ; 2012 for Azerbaijan and Samoa; 2011 for Cook Islands; 2010 for Bangladesh, Cambodia, Islamic Republic of Iran, Kiribati, Maldives and Timor-Leste; 2009 for Vanuatu; and 2008 for Pakistan and Singapore.

NOTE The unemployment rates of youth and adults are calculated by dividing the total number of unemployed youth (persons aged 15–24 years) and unemployed adults (those aged 25 years and above) by the corresponding labour force, which itself is the sum of the total number of persons employed and unemployed. The ratio of youth unemployment rate to the adult unemployment rate is calculated by dividing the former by the latter (ILO, 2014d).

The region is taking important steps to protect working-age individuals

The right to decent work and protection against unemployment is a firmly established international norm, anchored in Article 23 of the Universal Declaration of Human Rights (1948) and Article 6 of the International Covenant on Economic, Social and Cultural Rights (1966). These rights have been elucidated in several ILO Conventions, most prominently the Social Security (Minimum Standards) Convention, 1952 (No. 102). The need to extend social security was confirmed by the International Labour Conference in 2001, mandating the ILO to launch a major campaign to promote the strengthening of social security. Situated in this normative framework, Social Protection Floors Recommendation No. 202 guarantees, “basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity, and disability” (ILO, 2012b).

Countries in Asia and the Pacific have taken important steps to expand social protection for working-age individuals, and in particular to vulnerable workers, especially the working poor and those in low-productivity agricultural jobs. They have come to recognize that not only is decent work a human right, as intimated in chapter 2, social protection schemes foster inclusive economic growth by increasing the

productivity of labour and the enhancement of productive assets. Anchored in constitutional and legal provisions that guarantee universal coverage, initiatives for protecting working-age individuals have proliferated in recent years.

To protect working-age individuals, countries in the region have generally drawn on three types of schemes:

- **CONTRIBUTORY SCHEMES:** These schemes are typically financed through contributions shared by employees and employers, and usually cover workers under formal employment contracts. The main objective of contributory social protection schemes is to replace income lost temporarily or permanently as a result of unemployment, injury, disability, sickness or maternity.
- **NON-CONTRIBUTORY SCHEMES:** These schemes are usually funded, at least partially, through general taxation, and tend to provide a flat-rate benefit to the poor or those who either do not qualify for contributory benefits, or have exhausted their entitlement to insurance benefits. The main objective of non-contributory social protection schemes is to provide income security where income is insufficient in order to avoid poverty and social exclusion.
- **LABOUR MARKET SCHEMES:** On the one hand, these schemes can take the form of employment guarantee programmes which provide a legal entitlement to employment in public works and cash transfers to poor workers in vulnerable or rural settings. On the other hand, labour market schemes can take the form of skills development and training programmes which aim at increasing the employability of underemployed or unemployed workers, as well as those in precarious employment. The main objective of labour market schemes is to retain individuals or integrate them into the labour market.

In developing Asia-Pacific countries, it is only the small fraction of individuals working in the formal sector (such as civil servants) that are covered by social insurance schemes. The majority of workers who do not qualify for social insurance depend on non-contributory social assistance schemes. But these schemes are rare; and when they exist, benefits are often low, which results in coverage gaps for such vulnerable workers.

Labour market schemes are an indispensable aspect of social protection and can increase the probability that the unemployed find work or that the underemployed increase their productivity and earnings. They also generate social benefits in the mode of the inclusion and participation that comes from productive employment. Yet, despite their potential advantages, there are very few labour market schemes in the region. It is only in South and South-West Asia that employment guarantee programmes have made inroads (ADB, 2013a). Skills development and training programmes remain inchoate, existing for the most part in the more developed countries or as pilot initiatives.



“Labour market schemes are an indispensable aspect of social protection and can increase the probability that the unemployed find work or that the underemployed increase their productivity and earnings.”

In what follows, an initiative aimed at protecting working-age individuals will be presented for each of the five ESCAP subregions.

East and North-East Asia: The Sunshine Project in China

In China, persons of working-age (15–64) accounted for approximately 73 per cent of the entire population in 2012 (ESCAP Online Statistical Database). Unprecedented rural-urban migration has in the last three decades generated high rates of migrant workers trapped in vulnerable employment. These workers receive little social protection in urban areas due to the restrictions of the Hukou—or household registration system—which excludes rural migrants from access to urban social protection entitlements (Branigan, 2014; Zhen, 2013). To respond to the increasing inequality between rural and urban workers, in 2004 the Chinese Government initiated the Sunshine Project on Training for Rural Labourers Seeking Jobs in Urban Areas, in order to enhance the employability of rural workers, better manage migration and protect basic social rights.

The Sunshine Project was coordinated among six ministries with a budget of Chinese yuan (RMB) 20 billion or USD 2.6 billion (2007 exchange rate) between 2004 and 2008. The Project went through different pilot phases until the training programme was integrated into the national education system in 2010. The scheme entitles working-age members of rural households the right to receive vocational skills training. In 2007 the Sunshine Project successfully provided training to 11.25 million farmers, which had a positive impact on both employment rates and earnings, compared with those who did not attend the training (ILO, 2011b).

The design of the Sunshine Project is largely demand driven. Enterprises communicate to training agencies the skills and number of workers required. Subsequently, the training agencies, in collaboration with local public institutions, organize the content of the training. Upon successful finalization of the vocational skills training, qualified trainees are offered employment. This mechanism allows rural migrants to relocate to urban areas with guaranteed employment.

The Sunshine Project is the result of the Government's efforts to reform the Hukou system—which dates back to the 1950s—and was introduced to ensure that a stable rural population remained in a sustainable agricultural sector (Zhen, 2013). With the unfolding of economic reforms in the 1980s, rural migrant workers became the engine of China's spectacular economic growth. In this context, the Sunshine Project has made a significant contribution to rural economic development and to the increase in the rural population's income. Yet rural residents continue to face income disparities and lack of productive employment opportunities in non-agricultural sectors. The Sunshine Project contributes to ameliorating this trend through mechanisms to better match labour market demands, improve employability, reduce the vulnerability of rural migrant workers, and mitigate rural-urban inequalities.

North and Central Asia: Uzbekistan's Social Insurance System

In Uzbekistan, people of working age made up around 67 per cent of the population in 2013 (ESCAP Online Statistical Database). In 1992, the Government amended the national social insurance system in order to provide extended income security to the working-age population. The social insurance system is implemented by the Ministry of Labour and Social Protection and the National Employment Service.

The social insurance system entitles all citizens to a comprehensive package of unemployment allowances (UA), temporary disability allowances, and coverage for work related injuries. The UA is available to citizens above the age of 16 years, with the exclusion of self-employed persons. The UA is financed through contributions of 3 per cent by employers with additional costs covered by the government. This allowance can be accessed by those who have worked a minimum of 12 weeks within a 12 month period, those who are re-entering the workforce and have at least one year of work experience, or those seeking their first job.

The allowance is paid out for no more than 6 months within a year at a rate of 50 per cent of average earnings within the past 26 weeks to a minimum not lower than the minimum wage. Those re-entering the workforce are eligible to receive a benefit not less than the minimum wage for 13 weeks, decreasing to 75 per cent of the minimum wage for the following 13 weeks. Temporary disability allowance is paid in full by the employer, ranges from 60 to 100 per cent of previous earnings, and is not lower than the minimum wage. If the disability extends longer than four months, permanent disability benefits under the national pension scheme can be accessed.

Uzbekistan's social insurance system also provides coverage for work-related injuries to all employed persons on a cost sharing basis between the employee and employer, with contributions of 2.5 and 31.0 per cent respectively. Coverage reaches close to 100 per cent of all active working-age citizens (Shagzatova, 2012).

Uzbekistan's social insurance system dates back to 1955 with the introduction of the first temporary disability benefit. More recently the social insurance law has gone through amendments in 1992 and 1998 in order to expand coverage to all during unemployment. While the social insurance system provides comprehensive coverage with high levels of accessibility, some challenges remain in terms of state financing and overlap with other existing programmes. Still, the social insurance system receives very high levels of state support, is universal in nature, and forms part of Uzbekistan's Social Protection Floor, ensuring that all citizens of working age have access to basic income security.

The Pacific: The Pacific Seasonal Workers Programme

In order to alleviate labour shortages in the horticultural industry and secure productive and decent work for migrants, the Australian Government designed the Pacific Seasonal Worker Programme (PSWP). This initiative provides opportunities for workers from eight Pacific Islands—namely, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu—as well as Timor-Leste, to undertake seasonal work in Australia (Department of Employment of the Government of Australia, 2014). The Programme operated as a pilot from 2009 to 2012, when it was rolled out and became permanent. The Australian Department of Employment is responsible for managing the programme.

PSWP entitles workers to add on skills training opportunities in English literacy, numeracy and basic information technology to increase their performance, both in Australia and in their home country. Developing skills is an essential strategy for reducing the inequalities between formally employed and vulnerable workers. In particular, the development of technology skills represents a key component to decrease skills mismatch in the labour market, which otherwise could lead to social exclusion.

Farmers and growers communicate to the labour agency the number of workers they need. In 2010, approximately 16 per cent of the participants were living in households with earnings of less than USD 1 per capita per day; and 40 per cent were living in households earning less than USD 2 per capita per day (Gibson and McKenzie, 2011). With the introduction of the PSWP, thousands of Pacific Island workers have benefitted from the scheme that has now expanded to other sectors such as aquaculture, cane and cotton (ILO, 2013b).

While the PSWP is the product of Australia's commitment to support poor people in developing countries and work toward reducing the global average cost of transferring remittances to 5 per cent by 2014, the existence of illegal migrants hired to work in the Australian horticultural sector represents a real challenge (OECD, 2013a). Despite challenges, the PSWP builds a solid basis for sustainable development and national social protection systems by giving the opportunity for Pacific Island countries to improve skills development and social mobility, while addressing unemployment and stimulating economic growth through remittances. The PSWP also offers Australian employers in the horticulture industry a reliable, returning workforce.

South and South-West Asia: India's Rural Employment Guarantee

In India, approximately 73 per cent of the poor and 77 per cent of the workforce live in rural areas and experience an average of 104 days of unemployment per year (Department of Rural Development of the Government of India, 2008). In order to address rural poverty and unemployment, the Government passed the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005. The Ministry of Rural Development implements the scheme in 619 districts throughout the country in order to achieve more sustainable livelihoods for working-age men and women in rural areas (Srivastava, 2013).

The act entitles one working-age member of rural households the right to request up to 100 days of unskilled wage employment from village-level authorities with full funding support from the Government. MGNREGA

ensures that employment is provided within 15 days of the request and within a five-kilometer radius of the village, otherwise the household receives transportation and 10 per cent extra wage to be added to the approximately Indian Rupees 100, or USD 2.30 (2010 exchange rate) wage per day. Employment is organized by the Government with activities ranging from infrastructure development to natural conservation. If employment is not provided within 15 days, an unemployment allowance is granted by state-level authorities. In 2010–2011 MGNREGA provided income security to more than 55 million households.

India has a long history of income security and employment guarantee programmes, and MGNREGA was realized at a time of consensus building for the rights-based approach through labour market insertion (Sharma, 2010). While the programme has impacted many lives, local authorities have experienced challenges in keeping up with high demand for job cards and reaching all of the poor, especially in more remote tribal areas where they have limited knowledge of their right to work, mostly owing to illiteracy. Nonetheless, schemes such as MGNREGA fulfil the principle of providing employment for all and are essential to reducing poverty and decreasing inequality.

South-East Asia: Viet Nam's Unemployment Insurance

In 2012, working-age groups in Viet Nam represented almost 70 per cent of the population (ESCAP Online Statistical Database). In 2009, the Government launched a national Unemployment Insurance (UI) programme in order to offset risks for wage earners in the case of unemployment, and provide support for capacity building and reemployment (Bonnet et al., 2012). UI legislation is administered by the Bureau of Employment under the Ministry of Labour, Invalids and Social Affairs (MOLISA); and Viet Nam Social Security is responsible for the collection of contributions and disbursement of benefits, and directly reports to the Prime Minister.

The UI programme is a contributory insurance available to citizens working under contracts of at least 12 months for employers who employ a minimum of 10 persons. Contributions to the scheme are shared by the employer, the employee and the Government, each contributing 1 per cent of the beneficiary's salary. Those eligible are entitled to a monthly unemployment benefit equivalent to 60 per cent of their average earnings during the 6 month period prior to being unemployed. This monthly benefit can be collected for a period of 3 to 12 months depending on the duration of contributions (Trung, 2011).

The UI also provides claimants with access to apprenticeships for a period of up to six months as well as free-of-charge employment placement consultancy. Recipients are also entitled to health insurance during unemployment. In 2010, the scheme had already reached 7.2 million workers, accounting for 14.4 per cent of the workforce. While those employed on short-term contracts are not covered under the scheme, the extent of coverage will continue to grow as the programme reaches its full maturity.

The UI programme is a result of the Social Insurance Law of 2006, which stipulated the provision of compulsory social insurance, voluntary social insurance and unemployment insurance. While the UI provides relatively high benefits, the coverage, specifically within the informal sector, could be increased through the inclusion of all wage earners, regardless of contract length and the size of employer. Still, as a new scheme, the UI programme makes significant contributions toward the building of a national Social Protection Floor in Viet Nam. ■



Tackling the inequalities faced by older persons

One of the principle challenges to achieving sustainable development in the coming decades in Asia and the Pacific will be economically supporting a rapidly growing population of older persons, protecting their rights, and ensuring their health and well-being.

The Madrid International Plan of Action on Ageing (MIPAA) and the Political Declaration adopted at the Second World Assembly on Ageing, in April 2002, marked a turning point in terms of how the world views and addresses the key challenges of building an inclusive society for all ages. Providing income security for older persons is not only consistent with established principles of human rights, it also supports inclusive growth, drives demand, and can promote economic empowerment, in particular, of women.

Recognizing income security for older persons as both a human right and as a pillar of sustainable development, many countries in the region are taking steps to ensure that all individuals will be covered by old-age pensions.

Population ageing poses an important challenge to sustainable development

THE ASIA-PACIFIC REGION IS CURRENTLY HOME TO OVER HALF OF THE WORLD'S ELDERLY POPULATION (ESCAP, 2013c). The region is experiencing population ageing at an unprecedented pace, owing to the notable improvements in life expectancy combined with falling fertility rates. With the exception of Timor-Leste, all countries in the region will experience a substantial increase in the share of the population aged 65 years or older by 2050 (United Nations, 2015), Hong Kong, China, Japan, the Republic of Korea, Singapore and Thailand are projected to have the largest proportion of older persons, at over 30 per cent of their total population (Figure 5.1). In other countries, such as Brunei Darussalam, the Islamic Republic of Iran, Maldives and Viet Nam, the share of older persons is expected to triple, or even quadruple by 2050.

The number of persons 65 years or older is expected to rise threefold from 323 million in 2013 to around 901 million by 2050 (ESCAP Online Statistical Database). It is also expected that the proportion of “oldest-old” — those above 80 years of age — will increase and constitute 19 per cent of the older persons in the region by 2050. Due to their longer life expectancy, the majority of older persons will be women.

The older population in developing countries has been expanding continuously over the past 50 years, at a faster pace than in the more developed countries. Today, about two thirds of the world's older people live in developing countries. This trend is expected to continue and, as a result, older persons will be increasingly concentrated

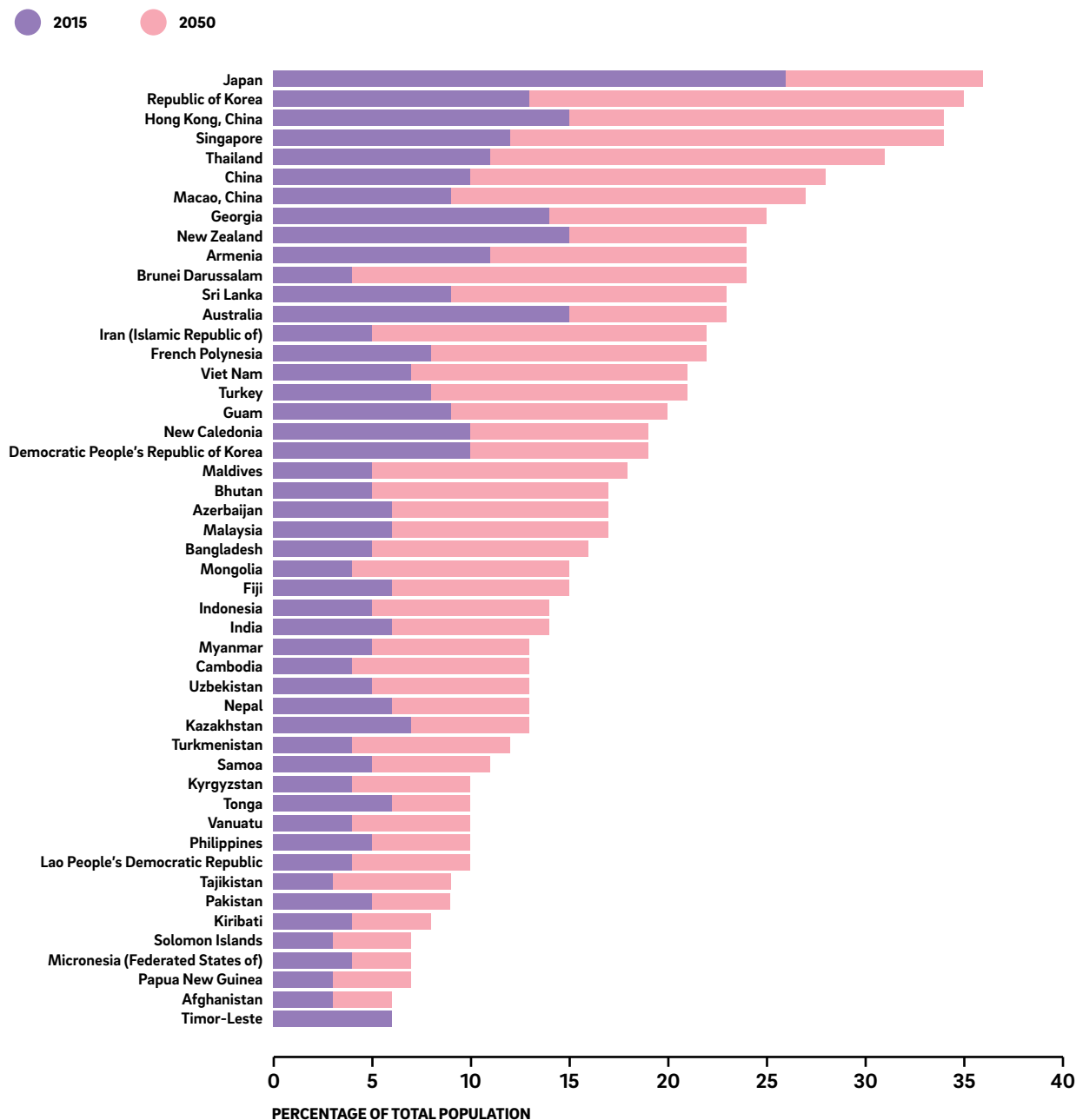
in these countries in the future. Projections indicate that by 2050, nearly 80 per cent of the world's older population will live in today's developing countries (United Nations, 2013b). This demographic trend is especially pertinent for a region such as Asia and the Pacific, which is comprised of some of the wealthiest nations as well as some of the poorest countries in the world.

Indeed, this transition towards an ageing society has critical social, economic and political consequences for Asia and the Pacific. The increase in the old-age dependency ratio throughout the region implies that the people of “active age” will need to support an increasing share of older persons (Figure 5.2). This development comes with a number of challenges for countries and will definitely require greater private and public investments to cover the needs of older persons.

The old age dependency ratio for Asia and the Pacific will reach over 30 by the year 2055. This suggests that, while today an older person can depend on almost ten persons of working age for potential support, by mid-century the average older person will have the support of only four persons of working age. Japan will experience the most precipitous rise in the dependency ratio, with about seven older persons depending on only ten working-age individuals. The dependency ratios in China, the Republic of Korea and Thailand will quadruple. Even countries that are currently experiencing a youth bulge are nevertheless witnessing an increase in dependency ratios, albeit at a significantly lower scale. This is the case with India, for example.

The region is experiencing population ageing at an unprecedented pace

Share of the population aged 65 years or older, selected countries

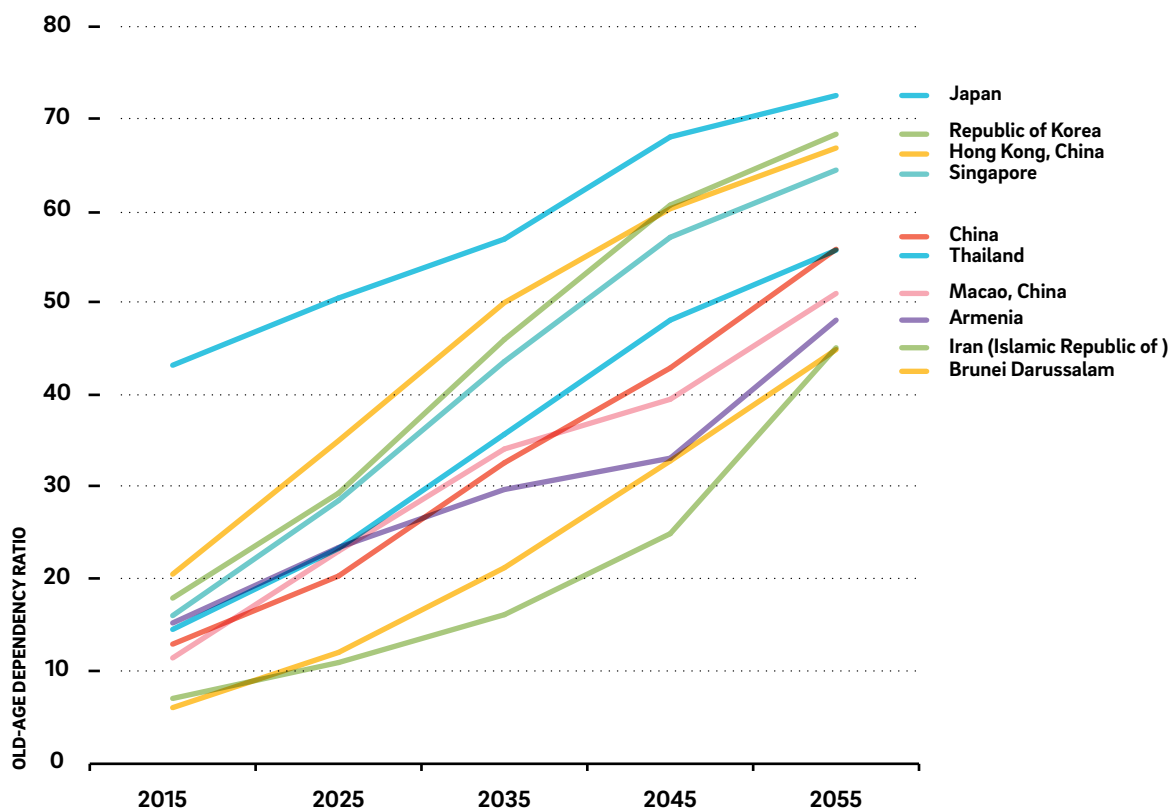


SOURCE ESCAP, based on UN DESA population projections (United Nations, 2015).

NOTE Estimated demographic trends are projections based on censuses, administrative data and surveys provided by countries through an annual questionnaire. Population data from all sources are evaluated by the United Nations for completeness, accuracy and consistency.

By mid-century the number of older persons potentially depending on working-age individuals will increase substantially throughout the region

Old-age dependency ratios 2015–2055, selected countries



SOURCE ESCAP, based on UN DESA population projections (United Nations, 2015).

NOTE The old-age dependency ratio is the population aged 65 years and over expressed as a percentage of the population aged 15–64 years.

The increase in the old-age dependency ratio has important ramifications for social protection, particularly for pay-as-you-go pension systems under which contributions by current workers support the pensions of current retirees. Additionally, in a number of

developing countries, poverty is high among older persons, which places a great deal of the burden on the working-age population, and also suggests that in the future poverty will be increasingly concentrated among the older population.

One of the principle challenges to sustainable development in the coming decades in Asia and the Pacific, then, will be economically supporting a rapidly growing population of older persons, protecting their rights, and ensuring for their health and well-being. In this context, it is important for countries to tap their potential labour force reserve by better integrating into the labour market women, older persons, persons with disabilities, youth and other under-utilized groups in order to sustain economic growth, respond to increasing demands for services, while also increasing tax revenue to maintain or improve social protection for older persons.

Countries in the region also have the possibility of reaping a second demographic dividend and extending working lives by improving working conditions and better cater to the demands of an ageing workforce. It is important that older persons are able to maintain their consumption patterns through their own means in order to avoid excessively high savings rates at younger ages (An et al., 2010). Indeed, the right mix of economic and social policies can redefine population ageing as an opportunity for fostering sustainable development.

Traditional support structures are being challenged by economic growth

The region's rapid economic growth has brought about changes in social structures at the community and family scale. Though research does indicate that, overall, Asia and the Pacific has the lowest incidence of older persons living apart from their families, ongoing economic development within the region is likely to result in continued reductions in family size (Vlachantoni and Falkingham, 2012).

The number of migrant workers in the region has increased significantly in recent years owing to urbanization and deepening regional integration. This upsurge in migratory flows is putting stress on traditional family support mechanisms (Park, 2010). In Viet Nam, for example, the proportion of older persons living with their children decreased from 80 per cent in 1992 to 63 per cent in 2008 (Long and Wesumperuma, 2012). In Thailand, despite the duty of children to provide care and support for their parents in old age (that is, the principle of "filial piety") being enshrined in Thai law, there has been a significant reduction in the number of older persons (aged 60 and over) living with their families, falling from 77 per cent in 1986 to 59 per cent in 2007 (Long and Wesumperuma, 2012).

While it is encouraging that more women are moving into paid employment outside the home, this development is limiting the traditional role of women as caretakers of older persons (HelpAge International, 2013). Furthermore, studies have shown that many elderly left behind without traditional social support and help from their children face issues of depression when confronted with poverty. Indeed, it is a concern that an increasing rate of suicide for older persons has been recorded, particularly among the more developed Asia-Pacific countries (Hendin et al., 2008).

Older persons often face material deprivation and social exclusion

The situation of older persons varies greatly, being a segment of the population with rich experiences and diverse needs. Many are active as workers, entrepreneurs, caregivers, educators, volunteers, voters, custodians of culture and the like. At the same time, older persons in the

region are particularly at risk of poverty and social exclusion, often lacking access to adequate resources, services and participation. While the exact numbers for poverty among older persons in Asia and the Pacific are lacking, there is evidence to suggest that the incidence of poverty rises with increasing age (United Nations, 2013a). Material deprivation is closely linked to income-earning capacity and, therefore, the risk of falling into poverty increases with age owing to, for example, lack of old-age pensions, deteriorating health, mandatory retirement ages and age discrimination by employers.

Figure 5.3 provides the results of HelpAge International's Global AgeWatch Index, which measures the well-being of older persons along four domains: income security, health status, capabilities specifically related to work and education, and the enabling environment such as support networks and access to public transportation (HelpAge International, 2015). Japan ranks the highest in the region and eighth globally. Afghanistan, on the other hand, ranks the lowest overall.

With an increasing proportion of older persons in the region, there is a critical need to address the issue of basic income security in old age. Access to decent work and social protection are fundamental to ensure income security for older persons, especially in the context of Asia-Pacific's rapid urbanization, increased migration and changing family structures.

While almost all countries in the region have some sort of pension scheme, these typically cover only the public sector, with some extension to workers in formal employment in the private sector. However, in a region dominated by large informal sectors, this means that overall coverage of the labour force is relatively low. In developing Asia-Pacific countries, an estimated 2 out of 10 workers are covered by a pension scheme, compared to about 9 out of

10 workers in developed countries (Figure 5.4). This gap perpetuates material deprivation and inequalities between those who have and those who do not have pensions.

In the absence of adequate pensions and the general weakening of family-based support in the region, many older persons have no choice but to continue working well into older age, often in the informal sector with little or no safety nets.

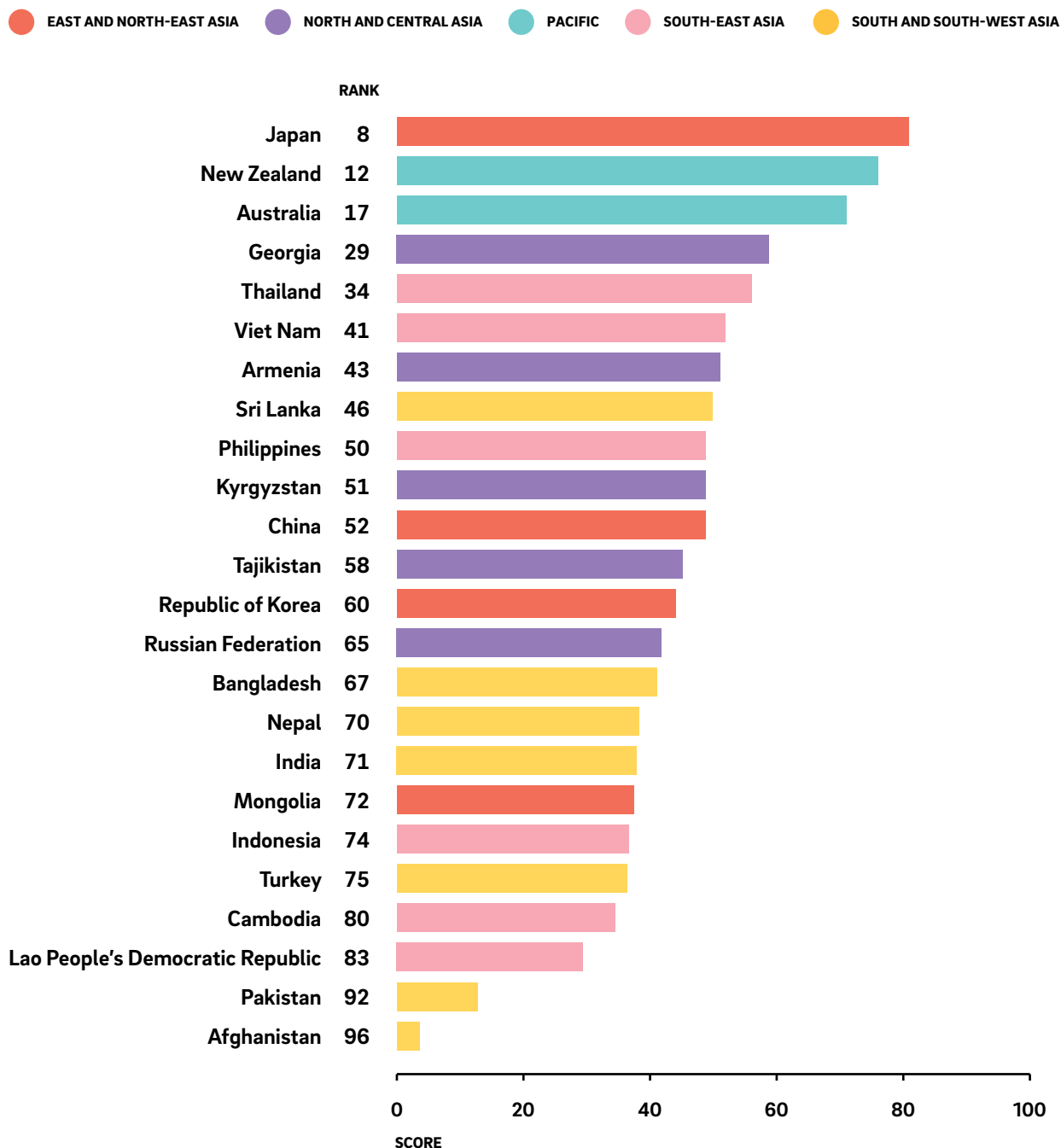
Old-age pensions can prevent an increasing number of older persons from falling into poverty and protect against the erosion of traditional familial care structures. Furthermore, old-age pensions can empower older persons as economically active citizens. In this regard, pensions can strengthen the support structures for younger generations in that the older persons that care for grandchildren will be able to provide further support for nutrition, education and the like.

Gender inequality is perpetuated into old age

As has been intimated, ageing has an important gender dimension (Devasahayam, 2014). Owing to their longer life expectancy, the majority of older persons are women. Women are more susceptible to falling captive to inequality traps — they are often more financially dependent than men because of their lower labour force participation, vulnerable employment and lower education levels. Not having been remunerated for their work or having received lower wages than men, women tend to have lower or no savings and relatively low access to contributory pension schemes. Indeed, of particular concern is the substantial number of widowed women in the region without adequate income.

Ageing well remains a challenge in most countries

Global AgeWatch Index 2015, selected countries

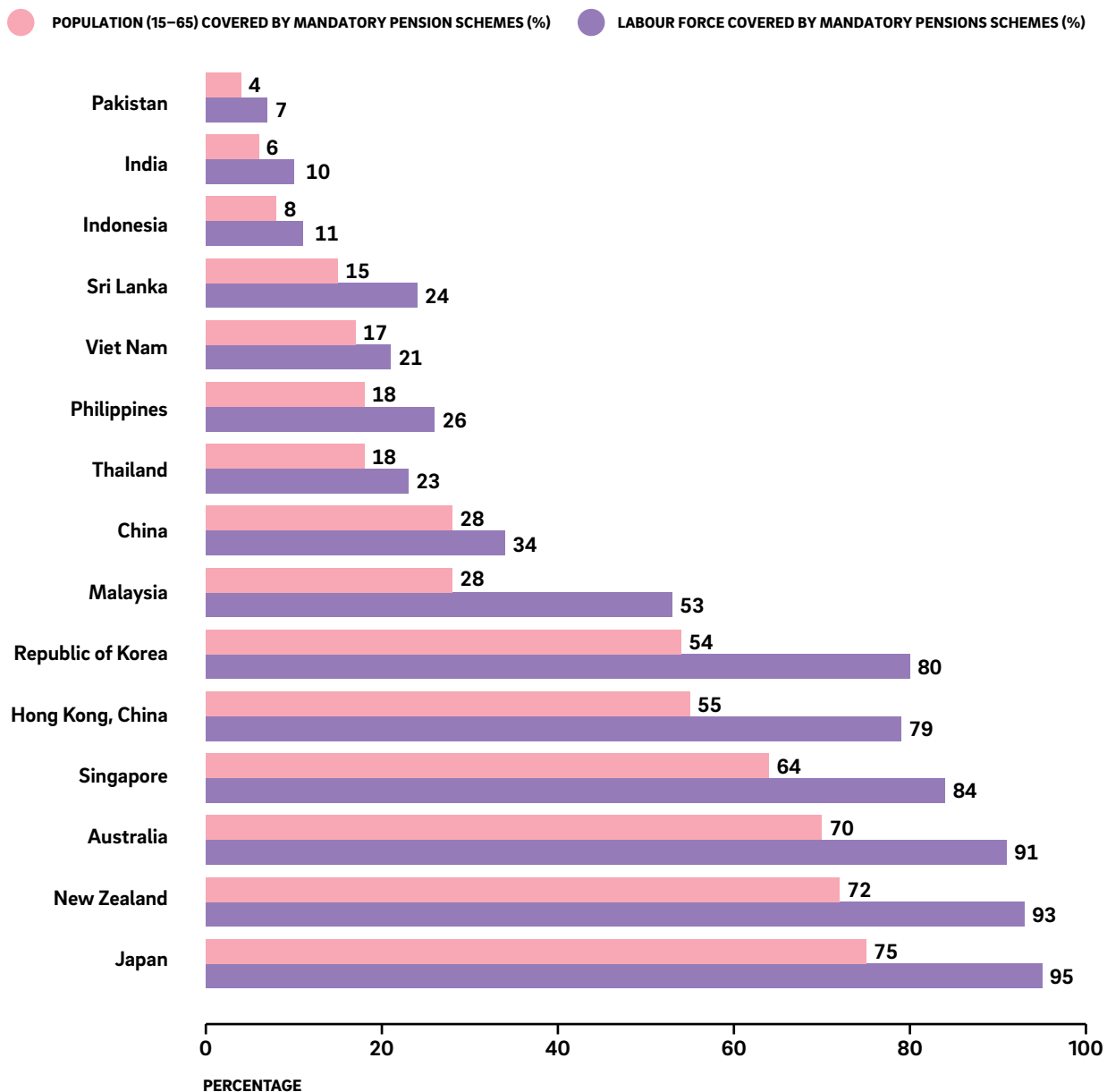


SOURCE ESCAP, based on HelpAge International (2015).

NOTE Countries are scored from 0 to 100, where 100 is the most favorable. In calculating the Index, the four domains mentioned above are given equal weight. A total of 96 countries were included in the 2015 Index.

Important pension gaps exist throughout the region

Share of the population aged 15–65 years and labour force that accrue pension entitlements, selected countries, latest available year



SOURCE ESCAP, based on OECD (2012; 2013b).

NOTE Coverage refers to the share of people covered by mandatory pension schemes. It is expressed as the percentage of the population aged 15 to 64 years or of the labour force that is classified as active members of a mandatory pension system during a given year. The coverage percentage is a proxy of how effectively a pension system is being used by the pre-retirement population. It is also a good indicator of future trends (OECD, 2013b).

The region is taking important steps to provide old-age pensions to all

The Madrid International Plan of Action on Ageing (MIPAA) and the Political Declaration adopted at the Second World Assembly on Ageing in April 2002 marked a turning point in terms of how the world views and addresses the key challenges of building an inclusive society for all ages. For the first time, Governments agreed to link issues of ageing to other frameworks for social and economic development and human rights.

From a regional perspective, and in light of the unprecedented pace of the demographic transition in the Asia-Pacific region, ESCAP member States adopted resolution 67/5 in May 2011, regarding full and effective implementation of the MIPAA within the region. The resolution called on ESCAP member States to conduct national reviews and appraisals using a bottom-up participatory approach, incorporating a gender perspective into all policy actions on ageing, and strengthening the empowerment and legal protection of older persons, in particular of older women. Situated in this normative framework, Social Protection Floors Recommendation No. 202 guarantees “basic income security, at least at a nationally defined minimum level, for older persons” (ILO, 2012b).

Besides being a human right, providing income security for older persons also brings with it a number of economic and social benefits. Old-age pensions, for example, stimulate the economy

by increasing demand and consumption; mitigate noxious coping strategies, facilitating investments in productive assets; help reduce the drain on household expenditures caused by the regular purchase of medicines and other old-age related outlays; improve the self-esteem of older persons; and strengthen intergenerational relations within the household (Handayani, 2012; Mujahid et al., 2010).

For countries with large segments of the population in vulnerable employment, a non-contributory pension system is the more appropriate mechanism in order to provide income security in old age. Indeed, several countries within the region have already introduced such a social protection pillar.

Many countries in the region provide income security for older persons using separate schemes for the public service and formal sector and additional programmes for the informal sector and the poor. This fragmented approach is bringing with it high administrative costs and also carries a high risk of uneven distribution, with overlaps and gaps in coverage. In addition, old-age pension coverage is, in general, skewed towards urban areas (ESCAP, 2013b).

Countries in the region are taking significant steps to expand social protection to all older persons. In Bangladesh, for instance, the Old Age Allowance Programme reached an estimated one-fifth of older persons aged 60 and over, and approximately one-third of older persons aged 65 and over in 2008 and 2009. In Nepal, a universal non-contributory pension scheme was introduced in 1995 that granted everyone older than 75 years a pension, with the eligible age reduced to 70 in 2009 (and to 60 years in one part of the country). Furthermore, universal retirement pensions are paid in Kiribati from age 70.

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In what follows, an overview of other promising old-age pension initiatives will be presented. As was done in chapters 3 and 4, an initiative will be provided for each of the five ESCAP subregions.

East and North-East Asia: China's New Rural and Urban Pension Schemes

Persons over the age of 65 years make up approximately 9 per cent of the population in China (ESCAP Online Statistical Database). In 2009, the State Council of China introduced the New Rural Pension Scheme (NRPS) to provide basic old-age income security for the rural population. Local offices of the Ministry of Human Resources and Social Security supervise the fund for individual pension accounts.

All rural residents over 16 years of age are eligible to participate in the NRPS, which is made up of a combination of subsidies from the central Government and voluntary contributions. Under the scheme, flat rate pensions start with RMB 55 (USD 9, 2009 exchange rate) per month. Since participation by rural workers is voluntary, the Government has introduced the so-called "family binding" element to encourage people to join (ILO, 2014a). Accordingly, older persons can benefit from the basic pension only if their children are contributing toward the rural pension scheme. Those who had not reached the age of 60 by the time the scheme was introduced can receive the pension benefits only if they contributed for 15 years or if they made up for any shortfall. More than 36.0 million people enrolled in the NRPS in 2010, with about 13.4 million people already receiving pensions.

In 2011, the Urban Residents Pension Scheme (URPS) was introduced with the aim of broadening minimum basic income protection to all

older persons living in urban areas. Over 260 million urban workers benefitted from the URPS in 2012. In 2014, the Government announced that the NRPS and URPS would be integrated into one system (ILO, 2014c). Prior to 2009, only two schemes provided older persons with income security in China, namely the urban enterprise workers and civil servants schemes. Consequently, in 2004, 46 per cent of urban employees were covered and only 11 per cent of rural workers (ADB, 2009). With the introduction of NRPS and URPS, by 2013 about 75 per cent of the population was covered under the four pension schemes, of which 59 per cent was covered under the new schemes (Dorfman et al., 2013).

Anchored in the 2010 Social Insurance Law, China's old-age pension system has undergone major structural changes in the past two decades, moving from a system based on social insurance principles to a system whereby the central Government is partly responsible for funding. While China's commitment to provide coverage for rural-to-urban migrant workers has achieved great success, the scheme has confronted challenges in monitoring the development of the rural pension system. Nevertheless, China has made significant strides to achieve universal coverage of pensions and the new rural scheme has been recognized as an important part of the national social security system that will contribute to reducing disparities between rural and urban areas.

North and Central Asia: The Russian Federation's Pension Fund

In the Russian Federation, 13 per cent of the total population is over the age of 65 years, and by 2050 this group will represent 21 per cent of the population (ESCAP Online Statistical Database).

In 2002, the Government adopted a system of mandatory pension insurance in order to promote income security in older age within the context of demographic ageing. The Pension Fund of the Russian Federation (PFRF) is responsible for the administration of the pension insurance system and operates 8 federal offices, 81 territorial branches, and 2,500 regional administrations to effectively deliver services to the public.

The PFRF administers three types of pensions: a basic pension, a notional defined contribution scheme, and a funded defined contribution scheme. The first pillar is a flat rate pension provided to all individuals with a minimum five years of contributory service before reaching the retirement age (that is, 60 for men and 55 for women). As almost all older persons currently meet this criterion, coverage under this pillar is nearly universal.

The basic monthly flat-rate benefit for a pensioner with no dependents was Russian roubles (RUB) 2,963, or USD 96 (2011 exchange rate), and RUB 5,926 (USD 196) with three or more dependents in 2012. For a pensioner aged 80 or older, the basic monthly flat-rate amount is RUB 5,926 (USD 192) with no dependents and RUB 8,889 (USD 228) with three or more dependents (OECD, 2013c).

The second pillar is an insurance (that is, earnings-related) plan designed as a notional defined contribution (NDC) scheme. In 2013, the contribution rate to this pillar was 22 per cent of wages for those born before 1967, and 16 per cent of wages for those born after 1967 up to a ceiling of RUB 568,000 (USD 18,773, 2011 exchange rate) annually. The third pillar is a funded defined contribution system, where individuals contribute to pension fund accounts which are invested by public or private asset managers (OECD, 2013c).

The Russian Federation's pension system has undergone major structural changes in recent years, moving from one publicly managed system to a more flexible multi-pillar system aimed at achieving greater targeted coverage. While excellent progress has been made, some challenges still remain in extending coverage to the informal sector and migrant workers (Rudolph and Peter Holtzer, 2010). Nonetheless, investments in the pension system demonstrate strong political will and are an essential step toward creating a Social Protection Floor to ensure that all older persons have access to basic income security.

The Pacific: Samoa's Senior Citizens Benefit Scheme

In 2013, older persons in Samoa made up 5 per cent of the total population, and by 2050 they are expected to represent approximately 12 per cent of the population (ESCAP Online Statistical Database). In an effort to provide access to effective income security for older persons, the Government introduced the Samoa Senior Citizens Benefit Scheme (SCBS) in 1990. The SCBS complements the 1972 Samoa National Provident Fund (SNPF) scheme covering only those in the formal sector. The Board of the Samoa National Provident Fund administers both schemes.

The SCBS is a non-contributory pension scheme available to all citizens and permanent residents aged 65 years or older. Citizens receive a benefit amounting up to WST 125 (USD 52, 2012 exchange rate) per month, which is approximately 20 per cent of the average income (ESCAP, n.d.). In 2010, 8,700 older persons in Samoa received the SCBS (ILO, 2014c).

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In addition to the SCBS, it is mandatory for those in the formal sector and household workers to contribute to the SNPF scheme, which remains voluntary for those in the informal sector. Contributions to SNPF consist of 10 per cent of the employee's gross salary, with contributions of 5 per cent from the employee and 5 per cent from the employer. Those eligible can begin claiming the pension at 55 years of age and are given the option to withdraw all or a portion of their contributions made to the SNPF. Currently, the SCBS and the SNPF reaches approximately 71 per cent of those aged 60 years or older. Claimants of both pensions also receive a Pension Identification Card providing access to free medication from the Ministry of Health and free inter-island travel on public seagoing vessels.

Before implementation of the SCBS and SNPF only public sector employees had access to old-age pensions. Coverage became available to all Samoans with the passing of the National Provident Fund Amended Act 1990. While the schemes have encountered some challenges in meeting the needs of the informal sector and migrant workers, these investments, nonetheless, form an essential part of Samoa's Social Protection Floor and ensure that all Samoans receive an old-age pension.

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South and South-West Asia: The Maldives' Old-Age Pension

In 2012, older persons made up 5 per cent of the population of the Maldives, and by 2050 they will grow to represent 18 per cent of the total population (ESCAP Online Statistical Database). In an effort to provide income security for the growing number of older persons, the Government introduced two pension schemes in 2010, namely the Maldives Old-Age Basic Pension (MOABP) and the Maldives Retirement

Pension Scheme (MRPS). The Maldives Pension Administration Office administers the MOABP and is responsible for investing contributions to manage the MRPS.

The MOABP is a non-contributory and universal pension scheme available to all citizens of at least 65 years of age who do not collect other pension income exceeding twice the amount of the basic pension. The initial pension level is set at Maldivian rufiyaa 2,000, or USD 156 (2010 exchange rate) per month, which is reviewed periodically (ILO, 2013c). The MOABP is designed to complement the MRPS, which is a mandatory contributory scheme for all public and formal sector workers and voluntary for all informal sector workers, and can also be applied to migrant workers.

The MRPS covers all individuals employed in the public sector and all those with formal contracts in the private sector. Workers in the informal sector may join the scheme on a voluntary basis. The MRPS is funded by a total contribution of 14 per cent of a given salary, split evenly between employers and employees (Maldives Pension Administration Office, 2012). Workers can begin claiming the pension as early as 55 years of age, provided they have sufficient funds in their accounts to cover a monthly annuity that is at least twice the amount of the MOABP. While the MOABP provides coverage to nearly 100 per cent of the eligible population, the MRPS reaches 100 per cent of the public sector and more than 70 per cent of the private sector.

Before the introduction of the MOABP and MRPS only retired public sector employees were entitled to old-age pensions. However, coverage became available to all Maldivians with the passing of the Pension Act in 2009. Investments, such as the MOABP and MRPS, create part of the Social Protection Floor in the Maldives and are essential in ensuring equal access to income security for older persons.

South-East Asia: Viet Nam's Old-Age Pensions

Older persons over the age of 65 make up almost 7 per cent of the population in Viet Nam and face relatively high incidences of poverty at approximately 23 per cent (ESCAP Online Statistical Database). With this vulnerability becoming a growing concern, the Government adopted reforms to the old-age pension schemes in 2007 with the law of social insurance and the social pension scheme in order to extend coverage to the entire working-age population. The Ministry of Labour, Invalids and Social Affairs (MOLISA) is responsible for implementing the social pension scheme and Viet Nam Social Security is responsible for the implementation of the Old-Age Pension (OAP) (Long and Wesumperuma, 2012).

Viet Nam's social pension scheme for older persons is a targeted scheme for those who are poor and facing vulnerability. Benefits under the scheme are available to those between 60 and 79 years of age who live alone, live with an elderly spouse without the support of relatives, or have a disability. All older persons over the age of 80 who do not receive a pension or monthly social insurance allowances are entitled to claim a social pension allowance under this scheme. Those eligible receive a minimum benefit of Vietnamese dong (VND) 180,000, or USD 8.50), per month with benefits increasing up to VND 360,000 (USD 17) per month for those with severe disabilities (ILO and UNFPA, 2014). In 2012 this scheme reached approximately 15 per cent of older persons.

Workers in the formal sector are covered under a separate scheme, the OAP, which is a mandatory contributory pension requiring monthly contributions of 20 per cent of the employee's salary shared by the employee (7 per cent) and employer (13 per cent). The OAP is also available on a voluntary basis for self-employed persons with a contribution of 20 per cent of the

monthly salary. Those who have contributed for a minimum of 20 years can begin claiming the pension at the age of 60 for men and 55 for women. Those who have worked in arduous conditions can claim their pension as early as 55 years of age for men and 50 years of age for women. The OAP provides a monthly pension not lower than the minimum wage, up to a maximum level 15 times higher than minimum wage. In 2012 approximately 10.5 million people were covered under the mandatory contributory scheme and 140,000 people joined the voluntary contributory scheme. Approximately 2 million older persons received the OAP in 2012 (Bonnet et al., 2012).

Viet Nam's pension system is supported by a legal framework, strengthened with the passing of the Law on the Elderly in 2009, which increased levels of coverage available under the targeted pension. While the coverage has increased, some gaps still remain, which may be linked to practical definitions of poverty and disability. Nonetheless, steps to standardize the pension system, making it more widely available, represent an important investment in the national Social Protection Floor and ensure that an increasing number of older persons in Viet Nam have access to basic income security. ■



Tackling unequal access to affordable health care

Out-of-pocket health expenditures in the region are among the highest in the world. As a result, poorer households tend to access health care only after detrimental reductions have been made to other basic needs and when their health situation has already begun to deteriorate. Availability of health-care services, moreover, is limited in rural areas, and sociocultural differences often create barriers to access. Poor access to affordable health-care services has thus the potential of creating or perpetuating inequality traps.

The right to health is enshrined in Article 25 of the Universal Declaration of Human Rights (1948) and Article 12 of the International Covenant on Economic, Social and Cultural Rights (1966). Investments in health increase productive activity, which fosters economic security at the household level and social cohesion and job-led growth at the national level, fundamental components of sustainable development.

Acknowledging that it is essential for realizing the right to health and that it also contributes to sustainable development, the majority of the countries in Asia and the Pacific have taken significant steps to achieve universal health care coverage.

Access to affordable health-care services is a key determinant of equality

IN MANY COUNTRIES OF THE REGION, HEALTH-CARE SERVICES ARE NOT AVAILABLE IN CERTAIN REMOTE OR RURAL AREAS, EVEN TO THOSE WHO CAN AFFORD THEM.

At times, health-care services may be available, but unaffordable to the large majority. This is the case, for example, for children born into poor households; for those employed in the informal sector; and for older persons, especially those not covered by pensions or living in remote areas. Poor access to affordable health-care services, often combined with material deprivation and social exclusion, creates or perpetuates inequality traps.

Out-of-pocket health expenditures in the region are among the highest in the world

An indicator to measure the affordability of health-care services is out-of-pocket expenditure as a percentage of total health expenditure. When out-of-pocket expenditures exceed a certain threshold, they limit people's access to health care. Often, poorer households can access such services only after detrimental reductions have been made to other expenditures, such as education and nutrition. Owing to high out-of-pocket expenditure, people may seek care too late or not at all.

Health-care costs, either unexpected or recurring, can cause financial catastrophe for households, creating stress on families and communities. In several countries in the region, more than half the total health expenditure originates from

private households. In Afghanistan, Azerbaijan and Myanmar, private households bear more than two thirds of total health expenditure, making health care difficult to afford for lower income groups (Figure 6.1).

Income is a strong determinant of access to health-care services

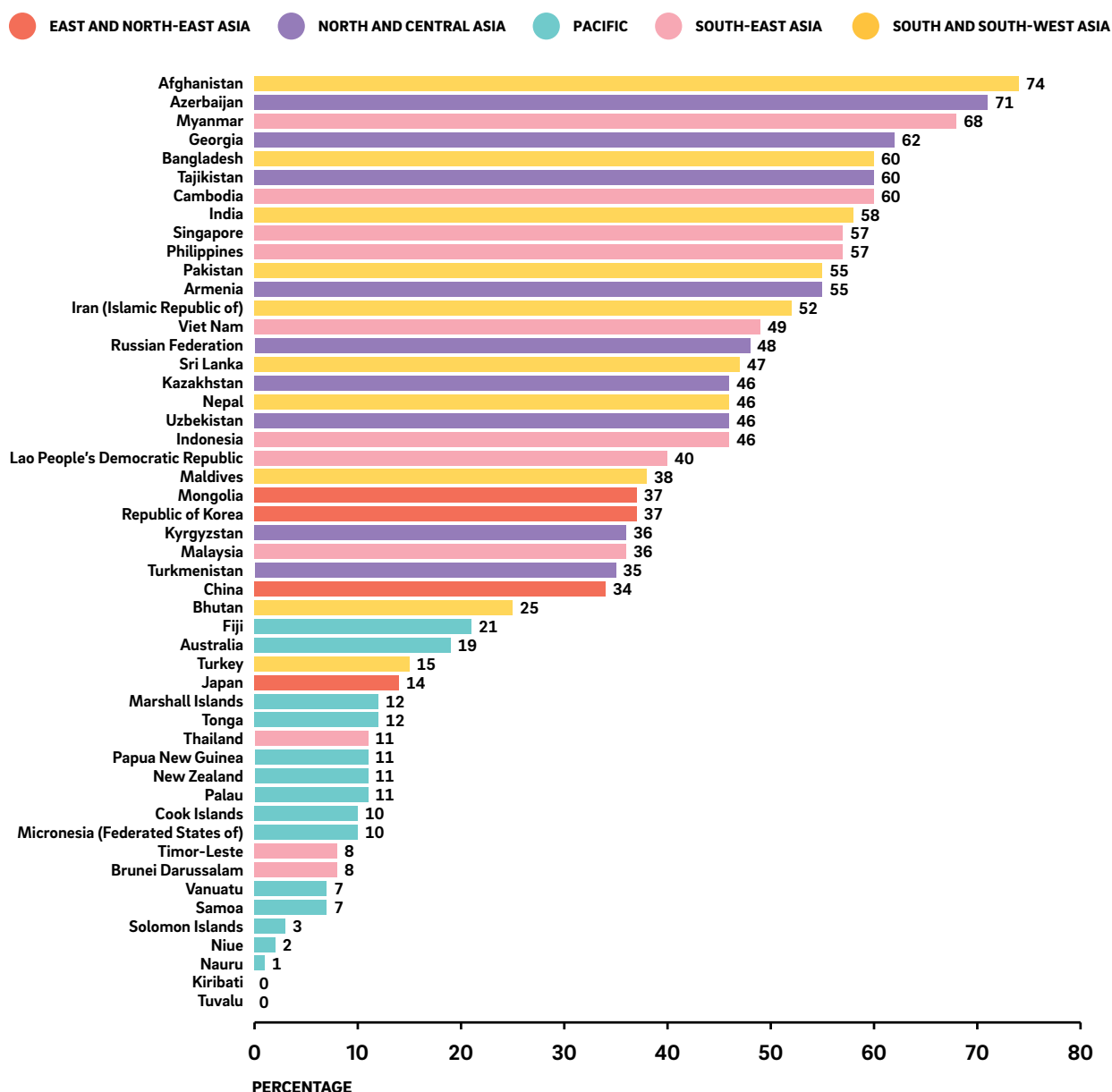
Mortality rates for the poor (bottom quintile) are much greater than for the rich (top quintile) in most parts of Asia and the Pacific (ADB, 2012). In the more unequal contexts, the chance of a child from a poor family dying at birth is more than 10 times higher than for a child born to a rich family. This asymmetry in terms of infant mortality is driven by differences in birth attendance by skilled health personnel. As was discussed in chapter 3, in a number of Asia-Pacific countries, access to skilled birth attendance remains limited in the bottom four income quintiles, with a significant increase between the fourth and fifth quintile. Over time, while improvements have taken place, these have been concentrated in the highest income quintile.

Availability of health care in rural areas is limited

In many countries in the region, availability of health-care services in rural, remote and mountainous areas is limited. For example, in the Lao

Out-of-pocket health-care expenditures remain high in a third of Asia-Pacific countries

Percentage of out-of-pocket expenditure over total expenditure on health, 2013



SOURCE ESCAP, based on World Health Organization National Health Account Database.

NOTE Out-of-pocket expenditure is any direct outlay by households, including gratuities and in-kind payments, to health practitioners and suppliers of pharmaceuticals, therapeutic appliances, and other goods and services whose primary intent is to contribute to the restoration or enhancement of the health status of individuals or population groups. It is considered to be a part of private health expenditure. Data for 2011 are used for Sri Lanka.

People's Democratic Republic, in 2006, skilled birth attendance was six times more likely in urban than in rural areas (WHO, Global Health Observatory Data Repository). The adverse effects of this scarcity are compounded by the under-developed transportation and communication infrastructure which makes it a challenge for rural residents to access the services that tend to be concentrated in urban areas. These barriers were identified as fundamental by countries in a survey conducted for a regional review of the Programme of Action of the International Conference on Population and Development (ESCAP and ICPD, 2014).

Sociocultural differences can obstruct access to health care

Sociocultural and language barriers are additional reasons why people may not use health-care services. Country responses to the aforementioned ICPD survey stated that “limited cultural acceptability” was an important barrier, particularly when it came to using sexual and reproductive health services (ESCAP and ICPD, 2014). A study on the use of health-care services by ethnic minorities in Viet Nam, for example, revealed that these population groups often perceived public health-care centres as inappropriate for their needs and that they faced negative attitudes from medical staff (Schwind, 2010).

Non-communicable diseases are on the rise

With increasing living standards, countries across the region are also facing rising levels of non-communicable diseases (NCD's), including cardiovascular disease, cancer,

chronic respiratory disease and diabetes. As a consequence of increasing life expectancy, unhealthy diets, pollution and sedentary lifestyles often associated with urbanization, NCD's are becoming increasingly prevalent in Asia and the Pacific. The WHO projects that by 2020 the region will record the world's greatest number of deaths from NCD's and the International Diabetes Federation has estimated that over 200 million people in Asia already have diabetes—a number that is expected to exceed 300 million by 2030 (ESCAP, ADB and UNDP, 2013).

NCD's have become a particularly serious threat in the Pacific subregion. Cook Islands, Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Samoa and Tonga, for example, have obesity rates of over 40 per cent; and Cook Islands, Fiji, Federated States of Micronesia, Kiribati, Marshall Islands, Nauru and Samoa have diabetes prevalence of above 20 per cent (ESCAP, ADB and UNDP, 2013).

Due to their chronic nature, NCD's often lead to long periods of inactivity. This has serious financial consequences for households. The poor in several countries in Asia are particularly vulnerable to some risk factors. Men in the poorest quintile, for example, are more likely to smoke (ESCAP, ADB and UNDP, 2013).

Young women face obstacles to health care

Youth—and in particular young women—face barriers to health care, and especially to sexual and reproductive health services. Adolescent mothers and their children have a relatively higher risk of death and illness, and early child-bearing is a major obstacle to the improvement of women's status and development. Figure 6.2 provides Demographic and Health Surveys (DHS)

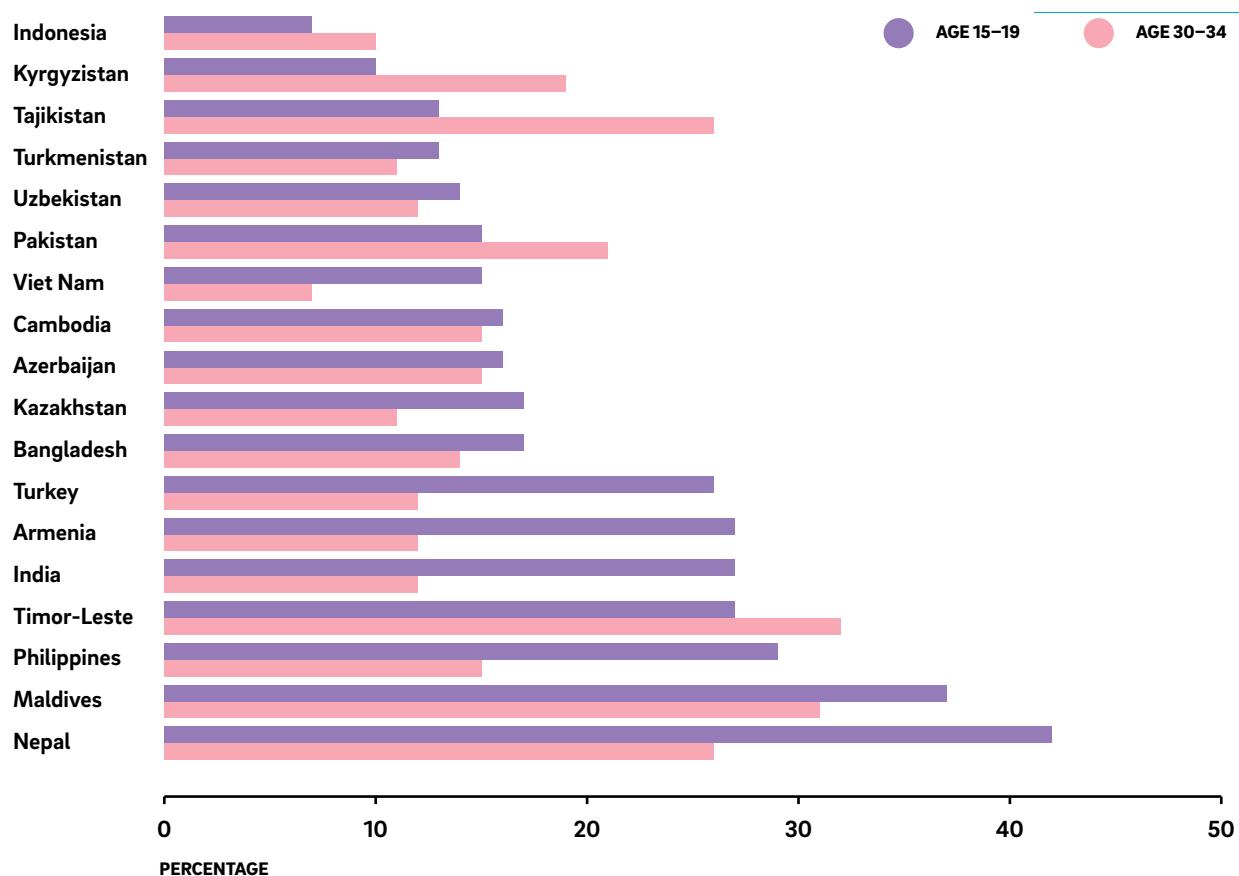
data on the proportion of unmet need for family planning among currently married women aged 15–19 years and 30–34 years. In most of the countries for which data are available, a higher share

of young women have an unmet need for family planning compared with adults. This age gap is two times higher in countries like Armenia, India, Philippines, Turkey and Viet Nam.

FIGURE 6.2

Young women face barriers in access to health-care services

Percentage of unmet need for family planning among married women, selected countries, latest available year



SOURCE ICF International, Demographic and Health Surveys (DHS).

NOTE Unmet need for family planning is defined as the percentage of women who do not want to become pregnant but are not using contraception (ICF International, Demographic and Health Surveys (DHS)).

NOTE Data refer to 1996 for Uzbekistan; 1998 for Turkey; 1999 for Kazakhstan; 2000 for Turkmenistan; 2002 for Viet Nam; 2005–2006 for India; 2006 for Azerbaijan; 2009 for the Maldives; 2009–2010 for Timor-Leste; 2010 for Armenia and Cambodia; 2011 for Bangladesh and Nepal; 2012 for Indonesia, Kyrgyzstan and Tajikistan; 2012–2013 for Pakistan; and 2013 for the Philippines.

The region is taking important steps towards universal health-care coverage

The right to health is enshrined in Article 25 of the Universal Declaration of Human Rights (1948) and Article 12 of the International Covenant on Economic, Social and Cultural Rights (1966). General Comment No. 14 (2000) of the United Nations Committee on Economic, Social and Cultural Rights calls for the implementation of a national public health strategy that addresses the health concerns of the whole population. Situated in this normative framework, Social Protection Floors Recommendation No. 202 guarantees, “access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability, and quality” (ILO, 2012b).

Achieving universal health-care coverage is not only an imperative from a rights-based point of view; it also generates economic and social benefits. Investments in health foster economic and social cohesion. People in a healthier population are more productive as workers, less absent, take less time to recover from sickness, and spend less time looking after ill dependents. In addition, healthier individuals spend less on health-related goods and services and can instead consume other necessary commodities, which further stimulate domestic demand. Ensuring that all have access to affordable health care is a fundamental component for fostering inclusive and sustainable development.

The Director-General of the WHO has maintained that “universal health coverage is the single most powerful concept that public health has to offer” (Chan, 2013). In like fashion, in December 2012, the General Assembly of the United Nations once again urged “Governments, civil society organizations and international organizations to promote the inclusion of universal health coverage as an important element in the international development agenda” (“Global Health and Foreign Policy,” 2012). Realizing that it is an effective strategy for achieving the right to health, and that it also contributes to economic and social development, the majority of countries in Asia and the Pacific have set out to achieve universal health-care coverage.

Universal health-care coverage seeks to ensure that all people have access to needed promotive, preventive, curative and rehabilitative health services of sufficient quality to be effective, while also ensuring that people do not suffer financial hardship when paying for these services (WHO, 2014b). It typically embodies three objectives, namely equity, quality and affordability (ESCAP, 2013a).

Universal health care is affordable even in the poorest countries. Amartya Sen, for example, marshals four arguments refuting what is increasingly considered to be the spurious view that developing countries must first grow rich before they are able to meet the costs of health care for all (Sen, 2015). First, the fact that health care is very labour intensive and in poor countries wages are low, implies that, though a developing country may have relatively less money to invest in health care, it also needs to spend relatively less to provide labour-intensive services.

Second, whatever the specific economic means of a country may be, health care can still be more effectively and more equitably provided through universal coverage. On the one hand, the large inequalities that exist in developing countries

create inefficiencies and injustices in systems where individuals are left to provide for their own coverage. On the other hand, there are large administrative costs associated with setting up targeted schemes.

Third, health care is a “collective good,” that is, it is socially shared, rather than being exclusively used by each individual separately—the emblematic example being an epidemiological intervention that reaches an entire neighborhood, rather than only one person at a time. There is a fairly broad consensus among economists that collective goods are typically very inefficiently allocated by market mechanisms. Conversely, covering more people at the same time can cost less than covering a smaller number of people separately.

Fourth, universal coverage generates positive externalities and cuts costs by, for example, preventing the spread of disease through better epidemiological care. This dimension of universal coverage received special attention in 2014 in the context of the Ebola pandemic.

Governments in the region face the challenge of developing synergies between two pathways toward achieving universal coverage—pathways that exemplify the “breadth” versus “depth” or “floor” versus “staircase” dimensions of the Social Protection Floor: namely, providing a high level of services and financial protection for a small group of the population versus extending coverage to a large share of the population, but with restricted services and financial protection (Tangcharoensathien et al., 2011).

In this context, the WHO has proposed a Health Financing Strategy (2010–2015) to assist member States in achieving universal coverage (WHO, 2009). This framework is adapted to national situations in collaboration with ministries of health and relevant national health-care stakeholders. The Strategy identifies priority areas, including

increasing investment and public spending on health as well as increasing the use of prepayment and risk-pooling, that countries in the region will need to focus on as they move away from an absence of financial protection where out-of-pocket protection dominate in health financing to universal coverage (ESCAP, 2013a).

Several countries in the region are successfully using this Health Financing Strategy to hone in on challenges and capitalize on opportunities to achieve universal coverage. Toward this end, the Country Cooperation Strategies (CCS)—a medium-term plan of action between WHO and a given country—have been established in, for example, Afghanistan, Malaysia, Nepal, Sri Lanka, and several of the Small Island Developing States of the Pacific.

Several countries in the region, including some LDCs, are providing universal access to health-care services. While some countries have opted for public provision of services, others have introduced public insurance or other financing options. For example, in Solomon Islands, out-of-pocket expenditures are among the lowest in the region owing to a system of public health-care provision under which all general out-patient services and hospitalization are free of charge. Cambodia’s quest for universal health-care coverage has moved forward through the innovative health equity funds, which now cover more than three quarters of all citizens living below the poverty line (Noirhomme et al., 2009).

“... the large inequalities that exist in developing countries create inefficiencies and injustices in systems where individuals are left to provide for their own coverage.”

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In what follows, five other initiatives aimed at achieving universal health-care coverage will be presented, one for each of the ESCAP subregions.

East and North-East Asia: China's New Rural Cooperative Medical Scheme

Between 2008 and 2012, China's infant mortality rate decreased from 16 to 12 per 1,000 live births (ESCAP Online Statistical Database). This improvement has been realized in part through efforts by the Government to scale up access to health care with the introduction of several new insurance-based schemes between 1998 and 2007. These schemes were designed to target both urban and rural residents through tailored programming in order to make health care more accessible to all citizens (Meng and Shenglan, 2010). China's health-care schemes are implemented by the Ministry of Civil Affairs, the Ministry of Human Resources and Social Security, and the National Health and Family Commission, through a network of more than 14,000 hospitals.

China's health-care system consists of a series of targeted schemes, which together, are designed to reach the entire population. Public sector employees are covered under the Public Free Medical Service, which is a non-contributory scheme established in 1952 to cover 100 per cent of medical costs. Those employed in the formal sector in urban areas are covered under the Basic Medical Insurance for Urban Workers scheme (BMIUW). BMIUW is a contributory scheme requiring 6 per cent contributions from employers and 2 per cent contributions from employees, and covers approximately 64 per cent of medical costs for claimants.

Unemployed urban residents are eligible for coverage under the Social Medical Insurance for Urban Residents (MIUR) scheme, which provides health care at approximately 50 per cent of medical expenses on the basis of minimal contributions. Furthermore, low-income urban residents can access health care under the Medical Assistance for Urban Residents (MAUR) scheme, a non-contributory scheme introduced in 2005.

Rural residents are covered under separate schemes. The New Co-operative Medical Scheme (NCMS) was launched in 2003 to make health care more accessible on a minimal contributory basis and covers approximately 50 per cent of the claimant's health-care expenditures. This scheme is complemented by the Medical Assistance for Rural Residents scheme which is structured much like the MAUR and provides rural residents with a subsidy to join the NCMS or receive direct assistance.

The overall goal of NCMS is to increase access of the poor to health-care services, reduce out-of-pocket expenditures and avoid catastrophic health-care expenditures. By the end of 2009, the NCMS had been extended to more than 95 per cent of rural counties throughout China (ILO, 2010b).

While much progress has been made in providing equal access to health care, some challenges still remain in moving toward a more integrated approach, which could increase coverage and reduce administrative costs. Nonetheless, together China's targeted health-care schemes reached approximately 95 per cent of the population in 2011 and are an important step in moving toward the Social Protection Floor (International Social Security Association, 2012).

North and Central Asia: Georgia's Medical Insurance Programme for the Poor

Between 2002 and 2013, Georgia's infant mortality rate fell from 28 to 13 per 1,000 live births (World Bank, World Development Indicators Database). This progress has been realized in part through the Medical Insurance Programme (MIP), which was introduced by the Government in 2006 to provide means-tested health insurance to the poor. Financed through taxes, the MIP is administered by the Ministry of Labor, Health and Social Affairs (MOLHSA), and its implementing agency, the Social Services Agency (SSA). MOLHSA is in charge of policy, financing and monitoring, whereas the SSA makes monthly payments to private insurers. Private insurance companies are responsible for purchasing health-care services for all eligible beneficiaries (Smith, 2013).

Primary care and outpatient specialists were privatized between 2005 and 2010, although physicians in rural areas receive a stipend from the Government and a small number of public hospitals still remain. Nevertheless, under the MIP, contracts signed with private insurers in 2010 included a requirement to build and operate new hospitals.

The poorest 20 per cent of the population in Georgia receives a free and extensive benefit package through a publicly funded voucher programme. The MIP grants beneficiaries the right to choose their own private insurance company (Bauhoff et al., 2011). There are no copayments for services. Package entitlements are comprehensive and include urgent outpatient and inpatient treatment, child delivery costs, and a small benefit for outpatient pharmaceuticals. In order to access these services, households are required to register with the SSA. To determine eligibility a social worker will visit the claimant's household to collect information. Within

three months the claimant receives an insurance policy identity card.

Currently about 900,000 people are benefiting from the MIP. In principle, those not covered by the MIP are eligible for a basic universal package but the majority of the population resorts to out-of-pocket payments for quality health-care services. As in many other countries, civil servants are covered by a separate programme similar to the MIP and workers in the formal sector are covered by social insurance. The MIP benefits package is the most comprehensive scheme offered by the Government to the poorest population and has had a major impact on improving the financial protection of its beneficiaries, ensuring that all Georgians in need have access to health care.

The Pacific: Kiribati's Universal Primary Health Care

With a total health expenditure of 12.5 per cent of GDP in 2008, the main provider of primary health-care services in Kiribati is the Government (WHO and the Ministry of Health and Medical Services of the Republic of Kiribati, 2012). The Ministry of Health and Medical Services (MHMS) administers the health-care system through a network of 4 hospitals, 30 health centres and 75 health clinics (Ministry of Health and Medical Services of the Republic of Kiribati, 2013). There are no private pharmacies in Kiribati and private health care is almost non-existent (ILO, 2006).

There is only minimal out-of-pocket spending for health, considering that the Government provides free of charge health-care services to all Kiribati residents. However, on most islands only primary care is available. More serious treatments, therefore, require travel to the main hospital in the capital, or medical evacuation

to Australia, Fiji or New Zealand. The MHMS is responsible for organizing and funding the transportation of patients from their home island to the referral hospital.

There are challenges in terms of quality of public health-care services and poor resources allocated to the outer island residents. Those living in the outer islands are recognized as the most disadvantaged group in Kiribati, owing to geographic constraints and the high administrative costs of providing universal health care throughout the country. In addition, the capacity of the Government to deliver services is constrained by the shortage of professional doctors and nurses.

At the same time, the Government efforts to provide free basic primary health care has demonstrated a steady improvement in life expectancy at birth from an estimated 60 years in 1990 to 69 years in 2014 (ESCAP Online Statistical Database). The political will demonstrated by the Government in allocating scarce resources to the delivery of preventive and curative health-care services nation-wide is testimony to its commitment to provide universal health care to all its residents.

South and South-West Asia: Bhutan's Primary Health-Care Scheme

Bhutan's life expectancy has increased from 32 years in 1960 to 68 years in 2012 (ESCAP Online Statistical Database). This development can be partly attributed to Bhutan's Primary Health-Care (PHC) system, which provides integrated, modern and traditional health-care services to all Bhutanese citizens. Bhutan's National Health Policy is linked to the country's five year strategic planning framework and is implemented by the Ministry of Health through a network of 31

hospitals, 178 basic health unit clinics and 654 outreach clinics in more remote areas. There are currently no private health-care facilities in Bhutan. Access to free health care is a core component of Bhutan's Gross National Happiness development strategy and its implementation is monitored by the Gross National Happiness Commission (Ministry of Health of the Royal Government of Bhutan, n.d.).

The PHC scheme is available on the basis of universality and provides access to a comprehensive package of health-care services, including the free provision of a list of essential drugs and essential health-care services (WHO, 2014c). The basic package of essential services ensures access to traditional medicines, maternal and child health services, diagnostic and curative services, and full emergency services, as well as specialized services for vulnerable groups, such as older persons and persons with disabilities. The health-care system also offers non-essential services to all citizens, subject to user fees. Effective implementation of the PHC programme has resulted in the eradication of the iodine deficiency disorder in 2001, ahead of all other countries in South Asia (WHO, 2014c).

Health-care services in Bhutan are currently accessible by more than 90 per cent of the population through an extensive system of rural clinics. While also entitled to free health care, the remaining 10 per cent of the population currently lives more than three hours walking distance from the nearest health clinic.

Public health care in Bhutan received an increased mandate in 1978, when Bhutan signed the Alma Ata Declaration and introduced the primary health-care approach, resulting in today's PHC scheme. While the health-care system in Bhutan has greatly improved, some challenges still remain in providing equal access in remote areas of the country, developing a sustainable health-care financing system, and

in addressing a current shortage of qualified medical professionals. Despite accessibility issues, Bhutan's national health-care scheme forms part of a national Social Protection Floor as it is designed to ensure universal accessibility to basic health care.

South-East Asia: Thailand's Universal Health Coverage Scheme

Between 2000 and 2011, Thailand's under-five mortality rate decreased by 37 per cent (ESCAP Online Statistical Database). This progress has been realized in part through the Universal Health Coverage Scheme (UCS), which was introduced by the Royal Thai Government in 2001 to close gaps in coverage and ensure that all Thais have access to effective health care. The UCS is managed by the National Health Security Office and implemented by the Ministry of Public Health through a network of 953 hospitals and 9,762 health centres, reaching all sub-districts in the country.

The UCS targets Thai residents who are not covered by the contributory Social Security Scheme (SSS), for the private formal sector and the Civil Service Medical Benefit Scheme (CSMBS), for the public sector. Package entitlements are comprehensive and include inpatient and outpatient care, rehabilitation and high cost medical treatment such as dental, diagnostics, medicines and medical supplies. In order to access these services citizens are required to register with local health authorities to receive a "card for care" which provides free access to these services within a local health jurisdiction; though, treatments farther from home can be accessed in accident and emergency situations free of charge.

Thailand's three existing health-care schemes together provide coverage to 99.5 per cent of Thai citizens, with the CSMBS and SSS covering 7 per cent and 12 per cent of the population respectively; and the UCS reaching 80.5 per cent as of 2011 (Wagstaff and Manachotphong, 2012). Before the introduction of UCS in 2001, more than a quarter of the Thai population was not covered for health-care expenses. The Government also administers programmes for registered migrants, granting access to public hospitals through either a contributory insurance scheme or enrolment in the SSS.

Thailand's UCS is the product of a determined effort, starting in the 1990s, to move toward broad coverage for the informal sector, and is the result of the merger of formerly fragmented schemes toward a more integrated approach. While the UCS has achieved great success, the scheme has confronted challenges in realizing equal quality assurance across geographical areas and between the three State health-care schemes. Nonetheless, investments in social services, such as the UCS, form an essential part of Thailand's Social Protection Floor, ensuring that all in need have access to health care. ■

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Enhancing social protection for shared prosperity, social equity and a sustainable Asia-Pacific region

The 2030 Agenda for Sustainable Development provides an opportunity for countries in the region to shift the discussion on social protection to a broader transformative perspective and generate a virtuous circle between tackling inequalities and promoting sustainable development.

This chapter puts forth eight broad and complementary initiatives countries in the region should consider in order to achieve this virtuous circle, and by so doing, build a more inclusive and sustainable Asia-Pacific region. These initiatives range from anchoring social protection in a rights-based foundation, and exploring innovative ways of financing the social sector, to promoting productive and decent work for all.

The 2030 Agenda for Sustainable Development provides an opportunity to strengthen social protection

THE COUNTRY EXPERIENCES THAT HAVE BEEN PRESENTED IN CHAPTERS 3 TO 6 – SUMMARIZED IN TABLE 7.1 – ARE A TESTIMONY TO THE GROWING SWAY OF SOCIAL PROTECTION IN THE NATIONAL AGENDAS OF ASIA AND THE PACIFIC. Facilitated by the MDGs, and in reaction to structural adjustment programmes, in the past two decades countries in the region have come to recognize social protection as both a human rights issue and as a critical poverty reduction mechanism. In this context, countries have committed themselves to providing income security and health care along the life-course, consistent with the Social Protection Floor framework.

Further impetus for countries in the region to shift the discussion on social protection to a broader transformative perspective, is given by the global commitments of the 2030 Agenda for Sustainable Development. Solidly ensconced in a rights-based approach and building on its vulnerability-reducing impetus, this shift gives pride of place to two interlocking perspectives.

On the one hand, social protection emerges as an effective measure to tackle inequality in all its forms. The growing view is that there is no automatic trade-off between growth and equality; that market-led growth alone is not enough to achieve sustainable development; and that the redistribution of resources strengthens the economy. Social protection reduces inequalities of outcome by redistributing income; it reduces inequalities

of opportunity by providing access to health and education; and it reduces inequalities across key population groups by empowering, for example, women and girls, youth, older persons and persons with disabilities. In short, social protection protects individuals from inequality traps.

On the other hand, social protection is understood as instrumental in integrating the economic, social and environmental dimensions of sustainable development. Social protection fosters inclusive growth by enhancing human capital and productive assets; it reduces social exclusion through the promotion of solidarity and mitigation of social unrest; and it promotes livelihood diversification by building more sustainable food systems and natural resource management. Cast in this way, social protection is understood as an instrument that not only helps excluded and vulnerable individuals and populations meet basic needs, but also contributes to the long-term well-being of all, as well as to the broader goals of shared prosperity, social equity and environmental sustainability.

Transformative social protection aims ultimately to generate a virtuous circle: By tackling inequality traps, social protection promotes sustainable development; and by promoting sustainable development, social protection tackles inequality traps. The social protection coverage gaps that continue to exist in the region, however, undermine the crystallization of this virtuous circle.

Examples of the growing importance of social protection

	MEETING THE NUTRITIONAL, HEALTH AND EDUCATIONAL NEEDS OF CHILDREN	ENSURING DECENT WORK AND PROTECTION AGAINST UNEMPLOYMENT	PROVIDING OLD-AGE PENSIONS FOR ALL	ACHIEVING UNIVERSAL HEALTH-CARE COVERAGE
EAST AND NORTH-EAST ASIA	Mongolia's Child Money Programme	China's Sunshine Project	China's New Rural and Urban Pension Schemes	China's New Rural Cooperative Medical Scheme
NORTH AND CENTRAL ASIA	Kyrgyzstan's Monthly Benefit for Poor Families	Uzbekistan's Social Insurance System	The Russian Federation's Pension Fund	Georgia's Medical Insurance Programme for the Poor
THE PACIFIC	Samoa's School Fees Grants Scheme	The Pacific Seasonal Workers Programme	Samoa's Senior Citizens Benefit Scheme	Kiribati's Universal Primary Health Care
SOUTH AND SOUTH-WEST ASIA	Sri Lanka's Universal Education System	India's Rural Employment Guarantee	The Maldives' Old-Age Pension	Bhutan's Primary Health-Care Scheme
SOUTH-EAST ASIA	The Philippines' "4 Ps" Programme	Viet Nam's Unemployment Insurance	Viet Nam's Old-Age Pensions	Thailand's Universal Health Coverage Scheme

There are a number of initiatives countries can take to enhance social protection

This publication puts forth eight broad and complementary measures countries in the region should consider in order to achieve the aforementioned virtuous circle, and by so doing, build a more inclusive and sustainable Asia-Pacific region.

1 Anchor social protection in a rights-based foundation

As was seen in chapter 2, social protection has been solidly established as a human right in several international instruments, including the Universal Declaration of Human Rights (1948) and the International Covenant on Economic, Social and Cultural Rights (1979). The core idea is that everyone has the right to an adequate standard of living, including basic income security, as well as access to basic social services, such as education and health care.

A rights-based approach to social protection implies to normatively ground social protection in international human rights standards and direct

interventions towards to promoting and protecting the human rights of all. Core principles associated with a rights-based approach are universality, indivisibility, and interdependence of human rights and the principles of equality and non-discrimination. Therefore, an analysis of inequalities is central to a rights-based approach, with the objective of overcoming discrimination and redistributing power that impede equality.

To be consistent with international human rights principles, governments in the region should ensure that social protection entitlements are embodied in national constitutions. While having constitutional provisions for social protection in place do not guarantee that entitlements are actually reaching beneficiaries, they do provide a framework upon which countries can coherently and progressively build social protection systems.

Encouraging examples of constitutional provisions anchoring social protection programmes abound in the region. For example, in 2002 the Government of Indonesia took fundamental steps to address barriers to health care through amendments to the 1945 Constitution. As a result, the Constitution now recognizes the right to social security and the responsibility of the State in ensuring access to essential health care for all. In China, highly accessible primary education is supported by constitutional provisions adopted in 1982 which outline the rights of all children to free and compulsory primary education.

In India, the National Social Assistance Programme (NSAP), which provides basic income support to poor households through regular cash transfers, receives its mandate from the Directive Principles outlined in Articles 41 and 42 of the Constitution of India. The Mahatma Gandhi National Rural Employment Guarantee Act discussed in Chapter 4, is anchored in the right to work guaranteed in Article 41 of the Indian Constitution. In 2010, the Government

of Pakistan adopted amendments to the 1973 Constitution extending the right to social security for all children. Article 25A of the Constitution addresses the rights of girls and boys, and stipulates that, “the State shall provide free and compulsory education to all children of the age of five to sixteen years in such a manner as may be determined by law.”

In like fashion, in the context of increasing regional connectivity and the growing sway of integration projects, Asia-Pacific countries should also ensure that regional integration frameworks embody the right to social protection. The ASEAN “Declaration on Strengthening Social Protection” (ASEAN, 2013), which categorically acknowledges social protection as a “basic human right,” is a move in this direction.

When not solidly ensconced in a constitutional or legal framework, social protection systems tend to be narrowly framed as short-term poverty alleviation initiatives that are designed piecemeal to deal with vulnerabilities. Indeed, multiple laws and decrees may result in a lack of coherence in a country’s overall social protection system. Such a lack of coherence can generate costly inefficiencies.

Anchoring social protection in a rights-based framework also promotes sustainability of social protection systems. The use of social protection for political ends has been well documented, whether as a populist instrument used to placate discontent during times of economic downturn; as an instrument through which political elites wield political advantages in pluralistic democratic systems; or again, and more radically, as a way of managing class conflict and legitimating power structures in the interest of economic elites (Midgley and Piachaud, 2013).

Rolling out social protection programmes, increasing benefits or distributing ad hoc cash transfers in order to woo public support or in

acquiescence to group interests undermines efforts to develop well-designed, financially sustainable and comprehensive social protection systems. Ensuring that social protection entitlements are firmly grounded in constitutional provisions and unequivocally articulated in national legislation is a way to safeguard against the noxious effects of transient political whim.

An inherent part of a rights-based approach to social protection requires that not only inequality of outcome but also inequality of opportunity and inequality between groups are addressed. It requires an analysis of who is left out with a view to focus interventions to overcome inequality and its root causes.

Targeting approaches to expanding social protection are not contrary to a rights-based framework. The universality of entitlements and targeted approaches tend to be pitted against one another. This is inaccurate. A rights-based approach ensures the universality of eligibility, which does not imply that all individuals ought to actually receive benefits. Targeting should be understood as an instrument for pragmatically expanding social protection coverage. This is what has been referred to as the principle of “targeting within universalism” (Mkandawire, 2005; Skocpol, 1990).

2 Design social protection systems to create synergies

Social protection systems are often fragmented and lack harmonization. This hampers the effectiveness of redistributive policies (World Bank, 2012). In order to effectively tackle inequalities and promote sustainable development, social protection systems need to be coherently designed.

To create greater coherence, social protection needs to be cast in an integrated approach as a key component of broader national economic and social development policies. The Social Protection Floor provides a useful framework for such a task. Whether in national, subregional or regional contexts, the Social Protection Floor stimulates constructive discussions and sharing of experiences between policymakers and stakeholders. Pride of place should be given to building synergies in the following three areas:

- Integrating rights-based and targeting approaches: Here the aforementioned principle of “targeting within universalism” should frame the discussion. On the one hand, a rights-based approach should be understood as a solid first step in moving from fragmented and piecemeal redistributive programmes to a coherent system of social protection. On the other hand, targeting approaches should be understood as mechanisms prioritizing vulnerable populations.
- Creating complementarities between non-contributory and contributory programmes: Countries in the region need to explore ways of better linking the tasks of broadening and deepening their social protection systems. One important pathway that should be explored in this context is the mechanisms to ensure a smooth transition between social assistance and social insurance, with a focus

on graduation pathways to avoid dependency while strengthening or maintaining strong work incentives. Furthermore, linking non-contributory and contributory-based programmes may also help improving the quality of social protection delivery services.

- Ensuring that social protection systems provide income security and facilitate employability: As was discussed in chapter 2, the traditional role of social protection has been to provide income security, in particular to vulnerable groups. Indeed, this is the primary role of social assistance. Consistent with the transformative approach outlined at the outset of this chapter, providing income security has to be complemented with support for the creation of decent jobs and the enhancement of employability. In this regard, it is essential for countries in the region to strengthen labour market programmes. As was seen in chapter 4, despite their instrumental role in increasing chances for the unemployed find work or that the underemployed improve their productivity, there are relatively few such programmes in the region.

In order to support the design as well as the implementation of more integrated social protection systems, countries in the region should consider establishing an inter-ministerial coordinating body. This will facilitate coherence and synergies across government agencies at both the national and subnational levels. This advisory body should include stakeholders from civil society, the private sector and research bodies.

3 Prioritize and increase investments in social protection

To achieve the ambitious goals set out in the 2030 Agenda for Sustainable Development, and for the integration of the economic, social and environmental dimensions, the Asia-Pacific region must balance investments in infrastructure with investments in the social sector (ESCAP, 2014c). The important financing of energy, telecommunications and transportation must be linked with ensuring health care, education and income security for all. The financing of social protection should be situated in this context.

Indeed, countries in the region now have the opportunity to concretely frame the financing of social protection as an investment in social infrastructure. In order to ensure the sustainability and resilience of social protection systems, countries need to increase investments in social protection; enhance national ownership of social protection initiatives through the exploration of new channels of domestic resource mobilization; and design social protection systems that can adapt to demographic change and natural and economic crises.

As was seen in chapter 2, despite increasing investments in social protection, there is still scope for countries in the region to prioritize and allocate more funding to social protection.

Finding the fiscal space for social protection is an issue of political will. One way countries can demonstrate their commitment to social protection is by financing social investments through the removal or reduction of subsidies (ESCAP, 2015).

Countries in the region spend considerable resources on subsidies. In South-East Asia alone, energy subsidies amounted to USD 51 billion in 2012 (ESCAP, 2014c). In Bangladesh, Kyrgyzstan

and Pakistan, energy subsidies represented between a quarter and a half of total government revenues. These energy subsidies are often regressive and incentivize fuel-intensive production. Furthermore, they have had little impact on reducing poverty or enhancing inclusive growth.

According to ESCAP estimates, savings from these subsidies would be sufficient to finance income security for all older persons and all persons with disabilities in the region as well as provide universal access to health-care and education in Indonesia, Malaysia, the Philippines and Thailand (ESCAP, 2015).

Such a gesture would be politically challenging, for in many countries the removal of fuel and energy subsidies goes against public opinion and has even been met with protests (ESCAP, 2014c). Yet, precisely for this reason, such a gesture would be a strong display of political will in favour of social protection and a more inclusive and sustainable society.

4 Strengthen taxation systems for financing social protection

Tax revenues in Asia-Pacific developing countries averaged only 14.8 per cent of GDP in 2011, compared with 34.1 per cent for OECD countries, 17.1 per cent in Latin America and the Caribbean, and 16.3 per cent in sub-Saharan Africa (ESCAP, 2014a). There is thus plenty of scope for improving tax collection in the region by expanding the tax base and strengthening compliance frameworks. Increasing tax revenues would be an effective way of broadening fiscal space for financing social protection, while creating solidarity across socioeconomic groups and generations.

A progressive tax system with clear redistributive aims is an important tool to reduce income inequalities, including inequalities between men and women. This implies a shift from taxing consumption, which is typically easier to capture, to taxing personal and corporate income. Broad taxation of consumption is usually regressive and anti-poor, as often flat rates or only a small number of different rates are applied, and the consumption share of low-income groups is typically higher than that of higher income groups. As women are more likely to be found in lower income groups, taxing consumption and applying flat rates is also more likely to perpetuate gender income inequalities (Van Staveren, 2010). Moreover, the tax system should be based on individual income, not combined household income, as the latter often discourages women from participating in the labour force.

Tax reforms also require the creation of a compliance framework, which would include more rigorous law enforcement and public awareness initiatives. Studies have shown that progressive tax systems significantly contribute to reducing inequality (Joumard, et al., 2013). This inequality-reducing effect is attenuated in societies where tax evasion is endemic, while, conversely,

it is augmented in countries with robust law enforcement mechanisms (Duncan and Peter, 2012). Thus, there is a need to strengthen revenue collection and tax enforcement by strengthening the rule of law and increasing awareness that tax evasion constitutes not only a crime but also a breach of the social contract. It is also incumbent upon governments to demonstrate transparency and accountability in the utilization of tax revenues in order to ensure public support for progressive taxation.

Several countries in the Asia-Pacific region have already taken measures to address tax evasion. For example, the Philippines has initiated a campaign to increase transparency on tax payments and encourage people to be conscientious about paying the right taxes (Department of Finance and the Bureau of Internal Revenue of the Government of the Republic of the Philippines, 2013). The campaign particularly targets upper income groups. It is encouraging that 10 countries from Asia and the Pacific (namely, Australia, China, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Singapore and Turkey) were signatories to the “Declaration on Automatic Exchange of Information in Tax Matters,” an initiative aimed at sharing banking data to tackle cross-border tax evasion and non-compliance, which was adopted by a total of 47 countries world-wide in May 2014 (OECD, 2014).

5 Explore innovative ways of financing social protection

In many developing countries, social protection has been typically financed through the combination of government tax revenues and Official Development Assistance (ODA). As suggested in chapter 2, the demographic and social changes that are transpiring in the region, coupled with the increasing frequency and intensity of natural and economic crises, are putting strains on these traditional financial sources. In this context, innovative financing schemes are seen as critical to achieve the sustainable financing of social protection, especially given the recognition of a need to increase social investments in the context of the 2030 Agenda for Sustainable Development.

This is recognized in the Addis Ababa Agenda adopted by the General Assembly in July 2015, which provides a global framework for financing for development, covering all three dimensions of sustainable development. The Addis Ababa Agenda calls for an ambitious, comprehensive, holistic and transformative approach and identifies “delivering social protection and essential public services for all” as a cross-cutting area that requires attention (General Assembly resolution 69/313).

Drawing on market-based incentives, the social and solidarity economy, and the increasing sway of private (that is, non-State) actors in development initiatives, innovative financing schemes include:

- Impact investing is an investment that uses the incentives of commercial capital development to generate beneficial social and environmental impact.

- Micro-finance is a financial service—including micro-insurance and micro-credit—available to poor entrepreneurs and small business owners who have no collateral and would not otherwise qualify for a standard bank loan or insurance.
- Sovereign wealth funds are pools of money derived from a country’s reserves, which are set aside for investment purposes that will benefit the country’s economy and citizens.
- Third-party payer system involves an organization that provides financial support to health-care providers for services rendered to patients.

Countries in Asia and the Pacific have increasingly begun to use these innovative schemes to finance social protection (Table 7.1). Complementing traditional sources, such schemes can be combined to finance a national Social Protection Floor. Four country examples are presented in Box 7.1.

Countries have begun to explore innovative schemes to finance social protection

Pakistan's Citizen Foundation. Following an impact investing approach, The Citizens Foundation (TCF) builds and operates schools across all four provinces, which are Government certified and follow a national curriculum. At TCF schools, parents contribute on a sliding scale (capped at 5 per cent of household income) that is based on an assessment of household income and the number of children in a family. The average monthly contribution of USD 1 per pupil is a small share of the monthly cost of USD 11 per pupil to run the school. Corporate and philanthropic donations pick up the rest, with over 50 per cent of funds raised within Pakistan and the remainder from across the globe. In 2011, 72 per cent of TCF students pursued post-secondary education, compared to the Government school average of 40 per cent (D. Capital Partners, 2013).

India's Afat Vimo. The 2001 earthquake in Gujarat left over 15,000 people dead and damages of approximately USD 3 billion. In the context of limited Government financial support, the All India Disaster Mitigation Institute (AIDMI) brought together poor entrepreneurs and stakeholders—including commercial and public insurance companies—to develop Afat Vimo (Gujarati for “Disaster Insurance”), a micro-insurance mechanism that covers holders against 19 disasters at an annual premium of USD 5. In 2007, Afat Vimo had enrolled 5,054 individuals from low-income households, the majority of which owned small enterprises in the informal sector having assets worth approximately USD 209. Through Afat Vimo, AIDMI is encouraging insurance companies, authorities, donor communities, and non-governmental organizations (NGOs) to strengthen social protection through the integration of micro-finance tools and disaster risk reduction strategies (UNISDR and UNDP, 2007).

Mongolia's Human Development Fund. The Government of Mongolia has been supporting the payment of old-age pensions through the Human Development Fund (HDF). The HDF was established in 2009 with the aim of accumulating excess revenues from the mining sector, and redirecting them towards the economic and human development of the country. In addition to pensions, the HDF is currently being used for providing health-care, housing and educational benefits to Mongolian citizens. Due to lack of fiscal space, Mongolia has considered the establishment of a pension reserve fund, which will be used to invest a percentage of excess mining royalties (Campi, 2012).

Cambodia's Health Equity Funds. In order to generate revenues and promote good management, almost all public health facilities in Cambodia have implemented user fees since the mid-1990s. In this context, Health Equity Funds (HEF) appeared in the early 2000s as a demand-side financing mechanism with a third-party payer system to reduce the burden of high out-of-pocket payments of the poor for health-care costs. Through the HEF eligible poor patients receive free care at government health care facilities and the facilities are reimbursed the foregone user fees. In 2008, the country had 30 hospital HEFs that reported to the Ministry of Health, covering more than three-quarters of all citizens living below the poverty line. The proportion of persons identified as eligible to benefit from HEFs, moreover, ranged between 12 per cent and 24 per cent of the total populations of the communities involved. Cambodian HEFs have proved to be effective measures to improve the health achievements of the poor, mitigate catastrophic expenditures on health care, and fund health care (Noirhomme et al., 2009).

6 Promote social dialogue to foster public support for social protection

The lack of political will to increase investments in social protection is linked more broadly to a weak social dialogue around this issue. Weak social dialogue between policymakers and stakeholders undermines public support for social protection which in turn, perpetuates the lack of political will. There is thus scope for strengthening the national consensus on social protection.

Social dialogue concerning social protection is both a means and as an end in itself.

As a means, social dialogue is a way of building national consensus and fostering political will for expanding social protection. In this sense, social dialogue is a way of ensuring that social protection is not reduced to a technocratic issue monopolized by a few. Social dialogue implies that government policymakers, civil society, labour unions, international organizations, research and academia, and business actors are all actively contributing to the conversation. Such a multi-stakeholder approach is a way of ensuring ownership and support. It is also a way of fostering new monitoring and evaluation mechanisms and exploring innovative sources of financing.

As an end, social dialogue is synonymous with inclusive development. In this sense, social dialogue is a way of ensuring that all individuals—including women and vulnerable groups—are active agents of development.

In order to strengthen social dialogue, countries in the region could create a broad, multi-stakeholder advisory body at the national level to provide guidance to the Government on social protection issues. Another concrete action that could be taken would be to ensure participation of representatives from the private sector,

civil society and research bodies—through formal consultative processes—in all major Governmental policy discussions related to social protection.

7 Promote productive and decent work

Countries need to promote productive and decent work. Governments need to formulate forward-looking macroeconomic policies that facilitate job-rich growth; develop labour market programmes that encourage individual labour mobility and strengthen employability, while also supporting industrial upgrading and productivity growth; take concrete steps to harmonize national labour laws with international labour standards; and implement and monitor compliance with national labour laws. These measures would ensure that economic development generates more and better jobs for the over one billion people in the region who are working in vulnerable conditions, while avoiding a “race to the bottom” triggered by unfettered competition.

As was suggested in chapters 1 and 4, the Asia-Pacific region continues to experience persistent inequality because economic growth is not generating a sufficient number of new productive and decent jobs. This is partly due to the nature of growth and the pattern of structural change in many countries, in which workers move from agriculture into low-productivity services. As a consequence, many people are trapped in vulnerable employment and economic insecurity.

Although social protection in the form of social insurance and social assistance mitigates risks and supplements income for the poor and marginalized, it does not focus on an important determinant of their vulnerability. As suggested in chapter 4, labour market programmes,

consisting of skill development and training initiatives, special work schemes and wage and employment subsidies, are not common in Asia and the Pacific. Expenditures on such programmes account for about 5 per cent of total spending on social protection. Although labour market programmes are gaining in prominence in some countries, particularly in South Asia, such countries remain small in number (ADB, 2013a).

Labour market programmes reshape and enhance the core asset of the poor and vulnerable, namely their labour. These programmes also enable the unemployed and underemployed to develop skills and enrich their human capital. Increased employability reduces labour market structural imbalances by better matching labour supply and demand. This virtuous circle facilitates the relocation of human capital from traditional, low-productivity sectors such as agriculture to higher-productivity sectors.

The positive impact of such programmes on individuals and households has a positive spill-over effect at the community level. As, for example, the Food-for-Work programme in Afghanistan illustrates, engaging households in productive public work, such as building local infrastructure in exchange for cash or food rations, directly creates assets for communities (ADB, 2013a). These assets generate returns not only for individual households, but also for communities as a whole with multidimensional complementarities, including stimulating demand, connecting local communities to a larger labour market and preventing environmental degradation (Alderman and Yemtsov, 2012).

Furthermore, labour market programmes also generate positive externalities at the macro-level. Income and assets generated from such programmes stimulate the economy through further consumption, taxation and investments.

At the same time, an increase of labour force participation and labour productivity among currently underrepresented groups improves overall resource allocation and is a strong driving force behind economic growth (Bassanini and Venn, 2008).

8 Enhance the evidence-base on inequalities and social protection

Effective policymaking must be evidence-based. Towards this end, there is a need to strengthen regional research on inequality and social protection.

Concerning inequality, there is a need to conduct studies that go beyond disparities in income and are aimed at conceptualizing the pathways and intersection of multiple forms of inequality. Furthermore, more detailed analysis is required on the drivers of inequality as well as on the effectiveness of certain policies in reducing inequality. A regional platform such as ESCAP could be instrumental in supporting countries to pursue this agenda.

To support evidence-based research on inequality, more and better data are required. As such, it is important to support the collection of more detailed and sex-disaggregated data on incomes, wages and wealth, as well as on access to health-care services and other social services, such as good-quality education. More detailed data are also needed on the dynamics of exclusion facing vulnerable groups, including, persons with disabilities, older persons, youth and migrants. The notion of an inequality trap elucidated in chapter 1 provides a promising framework for conceptualizing the multi-dimensionality of inequality.

Concerning social protection, there is a need, on the one hand, to expand the knowledge-base on existing social protection initiatives, and, on the other, to develop effective monitoring and evaluation mechanisms.

The knowledge-base on existing social protection initiatives could be expanded through sharing of good practices and lessons learned at both the national and regional levels. A regional database of good practices could be established to facilitate this exercise. ESCAP has already moved in this direction with its on-line platform, the Social Protection Toolbox (www.socialprotection-toolbox.org). Launched in December 2013, the Toolbox offers users a point of departure for navigating the complex—and at times fragmented—nature of social protection policymaking.

As was suggested in chapter 2, one of the factors undermining the effectiveness and efficiency of social protection systems is that potential beneficiaries are not accurately identified and targeted. This often leads to coverage, management and monitoring gaps. To improve this situation, countries should take steps to improve systems of civil registration and vital statistics (CRVS). Such improvements would facilitate the provision of indispensable demographic and health information, strengthening the evidence base and rendering redistributive policies and interventions more effective and responsive to the needs of all, and the most vulnerable in particular (ESCAP, 2014d and 2014e). Grounded in robust CRVS systems, countries also need to establish and enhance national registry databases of beneficiaries and social protection management and monitoring mechanisms, as well as promote results-based and evidence-based national assessments and benchmarking of social protection delivery services (ASEAN, 2013).

This report has demonstrated the value of social protection in addressing inequalities and promoting inclusive and sustainable societies in Asia and the Pacific. It has emphasized that Governments should take a more holistic approach and integrate social protection into comprehensive and long-term development strategies, rather than viewing it as a series of ad-hoc or temporary expedients. The key is to recognize that all persons have the right to health care, education, decent work and an adequate standard of living throughout the life cycle. The other strategic approaches recommended include the promotion of synergies, setting priorities, strengthening the financial bases of social protection and enhancing the access to productive decent work, underpinned by viewing social protection as a human right. Social dialogue and building an evidence base of what works and what does not are other critical tools for creating sustainable systems of social protection. Only with these eight broad initiatives in place will countries in Asia and the Pacific be able to ensure higher standards of well-being and inclusive and sustainable development. ■

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