

Social Protection

in Asia and the Pacific



A Review of Priorities :

ADB Strategy

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Why Social Protection?

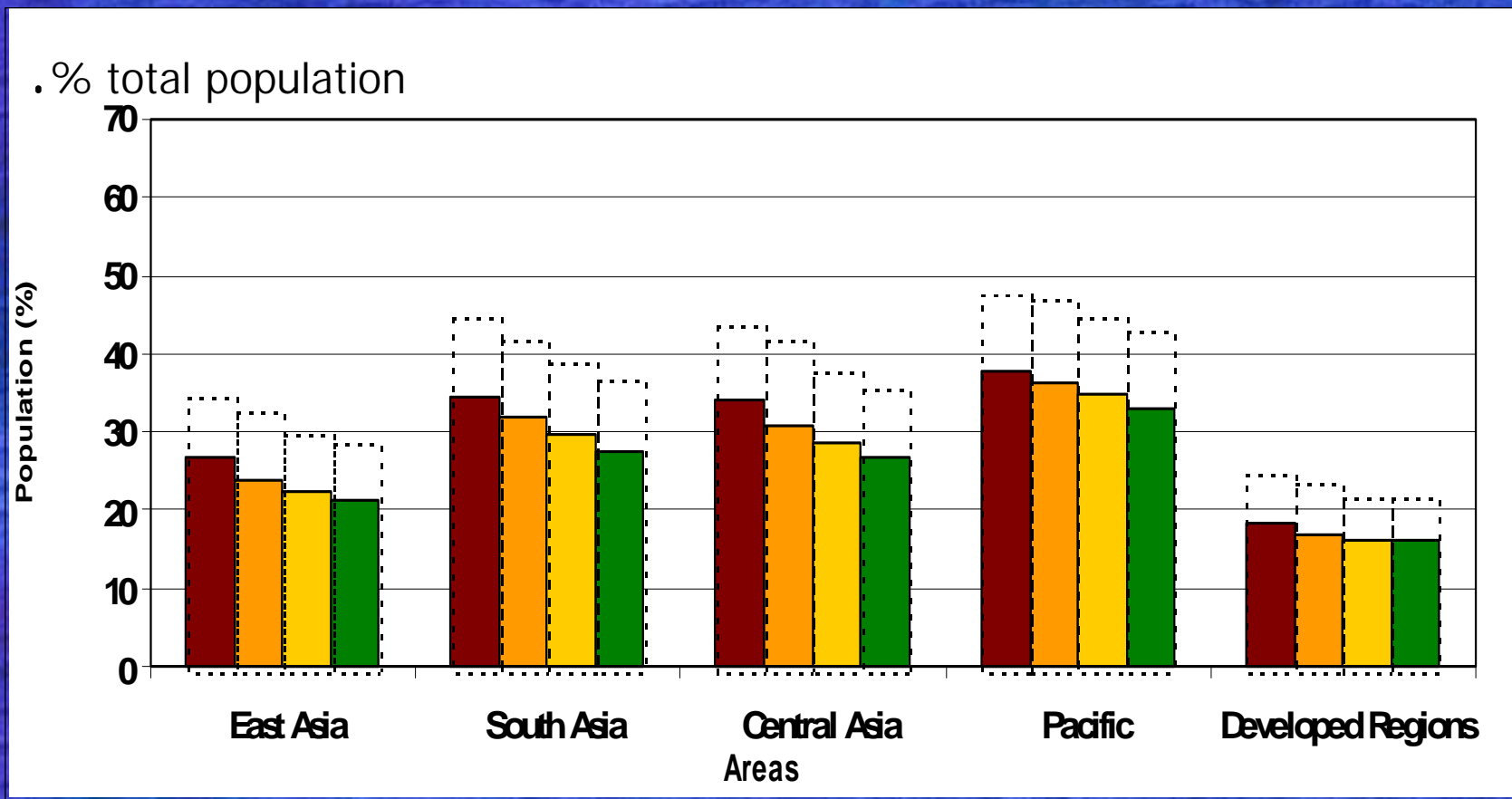
The needs in Asia Pacific

- Demographic Trends: a young, rural, poor continent
- Poverty, Vulnerability and Risks
- Globalization: Increased Opportunities but Increased Vulnerability
 - South East Asian Crisis
 - Transition Economies
- Modernization => process of social mobility, migration, urbanization, and disintegration of family and community networks; household informal safety nets are no longer adequate
- = ADB approved Social Protection Strategy on September 2001

Demographic Trends 2000-2015

Population 1-14/1-19 - Children

Asia-Pacific and Developed Regions

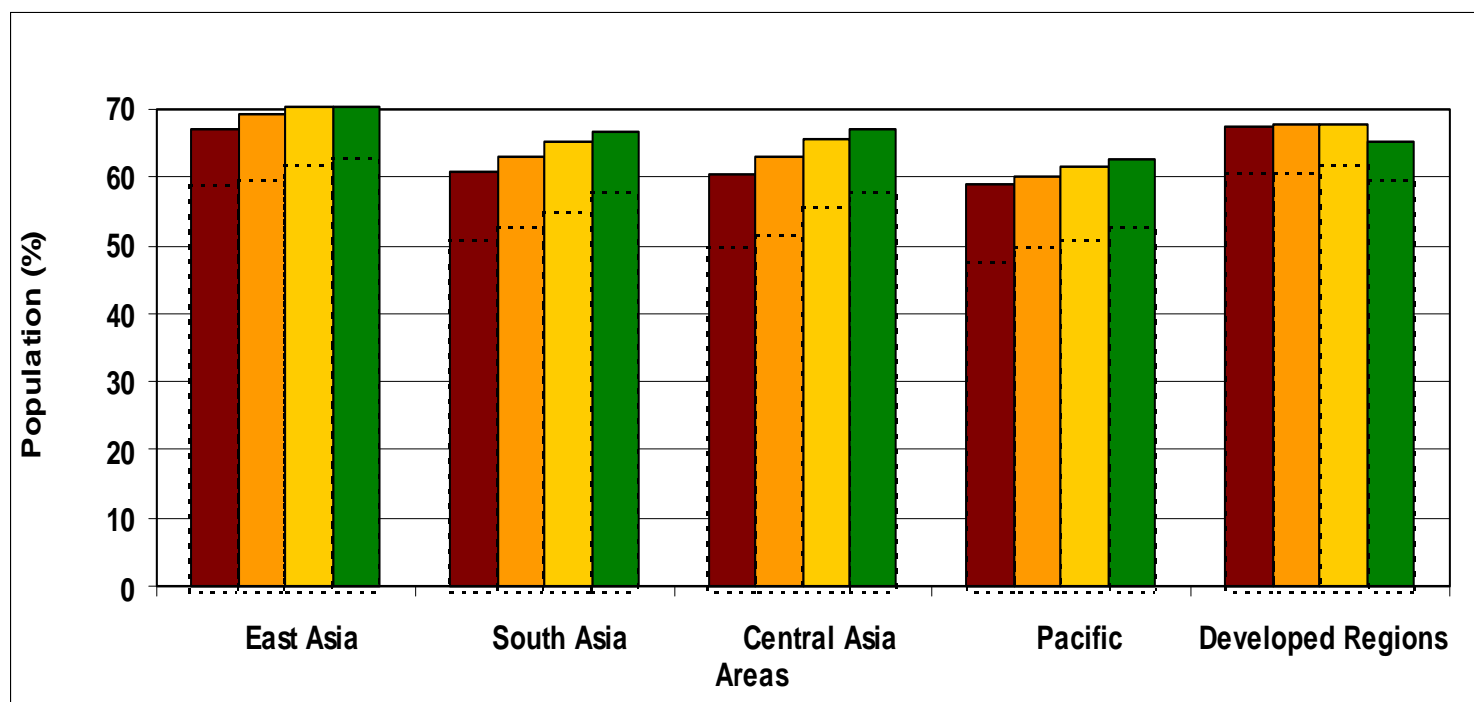


Demographic Trends 2000-2015

Population 15-65/20-65

Asia-Pacific and Developed Regions

% total population

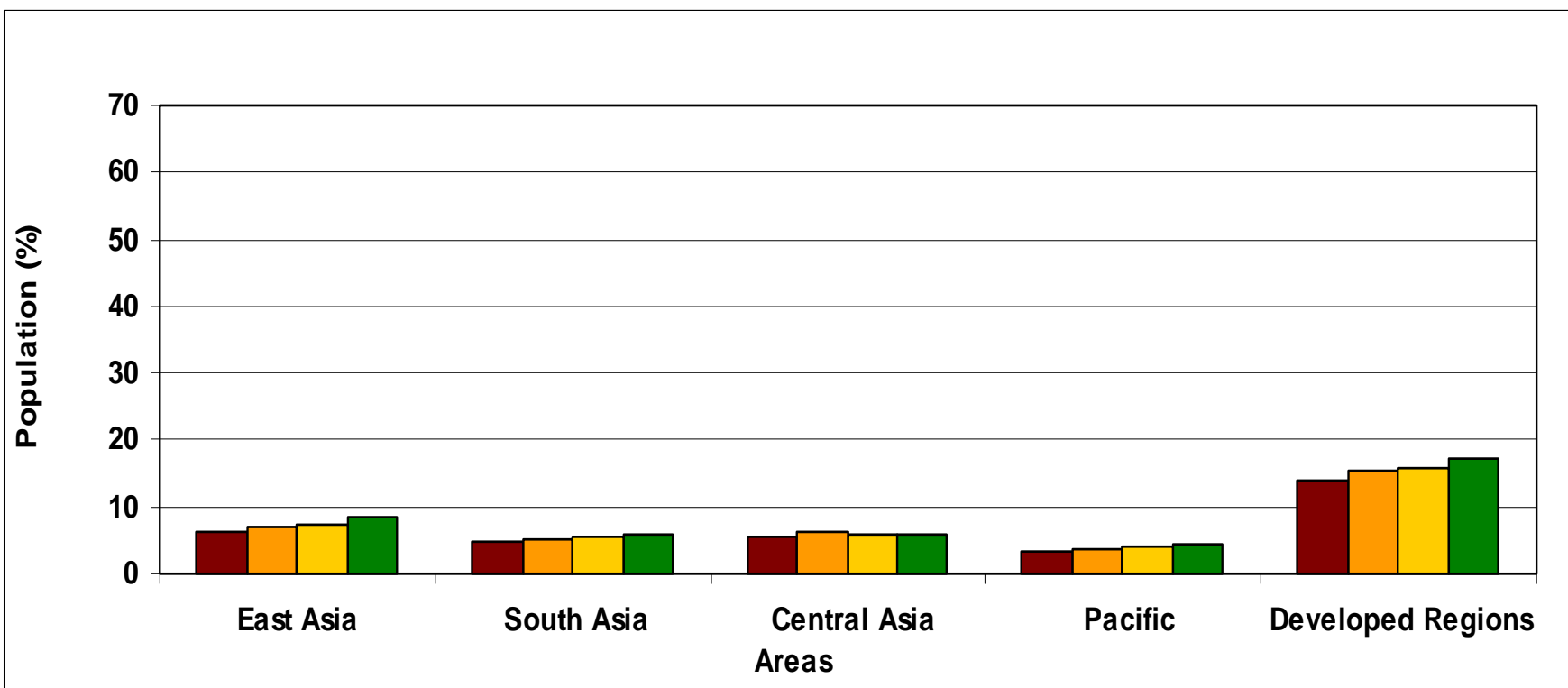


Demographic Trends 2000-2015

Population 65+ Elderly

Asia-Pacific and Developed Regions

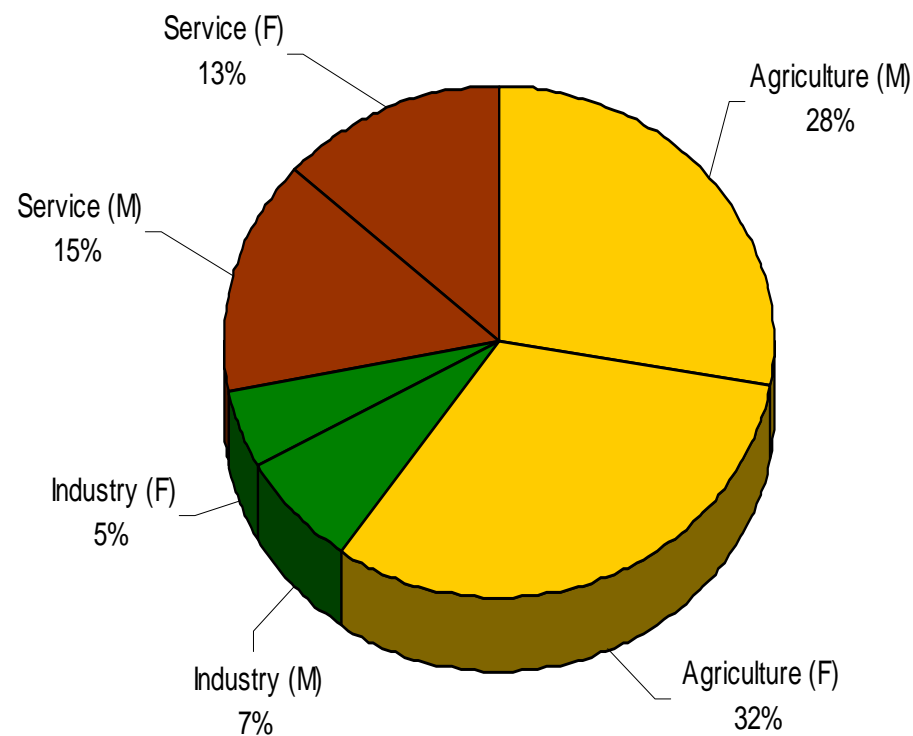
% total population



Scale of Poverty in Asia

- Asia and Pacific Population = 3.1 billion
- 900 million are poor - 30%
- Almost 70% of the world's poor are in Asia
- Growing poverty impedes growth (depressed domestic demand, lower productivity in the long term)
- Poverty more frequent in rural areas, informal sector, women.

Developing Asia Pacific: Employment by sector

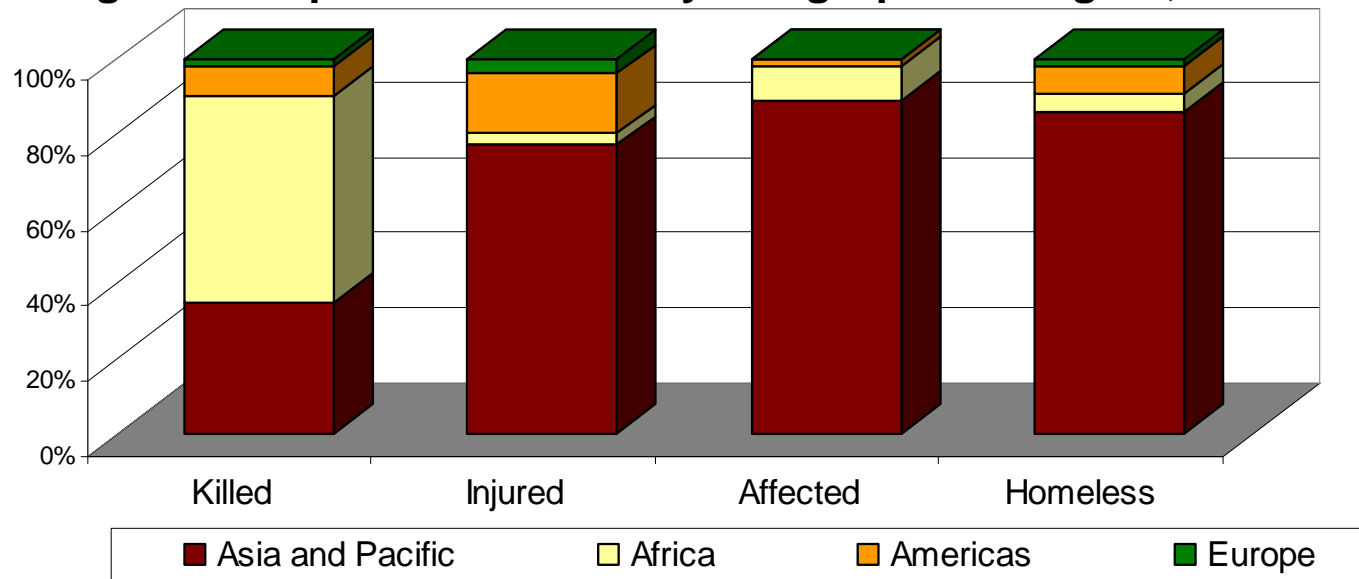


Source: ILO Key Indicators of the Labour Market (1999 issue)

Vulnerability and Risks (I)

Lifecycle Risks: hunger, illness, disability, old age
Environmental Risks: Drought, floods, earthquakes

Figure 6: Impact of Disaster by Geographical Region, 1972 - 1996



Source: International Federation of Red Cross, 1998.

Vulnerability and Risks (II)

- **Economic Risks**

- ✓ End of source of livelihood (i.e. crop failure, cattle disease)
- ✓ Unemployment
- ✓ Changes in prices of basic needs (e.g. as a result of trade liberalization)
- ✓ Economic crisis (e.g. South East Asia) and/or transition (e.g. Central Asia) - Globalization

- **Social/Governance Risks**

- ✓ Exclusion/Lack of equal access because of age, gender, class/caste, political affiliation
- ✓ Corruption/Cronyism
- ✓ Crime/Violence (domestic or social conflict)
- ✓ Income disparities/concentration of assets wealth

Definition of Social Protection

- Social protection is “the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income”
- Not Social Security, not Social Safety Nets

Five Elements of Social Protection

- 1. Labor Market Policies
- 2. Social Insurance
- 3. Social Assistance, including welfare services
- 4. Micro and Area-based Schemes
- 5. Child Protection

Social Protection: Intended Clientele/ Targeted Vulnerable Groups

<i>Labor Market Programs</i>	Population in working age, being either wage or non-wage employees (formal or informal), employed, unemployed or underemployed
<i>Social Insurance</i>	The ill/sick, elderly, widows, disabled, pregnant mothers, unemployed eligible to the insurance schemes
<i>Social Assistance and Welfare Services</i>	The mentally and physically disabled, ethnic minorities, substance abusers, orphans, single-parent households, refugees, victims of natural disasters or civil conflicts; and the ill, sick, elderly, widows, disabled, pregnant mothers and unemployed non-eligible to insurance schemes
<i>Micro and Area-based Schemes</i>	Rural and urban communities at risk
<i>Child Protection</i>	Children and youth (0-18 years)

Table 2: Potential Social Protection Approaches by Economic Sector

	Formal Sectors	Informal Sectors
Agriculture	<p>Agricultural Insurance Disaster Preparedness Child protection Active labor market programs (skills development, labor exchanges/employment services, employment generation) Passive labor market policies Social Insurance Formal Social Assistance</p>	<p>Child Protection Microinsurance Social Funds Disaster Preparedness Social Assistance Active labor market programs (skills development, labor exchanges/employment services, employment generation) Price supports and limited agricultural insurance</p>
Industry	<p>Active labor market programs (skills development, labor exchanges/employment services, employment generation) Child protection Social Insurance Passive Labor Market Formal Social Assistance</p>	<p>Child protection Microinsurance Active labor market programs (skills development, labor exchanges/employment services, employment generation) Social Funds Social Assistance</p>
Services	<p>Active labor market programs (skills development, labor exchanges/employment services, employment generation) Child protection Social Insurance Passive Labor Market Policies Formal Social Assistance</p>	<p>Child protection Microinsurance Active labor market programs (skills development, labor exchanges/employment services, employment generation) Social Funds Social Assistance</p>

Labor Market Policies

- **Active Labor Market Programs**
 - direct employment generation (i.e. SME promotion, public works)
 - labor exchanges or employment services (i.e. job brokerage, counseling) linking supply with demand of labor
 - skills development programs, labor training/re-training;
- **Passive labor market policies**
 - unemployment insurance,
 - income support (severance pay, early retirements)
 - appropriate labor legislation and labor standards that provide adequate worker protection without creating barriers to labor mobility and economic development.

Social Insurance

- Unemployment -Work injury - needs to be accompanied of appropriate health and safety at work programs
- Disability/invalidity - normally linked to old-age pensions
- Sickness/Health
- Maternity insurance - pregnancy and lactating period
- Old-age
- Life/Survivors - normally linked to old-age pensions

Social Assistance

- Welfare/social services to highly vulnerable populations, institutionalized or community-based, such as the physically or mentally disabled, orphans, substance abusers, etc,
- Cash or in-kind transfers to vulnerable groups, for instance, food stamps, family allowances
- Temporary subsidies, such as energy life-line tariffs, housing subsidies, or support of lower prices of staple food in times of crisis;

Micro and Area-based Schemes

- **Microinsurance:** voluntary contributory schemes for the community, handling small-scale cash flows to address major community risks
- **Agricultural Insurance:** pooling a number of risks that impact on agriculture (storms, floods, drought, hail, frost, earthquakes, volcanic eruptions, plant pests) so that the burden of loss can be distributed. Reinsurance critical.
- **Community-based Social Funds**
- **Disaster Preparedness and management** to assist communities in risk coping and mitigation.

Child Protection

- For the adequate development of the Asian workforce (40% of Asian population below 19)
- Early child development to ensure a balanced psychomotive development of the child through basic nutrition, preventive health and educational programs
- School feeding programs
- Mother and child fee waivering in health services
- Scholarships or schobol fee waivers
- Streetchildren programs
- Child rights advocacy/awareness programs
- Youth programs

The Need for Reform

Most Asia and Pacific DMCs have some form of institutionalized social protection system, however:

- limited coverage, serving only a portion of the formal sector (often the wealthiest segments of society),
- insufficient funds, and incorrectly distributed among programs
- inadequate instruments, often copied from developed countries but not appropriate to serve specific in-country needs - In general, the informal sector prioritizes more immediate needs, such as health
- factors restricting access to statutory social protection schemes, such as legal restrictions, administrative bottlenecks and problems with compliance.

The Reform Debate

- Asia and the Pacific - expanding coverage and identifying financing mechanisms to fight poverty and serve the vast majority of the population (40% children) who remain unprotected.
- Transition economies - adjusting programs and institutions to reduced budgets under a market economy.
- Latin America - desire to insulate social protection systems from political interferences.
- North America, Japan and Western Europe tend to focus disproportionately on dealing with the costs of ageing societies.

General Vulnerabilities by Subregion: East and South East Asia (i)

- Generally, growth has led to important reductions in poverty, however growth alone does not ensure sustainable poverty reduction.
- New vulnerable groups emerge—unemployed because of economic shift/downturns, migrants, the new urban poor, youth, etc.
- Limited investments in SP have resulted in precarious conditions for the population—children and rural areas still need of support.

General Vulnerabilities by Subregion: East and South East Asia (ii)

- In **Indonesia, Malaysia, Philippines, Thailand**, Informal safety nets, once the major support of populations in Southeast Asia, are disappearing due to modernization and migration patterns.
- 40 percent are children and youth. Child labor is prevalent and the informal sector remains large.
- Investments in all SP areas are much needed; programs exist nominally but are underbudgeted and coverage is low. Short-term social safety nets were prominent during the crisis and generated a public debate on SP.
- In **PR China**, SOE reform is a pressing issue that will require significant investments in labor markets and social protection; most welfare provision comes through SOEs and public service.
- In **Cambodia, Lao PDR and Viet Nam (and inner rural PRC)**, poverty is prevalent. Labor laws are generally rigid and need to be made flexible.

ADB General Priorities by Subregion: East and South East Asia

Different investments in SP are needed in the variety of countries of the large East Asia region.

Common to all:

- labor market interventions to increase productivity in this growth-oriented area while raising working standards; deal with redundant workers in SOEs,
- child protection,
- micro and area approaches to protect communities, and
- developing comprehensive and effective SP systems.

General Vulnerabilities by Subregion: South Asia

- The area suffers from very high levels of poverty and populations are highly vulnerable to all types of risks, from lifecycle to natural disasters.
- Poverty reduction should be the first priority; about 70 percent of the population live in rural areas, 45 percent of the population are children and youth below 19.
- Child labor is prevalent; life expectancy and woman development is low.
- The formal sector is very limited; formal SP systems reach a small portion of the population.

ADB General Priorities by Subregion: South Asia

- Child protection interventions
- Projects targeted at women and girls.
- Micro and area-based approaches to protect communities (urban and rural); financial intermediation (microfinance) has been generally successful in the area and should be expanded to areas such as microinsurance.
- Labor markets: Public works have been popular and labor market interventions should be expanded.
- Formal SP policies such as insurance programs (e.g., pensions) are not priority at this stage.

General Vulnerabilities by Subregion: Central Asia and Mongolia

- Since the transition in the early 1990s populations have experienced a steep decline in living standards, greater vulnerability.
- Unemployment rose due to SOE reform and insufficient economic activity.
- Coverage of social services is good but benefits are inadequate due to lack of funds.
- Human development remains high due to earlier achievements—high levels of education and women development. However, the next generation will show much lower standards unless immediate action is taken.

ADB General Priorities by Subregion: Central Asia and Mongolia

- Given the large increase on poverty, SP should target interventions to priority areas (i.e., children, rural communities) and generally adjust earlier SP systems to reduced budgets and decentralized management.
- Labor markets: low demand for labor will persist unless economic activity is created—microenterprise development and other employment generation programs are feasible due to high education levels; on the other hand, labor markets need to be more flexible.
- Due to poverty incidence, social insurance reforms based on linking contribution to benefits are not priority at this stage.

General Vulnerabilities and ADB Priorities by Subregion: Pacific

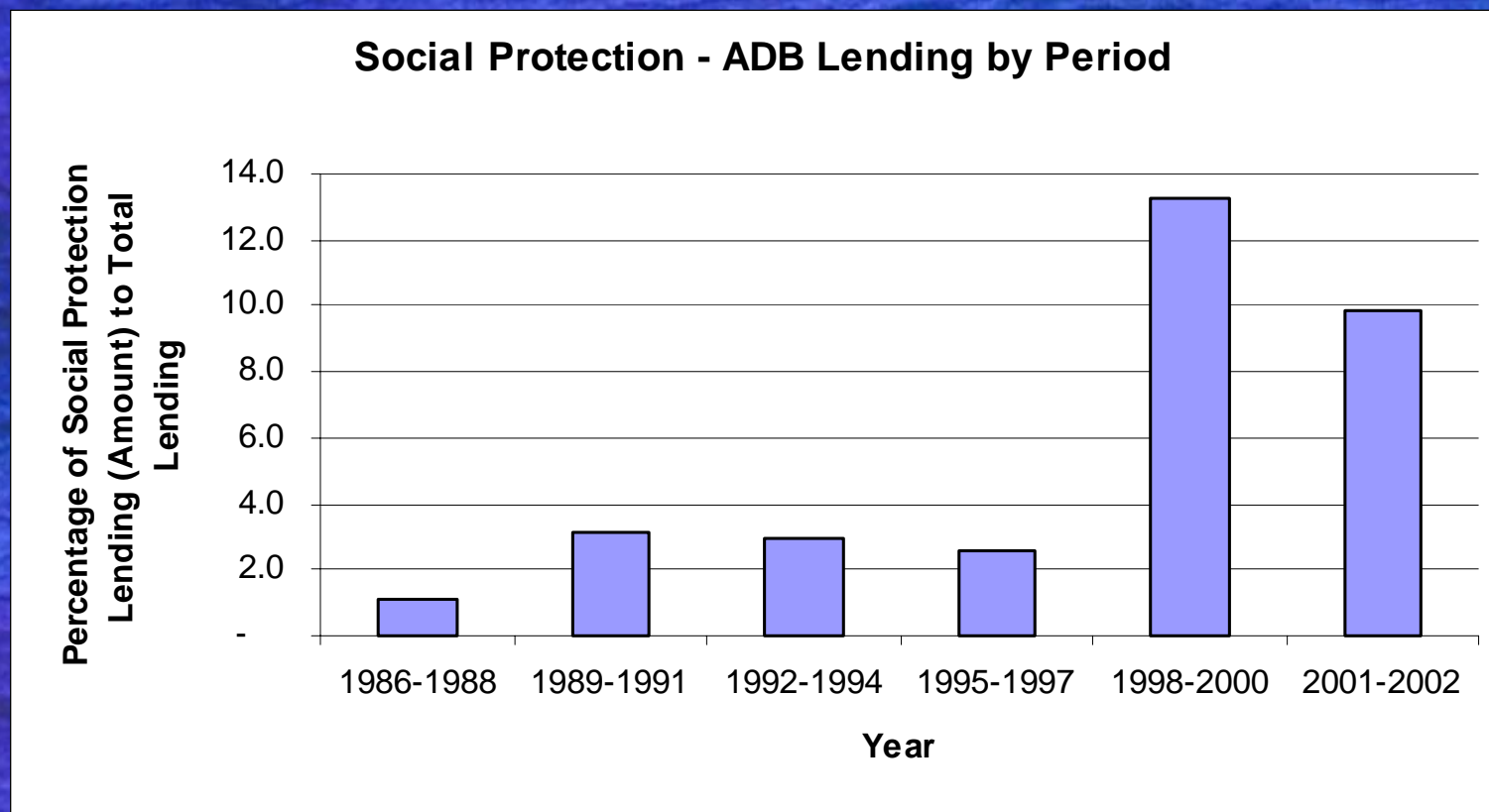
- Generally the Pacific has done little to develop comprehensive SP systems. As much as 50 percent of the population is below 19—a challenge is to deal with youth unemployment.
- Labor market policies to reduce labor rigidities while ensuring fair working conditions, employment generating activities, and child protection are general priorities in the region.

How the ADB addresses SP

Within ADB operations, social protection issues arise in six contexts:

- **Country poverty analysis and programming strategies**
- **ADB project activities**
- **Safeguards**
- **Staffing and staff skills**
- **Operational assignments and responsibilities,**
- **Strategic partnerships, and**
- **Monitoring progress**

ADB SP portfolio 1986-2002



How to identify the country Social Protection priorities (i)

Social Protection priorities are different in each country

- **1. Country needs:**
 - Labor market analysis
 - Vulnerability profile
 - (part of ADB Country Poverty Analysis, to be reflected in the CSP)
- **2. Available Resources**
 - Social expenditure reviews
 - Evaluation of the effectivity of current support programs in reducing poverty and vulnerability
 - Distribution issues - Many existing social protection systems and programs are underbudgeted or their benefits mistargeted to upper/middle income groups
 - (part of ADB Country Governance Assessment)

Vulnerability and Risk Profile: Examples ADB's Country Poverty Analysis

Table 8.1.2: Sample–Country Risk and Vulnerability Assessment

Age Group	Number	Percent of Population	Percent-age Poor	Gender-Specific Risk	Main Risk	Indicator of Risk	Coverage Gap	Ranking of Priority
Age 0-5								
Age 6-14								
Age 15-24								
Age 25-65								
Age 65 +								

Table 8.1.3: Sample Format–Major Causes of Vulnerability/Risk per Region

Geographical Region	Causes of Vulnerability			
	Life Cycle (hunger, illness..)	Economic (unemployment, price increases...)	Environmental (drought, floods....)	Social/Governance (exclusion, corruption...)
Region A				
Region B				
Region C				
Country				

Labor Issues – ADB Country Poverty Analysis

- Summary Labor Market Analysis included in the Country Poverty Analysis and reflected in the ADB CSP.
- Structure of the labor market - to identify labor imbalances
 - Labor supply (size, structure and projections of working age population, employment by economic activity, gender, age, education, rural/urban, formal/informal, public/private sectors)
 - labor demand (economic structure by sectors, national/regional level, wage levels, size/structure/potential of private sector, relationship between formal/informal sectors and rural/urban economy)
- Existing active and passive labor market policies including compliance to labor standards
- The country's labor absorbing development pattern:
 - based on the sectoral composition of growth (and leading sectors) and the labor force in primary, secondary and tertiary sectors,
 - Which are the most dynamic sectors of the economy? Are they labor-intensive?
 - What is the percentage of the population below 18? Will the economy be able to absorb all new entrants into the labor market?
 - Which sector is the country's niche in the world economy? Is this leading sector labor-absorbing? If not, is it taxed? Do the tax revenues benefit those outside the labor market?
 - Is the growth rate low? What are the barriers to investment by the private/public sector? What can be done to accelerate growth while ensuring pro-poor use of scarce public resources?
 - Which sectors, in which geographical regions, should be promoted in the short/long term to secure employment and prosperity for all citizens?

How to identify the country Social Protection priorities (ii)

- 3. Institutional pre-requisites, Optional roles and risks involved in using public and private sectors (private including for-profit and NGOs) to assess the feasibility of new social protection programs;
 - Informal community arrangements
 - NGOs
 - Local Government
 - Central Government
 - Private Sector
 - Mix interventions
- 4. The political economy of reform: reforms should be discussed with all relevant social players as reforms are an opportunity to rethink the country's social contract.

How to Design Specific Social Protection Projects (i)

Once a type of SP policy (among the 5 SP areas: labor/insurance/ social assistance/micro and area based schemes/child protection) has been prioritized, the selected intervention should attend to the following:

- 1. Coverage: effective protection for the majority the population. Coverage gaps are due to:
 - Statutory exclusions: informal sector - majority of population
 - Unattractive benefits: The priorities of the poor are survival/improving incomes
 - Lax enforcement - collection, inspections
- 2. Targeting Vulnerable Population Groups:
 - Where allocated public funds are limited and country needs large, public programs unable to provide adequate coverage - targeting
 - Priority vulnerable groups identified in the country's vulnerability profile- are they served?
 - Redistribution issues: (i) ensure that vulnerable and poor benefit; and (ii) above all, avoid regressive redistribution issues
 - Given the status of women in the region - gender development, including positive discrimination policies

How to Design Specific Social Protection Projects (ii)

- **3. Sustainability, financing and good governance**
 - inadequate budgets - are sources/premiums sufficient to cover projected expenditures?
 - Good governance - inefficient/unresponsive administrations damage particularly the poor, who suffer due to limited access and influence on local officialdom and service providers;
 - Institutional Structure (public/private)
 - Avoiding excessive administrative charges
 - Constraining impact on budget - contingent liabilities
- **4. Integrated approach- National commission for social protection to ensure consistency of all programs**

Evaluation of Specific Social Protection Interventions (iii)

- **Concluding: Evaluating Cost-Effectiveness:**
 - Cost of the program (% GDP, % total expenditures)
 - Performance - % vulnerable population covered, esp. the poor
 - Administrative costs - (as % of the total program expenditure)
 - Long-term social benefits
 - Analysis of feasible options to improve cost-effectiveness, including their costs to society and distribution issues - who pays for reforms and which group benefit from the proposed reform agenda

Colateral Issues and Safeguards in Non-Social Protection Interventions

As a good corporate social responsibility practice, ADB:

- will continue to ensure that vulnerable groups that maybe negatively affected by an ADB intervention must be adequately compensated and mitigation measures put in place to avoid creating further poverty (e.g., labor retrenchments, safety nets to ease the effects of shifts towards market based pricing of utilities)
- in the design and formulation of its loans, ADB will comply with the internationally recognized core labor standards;
- Take all necessary and appropriate steps to ensure that for ADB financed procurement of goods and services, contractors, subcontractors and consultants will comply with the country's labor legislation (e.g., minimum wages, safe working conditions, and social security contributions, etc.) as well as with the Core Labor Standards

Retrenchment Plans

- ADB should make sure that workers, particularly low-income workers, are not unfairly disadvantaged as a result of a necessary development intervention. Main options:
 - prevention of layoffs - layoff restrictions, employment maintenance, enterprise agreements, enterprise development
 - compensation of laid-off workers - unemployment insurance, severance payments, early retirements
 - redeployment of laid-off workers - active labor market programs (labor retraining, counseling, job brokerage centers, self employment)
- Divestiture of social assets and services provided by enterprises - closure may result on large social losses so caution if transferred to local governments. Privatization is a preferred option if market responsive; otherwise discuss with community and stakeholders.
- There is no best solution and each situation will require a tailored plan in which consultation between government, employers and labor representatives is essential.
- Optimally, employers can win on productivity/wage cost rationalization so as to enhance enterprise competitiveness, and workers benefit from alternative employment options.

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- Country poverty analysis and programming strategies
- ADB project activities
- Safeguards
- Staffing and staff skills
- Operational assignments and responsibilities,
- Strategic partnerships, and
- Monitoring progress

Investing in Social Protection will

- Reduce Poverty and Vulnerability
- Promote economic growth by increasing domestic demand
- By investing in human capital, rise the productivity of the Asia-Pacific workforce

But Investing it will also require

- Financial and human resources into the sector
- Identify the right country-specific interventions => correct prioritization

For More Information:

Asian Development Bank

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Web site: www.adb.org see also
www.adb.org/socialprotection

Comments welcome socialprotection@adb.org