Asia-Pacific Regional High-Level Meeting on Socially-Inclusive Strategies to Extend Social Security Coverage

New Delhi, India, 19-20 May 2008

The Social Security Department of the International Labour Office (ILO) is the unit through which the ILO provides technical assistance and advice to its member countries in the area of social security policy and governance; develops policies to support the extension of social security to all and social inclusion; promotes international social security standards and develops and disseminates tools to support the effective governance of social security schemes.

In 2001, the International Labour Conference (ILC) reached a consensus that high priority should be given to policies and initiatives to extend social security to those who are not presently covered. Accordingly, the ILC directed the ILO to launch a major campaign to promote the extension of social security coverage. The Social Security Policy Briefings series is produced in the framework of the Campaign; it aims to set out the views of the Social Security Department in areas of particular importance, and so provide guidance to ILO member countries in the formulation of their social security policies.

It thus complements the existing Issues in Social Protection Discussion papers series and the Extension of Social Security series published by the Social Security Department by making available a comprehensive set of information tools.

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SOCIAL SECURITY POLICY BRIEFINGS

Paper 6

Asia-Pacific Regional High-Level Meeting on Socially-Inclusive Strategies to Extend Social Security Coverage

New Delhi, India, 19-20 May 2008

Global Campaign on Social Security and Coverage for All

Social Security Department, Geneva
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Preface

This publication is the outcome of the Asia-Pacific Regional High-Level meeting on Socially-Inclusive Strategies to Extend Social Security Coverage, held in New Delhi, from 19 to 20 May 2008. This meeting was organized jointly by the Social Security Department of the ILO, the ILO Regional Office for Asia and the Pacific in Bangkok, and the ILO Sub-Regional Office in New Delhi. The Government of India kindly accepted to host this meeting and entrusted this responsibility to the Ministry of Labour and Employment. The meeting was attended by representatives of Governments, Workers and Employers from 21 Asia-Pacific countries and also by a number of guests from the host country and by international organizations and NGOs actively involved in activities dealing with social security matters in the region.

This publication has been prepared by the Social Security Department and is based on the presentations made during the High Level Round Table on the Extension of Social Protection, the panel discussion on Social Security and the Right to Work, perspectives linking social protection and employment; the session on Income Security for the Elderly and not-so-Elderly in countries of the Asia and Pacific region and the session on Extending Social Health Protection in the Asia-Pacific Region: Progress and Challenges. The report also reflects the major points of the tripartite discussions held following the presentations. These allowed sharing experiences among the participants with regard to ways of extending social security coverage, to identifying good practices and to fostering consensus on ways to proceed. The debates focused precisely on these subjects and also highlighted the commitment of the ILO through various means: further extension of social security in particular to the informal sector, the strengthening of governance of existing schemes and the implementation of innovative structures of social security taking into account the changing economic, demographic and political environment of each country of the region. The ILO conclusions of this meeting underlined the commitment of the Office to assist countries in closing coverage gaps, in particular, in the informal economy, in the access to essential health care for all, in the adoption of social measures for children, the unemployed and the poor and income protection for the elderly and the disabled. This could be done by establishing a basic benefit package in order to guarantee basic social protection for all.

This report is issued within the framework of the follow-up activities of the Global Campaign on Social Security and Coverage for All, launched during the International Labour Conference of June 2003, in fulfilment of a commitment given to the Office by this Conference in 2001.

Michael Cichon
Director
Social Security Department

Introduction

At the Fourteenth Asian Regional Meeting held in Busan, Korea, in August/September 2006, the tripartite delegates launched an Asian Decent Work Decade up to 2015 and committed themselves to the achievement of specific decent work outcomes during this period in accordance with their respective national circumstances and priorities, and to cooperate on specific initiatives at the regional level where joint action and sharing of knowledge and expertise will contribute to the realization of decent work.

The conclusions of the Meeting identified a set of priorities for realizing decent work in countries of the region. One of the priorities is "extending the effectiveness and coverage of social protection for all, including workers in the informal economy." In support of national efforts, the member states requested that the Office should assist their governments and social partners to consolidate and integrate action in a number of fields, including "establishing benchmarks and good practices on the extension of social protection to all working women and men and their families".

In this context, the ILO organized a meeting to review and assess the range of relevant options which member States may wish to employ for the extension of social security coverage to, in particular, the informal economy, in terms of both policy and practical feasibility. This initiative also presented the opportunity to demonstrate further progress in relation to the Global Campaign for the Extension of Coverage, launched in 2003[1]. The Government of India (GoI) has generously hosted the meeting which was held in New Delhi from 19 to 20 of May, 2008, on a fully collaborative basis between the GoI and the ILO.

1. Issues to be addressed

Three countries in the region (Australia, Japan, New Zealand) have fully developed systems of social security. While significant progress has been achieved over recent years, on a fairly wide front in the Republic of Korea, and in more specific areas in many other countries, the objective of effective coverage of the majority of their workforces in most countries remains a rather distant goal. There are few countries in the region in which more than 10 per cent of workers and their families have access to effective social protection, whether through national schemes of social insurance or social assistance, or local and community-based schemes. The reasons are many and varied, including financial constraints, limited statutory mandates, institutional inertia and the massive size of the informal economy, accounting for about 60 per cent of the total employment in developing Asia. The persistence of the informal economy has led to an environment which was simply not envisaged in the 1950s, 60s and 70s when many of the formal, national institutions of social security were created. The resulting vacuum has encouraged the

[1] The Global Campaign for the Extension of Social Security Coverage responds to a request from the International Labour Conference of 2001, following its General Discussion on the basis of Report VI submitted to that Conference, "Social Security: Issues, Challenges and Prospects", that (item 17 of the Conclusions to the discussion) "a major campaign should be launched in order to promote the extension of coverage of social security". Since 2003, a component of almost all of the activities of the ILO's Social Security Department has been directed to the raising the awareness of the Organization's tripartite constituents as to the importance of this issue. In a number of countries (rather few to date, but including, in the Asia-Pacific and Western Asian Regions, Nepal and Jordan, respectively), the constituents have felt ready to signal their commitment by means of a formal, national launch of the Campaign.

development of a wide range of valuable "grassroots" initiatives, focused around the type of social protection schemes described generally as "micro insurance".

However, the present-day environment of globalization, trade liberalization, widening income disparities within and between countries (reflected strongly in the increasing mobility of labour forces) and also the "information society", poses new challenges for both national-and community- based schemes of social security. It is of particular importance to promote the understanding that national systems of social security represent investments in national productivity, indispensable to social and economic development processes, and in a broader sense to the achievement of social justice. Within that framework, the central policy challenge is to design pluralistic, social security systems that combine a range of protective mechanisms in an effective way to provide adequate levels of protection to all groups in a society on the basis of universal access to at least some basic level of protection for all.

These issues and needs were discussed in depth at the ILC 2001, the outcome of which was a mandate to the Office to mount a Global Campaign (GC) for the Extension of Coverage. The background documents, resolutions of the ILC 2001 itself, the materials subsequently developed for the Global Campaign, and the demand of the Asia Regional Meeting of 2006 for progress in the Decent Work Agenda, provide essential references.

2. Objectives, scope and targeted outcome

The **broad objective** of the meeting, in addressing this challenge, was to identify a set of policy approaches within which participating countries can pursue effective and progressive extension of social security coverage, in particular to the workers in the informal economy, taking advantage of, and integrating, initiatives on behalf of both the formal, national institutions of social security and those arising from the NGO/grassroots sector, and also of the ILO's capacity to promote dialogue between the social partners to this end.

The **specific objectives** of the meeting (GB.320/Inf. 2) were, accordingly:

- To share knowledge and experiences regarding strategies and mechanisms for the extension of social security in participating countries.
- To identify good practices and encourage initiatives and responses to emerging challenges.
- To foster a consensual approach or approaches to issues of extension of coverage.

The **targeted outcome** relates to the role of social security and its extension, notably to the informal economy/unorganised sector, in realizing the objectives of the Asian Decent Work Decade. With an extensive exchange of national experiences among the participating countries, opportunities for new initiatives were identified, along with, where relevant, the renewal of previous commitments. In addition, the forum provided by the meeting will serve as an opportunity for the participating countries to approach a deepening commitment to regional cooperation, including networking for the sharing of knowledge, experiences and expertise. For its part, the ILO assisted the meeting in promoting a well-articulated understanding, on the part of the participating countries, of the significance and technicalities of extending social security coverage and finding optimal means towards sustaining that effort.

Finally, it was envisaged that practical means were be identified through which the ongoing commitment of participating countries to these specific objectives may be adequately facilitated. One such example may be the improvement of the available data to

facilitate the measurement of progress towards full social security coverage. On this basis, participating ILO member countries may wish to consider the possible advantages of linking such an initiative to the cycle of Asian Regional Meetings.

3. Organization and participation

The meeting brought together representatives of Governments, Workers and Employers from 21 Asia-Pacific countries. Invitations to participate in the meeting were also extended to international organizations most closely concerned with the subject of social protection such as World Health Organization (WHO), the Asean Development Bank (ADB), the World Bank, ASEAN, SAARC, the International Association of Social Security (ISSA), UNICEF, and NGO's working in the social protection field. The meeting was also attended by a number of guests from India and experts on social security from the region (see list of participants attached to this document).

Summary of proceedings

The following paragraphs provide a summary of the presentations and discussions held at the meeting. The full Power Point presentations and the technical background documents prepared by the ILO for this meeting plus other country reports and technical papers on country experiences, are available in http://www.ilo.org/sis.

1. Opening ceremony

The meeting was opened by ***Ms Leyla-Tegmo Reddy*** on behalf of ***Ms Sachiko Yamamoto, Regional Director of the ILO for Asia and the Pacific.*** She started by highlighting the key contribution of social security to social and economic development which is becoming more and more apparent worldwide. She expressed that social security is a necessity and a prerequisite for national and international development. She added that it should not been see as a cost but rather as an investment in human resources for better productivity and an effective measure to reduce poverty, to promote equity and economic and social stability. However, social security coverage, is either very limited or entirely lacking for most of the people living in developing countries, especially for those working in the informal economy and those working in rural areas. In fact, more than 1 billion workers in Asia – over 60 per cent of the labour force – are classified as being in vulnerable employment. Most of these workers lack basic social protection against times of economic hardship, family illness, disability or old age and, in many cases, face severe financial obstacles to obtain adequate health care. In South Asia, three out of every four workers are classified as vulnerable, and in East Asia and South-East Asia, the share of vulnerable workers is over half. Vulnerable employment often goes hand-in-hand with poverty. More than 900 million workers in Asia live with their families on less than US$2 per day, with more than 300 million living in extreme poverty on less than US$1 per day.

The ILO has committed to extend social security coverage to all, at the International Conference in 2001. Later on, in 2003, a major campaign for the extension of social security coverage to all was launched during the International Labour Conference. Furthermore, at the fourteenth Asian Regional Meeting of the ILO in 2006, the tripartite delegates committed themselves to an Asian Decent Work Decade for the period up to 2015. Therefore, one of the priority areas identified in the Meeting is ‘extending the effectiveness and coverage of social protection for all, including workers in the informal economy’.

The ILO Regional Office for Asia and the Pacific recognises that limited social protection remains one of the more challenging decent work deficits and therefore ‘extending social protection’ is one of the five priorities of the Regional Office for the biennium 2008-2009, with particular emphasis placed on technical services, knowledge development and policy advice to extend social protection to the informal economy. For its part, the ILO acknowledges that many countries in the region are taking valuable steps, towards the extension of social security coverage in the areas of both health care and income security through a wide range of mechanisms, including social insurance based schemes and linkages with community-based initiatives. Global support is being gathered for the policy position that countries can grow with equity by providing basic social security benefits even at early stages of economic development. The Ministerial Declaration of the 2006 ECOSOC high-Level Segment stated that ‘countries need to devise policies that enable them to pursue both economic efficiency and social security and develop systems of social protection with broader and effective coverage’. The Director General of the ILO recently mentioned in his speech to the 20th ASEAN Labour Ministers’ Meeting that ‘building an effective basic benefit package’ is critical to strengthening the social dimension of ASEAN integration.

Ms Tegmo-Reddy hoped that this meeting was to provide a rewarding opportunity for the tripartite constituents in Asia and the Pacific to share experiences and efforts made so far and to discuss the extension of social security coverage, ranging from fundamental questions such as the role and the importance of social security in social and economic development, the close linkage of employment and social security and the roles of social partners in the development of social security, to more specific and concrete country efforts and experiences in the coverage extension of both health care and income security. In this sense, she emphasized that the Regional Office has been supporting initiatives to improve and extend social security through policy and technical advice regarding the design and administration of social security schemes, particularly in the areas of legislation, financing and administration, capacity building of constituents and also dissemination of international standards and mutual exchanges of international practices. Given the significant gender differentials in the labour market and the informal economy, there is clearly a challenge to ensure initiatives take these into account for effective outcomes for both women and men. The Regional Office, she said, is willing to support the continuation and expansion of these activities in collaboration with constituents, taking into account the discussions and conclusions of this meeting.

She closed her intervention by thanking the Indian Government for their excellent support, not only for this meeting but also for continuous partnerships with the ILO on the extension of social security coverage, which is one of the key elements of achieving the Asian Decent Work Decade up to 2015.

The ***Director General of the ILO*** sent a video message in which he highlighted the fact that the meeting was held at a critical moment when, despite some signs of progress, the course of globalization was not generating enough quality jobs and was not slowing the growth of the informal and unprotected economy. He pointed out that there is no “no one size fits all approach” to extending social security but, there is a consensus on that tackling the social protection challenge is at the heart of social justice. He added that social security underpins balanced social and economic development and it is a powerful tool to fight poverty and inequality in all societies. Therefore, he indicated that it is critical to ensuring people´s security and a sense of inclusion in a time of major and profound changes. He called for the meeting to focus on socially-inclusive strategies to extended social security coverage through a basic benefit package which should include: access to basic essential health care, income security for children, some social assistance for the poor and unemployed and income security through basic pensions for the elderly and disabled. Such a package should also include basic skills development and labour infrastructure and other productive employment programmes. He concluded by saying that the basic benefit package the ILO proposes, is not merely a means for subsistence, it is a means for empowerment and mobility to realize national aspirations and the aspirations of people. This, has to be defined taking into account national circumstances, means and priorities.

The ***Minister for Labour and Employment Shri Oscar Fernandez*** in his inaugural address pointed out that there were parallels between the objectives of the ILO and the national policies in India. He also recognized the usefulness of working in close cooperation with countries in the region and he reminded that the first Asian Regional Conference was held in New Delhi in 1947. He made reference to the fact that, in India, social security needs were covered by the extended family structure based on cultural traditions, however, with increasing migration, urbanization and demographic changes, there has been a decrease in large family units and these can no longer meet the social protection needs of their members. As other developing countries, India has a large population working in the informal sector. According to the Economic Survey of 2004-2005, out of a work force of 459 million of people, 433 million are in the informal sector, and the government faces the enormous challenge of finding ways to protect not only the formal sector employees but also the informal sector workers.

The Minister explained that the Government of India provides medical care and old-age benefits from tax revenue and contributions from employees to government and public sector employees. Workers of factories and establishments are covered with comprehensive social security benefits provided by the Employees' State Insurance (ESI) scheme and old-age benefits under the Employees Provident Fund Scheme. Other workers such as those working in mines, plantations, beedi workers and cinema workers, are covered by separate social security legislations or are covered under welfare fund schemes run by the Government. There is a mix of various strategies for the extension of social security benefits to the informal sector, some are carried out by the Government at the local and central level and, in some, there is the participation of NGO's, Unions and Associations. Some of the programmes carried out at present are *The National Rural Employment Guarantee Scheme* (unemployment benefits); *The "Aam Aadmi Bima Yojna* (life and disability insurance for rural landless households); the *National Old-Age Pension Scheme* (pensions for people under poverty line and under 65 years); *Rashtriya Swasthya Bima Yojna* (National Health Insurance Scheme for the unorganized sector). In addition, the Government has been enacting legislation on employment in order to encourage employment and income generation activities for poor people in urban and rural areas. Lastly, the Government is implementing food security programmes for the most vulnerable sections of the society.

The Minister concluded his intervention by mentioning that, in spite of all the efforts to provide social protection to the population, there is much more yet to be done, and he hoped that the meeting was an excellent opportunity to exchange information and experiences on the ways and means to extend social security to all.

In setting the scene for the meeting, ***Mr Assane Diop, Executive Director of the Social Protection Sector of the ILO in Geneva,*** expressed that the issue of the extension of social security is of crucial importance for the economic and social development of the countries of the region.

He said that the host country, India, should be congratulated on its path-breaking efforts to extend basic social security coverage, through the National Rural Employment Guarantee Scheme and the Unorganized Sector Workers' Social Security Bill. Other countries, such as China, the Republic of Korea, Sri Lanka and Thailand, while pursuing very different models, have also made remarkable progress over recent decades. They show that a basic benefit package of social security guarantees, as part of a broader social floor – and, as the Director-General explained in his address, for all people – is possible, if a society is committed to it.

Extending social security not only makes for good social policy; in political and economic terms it can be seen as a vital investment in each country's human resources, and the social stability that is the prerequisite for progress. There is no economic and social development without sound social security. The question is not whether countries at different stages of development can afford social security; the answer is straightforward: they can simply no longer afford *not* to do so. He proceeded by highlighting that globalization requires continuous adjustment to high volatility on the product, commodity, labour and energy markets, as well as emerging environmental challenges. But it is not merely an economic process. Globalization must also be about people. He said that we must harness its positive potential and find ways of sharing the wealth that it generates. Rather than a source of anxiety, globalization must be a means to enable people to live a more decent life.

The widespread unrest caused by the recent steep rise in food prices is a case in point. People requires a sense of security to accept the necessity of permanent change. Functioning social security systems are a powerful tool to provide people with that sense of security and inclusion.

In the broadest terms, the theme of our meeting is how best to steer *social policy* to promote effective social security. Sixty years ago the community of nations declared that social security is a human right. And yet it remains just a dream for far too many people. As the Director-General reminded us in his message, social security is a powerful tool to prevent and alleviate poverty and inequality in industrialized and developed countries. For a low income country, the role played by a basic social security system may well make the difference between achieving and not achieving many of the Millennium Development Goals, as well as providing a core element of its national Decent Work Agenda.

He then invited the participant countries to consider the ways in which each of them can develop its policy, its institutional, societal and even cultural approaches.

Thus, the first objective of this meeting was to facilitate as far as possible the growth of social security coverage in all its aspects.

As the Director-General already explained, the ILO proposes that, for countries which have not yet achieved universal, or at least widespread coverage, the primary target should be to establish a basic and modest set of social security guarantees for all residents in a country. This includes: access to basic, essential health care; income security for children, facilitating access to nutrition, education and care; some social assistance when poor or unemployed; and income security through basic pensions when old or disabled.

The Director-General also said in his address that the ILO's social policy vision of development starts with the concept of a basic benefit package comprising basic, nationally organized, universal social security benefits as well as a base of social and economic rights that are outside the realm of social security. Mr Diop, then stressed the fact that our vision of social security development does not stop at the ground floor. The basic package is a platform for an upward-moving escalator – providing more security when governments' "fiscal space" increases as economies continue to develop. These systems are helping women and men climb the ladder of opportunity and securing them and their families on the difficult way up.

There are many ways to achieve that set of basic social security guarantees as a first step of a national social security development strategy. Some countries will seek to extend social insurance and combine it with social assistance; others will subsidize social insurance coverage for the poor to enable them to enjoy insurance coverage; others will seek to establish tax-financed universal schemes. Each approach will have its advantages and its problems and each will be determined by past developments and national values. What matters, in the end, is that all people have access to the basic guarantees. It is the outcome of national social security strategies that matters to us. Each country will and should find its own way. But certainly all countries can benefit from exploiting the experience of others when designing their own national strategy.

Five years ago, the ILO launched its Global Campaign to Extend Social Security to All. The Campaign has successfully placed the importance of social security coverage on the agenda of international development policy. The objective of extending social security to all is now supported by the UN, the EU, many national development agencies and the G8.

The second objective of this meeting was to define how the Campaign can help countries in the region to implement the objective of universal coverage of social security. It will create a mandate for the ILO's activities in social security during the Decent Work Decade till 2015 that we launched in Busan together in September 2006.

He explained then that the agenda for the meeting included sessions focusing on income security and health protection, covering in this way the two main dimensions of the four basic guarantees already mentioned.

In the process, many other issues were to be examined which are both important and topical, including: social security for migrant workers; ways to ensure equitable social security for women; and the role to be played in extending coverage by national social security institutions (with helpful inputs from the ISSA) and "grassroots" initiatives (thanks to contributions from NGOs and other contributors). Attention also will be paid to the interaction between policies for promoting effective social security and those directed towards employment promotion.

He concluded his presentation by pointing out that the discussions and the exchange of experience are to provide to the participants valuable insights into how the ILO Campaign – in the framework of Decent Work Country Programmes – can provide support to countries over the next eight to ten years. The ILO promotes the early introduction of social security systems and their continuous improvement in parallel with – and not consequent to – economic development. Countries can and should grow with equity. The aim is to ensure that all the people of this dynamic and progressive region have an opportunity to set foot on the ladder that helps them and their children to lead better lives. Because in the end, what matters is people.

2. High-Level round-table on the Extension of Social Protection

Michael Cichon, Director of the Social Security Department of the ILO in Geneva made an overview presentation on *The ILO's global perspective on Economic and Social Development and the Right to Social Security.* In summarizing the history and current situation of social security in Asia, he stressed that most social security programmes started in the regions after the Second World War. Two countries, Australia and New Zealand established social security programmes between 1900 and 1939; eleven countries, including China and India, did the same during the period 1940 to 1959; eight countries including Pakistan have done it in the period of 1969 to 1979, and three countries, between 1980 to 1999, including Thailand.

He pointed out that population benefit coverage (non-health) in most countries except Australia, New Zealand, Japan and Korea, is incomplete and most workers in the informal economy remain uncovered. Health protection coverage ranges between 11-15 and 100 percent and, China and India are taking a big step ahead on this matter. Benefit coverage (based on the contingencies listed in ILO Convention No. 102) show gaps in non-pension benefits (such as non-fault accident insurance and unemployment) and in social assistance for the poor. Benefit systems in most of the countries of the region might not be ideally designed to cope with certain risks.

With regard to the case for social security in development policies, he highlighted that **social security is a human right** as laid out in Articles 22 and 25 of the Universal Declaration of Human Rights (1948), and in the ILO Declaration of Philadelphia (1944). Social security **is also a necessity** which contributes to reduce poverty and income inequalities. He added in this respect, that social transfers are the most direct and effective way of reaching out to the excluded and to the poor and to those who have to adapt to change. He provided evidence from different regions of the world in support of the argument that social security is affordable in almost all the countries and as an example, he mentioned that a basic package of modest pensions and child benefits can reduce the poverty head count by 40 percent in poor developing countries at a cost of 3-4 percent of GDP.

The new social security paradigm of the ILO according to the mandate received by the Office at the International Labour Conference in 2001, is based on a universal and progressive approach which includes: building progressively higher levels of protection;

setting up a basic benefit package for all; and seeking to ensure social outcomes rather than advocating specific processes and specific types of organizations. This requires to take into account the specific circumstances of each country and to ensure the participation of the social partners.

He concluded his presentation by indicating that the activities of the ILO in the region will be focused on: setting and promoting international standards that define minimum benefits for certain stages of development that can be used to promote the development of national social security systems; assisting through regional advisory services in the development and implementation of national action plans for social security in the context of Decent Work Country Programmes; intensifying capacity building and knowledge dissemination activities in the region; and helping in the development of a tool for voluntary monitoring of progress.

Mr Hawazi Daipi, Senior Parlamentary Secretary of the Ministry of Manpower of Singapore, made a presentation on *Social Security Provision and Challenges in Singapore* and he started by providing a background information on the Central Provident Fund (CPF) which manages a mandatory defined-contribution scheme and covers to 3.1 million members. He indicated that the CPF is organized in four pillars: Retirement savings, Affordable HealthCare, Home Ownership and Workfare. He pointed out to the challenges faced by the Institution which are, demographic with a low fertility rate, an increasing longevity, a much more smaller size of families, and those related to the increase of low wage workers as a result of globalization. He referred then to the policy responses provided by the Government which were based on three principles: work longer, improve CPF returns and make CPF savings last for life. This was translated into concrete measures such is the introduction of re-employment legislation allowing workers in retirement age to continue working, the establishment of a Workfare Income Supplement Scheme to help low wage workers to obtain a reward for work, the increase of interest rates for CPF savings and setting up a new annuity scheme called CPF LIFE supplemented by measures to delay the withdrawn of CPF savings. He concluded by indicating that these measures were taken in order to provide a greater security for retirement, to enable low wage workers to share the nation’s progress and to allow the citizens of Singapore to look forward with confidence.

Ms Sudha Pillai, Secretary, Ministry of Labour and Employment of India, started her presentation by pointing out that her Government fully shared the concern of the ILO regarding social protection as one of the main components of its Decent Work Agenda and, in particular, the extension of social security to all population groups as one of the strategic objectives of the Organization. She indicated that India in this regard, supports ILO's Decent Work programme entirely and is making continuous efforts to achieve objectives. India is a populous country with 459.1 million workforce of which 26.3 million are employed in the formal (organized) and 432.8 million in the informal (unorganized) sector. Since economic development is a pre-requisite, she said that the Eleventh Five Year Plan, which is underway, aims at achieving faster and inclusive growth. To achieve inclusiveness, the Programme Education for All, National Rural Health Mission and various other poverty alleviation schemes are being operated. For the organized sector workers in India, social security benefits are provided through two organizations, namely, the Employees Provident Fund Organization (EPFO) and the Employees State Insurance Corporation (ESIC).

Important legislative initiatives have been taken recently mainly concerned with maternity benefits. Others are related to employment of persons with disabilities and under this the Central Government will reimburse the employers' contribution to the Employees Provident Fund and Employees State Insurance Corporation for the first three years, in respect of physically challenged employees working in the organized sector and drawing

monthly wage up to Rs.25,000/-. This has been accompanied by amendments to the relevant legislation.

Among the administrative measures taken, she referred in particular, to the provision of a social safety net. With effect from 01.04.2005, the Employees State Insurance Corporation has introduced "Rajiv Gandhi Shramik Kalyan Yojana" for the workers covered under the Scheme, who lose their job involuntarily due to retrenchment, closure of factories/establishments and permanent disability not arising out of employment injury. The beneficiaries under this scheme are entitled to get a monthly cash allowance of about 50-53 percent of the wage as well as medical care for themselves and their dependant family members, for a maximum of six months.

The matter of real concern, however, is the provision of social security to the unorganized sector workers. Some welfare schemes are being implemented by the Central Government for specific occupational groups of unorganized sector workers such as beedi workers, non-coal mine workers, cine workers, handloom weavers, fishermen, construction workers, etc. Some of the State Governments and NGOs are also implementing programmes for certain categories of the unorganized sector workers. Benefits are also accrued by unorganized sector workers through the provisions of various Acts. Despite all these efforts, there is a deficit in the coverage of the unorganized sector workers in the matter of labour protection and social security measures. In order to overcome this, the Unorganized Sector Workers Social Security Bill, 2007, containing provisions for the establishment of suitable welfare schemes for disability coverage, health and maternity benefits, old age protection and any other benefit as may be determined by the Central Government, has been introduced in the Indian Parliament.

Simultaneously, a Health Insurance Scheme for the poor 'Rashtriya Swasthya Bima Yojana' (RSBY), was launched on October 2007. Under this scheme, all the Below Poverty Line (BPL) families will be covered in the next five years. The Central Government will contribute with 75 percent of the premium amount and the scheme will work on the basis of cards. In addition, Aam Admi Bima Yojana (AABY) has been launched to provide death and disability insurance cover to rural landless household and the eligibility criteria for National Old Age Pension Scheme has been modified.

Ms Pillai concluded her presentation by expressing her hope that all these measures will contribute to the improvement of the protection of all workers in her country. India was willing according to her, to share these experiences with other countries and to continue receiving the cooperation of ILO and ISSA.

Ms Corazon de la Paz-Bernardo, President of the International Social Security Association (ISSA) in her introductory statement thanked the ILO and the government of India for having invited the International Social Security Association to address this high-level round-table. She pointed out to the high relevance of the subject under discussion: the extension of social security coverage, and expressed her great interest in the deliberations not only as ISSA President, but also as the CEO of the principal social security institution in a country of the Asia-Pacific region – Philippines. She mentioned that for her Association, social security coverage is one of the most complicated but important issues facing policymakers today, this is why one of the main objectives of the ISSA's 2008-2010 Programme and Budget is the improvement of member organizations' capacities to contribute towards such extension. She referred then to the new concept of a "Dynamic Social Security" on which ISSA is going to base its work and, extension of social security is an essential part of this new concept. To date, ISSA has addressed the issue of coverage extension in different meetings, publications, research activities and cooperates with the International Labour Office's Global Campaign on Social Security and Coverage for All.

Furthermore ISSA has set up a "Task Force on coverage" with the central aim of providing the ISSA Secretariat with guidance on how best to help extend coverage in relation to its

own institutional capacities. A related aim is to identify ways to enhance ISSA members' capacities to improve coverage under their respective national programmes. She has also highlighted that in practice, coverage can be extended successfully using many different instruments some of which are: mandatory social security institutions were preceded by a great variety of social and mutual assistance schemes, cooperatives, non-governmental and faith-based organizations, trade unions and, what we now refer to as, "corporate social responsibility". She recognized that the obstacles to extending social security coverage were great. For many countries, only a minority has access to cash benefits and health care: labour market and legal realities often mean that the vast majority are excluded being this the case of agricultural workers, urban workers in the informal economy and family workers, with women figuring disproportionately among these.

In such contexts, realizing coverage extension requires strong political will. It also requires professional competence that can be found within social security administrations. To support this argument, she provided the example of good practice from her own country. The Philippine health Insurance Corporation, called PhilHealth, covers currently 70 percent of the workers in the country. Since several years, efforts have been made to enrol the informal sector. Rather than targeting individual households directly, this was made through target groups for administrative efficiency. These groups may be cooperatives, microinsurances, NGOs, or people's organizations. They are in charge of collecting contributions, as well as to respond to household's demand for reimbursement of small amounts, whilst the groups remit regularly payments to Philhealth. What the Insurance Corporation is providing, is capacity building, increased sustained coverage, and improved financial stability for health coverage to the informal sector.

She ended up her presentation by referring to the greatest challenges involved in the design and management of the link between contributory and tax-financed programmes o within a broad socio-economic policy framework. Integrating formal and informal schemes into a coherent national system must progress step by step in order to make progress towards a basic universal coverage. There is a strong belief at the ISSA that its member organizations can and should play an active role in helping extend coverage with the support of the Association.

The ***representative of the International Trade Union Confederation (ITUC), Mr Noriyuki Suzuki, General Secretary for Asia and the Pacific*** started by presenting a brief description of his institution in terms of its membership, its objectives and its current concerns in relation to social protection and the distribution and redistribution mechanisms in a globalized world. He made special reference to the fact that working people has not fully benefited from current economic growth and globalization, and pointed out that unemployment rates have considerably increased in Asia and the Pacific. All of this has been exacerbated by the Asian financial crisis in 1997, and in this regard, the ITUC put into place the ITUC-AP Initiative for Social Safety Nets. Social safety nets have been defined as a comprehensive mechanism encompassing employment promotion and employment security; retirement/old age; occupational safety and health; minimum wage; equality, basic medical care and treatment, education and social assistance programmes. To promote this concept the ITUC has organized a series of national workshops and meetings, has undertaken extensive research through surveys and has launched a campaign, all of this under the principle of collective action for social justice.

At the end of the presentations, there were comments from representatives of employers and workers and a general debate. The moderator of the session, Mr P.G. Thakurta, made a summary of the main points and key messages. From the presentation and the discussions it became evident that social security is not only necessary but affordable, irrespective of the economic status of the country: developed, middle-income, developing and least developed. Social security is a human right, a social and economic necessity and it is fiscally affordable. There is a need to implement a basic benefit package for all, which

implies the need for better collection of taxes and better governance. There is a need to innovate or to initiate social security schemes for those in the informal economy/unorganized sector. Government intervention is needed to ensure that higher weight is given to benefits for the poor and the unorganized sector – the social transfers seem to be the most effective way of doing it. Social security schemes have to be sensitized to need of children and women. Economic growth does not automatically reduce poverty. The supposed trade-off between growth and equity does not hold and thus, there is a need for redistribution mechanism. What is a required is a universal but progressive approach. Migrant workers and their needs of social protection require special attention. Social security tends to be seen by the employers as a cost rather than an investment, despite ILO's findings on close links between productivity levels and social security. Global coverage of social security represents only 20 percent of the total population and, thus, there is still a long way to go.

3. Panel on Social Security and the Right to Work; Perspectives Linking Protection and Employment

The panel started with the presentation *"Social Security as a Social Floor: An Agenda for Asia and the Pacific"* by ***Dr. K.P. Kannan Member of the National Commission for Enterprises in the Unorganized Sector from India.*** According to the speaker "social security as a social floor" is a "floor" below which no citizen is allowed to fall. It is nationally determined but calls for a global or a regional consensus. Furthermore, it calls for expanding the concept and coverage of social security. Expanding the concept means that social security is to meet "deficiency" in terms of food, shelter, education and health. It also means that social security has to meet "adversity", i.e. contingencies and eventualities. Furthermore, social security is a right, and the State should be the main actor in translating this into reality. The right to work is often a means to ensure a minimum income to address deficiency and, this is not adequate as the proportion of working poor is considerably larger than the unemployed in India and other parts of Asia and the Pacific as well as in many developing countries around the world. However, there is also the right to work with fair wages and this is precisely the case in India where a majority of workers do not get even the minimum wage, thus, there is a need to enforce minimum wages. Nonetheless, access to a minimum income through work alone will not address deficiency in full measure and there is a need for creating conditions for access to: education, health and housing.

While social security is associated with the notion of meeting adversity (including ILO Convention No. 102), the biggest gap in social security in developing countries is in this front. The problem in India is mainly with regard to informal workers who represent 86 percent of the total working population, and who suffer other deprivations such as illiteracy/low education and social exclusion. In order to solve this critical problem, a number of measures have been taken including a series of programmes related with nutrition oriented to children and primary and secondary education. There is access to health care through National Rural Health Mission and Public Health Institutions for free care of the poor. There is also a public housing scheme (IAY) for the poor and, a Bill has been submitted to Parliament with the objective of ensuring a minimum of social security benefits for the uncovered population within an established time frame and providing the necessary funding. However, there is still a lot of work to be accomplished and some of the challenges for the future include: to ensure adequate coverage and effective implementation of national measures to deal with deficiencies; to address the gap in coverage of the social security contingencies; to enforce a national minimum wage; to move from discretionary measures to a right-based approach.

The panel continued with the presentation of *Social Security and Employment: Perspectives on the Linkages* by ***Mr Jose M. Salazar-Xirinachs, Exeutive Director of the***

Employment Sector of the ILO. The speaker started by recalling that the Decent Work Agenda was based on four pillars: Labour standards and workers' rights, social dialogue, employment and social protection, each one of those including key policy areas. One of these areas is the linkage of employment and social protection. In the case of the developed countries the employment policy through Keynesian aggregate demand was necessary but insufficient and, therefore, they have built strong social protection systems to complement labour market policies and reduce uncertainty. In developing countries, the picture is the opposite due to the existence of small formal sector, a large informal economy (dualism), high rates of unemployment and underemployment and large segments of the population without neither productive employment (working poor) nor social protection. On the other hand, globalization has accelerated drivers of change (trade, technological change, commodity prices) and generated pressures towards increase uncertainty and vulnerability, faster restructuring (retrenchments) and labour market adjustment, casualization of labour and sometimes increase in informal sector employment and increase inequality (due to increased demands for high skills). Thus, innovative approaches linking to employment programmes with social protection programmes, are required and this is precisely the case of the Employment Guarantee Programmes in which India has innovated.

Mr Salazar referred later to the macro five linkages between employment and social protection of which Linkage 5 was the one concerned with social protection and the cost of labour. According to this, conventional wisdom argues that generous social protection, *when funded through payroll taxes* by increasing the cost of labour, negatively distorts the demand for labour. He pointed out that there was an empirical debate going on this matter in OECD countries and in developing countries

He made special mention to the Employment Guarantee Programmes which represent an innovation of linking employment and social protection and indicated that there are two sorts of them: Employment-based safety nets (EBSN) with strong emphasis on welfare and food security and, Labour-based infrastructure programmes (LBIP) oriented mainly to growth and development adopting a typical payment mode in cash.

Some lessons can be drawn from the implementation of these programmes. In poor countries, labour market interventions combining employment and social protection are more effective and fiscally affordable than "pure" social welfare programmes such as unemployment insurance; Employment Guarantee Schemes can be an important complement to cash transfers and other methods to provide social protection to the most vulnerable and, research shows that rural public works can achieve enormous positive impacts on poverty reduction and economic growth, depending on the scale of the programme and the size of transfers. Moreover, programmes have been found to encourage risk taking and the type of assets created have a strong influence on the programmes impact (roads, irrigation, drainage and sewer systems, erosion control, water supply, land development).

In his concluding remarks, the speaker underlined that Employer of Last Resort or Employment Guarantee programmes, can make a major contribution to stabilize and increase income by generating employment and creating a basic package of social protection benefits. However, he pointed out that, sustainability and the extension of social security have to be seen in the context of a wider framework of a growth and employment strategy, which includes elements such as the promotion of job-rich growth, investment and enterprise development, investment in education and skills development to increase employability of the labour force and active labour market policies that improve labour market governance and efficiency.

Another speaker in the Panel was ***Mr Emmanuel Reynaud, Senior Advisor on Informal Economy of the Social Protection Sector of the ILO***. He explained that employment and social security have a historical link, they are at the core of the post- World War II Welfare

State where the principle was the achievement of social security through a combination of full employment and social security. This was based on the two Beveridge Reports and the Philadelphia Declaration of May 1944, which called for a comprehensive package. The challenges are renewed today as new needs have arisen in post industrial economies where there is a call for gender equality, there is poverty and social exclusion even in rich countries, there is a lack of social security coverage and a massive informal economy in developing countries.

The emergence of a new Welfare State represented a shift from income protection to employment promotion and social inclusion. Thus, one of the challenges is the design of pathways for integrating the poor. The developing countries, where there is a massive informal economy are at the forefront of these innovations and currently there is a new generation of social assistance programmes which have adopted different forms such as employment guarantee schemes, conditional cash transfers, unconditional transfers, inclusive targeted programmes. Some examples of these are found in India, Brazil, Mexico, Indonesia, South Africa, China, Chile and Bangladesh. In general terms, these are large-scale programmes which combine social transfers and integration measures and also help to break intergenerational transmission of poverty.

Summarizing his presentation, the speaker referred to the need of global and integrated strategies for decent work including articulation of social protection systems with employment and labour market policies and the design and implementation of ILO projects on strengthening the inclusive impact of programmes. This will contribute to the integrated achievement of the four core objectives of the ILO Decent Work Strategy interdependent and mutually supportive and, a basic benefit package already mentioned in previous presentation, can become a way out of poverty and a pathway for better jobs and a better life

Ms Judy Frances A. See from the International Affairs & Branch Expansion Division of the Social Security System (SSS) of Philippines, closed the Panel by presenting the case of Philippines, under the title *Social Security Coverage of Overseas Filipinos: The Philippine SSS Experience.* In the first part, she called the attention of the audience to the issues on social security for migrant workers which include the exclusion from coverage, the residence requirements for benefits and the maintenance of social security rights. Then, she mentioned the measures taken by the social security institution in order to protect Filipinos working abroad. These measures take mainly the form of bilateral agreements concluded with a number of countries around the world in fulfilment of the provisions of the ILO Convention No. 157 on Maintenance of Social Security Rights. These agreements have the objective of mutual consent of the parties and address a number of issues such as equality of treatment, export of social security benefits, totalization of coverage periods and mutual administrative assistance. This has been translated into setting up Social Security Programmes (SSS) for Overseas Filipino Workers, which are based on a Voluntary, defined – contribution scheme (individual account, a pension-savings plans) plus a Voluntary, defined –benefit scheme (basic pension, safety net). These schemes are managed by the Foreign Branch Network of SSS and are implemented through the support of 14 offices in 11 countries, mostly housed at Philippine embassies and consulates in Asia, Middle-East, Europe and the Untied States and Canada. In spite of the progress made to date, there is still much more to be done in order to improve the coverage of this particular group of Filipino workers. They include a change from voluntary to mandatory coverage of workers, the extension of collection network for the social security payments, an upgrade of support systems and service and a negotiation of a "country of origin" rule in bilateral social security agreements.

Following the comments from employers and workers and the general debate, the moderator of the session ***Mr Guy Thijs, Deputy Director of the Regional Office of the ILO for Asia and the Pacific,*** summarized the main points and messages emerging from

the presentation and discussions. He stressed that it became clear that the changing environment in terms of more flexible labour arrangements, growing informal economy, a more mobile labour force, etc., require to revisit social protection and employment issues and their connection. There are interesting modules of policy decisions and practical arrangements in the region of extending social security coverage such as national Rural Employment Guarantee Scheme. There are similar initiatives in other regions of interest but the main question is how we can document them better and learn from their strengths and weaknesses. Social partners have an important role to play in these new initiatives; they may not always share the same views but have shown greatest interest in the policy debates on how to extend benefits to informal economy workers which represent 60 percent of the labour force in Asia. With a growing mobile labour force and the economic contribution migrant workers make to their host countries, the need to make social security systems friendlier for migrant workers is becoming more acute. The various schemes being tried and innovated upon are all worthwhile and should be reviewed in light of their potential to extend social security systems and benefits, in particular in Asia they should established stronger links between social security and employment, save costs wherever feasible, but that should not undermining desirable social and economic outcomes.

Thematic Topic I: Income Security for the Elderly and Not-so-Elderly in the Countries of the Asia and Pacific Region

The first speaker of the session, ***Mr John Woodall, from the Social Security Department of the ILO in Geneva,*** started his presentation by highlighting the general principles of social security which have already been mentioned by previous presenters. However, in view of their importance, he reiterated that social security is a human right which should enable universal access to adequate social security benefits. Fairness and solidarity should underpin schemes and these must be sustainable. He added that the State should maintain national responsibility and oversight.

The challenges lying ahead in the region are broad and specific, they are closely related to the provision of income for all, specifically for those in need, the search of effective means to address poverty and vulnerability and of effective means to reach and provide for those in the informal economy.

The specific challenges relate, *inter alia,* to demographic changes and to ageing of the population, to sustainable financing of the social protection schemes and to an equitable and non-discriminatory provision of social benefits for women and men to meet the needs of the migrant workers and their families.

The diversity of countries in the Asia-Pacific region, which display different economic frameworks, different population dynamics and different cultural and religious foundations, has also led to a wide range of approaches to providing social security. In fact, there is the historically market economies such as Republic of Korea and Thailand, Malaysia and Singapore, historically socially-oriented market economies such as Bangladesh, India and Sri Lanka and historically centralized now decentralizing economies as China, Lao People's Democratic Republic and Vietnam. In the first group of countries, the approach has been a "classical" scheme design, a social insurance scheme complemented by social assistance. In the second group of countries, the social security provision has been based on provident funds, although some the elements of these funds are also found in Malaysia and Singapore. The third group of countries, in particular, China, has developed a distinctive approach by delegating a high degree of responsibility to sub-national levels of government, whereas other countries have followed an approach based on more common institutional models. The mechanisms to provide social protection in these countries, have also responded to the diversity already mentioned and those were also influenced by the Asian financial crisis and the natural and human induced disasters,

very frequent in the region. These mechanisms range from social insurance to community grassroots initiatives including micro-insurance, with social assistance and specific programmes such as cash transfers (conditional/unconditional, targeted, time bound) in the middle.

Mr Woodall ended his presentation by indicating that, it is clear that countries need a structured framework within which to develop policies towards income security, including approaches to deal with poverty prevention and alleviation. This would pay specific regard to the competition for resources and calls for consideration of social and financial imperatives, national and local interests, formal and informal economies, urban and rural needs, no discrimination and complementary approaches and integration.

Mr Liu Yanbin, Director, Professor, Institute for International labour Studies of the Ministry of Human Resources and Social Security People's Republic of China, presented the paper on *Extension of Social Insurance Coverage – Informal Economy and Migrant Workers in China.* He started by pointing out that the Government has always attached great importance to social security and great improvements have been achieved in the social security system in the last 30 years. In the urban areas, social security provides medical care, old-age, unemployment, work injury and maternity benefits and a minimum living standard guarantee. In rural areas, rural cooperative medical care pilot programmes have been implemented. Social security coverage has significantly increased for the old-age and health care branches, by 115 percent for the period between 2006 and 2001, whereas unemployment, work injury and maternity branches show an increase of 8 percent, 136 percent and 86.9 percent respectively for the same period. The benefits level has also continuously increased and, in 2005, the old-age pension was 49.4 percent higher than in 2000. On the other hand, the revenue of the social security fund has been increasing by 20 percent per year since 2000.

The Government has adopted a number of measures to cope with the development of social security in China. One of them is dealing appropriately with social security issues during the transitional period and for that, it has implemented the programmes called "Two guarantees" and "Three security lines" oriented to ensure basic livelihood of laid-offs and retired from state-owned enterprises. Another measure is that persons with flexible employment are included in the basic old-age insurance scheme and they are entitled to benefits under the same conditions as enterprise workers. The third measure is the adoption of favourable policies for the laid-offs if they participate in the social insurance scheme after entering to flexible employment and to the disabled owners if they become members of the basic-old age insurance scheme. The last measure relates to the establishment of a new rural cooperative medical insurance system through the design of policies related to health care for urban residents

The major problems currently faced by the social security system in the country are: the current situation of working conditions of non-standard workers and rural migrant workers whose working conditions in terms of safety and health care are poor, whose pay is low and whose labour contracts are very short. There is also a low social security coverage of the individual business owners, persons with flexible employment and rural migrant workers. Some employers do not provide social security coverage to their workers since they want to reduce labour costs. In order to address these problems, the Government has produced an Eleventh Year Plan (2005-2010) of Labour and Social Security, which envisages an increase of social security coverage of 27.4 percent during that period. The Government also plans to progressively extend coverage of different branches of social security to rural migrant workers and to persons with flexible employment in accordance with practical needs and real possibilities. This will require to take into account the current situation of the low and unstable income of persons whose employment is not standard and rural migrants who, in addition, move frequently. Lastly, Government should increase the

budget with the objective of providing social security benefits to these two groups of the population.

The case of Indonesia was presented by the ***representative of the Government*** of that country under the title *Income Security and Strategies for Extension of Coverage.* He started by indicating that in the Constitution of Indonesia in its Article 28H, subsection 3, it is clearly stated the right of each individual to social security. Furthermore, Act No. 3 of 1992, on Employees' Social Security, is aimed to provide protection for all workers in formal and well as in informal sector. Under this law, the social security scheme provides certainty on the continuity of the flow of family's earnings in the event of total and partial loss of income. At present, the social security system operates under Act No. 40 of 2004, and the guiding principles of the national social security system in Indonesia are cooperation, non-profit making, transparency, accountability, portability and compulsory participation. The contingencies covered are employment injury, old-age and death and illness, and the benefits are provided to the workers of the formal economy. As in other developing countries, in Indonesia, there is a large informal economy where the workers perform micro-scale activities using simple technology. They produce goods or services generally of low quality, their facilities are mobile, they work at irregular hours, their productivity is low ant obviously their income is temporary. The Government has implemented a social security scheme for workers of the informal economy with the same benefits as for the formal sector workers but the contribution rates for the contingencies of employment injuries and old-age, are lower, whereas the contribution rates for death is the same 0.30 percent of monthly income and the one for health care benefits is the same, i.e. 3 percent for the single worker and 6 percent for the married worker. In Indonesia, there is also an Employment Termination Fund which grants a severance payment in a form of a lump sum to workers who are dismissed. The speaker ended up his presentation by expressing his hope that the social security system to be fully operational in October 2009, will provide social protection to all citizens of Indonesia.

The representative of the ***Government of Vietnam*** focused his presentation on the system of social security and the law on social insurance. After explaining the organization of the social security system in Vietnam, he recalled that legislation on Social insurance of his country includes compulsory social insurance, voluntary social insurance and unemployment insurance. He emphasized that voluntary social insurance is one of the important measures adopted to extend coverage of social insurance and strengthen income security, especially for farmers and workers in the informal sector. The provisions of this insurance took effect as of 1 January 2008, and the benefits provided under this scheme are old-age benefit and survivor's benefit. The contribution for this scheme are paid entirely by the worker and the payments can be made monthly, every three months or every 6 months. There is a portability between compulsory and voluntary social insurance in such a way that the periods of contribution to the compulsory and voluntary schemes can be added to calculate benefits. Provided that the participant in the voluntary scheme meets the qualifying conditions for old-age pension according to the provisions of the compulsory scheme, he/she is entitled to all benefits as provided in the compulsory scheme. For the survivors benefits, the family of the participant in the voluntary scheme is entitled to this benefit as in the compulsory scheme, provided that he/she meets the qualifying conditions established in the legislation.

The ***representative from the Government of Fiji,*** expressed in his presentation that existing systems and schemes could always be amended in order to improve their operations and to achieve their objectives. As an example, he mentioned the Fijian Employees' Provident Fund (EPF), which was established in 1966. Since its inception, features such as risk pooling, flat rate for death benefits, possibility for converting lump-sum old-age benefits into regular pension schemes, voluntary coverage of self-employed and better applicability to agricultural workers, had been introduced. Currently, voluntary schemes for domestic workers were under preparation. The country was also

testing out mobile registration of school leavers to increase membership and coverage. In 2005, the EPF was expanded to cover casual workers, but the definition of such workers has proved to cause difficulties in providing the services. Budget constraints were another challenge for the system, which possibly could be overcome by an increase in the budget assigned to the health sector. The challenge of involving employers of the formal sector was also mentioned. The speaker ended his presentation by mentioning that, Fiji has benefited from ILO technical assistance when converting lump-sum benefits into a regular pension scheme in order to ensure the sustainability of such a scheme.

The ***Regional Programme Manager from Help-Age for Asia and the Pacific, Mr Brooks Dodge,*** in his presentation on *Social Security in an Ageing World,* called for a universal pension and health care package, which would be affordable for low-income countries that did not yet have a contributory pension scheme. This need was based on the demographic changes resulting in ageing of the population in a number of Asian countries. Moreover, both HIV/AIDS and migration have increased caring responsibilities of elder people, as they were often left to take care of grand children, in addition to themselves, leaving no choice for them but to continue their work for securing their livelihood. Both, in Africa and Asia, great gaps can be observed in the provision of pension benefits which have a negative impact not only on nutrition and health status of the population but also on national economic growth. Therefore, Help-Age advocates for a social pension for all, including those from low-in-come countries. The key features of such schemes should be flexibility, affordability, simplicity (easier to promote and implement), inclusiveness and universality. Social pensions and other transfers should be viewed as bedrock on which to build upon.

Following the comments of employers and workers and the general debate, the moderator of the session, ***Mr José Manuel Salazar-Xirinachs, Executive Director of the Employment Sector of the ILO,*** noted in his concluding remarks that one of the key questions that had emerged from the discussion was whether the social security "system" addressed the real needs of all citizens or residents, in particular the poor and vulnerable. Extension of social security to all should be viewed as a fulfilment of a human right's obligation, which in turn, would reduce poverty and social exclusion. The presentations had shown, partly, an increased commitment of Government to extend the coverage and improve the benefits and, partly, that extension was feasible with no reasons for delay of initiatives in this regard.

He further noted that extension required choices to be made in the sense that groups or needs had to be covered in order of priority and in terms of which part of the national wealth that should be allocated for redistribution. No blueprint for the extension existed and the way forward would depend on national ownership and leadership, political choices and national circumstances. The presentations had amply shown the diversity in choices. Each country, in finding the way forward, must balance many considerations and in doing so, establish priorities for extension of coverage and pay due respect to the national context. The on-going process in terms of employment flexibility, the persistent high proportion of informal economy in combination with migration, ageing etc. constitute major challenges and they explain the need for diversity in responses, types of mechanisms, modalities of financing, stakeholder involvement as well as gradual approaches.

Thematic Topic II: Extending Social Health Protection in the Asia-Pacific Region: Progress and Challenges

The session on this topic started with the screening of a short movie about a health insurance initiative taken in the slums of Pune, Maharashtra, which is trying to link with

the new health insurance scheme recently launched by the Ministry of Labour and Employment in India.

The main subject of the session was introduced by ***Mr Ravi, P. Rannan-Eliya from the Institute for Health Policy, Sri-Lanka.*** He started his presentation by indicating that social health protection includes two major aspects: access to services and risk protection. He continued explaining that there are large disparities in coverage of health care not only between countries but also within countries. This includes global disparities in availability of services and great disparities in the use of health services between rich and poor. He also referred to the impoverishment of people resulting from expenses in health care, a fact observed in practically all countries of the region. Then, he sketched the experiences in social health protection in Asia and the Pacific and mentioned that some countries such as Hong-Kong (China), Korea, Malaysia, Sri-Lanka and Thailand, have successfully achieved universal coverage, whereas in Bangladesh, Cambodia, China, Indonesia, Democratic Republic Lao, and Nepal, because of their large informal sector and poor population, the coverage was extremely low in terms of health care. The speaker pointed out the fact that high levels of financing are not essential to achieve adequate social health protection and in support of this argument, he showed some figures and graphs on health expenditure in selected Asia-Pacific countries and the sources of health care financing.

He also indicated that there were two approaches in relation to the financing mechanism. One is the historical approach where we can place the out-pocket payments. There is also the risk- pooling approaches where we find tax-funding, integrated health services, social health insurance, community health insurance and private or voluntary insurance. In his opinion, the latter have not worked due to low income of informal workers and to problems in registration, collection and delivery of benefits, thus, the extension of coverage under this approach was too limited. On the other side, two approaches have worked successfully, first, tax-funded integrated health services with parallel, voluntary private provision and, second, social health insurance with general revenue subsidies.

He ended his presentation by referring to the key lessons that can be drawn from the experiences in the countries of Asia and the Pacific and they can be summarized as follows: Adequate social health protection is feasible even in low income countries; two approaches have been successful tax financed government provision with voluntary parallel private provision and social health insurance with tax financing to cover the poor. Nevertheless, he emphasized that provision of health services to the informal sector requires commitment of budgetary resources by the government and control of costs and productivity in health system.

His concluding remark went in the sense that when developing coverage strategies, all options with regard to financing mechanisms including all forms of compulsory and voluntary schemes, for-profit and non-profit schemes, public and private schemes ranging from national health services to community-based schemes and out-of- pocket financing, should be considered if they contribute, in a given national context, to achieving universal coverage and equal access to essential services for the whole population.

Mr Ros Chhun Eang from the Bureau of Health Economics and Financing Department of Planning and Health Information, Ministry of Health from Cambodia presented the subject *Social Health Protection in Cambodia.* After providing some background information of his country, the speaker explained that there are three ways of financing health services in his country: the first one is through the regular government budget, the second one is through donor support and the third one is through user fees at public facilities; the latter is a supplier side financing mechanism that tries to address some of the bottlenecks of government-funded health services.

There are also alternative funding mechanisms promoting social health protection which include Global Health Initiatives and National Programmes, Contracting with NGO's

which is a supplier-side financing mechanism and Health Equity Funds, a demand-side financing mechanism where funding is provided to NGO's. The approach followed by the country to provide health care benefits is based on three pillars: a compulsory social health insurance within the framework of social security, it covers the public and private sector salaried workers and their dependants; a voluntary insurance in the form of Community-Based Health Insurance (CBHI) covering non-salaried workers and families as registered in the Cambodian Family Book, and a social assistance scheme that uses equity funds in order to purchase health insurance for the very poor. There has been progress in the implementation of the CBHI as one of the ways to providing coverage to the informal sector composed by farmers, owners of small business and self employed. By December 2007, there were 5 organizations in 9 operational Districts in the country. However, the large proportion of people living below poverty line (35 percent) and the large informal sector, approximately 90 percent of the working population, poses a number of challenges related to the coverage of the population that the Government hopes to solve in the coming years.

Mr Jung-Kyu Lee, from the Division of Health Insurance Benefits, Ministry for Health, Welfare and Family Affairs of Korea made a presentation on *Thirty Years of Korean National Health Insurance (NHI) – Achievements and Future Direction.* He explained that the Korean NHI started in 1966 when the Medical Insurance Act was enacted and the main milestones of the NHI were the achievement of universal coverage in 1989, and the integration of all insurers into a single insurer in 2000. Following the description of the structure of the Korean NHI of which the main institutions are the Ministry of Health, the National Health Insurance Corporation and the Health Insurance Review & Assessment Service, the speaker referred to the functions of NHI which are revenue collection, risk pooling and purchasing. The determinants in achievements and limits of the Korean NHI are solidarity, political government and government's stewardship, economic development, ability to administer, implementation process of the system and changing environments. Solidarity, a core value and principle of NHI, has greatly influenced the introduction and rapid expansion of the insurance and its evolution to a single insurer. The political will and government's stewardship has been a major facilitator for NHI development although there is the lack of participation of certain stakeholders which has led to chronic structural problems of the system. The rapid economic development of the country has been beneficial for the expansion of NHI. The implementation process started with areas that could be dealt with ease and groups that have payment capacity. In relation with the managerial ability, the country has well trained staff for the administration of the system and finally, the health care system has been also influenced by changes outside of the system such as the economic environment, the ageing of the population and the political and social environment. The changes inside the system are changes in the patterns of diseases, the development of medical technology and informatics, the increased public expectations and the increase and diversification of health care workforce.

To conclude his presentation, the speaker, referred to the challenges for the future which he summarized in two: a sustainable development to fill the fundamental role which implies to improve the benefit coverage to the average level of OECD countries and to establish a stable revenue collection mechanism and national payment system for financial sustainability and to reform the system for securing managerial efficiency. The second challenge has to do with the reorientation of the mission to redefine the concept of health that NHI must protect and to establish a new governance system for tackling the existing and futures problems.

The Thailand experience was presented by ***Mr Walaiporn Patcharanarumol from the International Health Policy Program of the Bureau of Health Policy and Strategy, Ministry of Public Health of Thailand.*** The speaker started by providing background information on his country. He showed that the GDP growth in 2007 was of 4.5 percent and the GNI per capita in 2005 was US$2750. On the other hand, poverty prevalence in

2006 was of 9.6 percent, poverty headcount approximately 6.1 million and poverty in rural areas was 3 times greater than in urban areas. As far as the health delivery system is concerned, he pointed out that although, public health care providers covered extensive geographical areas, the number of health personnel gradually increased and the quality of the services was acceptable, the resources were not equally distributed among the regions and, therefore, there were some sectors of the population still uncovered. He informed that the Universal Coverage Scheme (UC) was introduced in 2002 with the objective of covering the population not under the Civil Servant medical Benefit Scheme (CSMBS) or the Social Health Insurance (SHI). The UC scheme provides a comprehensive benefit package and encourages the use of primary health care services based on a system of registered providers. It is financed by government budget and it covers approximately 75 percent of the population. This scheme covers the poor, half of which are in the first and second income quintiles. Some of the main achievements of the scheme are the increase in the utilization of out-patient and in-patient facilities and that the utilization is shifted from provincial hospitals to primary care unit and district hospitals. It has also contributed to a decrease of the catastrophic health expenditure and of the impoverishment due to medical expenses. In spite of these achievements, the health care system of this country, faces important challenges, some of them were highlighted by the speaker such as the rapid change towards chronic non-communicable diseases which requires innovative policy interventions on primary prevention. Another challenge has to do with the need of harmonization between the three schemes. There is also the question of ensuring the long-term financial sustainability of the system and the quality of care. Efforts are also to be undertaken to solve the inequitable distribution of health infrastructure and health staff and a consensus has to be reached on free choice reimbursement model versus limited choice registration model.

Government of India to extend social health protection, a health insurance scheme for the poor called Rastriya Swasthya Bima Yojana's (RSBY), which was launched in October 2007. Under this scheme based on the use of smart cards, all the Below Poverty Line (BPL) families which comprises the unorganized sector workers and their families, will be covered in the next five years (2008-2013). The contribution of the central Government for this scheme amounts to 75 percent of the estimated annual premium of US$19, subject to a maximum of US$14 per family per annum. The central Government will also assume the cost of the smart cards. There will also be a contribution from the State governments of 25 percent of the annual premium, as well as any additional premium in cases where the total premium exceeds US$19. The beneficiary will pays the equivalent of US$0.75 per annum as registration/renewal fee. It is expected that by 2013, 60 million of BPL families will be covered by the scheme at a cost of US$881 million.

The beneficiaries under the RSBY scheme are eligible for coverage of health services delivered by selected providers, related to hospitalization and services of a surgical nature which can be provided in a daycare basis. The scheme envisages as well coverage of all health services included in the health care benefit package to be provided by those selected insurers.

One of the main features of this scheme is that the smart card, already mentioned, facilitates cashless transactions for up to 30 000 Rupies, and the beneficiary does not have to pay anything when seeking medical treatment. The scheme will be implemented in a phased manner and has started its operations in April 2008. To date, 15 States have advertised to seek offers from health care providers and the States of Delhi, Haryana and Rajashtan have started issuing smart cards. By the end of April 2008, around 25 000 smart cards were issued.

The challenges lying ahead the implementation of this innovative scheme are enormous as it has to be done in a context of complex information technology applications. involving a large number of players. This requires a great effort in terms of vertical and horizontal

coordination. On the other hand, reaching such huge numbers of beneficiaries will test the capacity and capabilities not only of the scheme but also of the providers and here, the question of quality of care will come into play.

After the comments from employers and workers and the general debate, the moderator of the session ***Mr Assane Diop, Executive Director of the Social Protection Sector of the ILO,*** proceeded to summarize the comments and key messages that could be drawn from the different interventions. He noted that health is at the centre of the issue of improving social protection and that access to good health is a direct human right. He stated that the issue of improving health aspects of social protection is complex, as it requires progress in financial access, geographical access, funding administration, prevention and the quality health care, among others. He stated that it is crucial to ensure universal access to health care and highlighted the need to build more on the diverse and good experiences that were shown during the session. He concluded by stating that the ILO is prepared to assist constituents in this regard.

General discussions on the Conclusions that can be drawn from the thematic papers on the way forward

The session was moderated by ***Mr Michael Cichon, Director of the Social Security Department of the ILO, Geneva and Mr Guy Thijs, Deputy Director of the ILO Regional Office for Asia and the Pacific.*** The purpose of the session was to provide draft ILO Office conclusions from the meeting and to request feedback from constituents on the draft conclusions. The initial conclusions were prepared by a small informal tripartite working group, made up of ILO officials and constituents nominated by the respective Government, Worker and Employer groups. Mr Cichon provided a summary of the ILO Office Conclusions of the meeting, while Mr Thijs provided the ILO Office Conclusions pertaining to future ILO activities in the region.

The meeting identified that most of the countries in the region are making efforts to extend social security coverage to those not covered, particularly in the informal economy. This is done through a variety of policies and measures – using public, private and community-based mechanisms.

The Office supports these developments and suggests that they should be integrated into the overall objective of establishing a basic social security package as an element of a basic benefit package that is accessible to all in all countries. Thus, the Office will support efforts to extend coverage through a variety of capacity building and advisory services, delivered in a decentralized way.

Importantly, the meeting also emphasized the value of social dialogue, in designing the new policies, measures and solutions aimed at extending coverage.

The representative of the Workers Group expressed their appreciation to the ILO for having organized this High-Level Meeting and their support for the continuation of the tripartite discussion and deliberations aimed at building specific tailor-made solutions for policies in particular countries. They noted the gender disparity at the meeting and encouraged the ILO to promote a more equal distribution of women and men at subsequent meetings. The Workers stated that social security is a human right, which when implemented in an affordable and sustainable way will gradually reduce poverty and support better living standard and social inclusion. The importance of policy coherence on the issues related to poverty, education and taxation was also raised so it was the idea of developing national plans of action. The Workers called on the ILO to provide training in order to build capacity of social partners on social security matters.

The Employers took note of the highly enriching deliberations and the unique opportunity for tripartite constituents to discuss these important issues. They stated that a number of good practices have been raised and reminded participants of the important role that employers have played in extending social protection. The Employers indicated support for the idea of providing basic social protection for all through provision of access to essential health care, basic pension and child benefits and social assistance to the unemployed on the understanding that actual policy measures are well-prepared to ensure their long-term financial sustainability. They encouraged continued tripartism to tackle the serious challenge of extending social protection. They noted that the cost of extending social security cannot be borne exclusively by employers and that while the cost of providing more extensive social security may be fiscally affordable, it must also be politically feasible in the context of national budgets.

The participating Governments' representative noted that while increasing fiscal space is necessary to promoting social security coverage, the reallocation of budgets among several ministries may be required. To the extent that it may divert scarce resources to unproductive means, corruption must be successfully addressed. Given a shortage of workers in many countries, social protection programmes must also take into account the need to promote the employment of older workers. In his opinion, worker training is a key component of this.

Towards an ongoing consensual agenda for social security in Asia

In his final comments, Mr Cichon agreed that it is essential to look at fiscal space and fiscal realities into very careful consideration at the onset. He noted that there is agreement that basic social security is a need and that the ILO must assist wherever asked to, in order to help build and improve upon social security schemes.

Mr Thijs closed his intervention by noting that calls for regional follow-up range from knowledge sharing to capacity building and advisory services. He indicated that the Regional Office is very keen to support social security initiatives in the context of the Asian Decent Work Decade. He took note of the fact that gender balance needs to be taken into serious account for future meetings.

Ms Pillai, representative from the Government of India, closed the meeting on behalf of ***Mr Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission from the Government of India.*** She indicated that, after two full days of presentations and rich tripartite discussions, some key points clearly emerged and they deserve to be taken into account by the countries in the development of their strategies to extend coverage of social protection to all groups of their population. These are:

- Social security is a social and economic necessity and a human right.
- ILO studies strongly indicate that a basic level of social security is affordable, irrespective of the economic status of the country: developed, middle-income, developing and least developed.
- The importance of a basic benefit package for all was stressed by many participants, which would be facilitated by better collection of taxes and better governance.
- In recognizing the need to innovate and to initiate social security schemes for those in the unorganized/informal sector, many new interesting models of extending social security coverage and of linking employment promotion and social security were presented, including among others the NREGS. Participants expressed great interest in learning more about the strengths and weaknesses of these models.

- Government intervention is needed for higher contributions in the benefit of the poor and the unorganized sector – the social transfers seem to be the most effective way of doing it.

- Social security schemes have to be sensitized to need of children and women.

- Economic growth matters, but does not automatically reduce poverty. The supposed trade-off between growth and equity does not hold. Social protection systems can be a powerful mechanism to ameliorate inequities and realize the poverty-reducing potential of growth.

- Although we can identify universal principles, practical social security schemes must respect the unique circumstances of each country.

- Issues pertaining to migrant workers require special attention.

- Social security tends to be seen by employers as a cost rather than as a productive investment, despite ILO's findings on close links between productivity levels and social security.

- Global coverage of social security represents only 20 per cent of the total population, thus, and there is still a long way to go.

ILO conclusions

Asia-Pacific Regional High Level Meeting on Socially–inclusive Strategies to Extend Social Security Coverage

1. The main objective of the meeting was to concretize the recommendations of the ILO's Fourteenth Asian Regional Meeting in Busan in 2006 on social security *("within the means available…establish benchmarks and good practices on the extension of social protection to all working women and men and their families..")* and provide orientation for the action of the International Labour Office in the framework of its Global Campaign for the extension of social security till 2015. The mandate of the Global Campaign – as laid down in the conclusions of the 89th Session of the International Labour Conference (ILC), 2001 – is, inter alia, to support countries to *"determine a national strategy for working towards social security for all"*[2]. The conclusions of the 89th ILC in itself reconfirmed the constitutional mandate of the ILO to *"further among the nations of the world programmes which will achieve …the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care"*. That mandate echoes the Human Right to social security including health care as laid down in articles 22 and 25 of the Universal Declaration of Human Rights.

2. During two days of intensive deliberations the meeting:

(a) identified a set of policies - based on the broad and innovative experiences of the countries in the region - within which participating countries pursue effective and progressive extension of social security coverage to all in the formal and informal economy; and

(b) provided guidance to the Office with respect to activities by which the ILO can support the process of extension and improvement of social security in the region.

Brief summary of the discussions

3. The discussions focused on the following issues:

- Surveying recent experience and developments in the region shows that most countries are actively pursuing the extension of coverage, in some cases by way of:

  1. increasing access to health care services to a large number of hitherto uncovered people (e.g. in China, India and Thailand); and/or

  2. the establishment of universal tax-financed pensions; and/or

  3. cash transfer programmes whether conditional or unconditional – including the design of dynamic new mechanisms that link employment and social security objectives; and/or

  4. the extension of existing social insurance coverage; and/or

  5. the modification of benefits provided by national provident funds; and/or

[2] Cf. ILO: Social security – a new consensus, Geneva 2001.

6. the introduction and financing of community-based insurance schemes and private insurance schemes.

All these efforts sit well within the ILO's *Campaign to Extend Social Security Coverage* that was launched in 2003.

- The participants of the meeting shared a broad range of new national approaches and concepts to the execution and implementation of schemes, using public, private and community-based mechanisms, as well as new ways to support wider national economic, labour market and social inclusion policies that can – after proper adaptation - be beneficial to a number of countries in the region.

- The provision of "social security for all" is one of the pillars of the ILO Decent Work Agenda. For ILO constituents, it is a social and economic necessity, a prerequisite for national and international development. It is a part of the ILO development policy paradigm. That policy paradigm is gaining ground rapidly, as it is increasingly accepted by national development agencies, the United Nations and the G8. It was also widely accepted – in turn - that economic growth is necessary to create the fiscal space to ensure sustainable financing of transfers and health care services.

- The Office introduced the concept of a "basic benefit package". The possible contents of this were explored and possible elements in the realm of social security as well as outside of the realm of social security proper (e.g. the concept of a living wage) were discussed. As to the social security component of the basic benefit package and as for the realization of the Human Right to social security the Office suggested a set of four essential social security guarantees, i.e. guaranteed access to basic health benefits, guaranteed income security for children aimed to facilitate access to basic education and health, social assistance for the poor and unemployed, and income security for people in old age, invalidity and survivors through basic pensions. Calculations made by the Office show that the implementation of such a modest set of basic guarantees or at least the gradual and partial implementation of the package appears affordable and sustainable in a number of countries of the region on the basis of current economic expectations.

- The Director-General and the Office have stressed that such a set of social security benefits is the basis for progressively higher levels of protection that countries could introduce on the basis of national consensus as economies develop further and the fiscal space increases.

- It was asserted that social security systems have played a major role in development. However, no system is perfect and no system will perform well unless it is constantly adapted to changing economic, demographic and political environments.

- The meeting agreed that the ILO's constituents should jointly seek to understand the consequences of the accelerating pace of demographic change and economic progress within the Asia and Pacific Region and to put forward pragmatic proposals regarding those aspects of social security systems that require improvement. The meeting reiterated the central role of the State as the guarantor of the access of all residents to appropriate social security coverage, as well as the central role of employers' and workers' participation in the design and governance of national social security systems.

- The debates showed that there is a need to further discussions on major new trends in the economic, social and labour market environments in which social security schemes operate, such as the changing nature of social needs, societal priorities in social security, the changing notion of solidarity, the changing nature of labour contracts and increasing flexibility in the labour market.

- The meeting emphasized the role of tripartite partners in policy developments, the definition of cost structures, implementation mechanisms, scheme governance and evaluation needs to be defined in the context of economic circumstances, national realities and diversities in countries of the region, as well as applicable international standards.

- A number of participants acknowledged the support in the development of their national social protections system.

Future ILO activities in the region

4. In the framework of the *Global Campaign to Extend Social Security to All*, the ILO is committed to supporting the accelerating trend towards broader coverage and improved governance of social security in Asia and the Pacific. In this framework, and that of the Campaign, the Office will focus strategically and firmly on practical outcomes. Seven pragmatic questions will guide ILO support in the context of the Global Campaign:

- Do the schemes reach out to all - in particular to informal sector workers, women, unemployed persons, migrant workers and the poor?

- Are the benefits effective in lifting people out of poverty and diminishing their vulnerability to fall into poverty?

- Do they provide benefits of right and are adequate, reliable and sustainable benefits to people?

- Are schemes financially and administratively sustainable in the long run?

- Is their design conducive to achieve higher levels of employment and good economic performance in general?

- Is the system/scheme making efficient use of workers' and employers' taxes and contributions?

- Are the schemes designed, managed and governed with the adequate and fair participation of the government, employers and workers on the basis of social dialogue and national consensus?

5. The Office considers that the historical evidence shows that countries can and do achieve growth simultaneously with equity. A key element for countries to achieve success in this regard is investment in improving systems of good governance. A set of concrete measures to support improvements in governance has already been developed and is ready to be implemented in support of the Asian Decent Work Decade up to 2015, which was launched by the ILO's member States in August/September 2006. These measures range from the creation and dissemination of the knowledge base to the provision of advisory services and the monitoring of progress:

(1) Knowledge base

(a) The ILO will develop a system of web–based platforms for the generation and dissemination of knowledge and the exchange of valuable first-hand experience among governments and social partner organizations as well as the provision of technical advice. We will promote the use of that instrument among our constituents in the region.

(b) With the New Inquiry into Social Security, we are making available a tool that helps countries in the region to monitor their progress in a comprehensive fashion and, at the same time, benchmark themselves against good practices in other countries. We would recommend all the ILO constituents to support this Inquiry.

(2) Capacity building

The ILO will continue organizing training activities addressed to the staff of the social security institutions, government agencies and employers' and workers' organizations. These courses will cover a wide range of subjects from policy design, legislation on social security, statistical, financial and actuarial matters and governance and management of social security. These courses will be organized in cooperation with the International Training Centre of the ILO in Turin and the network of ILO partner universities.

(3) Policy development

(a) The Office will continue providing advisory services covering legal and managerial aspects, in addition to appropriate quantitative assessments, which, according to circumstances, might include actuarial and social budget analyses in social security and health care. A major objective is to ensure that the progress towards coverage is compatible with economic and fiscal capacity and with the need to provide a basic set of social security benefits that one could describe as a social security floor.

(b) The Office will continue the process, on which it has already embarked, of review of our social security standards to ensure that they best facilitate the design and implementation of a basic set of social security guarantees. The Office will provide assistance to countries for the identification of the components of the social security floor on the basis of national priorities established by each country in the light of its own situation.

(c) We will continue to invite and technically support countries to ratify ILO social security conventions. We will also focus on assisting the countries in closing coverage gaps notably in the informal economy.

(4) Monitoring of progress

The Office strongly believes that countries will find it advantageous to subscribe to a simple review system that allows them to achieve self-monitoring of their progress with respect to population coverage, scope, adequacy of benefits and sustainability. Without such a mechanism, progress is likely to be less rapid than it could be.

(5) Approach

The core of activities of the Office will be to strengthen the regional capacity building and advisory capacity that will provide tailor made services to national constituents. The Office will enhance and facilitate regional cooperation by seeking partnerships with national institutions in an effort to build a regional facility for advisory and training services.

(6) Framework

The Office will pursue our activities within the framework of Decent Work Country Programmes for all countries in the region.

6. The Office thanks the Government of India on behalf of all participants for their hospitality and creating the opportunity to advance the regional efforts to extend social security coverage. We also thank all participants sincerely for this encouraging debate. It has shown vividly that the engagement of member countries with every aspect of the ILO's efforts – not only in relation to the Campaign for the Extension of Social Security Coverage, but beyond that in relation to the wider Decent Work Agenda and, in particular, the Asian Decent Work Decade up to 2015 - is in good and capable hands in all countries of the region.

Extending Social Health Protection in the Asia-Pacific Region:*

Progress and challenges

Asia-Pacific Regional High-Level Meeting on Socially Inclusive Strategies to Extend Social Security Coverage

New Delhi, India, 19-20 May 2008

International Labour Organization

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Contents

1: Global Patterns of access to health services and approaches to health financing

1.1 The importance of access to health services

Good health is a central outcome of development and is valuable in itself. This is recognized by all United Nations Member States in their commitments to the Millennium Development Goals (MDGs), three of which (Goals 4, 5 and 6) deal explicitly with improving health conditions, while three others (Goals 1, 7 and 8) can be considered to be health related (see table 1). Consequently, improving access to health services is a critical element of development, for two reasons:

First, effective access to health services is instrumental in enabling societies and individuals to achieve better health and to realize their full potential. Although achievement of better health is influenced by factors outside the health system, such as nutrition, education and gender relations, the provision of and access to health services are key to achieving overall health improvements. For example, it is well established that maternal mortality cannot be brought down to low levels without ensuring access to hospital-based health services offering essential obstetric care; provision of directly observed treatment, short course (DOTS) for the treatment of tuberculosis (TB) is contingent on the existence of a well-functioning health system and availability of health staff to manage and monitor the treatment; similarly, reducing death rates from malaria requires the provision of effective treatment to those suffering from the disease.

Second, lack of access to affordable health services can impose heavy burdens on families, leading to economic insecurity, impoverishment and poverty. It was the recognition of this reality that historically motivated countries such as Germany, Japan and Sri Lanka to take measures to expand coverage of health services.

Table 1 Health and health-related MDGs and health indicators

Goal 1:	**Eradicate extreme poverty and hunger**
Goal 4:	**Reduce child mortality** • Under-five mortality rate • Infant mortality rate • Proportion of 1-year-old children immunized against measles
Goal 5: Improve maternal health	 • Maternal mortality rate • Proportion of births attended by skilled health personnel
Goal 6: Combat HIV/AIDS, malaria and other diseases	 • HIV prevalence among young people aged 15–24 • Condom use rate of the contraceptive prevalence rate • Number of children orphaned by HIV/AIDS • Prevalence and death rates associated with malaria • Proportion of population in malaria risk areas using effective malaria prevention and treatment measures • Proportion of TB cases detected and cured under DOTS • Prevalence and death rates associated with TB
Goal 7: Ensure environmental sustainability	
Goal 8: Develop a global partnership for development	

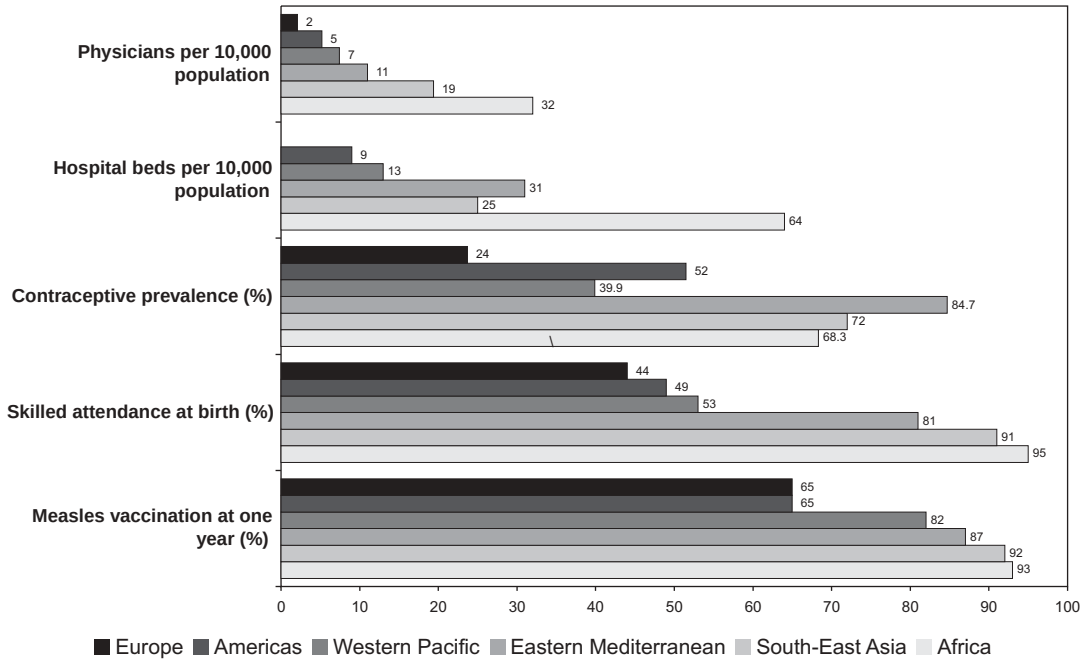
Note: MDGs requiring or implying improvements in access to health services are shaded.

1.2 Global patterns of access to health services

Access to health services varies greatly between and within countries: in advanced economies it is close to adequate and universal and in poor countries often, though not always, inadequate and unequal. However, quantifying these differences is neither straightforward nor easy. If we consider access as implying the notion that all individuals are able to make sufficient use of and benefit from appropriate and acceptable health-care services when they are ill and in need of those services, then measuring such access is not easy. For example, statistics on the physical provision of services can be misleading since they do not tell us how economic barriers may prevent people from using such services. The same per capita indicators of the availability of clinics can imply quite different levels of access in a geographically dispersed population such as Mongolia's from those in a densely populated region such as Java. Similarly, indicators showing equal use of services by people in different economic circumstances are not sufficient, because they do not tell us whether the equal use of services is adequate in relation to the differences in actual need for services. Moreover, simply asking people about their need for services can be misleading, because awareness of the need for services is partially dependent on knowledge and norms, which can vary between individuals and populations.

While recognizing the limitations of generally available indicators, it should be noted that most indicators point to consistent differences between regions across the world. This is illustrated in figure 1, which is based on WHO data and regional classification. In general, levels of physical provision of health-care inputs, such as hospital beds and health workers, are highest in the advanced economies of Europe and the Americas and lowest in Africa and South-East Asia. These translate into significant differences in the frequency of use of health services. Reliable and comparable data on how often the average person is able to access health services is unfortunately not routinely collected. However, for a more specific indicator such as skilled attendance at birth, access is close to universal in the developed economies of Europe, the Americas and the Pacific region, relatively high in much of East Asia, and under 50 per cent in most of Africa and South Asia. Similar patterns are also seen in the use of modern contraceptives and provision of child immunizations (e.g., measles vaccination).

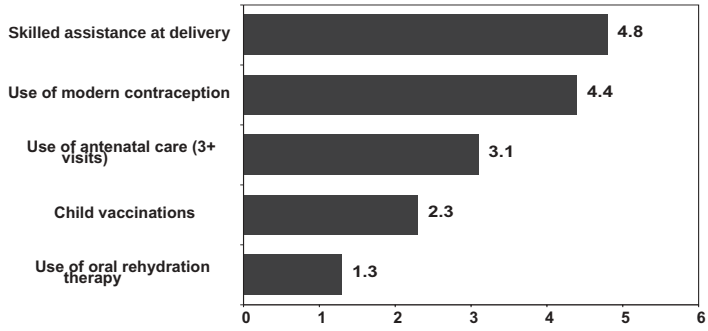
Figure 1 Indicators of access to health services, selected regions, latest available years



Source: WHO (2007).

Such regional and country averages mask significant variations in access between rich and poor within a country. In the developed countries of Europe, the Americas and East Asia, levels of use of health-care services vary only modestly, if at all, between those at different ends of the income range. The overall rate of use of services in the poorest households in these countries is usually higher than in the richest households, although the differentials may in many cases still not be sufficient in relation to differences in sickness between rich and poor (van Doorslaer et al., 2000). For the most part, physical access to health services is good for all income groups. In the world's poorest developing countries, on the other hand, there are significant disparities between rich and poor. For many indicators, such as use of skilled birth attendance or use of modern medical treatment when ill, the disparities between the richest and poorest quintiles can be as much as fourfold or higher (figure 2), although many developing countries the world over have managed to show that even at low levels of per capita income it is possible to substantially reduce or even eliminate such disparities.

Figure 2 Inequalities in use of services a verage rich/poor ratio, Demographic Health Surveys 1991-2002



Source: D.R. Gwatkin, S. Rutstein, K. Johnson, E.A. Suliman, and A. Wagstaff, *Initial Country-Level Information about Socioeconomic Differences in Health, Nutrition, and Population*, Volumes I and II (World Bank, Washington, DC, November 2003).

1.3 Global patterns in health-care financing

The level and nature of health-care financing is an important influence - although not the only or predominant one - on levels of access to health-care services in different countries. The mode of financing has implications for (i) the amount of financial resources that are mobilized, (ii) how efficiently these resources are translated into access to and provision of services, (iii) how well financial resources are pooled, and (iv) how access to services is distributed within the population.

The per capita level of health-care expenditure is closely related to the level of per capita income, with the share of national health expenditure in relation to gross domestic product (GDP) increasing with per capita income. In the advanced, high-income economies of Europe, the Americas and East Asia health spending averages US$ 2,000–6,000 per capita, or 8–16 per cent of GDP. In the poorest, low-income countries, which are mostly in Africa, South Asia and parts of South-East Asia, health spending is typically in the range of US$ 20–40 per capita, or 3–5 per cent of GDP, although donor assistance in some countries can push spending much higher. Spending in most middle-income countries (e.g., in Latin America, the Middle East and South-East Asia) is situated between these levels.

Broadly speaking, countries use five main modes of financing to pay for health-care services: (i) out-of-pocket payment by households, (ii) general revenue tax financing, (iii) social health insurance, (iv) voluntary or private health insurance, and (v) community-based health insurance. These mechanisms all differ in the extent to which they achieve *risk pooling*, which is the collection and management of financial resources so that large unpredictable individual financial

risks due to health-care needs become predictable and are distributed among all members of the risk pool. In practice, general revenue tax financing and then social health insurance achieve the most risk pooling. Out-of-pocket financing involves no risk pooling.

The more developed a country, the more likely it is to use financing mechanisms with high levels of risk pooling as the predominant method of financing (table 2). In fact, in the past century, the need to increase the effectiveness and coverage of risk protection has been the most important policy motivation in reforming health-care systems in the advanced economies of Europe and the developed world in general. In the advanced, developed economies, general revenue and social insurance financing account for 80–95 per cent of total health-care financing; there are a few exceptions, such as the Republic of Korea, Singapore and the United States, where they account for only 40–50 per cent of financing. In most poor countries, out-of-pocket financing is a major source of financing and can account for 20–85 per cent of total financing. In middle-income developing countries, with higher per capita income out-of-pocket financing generally gives way to financing by general revenue taxation and social health insurance, although the exact mix varies considerably between countries. With the exception of the United States, in no country does private insurance account for a significant share of financing, and in almost all countries it accounts for less than 2 per cent of total financing. Community-based health insurance was historically the precursor to many social health insurance programmes in countries such as Germany, Japan and the Republic of Korea. Today it is found only in a few poor countries, in particular in China and some African countries; however, with the exception of China, it usually does not contribute a substantial share of financing.

Table 2 Level and composition of health expenditures in low-, middle- and high-income countries worldwide, population-weighted averages, 2002

Income level	Per capita health expenditure (US$)	Total health expenditure (% of GDP)	Public spending (% of total)	Social insurance spending (% of public)	Private spending (% of total)
Low	30	5.3	29	6	71
Lower-middle	82	5.6	42	36	58
Upper-middle	310	6.2	56	53	44
High	3 039	10.4	65	44	35

Source: Gottret and Schieber (2006).

2: Current status of health-care coverage and financing in countries of the Asia-Pacific REgion

The Asia-Pacific region is characterized by considerable variations in geography, economic development and historical legacies. There is corresponding diversity in the development of health systems, and wide variations exist in the levels of coverage, risk protection and financing. It encompasses greater variation in this respect than any other region in the world, with circumstances ranging from those seen in Cambodia and Nepal to those found in Australia and Japan.

2.1 Access to health services and risk protection

Access to health services varies greatly in the region and is clearly linked to differences in overall health performance. In the advanced economies such as Australia, Hong Kong (China), Japan and New Zealand, health outcomes are among the best in the developed world, and these are

associated with high levels of access to health services with good levels of risk protection. Two indicators of the level of access in these countries are that the average person is able to visit a qualified physician 616 times a year, and the number of hospital beds per 1,000 population is more than 3.5 (OECD, 2005). Access to services in these economies is broadly equitable, although some disparities exist in the Republic of Korea and possibly in Singapore (Wagstaff, 2005).

Making an accurate assessment of the level of access in the rest of the region is not easy because at present there is no system to compile systematic data on health services for the region's non-OECD economies. Nevertheless, the available indicators show that in several middle-income economies (Fiji, Malaysia, Sri Lanka, Thailand, Tonga) and in a few low-income ones (Kyrgyzstan, Mongolia, Viet Nam) the population enjoys relatively high levels of access to basic and most intermediate health-care services, although high-technology services may be accessible only to a few. In these countries, levels of use of health services are much higher than in most other developing economies, although usually not as high as in high-income countries: the per capita visit rate to physicians averages 46, and the supply of hospital beds 24 per 1,000 population (WHO, 2007). For key basic health interventions, such as skilled birth attendance and immunization coverage, the indicators in these countries are also close to universal (>90 per cent). Extreme inequalities in use of health care between rich and poor are not typical, and in some of these countries, such as Malaysia and Sri Lanka, equity in health care use is high (Rannan-Eliya and Somanathan, 2006).

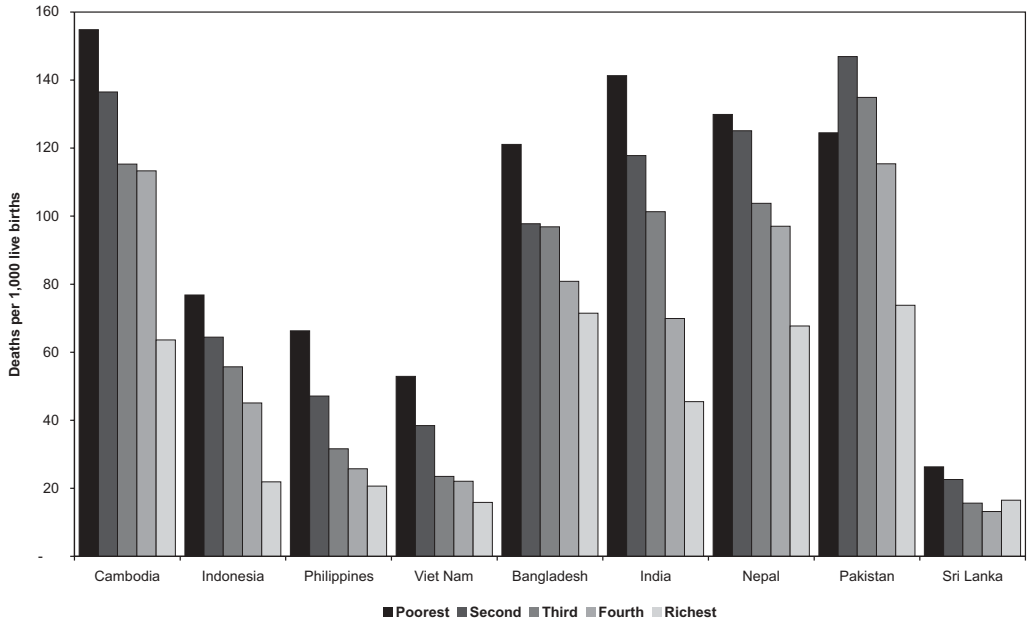
In the remaining countries of the region, considerable disparities exist in access to services, and large numbers of people lack adequate access, as shown in table 3. Access is poor in the low-income countries of South Asia, the Mekong region and some parts of China, particularly the inland western provinces. Access to most services is the worst in Afghanistan, Bangladesh, Cambodia, Nepal, Pakistan and Papua New Guinea, and in some northern states in India. In these countries, the average person makes 13 visits per year to a physician, and there are fewer than two hospital beds per 1,000 population. Most mothers give birth without skilled care, and coverage of basic preventive health interventions is too low to ensure effective protection. In countries where access to services is inadequate, considerable inequalities in access between rich and poor are the norm, and health outcomes show similarly large disparities. This is most clearly seen in access to maternal, child and population services; the available survey data shows that differentials in outcomes between the poorest and richest quintiles can be as much as four- or fivefold (figure 3).

Table 3 Health service coverage indicators in selected Asia and Pacific countries (as percentage of respective population group), 2002 2003

Country	Attended births	Measles immunization	DPT3 immunization	Contraceptive prevalence	DOTS detection	DOTS cure
Afghanistan	14	50	54	5	18	87
Pakistan	23	61	67	28	17	77
Cambodia	32	65	69	24	60	92
Bangladesh	14	77	85	54	33	84
Nepal	11	75	78	39	60	86
India	43	67	70	47	47	87
Indonesia	68	72	70	60	33	86
Philippines	60	80	79	49	68	88
China	97	84	90	87	43	93
Viet Nam	85	93	99	78	86	92
Thailand	99	94	96	72	72	74
Sri Lanka	97	99	99	70	70	81
Malaysia	97	92	96	55	69	76

Note: Countries are listed in ascending order of levels of access to services.
Source: WHO (2005a, 2005b) and WHO statistics.

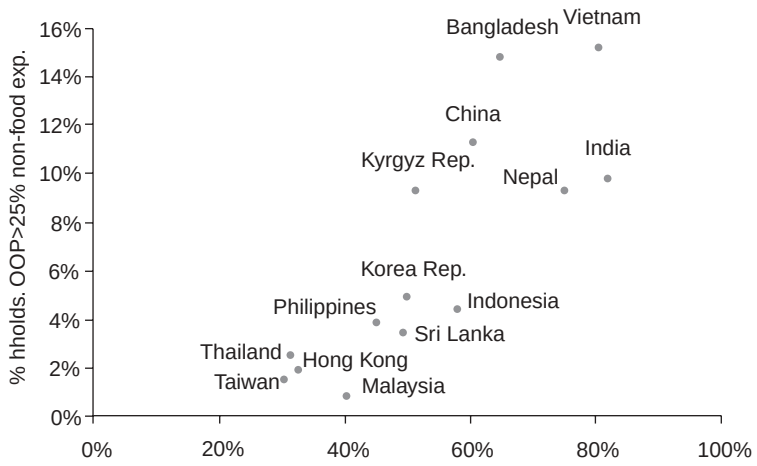
Figure 3Under-five mortality rate by income quintile, selected Asian countries, latest available years



Source: Analysis of various demographic health surveys (DHS) as published by the World Bank, and analysis by IHP staff of Sri Lanka DHS data.

The other important dimension of access is the extent to which health systems protect people against the financial risks of costly health-care treatment, which if severe enough can be catastrophic for households. Research by the Equitap collaboration has shown that performance varies substantially within the region (van Doorslaer et al., 2007). In the high-income economies such as Australia, Hong Kong (China), Japan and New Zealand, risk protection is good, and exposure to catastrophic expenses as a result of illness is very rare. However, the Republic of Korea and possibly Singapore (Wagstaff, 2005) are an exception in the high-income group, in that the incidence of catastrophic expenses is as high as in some poorer middle- and low-income economies. In general, risk protection is weaker in countries with lower levels of per capita GDP, but is clearly negatively correlated with the extent to which health-care financing relies on out-of-pocket financing (figure 4). Nevertheless, even within this context, some poorer countries in the region, notably Malaysia, Sri Lanka and Thailand, do quite well in ensuring effective risk protection despite significant levels of out-of-pocket financing. At the same time, a few countries that perform relatively well in terms of overall access to services (e.g., Viet Nam) do poorly in terms of risk protection.

Figure 4 Incidence of catastrophic health expenditures against reliance on out-of-pocket (OOP) financing, selected Asia-Pacific countries, data for years up to 2005



Source: van Doorslaer et al. (2007).

It is worth noting that although the generally richer countries of East and South-East Asia do better in terms of access, such performance is not simply an outcome of better economic growth. The examples of economies such as Sri Lanka or Viet Nam show that even at low incomes countries can substantially mitigate the problems of poverty and access and expand access to health services.

2.2 Levels and mechanisms of health-care financing

Lower levels of health expenditure help to explain lower levels of health service coverage in the region's poorer economies. The countries with the lowest level of coverage (e.g., Afghanistan, Bangladesh, Nepal, Pakistan) tend to spend less than US$ 1216 per capita, taking into account both public and private spending (table 4). However, aggregate levels of health spending do not provide the full explanation: the mode of financing and provision of health-care services also matters, and the effectiveness of risk pooling particularly so. For example, China, India and Sri Lanka spend similar amounts per capita (~US$ 3055) but achieve quite different levels of access and risk protection. Likewise, Cambodia and Viet Nam spend similar amounts on health, but coverage is much better in Viet Nam.

Table 4 Health expenditure in selected Asia-Pacific countries, population-weighted averages, 2002

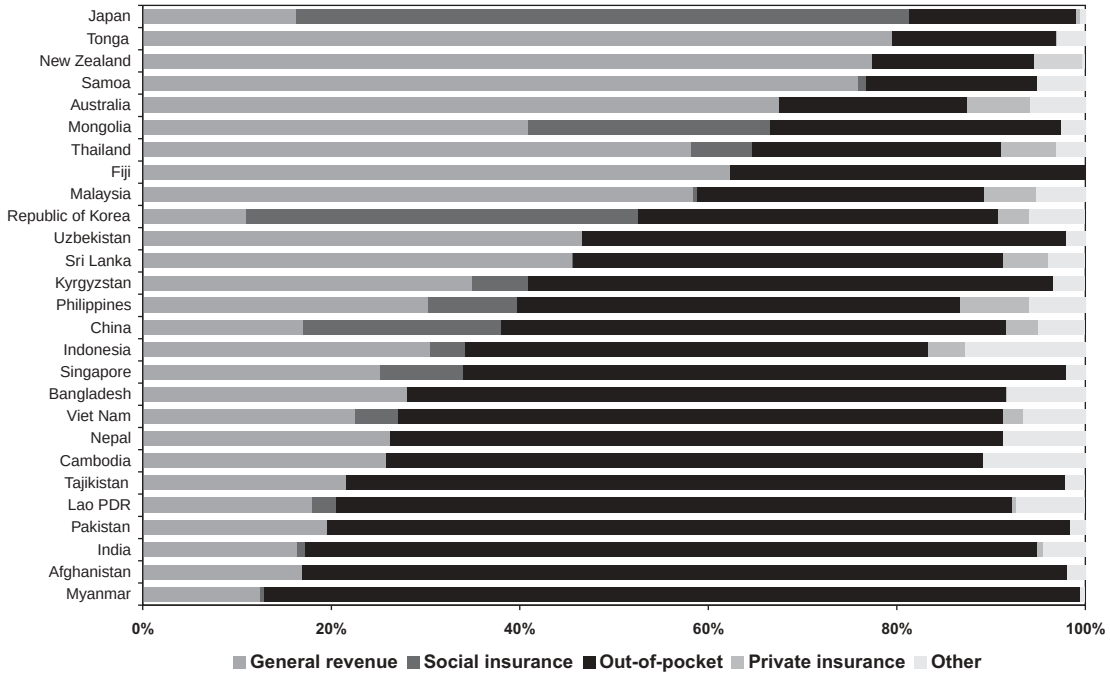
Country	Publicly financed health spending (% of total)	Privately financed health spending (% of total)	Health spending (as % of GDP)	Per capita spending (US$)
Afghanistan	-	-	8.0	14
Bangladesh[a]	25	75	3.4	12
Cambodia[b]	35	65	6.4	23
China	36	64	5.5	54
India	21	79	6.1	29
Indonesia	36	64	3.2	30
Malaysia	55	45	3.7	143
Nepal	27	73	5.2	12
Pakistan	35	65	3.2	16
Philippines	42	58	3.0	29
Sri Lanka	45	55	3.6	31
Thailand[a]	56	44	3.1	63
Viet Nam	29	71	5.2	23

[a] 2001 figures [b] 2004 figures

Source: Asia-Pacific NHA Network (APNHAN) correspondents, WHO statistics and author s estimates as cited in Walford et al. (2006).

WHO statistics reveal the contrast in modes of financing in the region (see figure 5). In the richest economies (e.g., Australia, Japan, New Zealand) and in a few Pacific States (e.g., Samoa) health care is financed primarily from public sources (>75 per cent), with out-of-pocket financing accounting for less than 20 per cent of total spending and private insurance representing an even smaller share. In most of these countries public financing is almost exclusively from general revenue sources, but in Japan social health insurance predominates. Where general revenue financing dominates, most service provision is through public systems that integrate financing and delivery, with public sector providers being funded from government budgets and with minimal patient charges, although public funding of private provision is significant in Australia. In Japan, where social health insurance dominates, most general revenue financing is mobilized through the social health insurance system, and most provision is by private providers. In all these countries access to health services and risk protection are good, and both poor and rich have access to publicly financed services.

Figure 5 Sources of health-care financing in selected Asia-Pacific countries, 2004



Note: Countries are listed in descending order of reliance on public financing (general revenue plus social insurance).
Source: WHO (2007).

In a second band of economies, public financing still dominates, although to a lesser extent, accounting for 45 to 75 per cent of total financing (e.g., Malaysia, Sri Lanka, Thailand). With the exception of Mongolia (low income), the Republic of Korea and Hong Kong (China) (high income), these are all middle-income economies. Coverage of health services is higher than in most developing countries and inequities in access are modest, although not as small as in Australia or Japan. Similarly, risk protection is better than in most developing countries but not as good as in the first group discussed above. In most of this second group, public financing is purely from general revenues (e.g., Fiji, Hong Kong (China), Malaysia, Sri Lanka) and is used to pay public providers, who are accessible to all citizens; a parallel private sector is funded by generally richer citizens who choose to opt out of the public sector. In the three countries which use social health insurance, namely, the Republic of Korea, Mongolia and Thailand, the schemes are universal in coverage and financed from a mix of social health insurance contributions and general revenue subsidies, the latter accounting for more than half of the schemes' financing base in Mongolia and Thailand. In these three countries it is possible for private providers to be paid by the social health insurance programmes, with public providers predominating in Mongolia and private ones in the Republic of Korea. Private financing does exist in these systems but it comprises mostly out-of-pocket financing of co-payments that the insurance schemes may require, or is used to purchase services not covered by the insurance schemes, such as medicines or high-technology services.

In a further group of countries (Afghanistan, Cambodia, India, Myanmar, Pakistan), most of which are among the region's poorest, out-of-pocket financing tends to predominate, accounting for more than 60 per cent of total financing, while public financing represents only 15 to 25 per cent of total health expenditure. Public financing is almost exclusively from general revenue taxation and is used to directly fund public services, reflecting the countries' severe difficulties in extending social health insurance mechanisms. In these economies, private financing almost

exclusively comprises out-of-pocket payments, and this is used to pay mostly for private treatment. In all of these countries, the heavy reliance on out-of-pocket financing is associated with weak risk protection and poor access to basic health-care services, with large inequities in access, particularly in respect of hospital services.

In regard to the extent of public financing, several countries lie between the second and third groups of countries mentioned above. In these countries, public financing generally represents between 2545 per cent of total expenditures, with out-of-pocket financing accounting for half or more of overall spending. The bulk of public financing is generated through general revenue, but several countries supplement this with social health insurance. This is most clearly the case in China, Philippines and Viet Nam, where social health insurance schemes cover parts, but not all, of the population, and operate mostly by paying the charges levied by government hospitals. In these countries, access to health care is a problem for large numbers of people, either because of lack of insurance coverage or high levels of co-payments with insurance, and risk protection is often weak.

3: Approaches to extending Social Health protection coverage

3.1 Defining social health protection coverage

We can define social health protection coverage to comprise two central elements:

(i) Arrangements for the financing and provision of health services such that all covered persons are able to access and benefit from essential health care when they are sick and to receive preventive health-care services when appropriate.

(ii) Arrangements for the financing and provision of health services such that no household is forced to make impoverishing payments in order to receive a basic minimum level of acceptable health services when ill.

Both of these elements can be empirically assessed to some extent. Indicators of the first include the overall volume of health-care services used by the population, the lack of significant inequalities in use of services between rich and poor (for an illustration, see figure 2), which would imply barriers to access, and high levels of coverage by essential preventive health measures (see table 3). An indicator of the second element would be the frequency of households that experience catastrophic or impoverishing expenditures in order to obtain medical treatment (see figure 4).

All countries start with low levels of coverage and access to health services. To varying extents, they then expand coverage and increase social health protection to their populations. In the Asia-Pacific region, the richest economies have been the most successful and most of them have achieved universal coverage, but at all income levels there are countries that perform significantly better than their peers and that have substantially ensured effective social health protection for their populations. This shows that achieving high levels of social health protection is not wholly dependent on GDP per capita (ILO, 2007a). While economic development is a key facilitator, regional and global experience demonstrates that the way in which health-care systems are organized and financed is just as important.

It is also important to note the imbalance in the less developed economies between those segments of the population living and working in the formal economy and the much larger numbers found in the informal economy (or "unorganized sector"), with the consequent exacerbation of the difficulties in financing health care and providing access to services.

The special nature of the health care needed in relation to maternity, and the importance of improving maternity indicators in many developing countries, has resulted in a growing trend (as seen in India, for example) towards special and separate schemes of finance for this category of care.

3.2 General approaches to financing coverage

In considering the different national approaches to extending coverage for social health protection, three aspects of the health-care system are most important: (i) financing and its organization, (ii) macro-organization of provision, and (iii) incentives for providers and patients. Of these, financing is most critical and most influential in determining the level of overall health protection. As noted earlier, countries use five mechanisms of financing to pay for health-care services: (i) out-of-pocket payment by households, (ii) general revenue tax financing, (iii) social health insurance, (iv) voluntary or private health insurance, and (v) community-based health insurance. The financing approach what mix of these are used and how they are combined with the delivery side determines how well risks are pooled and who can afford to access services, what services are made available to the poor and to workers in the informal economy, how efficient the system is, and the overall level of service provision (Hsiao, 2000).

Before discussing the major approaches to financing coverage, it is useful to note the implications of financing health care using solely out-of-pocket financing. This was the prevalent approach in all countries prior to the twentieth century. Such an approach leads to a situation where access to health care is related to ability to pay, so that access is better for the wealthier while those without financial resources are unable to access services. In addition, as sickness is an infrequent event, it can mean that individuals or families who experience a sudden serious illness face an urgent need for large, catastrophic and impoverishing expenditures in order to access care. Families obliged to finance health care on an out-of-pocket basis all too often sell their land, or their farming tools, thus getting caught in a downward spiral of indebtedness. Alternatively, many households in such a situation of financial hardship will simply not use any care services, relying on either self-treatment or no treatment at all. In this scenario, the prevalence of out-of-pocket financing implies a high degree of financial insecurity for most families and large inequalities in access to and use of health care.

All organized financing mechanisms can improve on this by pooling risks and health-care expenses across individuals, thus increasing financial security and overall access to care. However, their actual performance will often depend on the details of their implementation and other factors.

In general, countries use four different approaches to pool risks and expand access to coverage:

(i) Tax-funded, integrated health services
(ii) Social health insurance
(iii) Community health insurance
(iv) Private or voluntary insurance

Each of these can be and usually is combined with others; their effectiveness has depended on the details of their design and on the broader features of each country's economic and social conditions (Gottret and Schieber, 2006).

3.3 Tax-funded, integrated health services

Tax-funded, integrated health services are the commonest approach to extending coverage globally and in the Asia-Pacific region as well. In this approach, public financing is obtained

through general revenue tax financing, with the funding being used to finance government-operated health-care services which are made available to all citizens on a universal basis at zero or minimal price. The approach is integrated in the sense that public financing and provision are combined in a single institutional system.

This approach is often called the Beveridge model as it is most closely identified with the system established in the United Kingdom in the 1940s, although similar systems were established earlier in New Zealand and the Soviet Union, and much older examples existed in Sri Lanka (Rannan-Eliya and de Mel, 1997). A historical characteristic of this approach is that the public sector providers are usually funded on the basis of budgets (possibly on a per-person, or "capitation", basis), and not on the basis of payments for specific services delivered, although following reforms in the past two decades in New Zealand and Hong Kong (China), variations on this approach have emerged in advanced economies. The approach is common in developed countries (e.g., Canada, New Zealand, United Kingdom), where it has been effective in achieving universal coverage. It has also been widely adopted in developing countries (e.g., Bangladesh, Jamaica, Zambia, with a wide variety of characteristics), but in most of them universal coverage is yet to be achieved.

Strengths and weaknesses of tax-funded, integrated health services

These systems have several strengths, including:

(i) *Universality of coverage.* The systems provide services that all citizens are eligible to use, so in theory access is not linked to ability to make contributions, membership of specified groups, or ability to pay.

(ii) *Wide risk pooling.* Because these systems (usually) levy minimal charges at the point of treatment and spread the expense of health-care services across all taxpayers, they achieve the highest degree of risk pooling, in theory across the whole population.

(iii) *Large revenue-raising potential.* Taxation provides a broad revenue base, larger than that of social insurance.

(iv) *Equitable sharing of financial costs.* Taxation, especially direct taxation, is generally the most progressive form of health-care financing in that it imposes a greater share of all payments on wealthier persons than on poorer ones (van Doorslaer, 1993; O'Donnell et al., 2005).

(v) *Simplicity of operation.* Direct government provision of services and taxation make the least demands on state administrative capacities and are thus feasible even in the poorest countries.

On the other hand, such systems can present significant problems, especially in the setting of developing countries:

(i) *Unstable and inadequate funding.* Health services have to compete with other sectors for available public financing, and in poor countries tax resources are often constrained by the difficulties in mobilizing tax revenues. However, in advanced economies there is no evidence that this approach leads to under-funding (Hsiao, 2000).

(ii) *Inequity in the benefits of government services.* In many developing countries, available government services are used more by the rich than the poor. This is usually associated with underfunding and low levels of supply, with rich people better able to access available services, either because of their ability to pay for access or their proximity to service provision. In these situations, universality of coverage exists only on paper.

(iii) *Inefficient and unresponsive health-care delivery.* These systems are often criticized as being inefficient in their use of resources and not responsive to the demands of patients because of the lack of financial incentives faced by providers. However, it should be

noted that there is no empirical evidence to substantiate the view that public sector provision is more inefficient than the alternative private provision.

Critical issues in extending coverage with tax-funded, integrated health services

Although these systems have been successful in achieving universal coverage in advanced economies, in many developing countries they have failed to do so. A common reason is the inability of governments in poor countries to mobilize sufficient and stable tax financing to ensure sufficient levels of health-care provision enabling all citizens to have reasonable access to services, reflected in uneven geographical outreach and low quality of care. Other reasons that can come into play include inadequate targeting of limited resources to the poor who are in most need of coverage, and inefficiencies in delivery. For developing countries which use this approach, the critical challenges are usually how to mobilize sufficient funding to make the system work and how to target the limited government services that can be funded so that poor people benefit equitably.

3.4 Social health insurance

Social health insurance involves the collection, generally mandatory, of contributions from designated segments of the population and the pooling of these contributions in independent funds that are then used to pay for services on behalf of the insured population. In social insurance systems, the mandatory payments typically take the form of compulsory payroll levies (paid either by employers or employees, or both), and health-care services are provided either from government or private providers, or both. An important feature of this approach is that making contributions is linked to eligibility to receive benefits, although in most social insurance systems some categories of people may receive coverage without having to make contributions.

The social insurance model originated in Germany in the nineteenth century, and is often called the Bismarckian model. It is used by many developed countries and is also commonly found in middle-income economies (e.g., Brazil, Republic of Korea, Tunisia). It is less common in the poorest countries, where social insurance contributions are even harder to raise in significant amounts than general revenue taxes. One important modification of the original German approach must also be noted. Over time, many social insurance systems, including almost all in developed countries, have added general revenue taxes as an additional source of revenue. This has been necessary in order to extend coverage to those outside the formal economy who cannot easily make contributions. In a few countries, social insurance is in fact completely funded from general revenue transfers (e.g., Armenia, Lithuania).

Strengths and weaknesses of social health insurance

Social health insurance systems have several strengths. These include:

(i) *Significant revenue-raising potential.* Because contributions are directly linked to benefits, it is often argued that for raising financing social insurance schemes are politically a more acceptable mechanism than increasing general revenue taxation.

(ii) *More stable funding.* Since social insurance funds do not have to compete with other sectoral budgets, these schemes may provide a more stable level of funding for health-care services when competition for fiscal resources is intense.

(iii) *Wide risk pooling.* Social insurance schemes distribute risk across all contributors and are thus effective mechanisms to pool risks. However, they are not as effective as general revenue mechanisms.

(iv) *Equitable sharing of financial costs*. After taxation, social health insurance is the second most progressive form of health-care financing as it imposes a greater share of all payments on wealthier persons than on poorer ones (van Doorslaer, 1993; O'Donnell et al., 2005).

(v) *Potential for using financial incentives to stimulate greater responsiveness by providers*. Since in most schemes financing is not directly linked to provision, it is possible to link payments directly to service delivery and thus incentivize providers to be more responsive.

On the other hand, social health insurance approaches can face significant problems, particularly in developing countries:

(i) *Limitations to extending coverage to the poor and to the non-formal economy*. Most social health insurance schemes start by covering formal economy workers, from whom it is easiest to collect contributions. However, most schemes in poor countries have found it very difficult to extend coverage to other groups because of the difficulties in collecting contributions, and this usually results in such schemes only benefiting the richer segments of the population.

(ii) *Negative labour market costs*. Although insurance contributions can appear to be more acceptable than taxation, in practice they can themselves cause problems because workers may choose to remain in the informal economy to avoid payments, or the actual level of payments can increase relative labour costs during periods of recession.

(iii) *Capacity constraints in management*. Insurance systems can be quite complex to run, especially if providers must be contracted for delivering services. The necessary management and technical capacities to run such systems properly often do not exist in the poorest countries.

(iv) *Poor cost control and macroeconomic inefficiency*. Many countries at all income levels have faced difficulties in controlling the overall cost of insurance systems, particularly because of the incentives they often give providers to increase the supply of services.

Critical issues in extending coverage with social health insurance

Although social health insurance is used to ensure universal coverage in many developed countries, no poor countries and only a few middle-income ones have been able to achieve this. The main challenge in developing countries has been the difficulty in mobilizing contributions from the non-formal economy, which in these countries may comprise the majority of the population. This problem is not insurmountable, but the most effective solution has been to use general revenue taxation to subsidize or pay completely the contributions for the non-formal economy. In Mongolia, for example, more than 60 per cent of the social health insurance fund is paid from general revenue taxation. However, this can realistically mean that social health insurance will not provide a complete solution for poor countries, which are currently constrained by their inability to mobilize adequate tax revenues. Other challenges facing them include developing the administrative and technical capacities to manage insurance systems, ensuring that adequate health service delivery infrastructure exists in poor or rural areas to translate insurance coverage into actual health coverage, and devising ways in which costs can be effectively managed once social health insurance is instituted.

3.5 Community health insurance

Community health insurance is a form of collective health insurance. It differs from social health insurance in that it generally involves voluntary membership, and control is carried out by community organizations and not by the State or state agencies features associated with the type of arrangement generally known as micro-insurance. Membership is related to a shared residence

or to affiliation to social groups with some degree of self-organization, which may include specific occupations. Historically, forms of community health insurance were important in many European countries and Japan: they were the first forms of health-care financing that shared risks within groups, and in turn provided the precursors for the establishment of social health insurance.

Today, community health insurance is found only as a vehicle for marginal aspects of provision in any of the developed countries, and is generally used for larger-scale provision only in the poorer developing countries of Latin America, Africa and Asia. Community health insurance can take highly diverse forms but it generally operates in countries where those living and working in the informal economy or the rural sector typically must incur out-of-pocket costs in order to obtain health care, and where these groups lack access to other forms of insurance. This diversity makes it difficult to obtain comparable (or reliable) statistics on community health insurance schemes.

Strengths and weaknesses of community health insurance

The evidence on the contribution of community health insurance to health-care financing and access is limited, owing to the scarcity of statistics (Ekman, 2004; Gottret and Schieber, 2006). Some evaluations (Jakab and Krishnan, 2004), but not all (Ekman, 2004), suggest that in low-income settings some schemes have contributed towards overall financing and improved access for poor people. If it does have a positive impact it is only as a complement that fills the gaps in other organized financing schemes. This leads some to suggest that community health insurance may perform a useful introductory role as an interim step in the expansion of social health insurance, but a substantial body of evidence in support of this notion is lacking (Gottret and Schieber, 2006). However, studies show that compared with out-of-pocket financing, community health insurance has the capacity to reduce costs for households by 30 per cent or more (ILO, 2007b). A concrete positive example is emerging in Ghana, where the National Health Insurance System that was introduced in 2003 has developed to embrace a confederation of about 140 District Mutual Health insurance schemes, which by now covers around 50 per cent of the total population.

In Asia, with the exception of some schemes in India, community health insurance schemes have not proven able in practice to cover large numbers of people. The available evidence indicates that even in countries where it is significant, community health insurance typically covers only a small proportion (<10 per cent) of the population (Ekman, 2004). Moreover, the small size of most schemes and their tendency to be confined to low-income populations means that risk pooling is limited and the volume of financing mobilized relatively small, resulting in limited protection for their mostly poor members. If the schemes operate on a stand-alone basis, their often very informal nature also means that they typically fail to demonstrate sustainability, ability to counter adverse selection, or to manage large-scale expansion.

Critical issues in extending coverage with community health insurance

A study by ILO/STEP (2002) concluded that relatively few community health insurance schemes are very effective in terms of impact on health outcomes, health-care utilization and financial protection. While they typically operate in poorer communities, a further study (Sinha et al., 2006) found that the spread of membership is limited; it seems that schemes have not generally succeeded in engaging a very wide range (from the poor to the better-off) of participants. Thus while these schemes may perform an important role in filling gaps in situations where formal systems do not provide full coverage, they do not appear to be a solution for achieving full coverage. It is important to understand the situations where these schemes can play a useful role,

marginal as it may be, and to develop strategies to ensure that they are better able to reach the poorest as well as engaging those who are less poor.

3.6 Private or voluntary health insurance

This type of health insurance is a private sector-organized and provided form of health insurance. It differs from social health insurance in that enrolment is voluntary, although individuals may obtain coverage either on a personal basis or as workers in a covered company. Private insurance does provide risk pooling and this can be substantial if the risk groups are large. It generally only covers large numbers of people in developed countries: it is the predominant form of coverage in the United States (coverage ~60 per cent), and in many other developed countries it provides higher-income workers with coverage that supplements the main public schemes.

Strengths and weaknesses of private health insurance

The most common positive role of private health insurance is to allow individuals to pay for services that are not covered by public schemes. Examples range from providing access to elective surgery in private hospitals in the United Kingdom to paying the co-payments required by social health insurance schemes in Taiwan (China). Other contributions that have been suggested by some include the potential for private insurance to stimulate innovations in financing and management of private providers.

In practice, however, private health insurance has been quite ineffective as a means for achieving widespread coverage. Major reasons include the difficulty that these schemes have in controlling moral hazard (by both providers and patients) and adverse selection, as well as high administrative costs (often more than 30 per cent of total financing raised). The first two problems generally restrict affordable coverage to large groups, such as companies, and to the healthiest segments of the population, excluding the elderly and the chronically sick. Private insurance has also been ineffective in most countries in controlling price inflation, and in the case of the United States so ineffective that the expansion of private health insurance coverage in the second part of the last century did not result in any lowering of out-of-pocket costs of the average patient (Feldstein, 1981).

In developing countries, the smaller size of the formal economy and weaker financial markets have generally limited coverage of private health insurance to between 2 and 5 per cent of the population, and less than 5 per cent of overall health-care financing. Strong adverse selection effects have also often eliminated the market for many types of coverage, with items such as maternal care or routine outpatient treatment often not being insurable in many countries.

4: Effectiveness of current approaches in the Asia-Pacific region

All countries in the region have endorsed the MDG declaration with its various commitments to improving health coverage, as well as earlier international commitments for achieving health for all, such as the WHO Alma Ata agreement of 1978 to place primary care in the centre of national health policies, and relevant ILO Conventions. These imply a widespread and shared aspiration in the Asia-Pacific region to work towards universal access to health services and effective social health protection for all the population. This is reflected at the national level in the policy declarations and frameworks of nearly all countries (UNESCAP, 2007).

However, only a few countries in the region have been completely or largely successful in realizing these goals. As discussed in Chapter 2, in many of the region's poorest countries the majority of the population continues to lack effective coverage, and in many middle-income countries large segments of the population live in the same situation. Despite this, the successes and the failures provide important pointers to what is likely to work in extending coverage further.

4.1 Approaches that have failed in extending coverage

Before turning to examine the successful approaches more closely, it is useful to consider briefly what approaches have failed, or have not achieved success to date.

Exempting the poor from user fees for public services

User fees are charges that are levied for accessing publicly provided services. In most countries in the region user fees are levied in the public sector, at least for some services. In fact, in many countries public health-care systems were initially developed with a reliance on user fees as a major source of financing (e.g., China, Indonesia, Thailand). As elsewhere in the world, such fees when significant have reduced access by the poor to health care and increased inequalities in access, because the poor have less capacity to pay and because demand for services by the poor is more affected by price barriers than demand by the non-poor (Gertler and van der Gaag, 1990). Consequently, most countries have attempted to improve access and coverage for the poor by exempting them from user fees. This has been done either by applying a means test at the point of care in the health-care facility (e.g., Hong Kong (China), Malaysia, Sri Lanka) or by pre-identifying poor households and distributing them cards or vouchers entitling them to an exemption (e.g., Thailand, Indonesia, Bangladesh).

Unfortunately, as elsewhere in the world (Creese and Kutzin, 1995; Gottret and Schieber, 2006), such approaches have not demonstrated significant success in extending coverage in the region when the level of user fees has been significant. In Indonesia, for example, the widespread distribution of free health cards exempting patients from fees, targeted at low-income households, has not significantly diminished overall inequalities in health-care use, and there is some evidence that health cards disproportionately benefited the non-poor (Somanathan, 2006). In Thailand, a similar scheme, known as the Voluntary Health Card Scheme, was successively developed from the early 1980s and eventually covered one-fifth of the population, but despite many revisions it too failed to reduce inequalities in access between the poor and non-poor, and was not effective in reaching the poor in urban areas (Tangcharoensathien et al., 2005). Its failure was a major reason that persuaded Thai policy-makers to replace all such schemes with the universal "30 Baht" scheme.

In the region as a whole, no country has been able to substantially extend coverage to most of its poor population through a strategy of reliance on user fees for financing facilities, and targeting the poor with exemptions from the fees by using means testing. The major problem has been the difficulty and cost of operating mechanisms that identify the genuine poor accurately but also do not exclude large numbers of the poor. Although there have been and there continue to be examples of success in individual projects for different schemes, none have demonstrated viability when scaled up to national level.

Social health insurance with no general revenue subsidy

Many countries in the region have attempted to expand social health insurance schemes to the poor, to rural residents and to the informal economy without utilizing general revenue tax subsidies. Since many people in these groups typically lack the financial capacity to make regular

contributions and given the lack of administrative mechanisms for collecting contributions from the informal economy, such efforts have had to rely on voluntary enrolment. Despite some notable if modest successes in extending outreach, the overall picture is one in which the lack of capacity to pay, and also limited awareness of the benefits, have constrained expansions in coverage. Most poor people have been unable or unwilling to participate, and have not benefited. This has been true both in the most advanced economies of the region, such as Japan prior to the 1960s and the Republic of Korea in the 1970s, as well as more recently in poorer ones such as Thailand and China (WHO, 2005c).

Community health insurance without integration with state programmes and financing

To date, community health insurance in the region has not generally proved effective in achieving universal and sustained coverage of poor populations. It is worth noting, however, one historical and one recent example showing at least partial success. In Japan, voluntary community health insurance was established in the early nineteenth century and by the 1920s covered several rural areas. However, without financial support from the government its coverage remained limited, and was substantially expanded only from the 1930s, after the government intervened by directly organizing community insurance and providing general revenue budgetary support. In China, in the past two decades, the government has attempted to fill the void in rural areas caused by the collapse of the original Cooperative Medical Scheme (CMS) in 1978, by fostering the development of community health insurance schemes.[1] However, these schemes have failed to cover the poorest areas owing to the fact that social solidarity and community social resources are lowest there, and to cover the poorest households in other areas as they are the ones least able to afford coverage (Wang et al., 2005). In addition, risk protection has been weak even for those covered by the schemes.

4.2 Approaches that have succeeded in extending coverage

The regional and global experience is consistent in demonstrating that at every level of economic development it is possible to achieve high levels of coverage with appropriate policies. In practice, on the basis of available indicators (Rannan-Eliya and Somanathan, 2006; UNESCAP, 2007) only a few countries (or sub-national regions) in Asia and the Pacific can be regarded as having achieved high or universal coverage of social health protection to date:

- **Developing economies**: Sri Lanka, Thailand, Malaysia, Mongolia, Samoa, Tonga, Brunei Darussalam.
- **Developed economies**: Japan, Australia, New Zealand, Republic of Korea, Hong Kong (China), Taiwan (China).

If we examine how these successes have been achieved, it is clear that in practice countries have used one of two alternative approaches. They can be categorized into two groups according to which one of the two approaches they have adopted (UNESCAP, 2007):

- **Integrated national health services funded by general revenue taxation, with or without significant private provision available for those who wish to voluntarily pay**: Sri Lanka, Malaysia, Brunei Darussalam, Samoa, Tonga, Hong Kong (China), Australia, New Zealand.
- **Predominant reliance on social insurance financing supported by general revenue subsidies to extend access to public and private services**: Japan, Republic of Korea, Taiwan (China), Mongolia, Thailand.

[1] A large-scale, national initiative to build a social insurance scheme for the rural population began in 2003.

A critical feature common to both approaches is the contribution of general revenue taxation. In the first approach this directly finances government-provided services, while in the second it has proven vital to ensure that those groups who cannot (or will not) contribute for coverage are adequately covered.

However, it is important to note that while all the regional successes have relied on one of the two approaches, neither approach has been successful in every country where it has been attempted. This experience of success and failure is instructive, and provides important lessons.

4.3 Tax-funded, integrated health services

This approach is common in developing countries of the region, where it was often a legacy of colonial rule (e.g., India, Sri Lanka, Malaysia, Papua New Guinea), and also owing to its general administrative simplicity. Its evident advantage is that the services provided are in principle available to all citizens regardless of income. In practice, however, this often does not translate into reality and as discussed in Chapter 2 this approach frequently fails to deliver on its promise.

The classic examples of this approach to achieving universal coverage in developed economies are countries such as New Zealand and the United Kingdom. In these countries, the overall level of health-care provision is high enough to ensure that all the population has effective access to health care, with tax financing accounting for more than 85 per cent of all health-care financing and provision. However, almost no developing country has been able to replicate this. The critical difference is that developing economies lack the fiscal capacity to finance such a high percentage of overall funding for such a high level of services. To understand why, contrast the tax financing of 69 per cent of GDP available for health care in the developed country systems with the 12 per cent that is feasible in developing countries. The significant volume of demand for services in developing countries that cannot be met by tax financing must be met by private financing and private provision. Consequently, in most developing countries that attempt to apply this model, private expenditures account for 4075 per cent of total health-care financing and provision. It is this inadequate level of tax financing and public provision that then leads to the lack of coverage and inequalities in access. The rich are usually better able than the poor to access limited public services, and so in many countries they benefit preferentially from government service provision, leaving the poor excluded and inadequately covered. Although means testing access to services would in theory solve this problem, it is typically not feasible because the very factors that prevent governments of developing countries from raising significant amounts of revenue from income tax, i.e., their inability to accurately identify higher incomes, also militate against successful means testing (Besley and Coate, 1991).

In this situation, the critical challenges to extending coverage with this approach are:

(i) Maintaining the principle of universal access, i.e., no means testing, while at the same time targeting tax financed services effectively to the poor.
(ii) Achieving high levels of government service provision despite limited tax funding.

Some countries (e.g., Malaysia, Samoa and Sri Lanka) appear to have solved the targeting problem in similar ways (UNESCAP, 2007). In these countries, public services are used at a proportionately high level by the poor, while the non-poor opt out of the public sector and make much higher use, proportionately, of voluntarily financed private services. In contrast, in other countries the rich tend to make use of a comparatively greater mix of both public and private services. How countries reach such positions is not yet adequately explained in the literature, but likely reasons include development of highly dispersed government health service

infrastructures ensuring close physical access to the rural poor, maintaining some minimum quality levels in the public sector, the absence of significant user charges in public facilities, and a public sector culture that seeks to welcome the poor. In all these countries, governments have taken a pragmatic approach to the existence of private provision, but have also been strongly committed to reducing existing barriers that prevent poor people from accessing free government services. This has usually been driven by an acceptance that access to public (and private) services is an extension of citizens' political rights. In addition, it would seem that effective public service management enables these countries to achieve high levels of service delivery despite limited spending.

The successes in the region suggest that in order to successfully extend coverage with this approach, countries need to:

(i) stress the principle of universal access to public services, and support this by either abolishing or minimizing user fees in public facilities;

(ii) sustain a political commitment to continuously expand their government health-care delivery systems and reduce barriers to access for the poor, with particular emphasis on ensuring wide geographical coverage in rural areas, which may require highly dispersed service networks;

(iii) permit private sector provision and financing to operate alongside the public sector, with an implicit or explicit policy of encouraging the non-poor to voluntarily use private services;

(iv) be able to strengthen public sector management, and constantly improve efficiency and quality in public service delivery, so that limited budgets are translated into high levels of acceptable services for the poor;

(v) accept the linkage between citizenship and the right to have access to adequate government health-care services.

Another distinctive feature of these success stories is worth noting, namely, the fact that most of the countries concerned allocate an exceptionally large share of their public budgets to hospital services (>65 per cent in Hong Kong (China), Malaysia, Samoa and Sri Lanka). This facilitates effective coverage of the poor because hospital care is where risk protection needs are the greatest, and because it translates into high levels of investment in the institutional delivery system that is critical to achieving adequate levels of maternal care.

4.4 Social health insurance supported by general revenue subsidies

Several countries in the region have established social health insurance schemes with the goal of achieving universal coverage (e.g., China, Japan, Indonesia, Mongolia, Philippines, Viet Nam), but few have succeeded. The most critical challenge has been extending coverage beyond the formal economy population, for whom contributions are affordable and feasible to collect. In all the countries that have been partially or completely successful, e.g., Japan, Republic of Korea, Mongolia, governments have had to play a critical role (UNESCAP, 2007; WHO, 2005c) in the following:

(i) Finance from general revenue taxation and by cross-subsidies from the contributions of those in the formal economy;

(ii) Exert compulsion to enrol segments of the population in order to achieve high levels of coverage;

(iii) Manage in a planned and sustained manner the gradual expansion of coverage.

Regional experiences indicate that implementing such a strategy requires a high degree of government commitment to set priorities (ILO, 2007a) and to sustain the necessary commitment over a long period so as to prevent the expansion process from stalling. With the exception of Taiwan (China), where it took two years, achieving universal coverage with social health insurance has taken countries in the region between 12 and 30 years; however, it should be pointed out that in most European countries it took considerably longer.

Government commitment has proven a prerequisite to extend social health insurance coverage for two broad reasons. First, no country has been able to expand social health insurance in one step from zero coverage to the whole population. Successful countries have all started by first establishing schemes for segments of the population, usually formal economy workers and government employees. These population groups are typically covered on a contributory basis, with some degree of state-enforced compulsion. Extending coverage beyond these groups usually requires developing alternative mechanisms and scheme designs, and a sustained commitment to incrementally increase coverage group by group. In addition, the technical and administrative capacity to run social insurance systems must be developed, knowing that in the poorest countries the necessary skills and human resources are initially usually lacking. In Japan and the Republic of Korea coverage was gradually extended to most of the workforce as the economy and national capacity developed, with different schemes tailored for the circumstances of each segment of the labour force. This requires flexibility in policies and also the capacity to consider different approaches. Second, extension to the remaining segments of the population invariably requires the government to be willing to contribute general revenue subsidies and also necessitates effective policies to control and share costs in the national system. In Mongolia, for example, to achieve coverage levels of 80 per cent or more, it was necessary for general revenue contributions to pay for more than 60 per cent of the overall insurance fund receipts. At the same time, governments in most countries have had to ensure that the risk pools are broadened sufficiently so that better-off beneficiaries cross-subsidize the worst off.

The successes in the region suggest that in order for countries to successfully extend coverage with this approach, the following are important enabling or facilitating factors:

(i) High degree of government commitment to extending coverage to the non-formal economy.
(ii) Willingness to combine a purely contributory insurance mechanism with financing from general revenues to pay for the contributions of the non-formal economy.
(iii) Good economic growth that can help keep the fiscal and wage costs low during expansion.
(iv) High levels of state administrative capacity to effectively enforce the collection of contributions.
(v) Strong social and political commitment to the notion of social solidarity and sharing of risks through a common insurance system.

5: Key lessons and a strategy suggested by the ilo

The subject of health-care financing has in recent years risen strongly on the policy agenda of many, if not most, countries in the Asia-Pacific region. This is evidenced by a variety of major initiatives, not least in China (the insurance scheme for the rural populace now reaching some 700 million people) and in India (social insurance scheme designed for workers in the unorganized

sector). It is therefore timely to review the available experience as to what works and what seems less successful.

5.1 Key lessons of achieving universal health-care coverage in the Asia-Pacific region

Broadly, it is clear that successful extension of population coverage depends on using a range of instruments and approaches in appropriate combinations. Several specific lessons can be identified from a recent review (UNESCAP, 2007) of successful experience in the Asia-Pacific region and elsewhere:

(i) Countries which have achieved universal coverage have done so by focusing predominantly on one of two approaches using the tax-financed national health services model (Sri Lanka, Malaysia and Samoa) or the social insurance approach (Japan, Republic of Korea and perhaps Mongolia).

(ii) No country has, however, relied purely on one approach social insurance has had to be combined with tax financing and in some places community insurance, and in the poorer countries tax-financed health services have had to be complemented by private financing and provision.

(iii) The administrative and managerial requirements for successful implementation of social insurance approaches may be lacking in the poorest countries, and the successes in these cases are associated generally with the tax-financed approach.

(iv) Whichever approach is adopted, making coverage of poor populations a reality requires significant tax financing by the government, either in the form of direct budgetary support to free government health-care facilities or in the form of tax contributions to social insurance funds in place of premium payments by the poor.

(v) None of the successful countries has achieved universal coverage using explicitly targeted mechanisms, and all emphasize universalism and solidarity in entitlements and access to services or insurance coverage. Where targeting does take place, as in Malaysia and Sri Lanka, it tends to be informal rather than explicit.

(vi) Universal coverage must involve both a reduction in price barriers faced by the poor, whether they be official prices or co-payments, as well as actual physical supply of services to ensure that the poor are not prevented by distance from accessing services.

(vii) Economic development, in particular its tendency to lead to the expansion of formal economy employment and strengthening of government capacity, is an important precondition for successful implementation of a social insurance strategy to achieve universal coverage.

(viii) Countries which have achieved universal health care provide a full range of services in the covered package, and have not attempted to do so by restricting the package only to low-cost, cost-effective services of a very basic nature.

5.2 A strategy suggested by the ILO

Successful countries have often learned from international experience when designing and building their systems, although always choosing locally appropriate solutions and strategies. While one can probably identify a theoretically best health financing system that could provide universal and equal access to good quality health care, reality shows that such a system does not exist anywhere, nor has it ever existed. Universal tax-financed schemes wrestle regularly with the intricacies and risks of national budget processes that may lead to underfunding or wrong

resource allocations, and with the difficulties of motivating salaried providers. In no developing country has universal coverage been achieved by relying solely on tax-financed provision: resource constraints have required some balance to be maintained with other forms of financing and provision, including out-of-pocket financing and private provision. Social health insurance schemes seem to struggle regularly with cost increases and are able to reach out to the poor and to people in the informal economy only with substantial tax financing in the form of general revenue subsidies. Community insurance schemes face similar outreach problems, and these are compounded by sustainability problems if the schemes are not supported by national subsidies and eventually integrated with national programmes. Countries everywhere are mixing pure forms of health financing into specific national mixtures that develop over time. It appears that it is time to replace reliance on theoretically "pure" models by a truly pragmatic approach to health financing.

Based on such observations, the ILO's recent policy consultation paper on health protection (ILO, 2007a) drew the following conclusion from the various strengths and weaknesses of alternative health financing systems:

Worldwide experience and evidence show that there is no single right model for providing social health protection or one single pathway towards achieving universal coverage. In most cases, social protection evolves over many years and often decades according to historical and economic developments, social and cultural values, institutional settings and political willingness and stewardship. However, the way in which countries combine the various functions of resource generating, risk pooling, health-care delivery and financing is not neutral regarding efficiency and equity of health systems. Furthermore, most national health financing systems are based on multiple financing options that cover disjunct or even overlapping subgroups of the population while others remain uncovered.

The overall objective of national policies in social health protection should be to develop a pragmatic strategy aimed at rationalizing the use of various health financing mechanisms with a view to achieving universal coverage and equal access for all.

It is suggested here that countries develop their strategies towards universal coverage by:

- first, taking stock of all existing financing mechanisms in the country;
- next, assessing the remaining access deficits;
- then recognizing the need for government funding to reach the poorest groups; and
- ultimately, developing a strategy for expanding coverage which fills gaps in an efficient and effective way.

The State should play a pivotal, active role as facilitator and promoter in this context and define the operational space for each subsystem. Its facilitative role must, regardless of the primary financing strategy adopted, include the willingness to contribute general revenue financing to ensure that the poor and those in the informal economy are covered. This entails developing an inclusive legal framework and ensuring adequate funding and comprehensive benefits.

The framework should regulate, where relevant, voluntary private health insurance, including community-based schemes, consider regulations to ascertain good governance and effective protection, and identify an appropriate contributory role for private financing and provision that supports the overall goal of extending coverage. This framework should incorporate a rights-based approach to social health protection that refers in particular to the objective to include the uncovered part of the population in line with their needs and capacity to pay. The ILO also advocates a strong role for the social partners, particularly through social dialogue and broad

participation in policy processes, and governance of schemes, including the social partners, civil society, the insured and other stakeholders in social health protection.

When developing the coverage strategy, all options in regard to financing mechanisms including all forms of compulsory and voluntary schemes, for-profit and non-profit schemes, public and private schemes ranging from national health services to community-based schemes and out-of-pocket financing should be considered, if they contribute in the given national context to achieving universal coverage and equal access to essential services for the whole population. At the same time, countries should bear in mind that almost all countries which have succeeded in achieving universal coverage have done so by adopting just one of two predominant approaches, both of which require some level of general revenue financing.

The coverage strategy should aim to integrate the different financing and provision mechanisms on a coherent basis, so that each subsystem that contributes to universal coverage national and social health insurance schemes, tax-financed government provision, community-based insurance, and so on operates within a clearly defined scope of competence and coverage. The objectives of the coverage plan thus comprise:

- determining mechanisms that in combination cover all population subgroups;
- determining the rules governing the financing mechanisms for each subsystem and the financial linkages between them (also as financial risk equalization between different subsystems, if any);
- developing adequate benefit packages and related financial protection in each subsystem;
- maximizing institutional and administrative efficiency in each subsystem and the system as a whole;
- determining the time frame in which universal coverage should be reached.

When coverage is being incrementally expanded, the strategic plan should ideally include an overall national health budget which identifies and projects, on a national basis, the total social resources, such as taxes, contributions and premiums, available to finance health care, estimating the expenditure requirements of the different subsystems in such a way that the process of achieving affordable universal coverage and access can be planned, implemented and accelerated in a realistic manner.

An approach to applying pluralistic financing mechanisms simultaneously to achieve the stepwise extension of effective social health protection coverage through national health services, social health insurance, community-based insurance and mandated private health insurance is the most promising strategy for attaining universal coverage. It represents an integrated approach, respects existing coverage and financing arrangements, and can be adjusted to the specific social and economic context of each country.

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Income Security for the Elderly and not -so-elderly in the Asia-Pacific Region

Asia-Pacific Regional High-Level Meeting on Socially Inclusive Strategies to Extend Social Security Coverage

New Delhi, India, 19-20 May 2008

International Labour Organization

1. Introduction

1.1 *Giants*

At a recent forum coincidentally also concerned with social security and held in New Delhi,[1] the scene was set by tracing significant elements of the historical development of social security in its typical, present-day institutional form. In his address[2] the keynote speaker spoke of the "giants" identified by Sir William (later Lord) Beveridge, in writing his ground-breaking report, which he hoped to see slain by the development of a comprehensive social security system in the United Kingdom the giants of want, squalor, idleness, ignorance and disease. The speaker suggested that, while the giants may have dressed in new clothes as poverty, inadequate housing, unemployment and informal employment, illiteracy and low skills, and ill health (not least in the form of HIV/AIDS) they still tread heavily across not only Asia-Pacific, but also other regions of the world.

Moreover, he continued, the giants hold hands poverty will not be overcome if unemployment is not slain, and that is unlikely without tackling ill health and killing off illiteracy. Furthermore, there are other giants lurking in the shadows: inequitable growth, corruption, discrimination (in the context of social or cultural diversity), and population ageing. Their influence multiplies the impact of the primary giants.

The message, then, is that the weapons available to fight the giants in particular, social security must be brought to bear against them, more forcefully now than hitherto, and in a fully targeted and coordinated way.

1.2 *Principles*

Social security, as a central component of the world of work, has represented the mandate of the ILO since the very foundation of the Organization in 1919. Although the roots of socially organized provision for those in need by reason of, for example, ill health, disablement, old age, or loss of the family breadwinner, can be traced back for centuries, in 1919 the principles of social security in the form of nationally organized schemes were relatively recent, having been formulated explicitly for the first time in Bismarck's model of the early 1880s. Over the succeeding period, now more than a century, a good deal of flesh has accrued to the early, skeletal framework. Crucial steps the addition of new knowledge and crystallization of new concepts include, among others:

1944 Beveridge Report (United Kingdom)
1944 Declaration of Philadelphia (ILO)
1948 Universal Declaration of Human Rights (United Nations)
1952 Convention No. 152 concerning Minimum Standards of Social Security (ILO)
1966 InternationalCovenant on Economic, Social and Cultural Rights (United Nations)

It is entirely naturally that over this period not only have knowledge and concepts developed, but the environment in which social security schemes operate has changed radically. Most importantly, perhaps, an understanding has developed of the dual nature of the world of work the formal economy on the one hand and the informal[3] on the other and the constraints which this imposes on the modalities of social security provision.

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[1] Fourteenth International Social Security Association (ISSA) Regional Conference for Asia and the Pacific, December 2006.

[2] Walker (2007).

[3] Corresponding fairly closely to the terminology and concept (as used in India and elsewhere) of the "unorganized sector".

Accordingly, in common with other actors in the field of social security, the ILO has recognized the need to review its own approach to the subject of social security in terms of both policy and practice. Many aspects of the existing framework retain their relevance but may need to be reinforced or supplemented by new thinking. A focal point in the review process was the general discussion held at the 89th Session of the International Labour Conference in June 2001, which promulgated a set of 21 conclusions encapsulating in broad terms the ILO's vision for social security in the new millennium. The ILO Social Security Department is consequently in the process of translating that vision into an up-to-date policy and programme approach, which must be both principled and practical, and has embarked on the publication of a set of consultative documents, the first of which was issued in August 2006.[4] From the review process, five elements have been distilled as representing the most basic principles upon which, it is envisaged, each nation has built or will build an appropriate system of social security provision.

We begin with a brief survey of these five basic elements, together with (in the sections following) a selection of the cornerstones within the ILO's structure on which they rest.

Coverage should be universal and benefits adequate.

These requirements simply and directly reflect the realization of access to social security as a de facto human right and as is asserted in a range of international instruments, not least the 1948 Universal Declaration of Human Rights.[5]

Each nation State bears the ultimate and general responsibility of guaranteeing a framework of good governance [in relation to social security provision] and the assurance that benefits will be paid as and when due.

The requirements, likewise, reflect the conceptualization of access to social security as a human right; the responsibilities of the State in this regard arise from the commitments undertaken by States in adhering to the Universal Declaration of Human Rights.

Social security should be organized on the basis of social solidarity between, inter alia, men and women, different generations, those in and out of work, and the rich and poor.

The principles of non-discrimination set out here reflect, we would argue, more or less universally held values of "fairness". Broadly, what is at stake here is the assertion by the State [and its citizens] that it will use its best efforts to eliminate poverty. In the present era, the world's States have in effect collectively agreed to a system of accountability to this principle within the framework of the Millennium Development Goals (MDGs),[6] the first of which (MDG 1) sets specific targets for the reduction of the level of poverty in every country. The principle of non-discrimination between men and women is the subject of a range of instruments, not least MDG 3, but also including several international labour Conventions.[7]

Social security systems must be sustainable.

That social security systems must be sustainable in financial terms is a sine qua non. The technical capacity of the ILO Social Security Department is uniquely suited to the assessment specifically, but not solely, actuarial of the long-term financial balance of social security schemes. However,

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[4] ILO (2006).

[5] Article 22. The full text of the Declaration is available at: http://www.un.org/Overview/rights.html

[6] The full text of the MDGs is available at: http://www.un.org/millenniumgoals/

[7] Notably two of the fundamental Conventions, the Equal Remuneration Convention (No. 100), 1951, and the Discrimination (Employment and Occupation) Convention (No. 111), 1958.

there are other functions technical and administrative which must be assured if any social security scheme is to be continuously effective in the long term, and the capacity for which must therefore be properly institutionalized.

The rule of law must prevail at both the national and international levels.

Social security schemes, as ruled-based entities, must inevitably be framed within the context of national laws. In many if not most countries the specific laws reflect rather general directive principles set out in the national constitution, requiring the provision of social security benefits in specified circumstances; it seems, however, rather rare that such requirements reflect in full the commitment undertaken by States in ratifying or otherwise assenting to the various relevant international declarations and covenants.

In wider terms, the ILO has the capacity to support these principles by linking to, inter alia, the following capacities:

The body of ILO legal instruments

Over a dozen ILO Conventions are classified as relating to social security, and are supported by a similar number of Recommendations. Together, they provide a relatively detailed framework within which member countries may construct more or less "comprehensive" systems of social security, dealing broadly with at least the nine specific contingencies listed therein.[8] The Social Security (Minimum Standards) Convention (No. 102), 1952, provides the most extensive description of such a comprehensive system, with fairly detailed guidance as to the level of benefits (in relation to most contingencies, specified as target percentages of individual workers' earnings levels).

The Decent Work framework

Over the last decade, the ILO has framed its approach to the "world of work" in terms of the concept of Decent Work, which sums up the aspirations of people in their working lives their aspirations for opportunity and income; rights, voice and recognition; family stability and personal development; and fairness and gender equality. Decent work is captured in an integrated approach to four strategic objectives: fundamental principles and rights at work and international labour standards; employment and income opportunities; social protection and social security; and social dialogue and tripartism. These objectives hold for all workers, women and men, in both formal and informal economies, in wage employment or working on their own account.

Social dialogue

The ILO has a unique advantage, arising form its constitutional structure, in providing a natural forum bringing together representatives of workers and employers. The *social dialogue* that takes place in this way ensures a system that is responsive jointly to the needs of the two groups.

1.3 Relationship to other perspectives

Next, we observe briefly that the quest for extension of coverage under inclusive and effective systems of social security (or, more broadly, social protection) overlaps to a considerable degree with a number of other agendas.

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[8] "Social security" in this sense comprises nine branches: health care, benefits payable to protected persons during sickness, unemployment, old age, employment injury, maternity, and invalidity, benefits payable on the death of protected persons to their survivors, and family benefits.

Millennium Development Goals

The drive to extend social security coverage is aligned with the MDGs in terms, inter alia, of the strong focus on combating poverty. This is reflected in MDG 1: *eradicate extreme poverty and hunger*, within which target 1 is to *halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day*.

Social risk management

Social risk management is a conceptual framework, publicized in recent years largely by the World Bank, which facilitates the analysis of the approach of society and individuals to dealing with unpredictable contingencies. Social security arrangements, particularly those based on the principles of social insurance, represent major elements of the framework, which does, however, claim a rather wider scope, extending for example to the ways in which nations, communities and individuals deal with natural and other disasters.

Other frameworks

A number of bilateral and multilateral agencies among which the Asian Development Bank (ADB) has been prominent have developed distinctive approaches to social security and social protection. Some such approaches, including that of the ADB, seek an increasingly close degree of integration of policy development in the social security arena with labour market measures.

1.4 *The cast of actors*

Social security is the quintessential example of a subject which calls for a tripartite approach, and has therefore formed a central part of the ILO's mandate virtually since its founding. The ILO Conventions regarding social security do, however, insist that the ultimate responsibility, either for the direct provision of social security arrangements or to see that arrangements through other institutions are in fact made, must rest with national governments. Nevertheless, many other actors play a role, and with increasing importance, in encouraging, developing and facilitating the implementation of social security schemes, in the broadest sense; a few of them are noted in the following paragraphs.

International financial institutions (IFIs)

Here we may mention the World Bank (see section 1.3 above), which has been increasingly active in technical cooperation activities in this field, and most importantly in Asia the ADB.

Bilateral agencies

The larger bilateral agencies, including major donor organizations such as DfID and GTZ, have been taking an increasing interest in the subject of social security in recent years, noting the important links to enterprise development and human capital issues. A striking aspect of their recent approach to social security provision has been a trend towards interventions that are strongly focused on specific contingencies or vulnerabilities, in such a way that disengagement in future years is likely to be much more straightforward than would be the case for projects or programmes working with broader, more comprehensive and longer-term schemes.

Cash transfer programmes

The trend towards initiatives with some form of a specific focus is reflected in the notable growth of so-called cash transfer (or "social transfer") programmes. These tend to be targeted on individuals in selected geographical locations or occupations and, through means testing, on those

who are very poor or exposed to some specific vulnerability. Within a particular country, such a programme may form part of the social assistance component of the overall system of social protection, and various examples, such as the *bolsa familia* in Brazil, are becoming fairly well-known. In Sri Lanka, the Samurdhi programme has been in existence for a number of years. However, in the context of a donor-supported or donor-funded programme, such as that centred on Kalomo (Zambia),[9] the scope tends to be set within an envelope which is sharply focused in terms of any or all of the beneficiaries, the benefits, and the timescale.

"Micro" approaches

There is growing[10] interest in, and successful implementation of, small-scale, "grassroots" initiatives of the kind increasingly described as "micro-insurance". Many of the concepts and aspects of micro-insurance have developed within the sphere of microfinance or microcredit. Micro-insurance may be transacted on a similar premium-rated basis to largerscale insurances; however, in the context of social security provision, arrangements of the type described as "social insurance"[11] may be more appropriate.

1.5 *Affordability*

It is of course obvious that a social security or social protection scheme can be sustainable only if it can be financed in the long term, generally through contributions paid by the members and their employers, or in the case of social assistance benefits and some other, limited instances, by government (through direct subventions from the treasury). This observation holds true whatever system of benefit rules and mechanism of "funding" may be adopted for the scheme. Nevertheless, the long-term nature of social security schemes means that the overall costs may be spread over time in, essentially, a wide variety of patterns. This aspect of complexity leads to widespread misunderstandings, and has resulted over the years to a range of "myths". The most important of these is the belief that the provision of social security, specifically if financed by contributions at least partly by employers, represents such a burden on enterprise in any given country as to render businesses in that country uncompetitive as against other countries.

Fiscal space

In recent years, economists working in the field of social security have increasingly developed the concept of "fiscal space" as a framework within which to quantify the affordability of specific social security provisions or proposals. This concept looks at affordability of social programmes at the national level, i.e., in a collective sense, rather than affordability for individual scheme members or employers, and balances such provision against other calls on the national budget, including needs such as defence and general security. With clear and careful analysis this conceptual approach can in particular clarify the alternative approaches to financing social security through competition for existing levels of financial resource, by comparison with what may be achieved in an environment characterized by growing fiscal space.

[9] See, for example, DfID (2005).

[10] In the sense of acting with responsibility to, and in response to the needs of, their members.

[11] Insurance/risk-pooling arrangements whose equity principle is that of solidarity.

Basic provision

Recent research, including studies conducted by the ILO Social Security Department of selected countries in both Africa[12] and Asia[13] suggests, increasingly strongly, that the assertion that any country is "too poor" to provide at least some level of basic provision through social security is itself a myth. These quantitative studies indicate that with possibly some temporary support from wealthier countries, even countries at the lowest levels of comparative wealth can afford a basic package what may be described as a "social floor" of benefits consisting, for example, of child benefits (or school attendance support), ready access to adequate health care for those in the usual working-age range, and some form of basic pension provision for the elderly.

1.6 *Recent trends*

In such a multidimensional subject as social security, it would of course be possible to identify any number of trends of interest and relevance to one aspect or another. Here, we pick out just a few such trends, which highlight certain aspects of the policy-making process as it has crystallized in countries which have focused on social security in recent years.

Ageing

Demographic patterns are changing in every country of the world, in many cases rapidly and dramatically. Of particular concern with regard to systems of income security is the observed ageing of national populations, where the proportion of the elderly (those living beyond a specified age such as 60, 65 or 70 years)[14] is increasing rapidly. In general, this is the product of a combination of fundamental trends, notably of declining fertility rates and of increasing longevity of those who reach advanced ages. It is fairly well known that these trends have exerted a strong impact in a highly developed country such as (most evidently) Japan; however, their impact is significant even among less wealthy countries where Sri Lanka offers a striking example of this the so-called "demographic transition" has taken place very rapidly. On the other hand, it may be seen that in certain countries India, for one the changes in demographic patterns are apparently leading to a much slower ageing process on average; this effect *may* be interpreted to mean that the adjustment process of allocating through suitable policy measures an appropriate proportion of national income to the older proportion of the population can take place in a relatively gradual manner (by comparison with countries experiencing more rapid demographic transitions), representing a so-called "demographic dividend."[15]

Defined benefit or defined contribution schemes

There has been much debate as to whether the *defined benefit* (DB) or the *defined contribution* (DC) model offers the "best" approach for provision of pension benefits (through national social security or occupational schemes). More fundamentally, the question may be posed in the following terms: "Is the quantum of finance being put into a pension scheme sufficient to ensure the payment of the appropriate level of benefits?" From this perspective, whether the scheme is organized on a DB or a DC basis should have little effect on the long-term, average level of benefits provided. However, there are important effects in the short term, and in regard to the

[12] Pal et al. (2005).

[13] Mizuyoni (2006).

[14] A so-called "normal retirement age" has typically been fixed for the national scheme of old-age benefit provision in each country, but does not necessarily align with actual and current retirement practice.

[15] See also ILO (2007).

distribution of risks between the stakeholders if the financial experience of the scheme turns out to be adverse. Moreover, the framework envisaged in ILO Conventions, notably Convention No. 102, can be properly satisfied only by a DB arrangement. In current conditions, however, schemes in many countries are in the process of being converted from a DB to a DC model; simultaneously a quantum reduction in the level of pension promises is in fact taking place, but may be to some extent disguised in the debate as to whether the mechanism of the scheme should be DB or DC.

Minimizing costs

Two aspects may be highlighted in this regard. First, in a global environment where the costs of social security are rising (in particular, but not solely, by reason of ageing populations), increasing attention is paid to the effective and efficient use of funds. In the past, regrettably, social security institutions have not always taken sufficient care in this regard, and all too often a large proportion of the trust of stakeholders, and indeed national populations, has been forfeited. Second, the fact that social security systems usually (and during certain phases in their "life cycle") accumulate large monetary funds, provides the capacity to invest those funds remuneratively and so support to a greater or lesser extent the financing needs of the schemes. However, it is critically important, and not by any means easy, to find the optimum balance between high-yielding investment and speculative excess.

Multi-pillar approaches

The need to balance considerations of social need and financial affordability means that all approaches to social security provision inevitably have both advantages and disadvantages. In recent years it has become generally accepted that, in moving beyond the most basic levels of provision, for most countries the best means of finding an optimal balance is to construct a system with "multiple pillars", combining in different proportions as is found appropriate to national circumstances elements of, say, DB and DC provision, pre-funded and pay-as-you-go elements, contributory (for individual members) and non-contributory, and compulsory as against voluntary participation.

1.7 *Geographical spectrum*

The countries of the Asia-Pacific region display a wide spectrum of approaches to social security and social protection, reflecting differing experiences in both demographic and economic development. A general trend has been seen around the world in recent years, in the context of globalization, towards market-oriented economic policy models. This represents a form of policy convergence, approached by countries from a wide variety of former policies. The fact that countries start from such different points of the policy spectrum is strongly reflected in differing approaches to social security provision, with very different implications for the problems of managing a transition, where required, to an approach which reflects modern needs and conditions. In the following chapter we seek to analyse the several dimensions of these trends, but at a first level of analysis we may look at the countries of the region in relation to their history of economic development.

Traditional market economies

The larger national economies of East Asia may be categorized thus, although in some cases there has been a component of the economic system which may be described as paternalistic. Countries such as the Republic of Korea and Thailand have been able to take advantage of conditions favouring economic growth, and in the process to devote a significant proportion of the

increment in national wealth to social protection financing with, it is widely agreed, gratifying results. In cases such as Singapore and Malaysia, economic growth has been such that even without a strong basis of solidarity to social provision the problems of individual poverty have been minimized, while in Indonesia and the Philippines sufficient "policy space" is visible to allow continuing progress in the social sphere.

Socially oriented market economies

In the Asia-Pacific region we see a number of countries in which, while the economic ground rules have always been those of the market economy, the purely financial scope of competition has been tempered by attention to social needs and concerns. Sri Lanka has perhaps been pre-eminent among such countries, but a similar orientation may be seen to have characterized a good deal of the policy-making in India through the 1950s, 1960s and 1970s. It is arguable that some scope for rapid economic growth was sacrificed by India for this and other reason(s); in recent years, however, there has been no obvious constraint to economic growth in that country.

Decentralizing and traditionally socialist economies in transition

Almost all the members of the group of countries in Eastern Europe have moved very sharply, over the last 20 years, from a centrally planned to an open-market economic system, with major consequences for their systems of social provision and social protection. There are relatively few countries in the Asia-Pacific region which have seen such wide-ranging political changes, but a number of countries have experienced a comparable transition to market economies, with a corresponding response in terms of social security reform. The largest of these countries are China which of course must deal with the special issues arising from the sheer size of its labour force and Viet Nam, which has built major new social security institutions in recent decades.

1.8 *Formality and informality, and other framework considerations*

Finally, in this introductory survey, we must pay attention to the difficult issues raised by the predominance, in the enterprise scenarios of the great majority of countries in the Asia-Pacific region, of the informal economy. [16]

Growth of the informal economy

In many, perhaps the majority of, countries of the Asia-Pacific region, the informal economy predominates proportionately, and has grown in recent years. That growth has resulted from many influences, reflecting every aspect of the labour market, and it cannot be expected that this trend will be reversed in the foreseeable future.[17] Such large-scale trends pay little heed to such considerations as social needs, and can only be seen as part of the environment in which we seek to develop effective, even if limited, means of social protection for the workers and families concerned.

[16] The so-called "informal economy" in most countries corresponds fairly closely to the concept, statistical in its origins, which in India and some other countries in South Asia is described as the "unorganized sector". Used in this sense, the expression makes no reference as to whether or not the workers concerned are "organized" in terms of trade union membership.

[17] See also ILO (2007).

Casual work, wage and salary issues

An important aspect of the growth of the informal economy has been the trend towards the hiring or workers on casual, seasonal or temporary terms in general a trend away from the engagement of workers on formal, contractual terms with well-defined and regularly paid wages or salaries. This creates difficulties in designing social security systems on the "traditional" models, in which both benefit rights and contribution obligations are expressed through formulae in which they are related to weekly or monthly wages or salaries. The impact varies amongst the different contingencies and branches of social security, but it is clearly necessary to think in terms of the possibilities of broader, more flexible scheme designs.

Capacity for coverage under institutional social security

In a similar vein, there is thought to be a great, if not insuperable, level of difficulty in covering the social security needs of workers in the informal economy through the formal institutions which have existed for many years in most countries, because the legislative or other statutory foundation of such institutions ties the right of membership firmly to contractual and wage-based employment. Officials in many countries are gradually developing means of overcoming such constraints; however, in general it is not easy to find simple solutions to the issues which inevitably arise regarding equitable treatment between different categories of workers.

Wider attempts at outreach and "grassroots" initiatives

In the light of the difficulties noted above, many proposals have been put forward for alternative, or "non-traditional", approaches to the provision of social protection. Broadly, these may be seen to fall into two categories: firstly, initiatives under national, or government auspices (for example, the palette of provisions developed in China in recent years) and, secondly, approaches which may develop at the initiative of other groups within society. These may include initiatives of a religious nature, such as the Islamic obligation of Zakat, while at the community level "grassroots" initiatives have multiplied; of these, the schemes often described as "micro-insurance" (see also section 1.4 above) have shown considerable promise.

Towards a "social floor"

Recent work to quantify a basic, lifetime package of social protection has pointed to the conclusion as noted in section 1.5 above that such a system of support is affordable, or not far beyond the means of almost every country, no matter how far the country may lag in the development "race". Whether an individual country wishes to put in place such a basic scheme now or in the future very much depends on a wide range of considerations. However, the realization that such provision is almost certainly affordable may be valuable in underpinning an open-minded and innovative approach to analysing and addressing the country's social needs.

Wider aspects of the policy framework

In analysing needs and policy choices, a number of underlying or "cross-cutting" themes must be given due consideration. To a greater or lesser extent, in line with each country's own circumstances, these are likely to include:

- Gender issues including the right of women workers to accrue pensions on the same terms as men, and to have their particular health needs properly met;
- "Green jobs" the growing recognition that in addressing the needs to provide decent work, properly remunerated and protected, the issues of environmental impact must also be taken into account;

- Labour migration the trend of movement of workers from countries where work is scarce or poorly paid to those where enterprise provides more opportunities, albeit with many risks and special needs in relation to social protection.

2. Asia-Pacific regional perspective

2.1 *Where do we stand now?*

Most countries of the Asia-Pacific region presently make provision by way of benefits which are recognizable as, or very similar in character to, social security contingency-related income benefits, or benefits in kind (notably health care), for civil servants and other government employees, including the security forces, and in many cases workers in the "social" sectors of education and health.

In addition, many, but by no means all, countries in the region mandate some provision, through schemes administered either by government or by private sector organizations (under the government's authority) for specified, employed (sometimes including self-employed) workers in the formal economy.

Recognizing the question of equity implicitly posed by the provision of benefits for what is in most cases a minority of the labour force, countries are increasingly making arrangements for at least a limited level of coverage of the wider working population. Such initiatives include the old-age benefit, paid unconditionally in principle, in Nepal, and similar benefits paid, albeit conditionally, in a range of countries including India and Bangladesh. There is growing interest in the potential for poverty alleviation through the mechanisms of social security networks, of relatively straightforward, often single-contingency, benefits paid in the form of cash, or "social" transfers (CTs/STs). Such initiatives build on a foundation of successful experience in, for example, several countries of Latin America and increasingly in Africa; within the Asia-Pacific region, schemes have been devised, at least to the pilot stage, in a number of countries, including Indonesia. The National Rural Employment Guarantee Scheme in India which from an analytical viewpoint may of course be analysed in relation to a number of different dimensions may nevertheless be regarded as a form of conditional CT scheme.

From the perspective of policy-makers in most countries of the Asia-Pacific region, the most challenging topical issue is clearly that of providing, with some attention to social equity at the national level, some level of social protection for workers in both the formal and informal economies. In a country such as China, that imperative parallels the challenge of developing social protection schemes which meet the needs of respectively urban-based and rural-based workers. For a certain group of countries, the prevailing challenge is seen in the ageing and longevity of their populations, which has already led to growing demands on the available funds, or on the national exchequer for sufficient resources to meet the needs of increasing numbers of pensioners.

2.2 *Whither social security in the Asia-Pacific region?*

The issues identified above as being those of greatest current significance for social security provision the formal versus informal dichotomy and the implications on social security pension provision of increasing longevity both reflect ongoing trends whose impact in many countries continues to intensify. It is inescapable that systems of social security in the Asia-Pacific region must pay regard to the inevitability that high levels of informalization of the economy and the

labour market will themselves persist in the coming years. Likewise, the concentration of populations into relatively older age brackets will continue to have the greatest impact on those countries in which the proportionate reduction of the population of active working age and correspondingly in the fertile age brackets compounds the impact of increasing (per capita) costs.

2.3 *Geographical spectrum across the region*

The three dozen or so countries in the region delineated by the ILO as "Asia-Pacific"[18] show great diversity, along several "dimensions", not only in relation to the economic systems and philosophy, past and present, but also to the demographic trends observed in each. The latter dimension is of particular importance in relation to the funding of pensions in countries where the "demographic transition" (the combined effect of increasing longevity with decreasing total fertility rates, leading to the proportionate increase of elderly persons in the population as fraction of those of working age whose economic effort generates the consumable wealth for all) has taken place relatively rapidly; in the Asia-Pacific region such countries include, for example, Japan and Sri Lanka.

2.4 *Economic spectrum*

Historically market-oriented economies

In this group, we consider ASEAN countries, including the so-called "tiger" economies, most of which have shown strong economic growth over the past 20 years, with a major discontinuity however at the time of the 1997-98 Asian financial crisis. Table 2.1A shows key economic indicators, as well as a rough indication of the relative proportionate size of the informal component of the respective national economies.

Most of these countries have in fact developed social security systems of reasonably wide scope; those of the Republic of Korea and Thailand are fairly "classical" in design, while those in Singapore and Malaysia rely on large-scale savings arrangements through their provident fund institutions. In each case, these arrangements seem reasonably well adapted to offer coverage on a wide scale.

Table 2.1A Economic status, selected countries (I)

Country	Per capita GDP (US$)[a]	Average annual growth rate (%)[b]	Informal economy (%)[c]
Indonesia	3 581	5.1	78
Korea, Republic of	20 459	4.8	n.a.
Malaysia	10 091	5.6	n.a.
Philippines	4 549	5.2	72
Singapore	28 514	6.1	n.a.
Thailand	7 977	5.7	51

n.a. = not available

[a] Figures relate to 2006, expressed in year 2000 International dollars equivalent

[b] Average (arithmetic) of figures for five years to 2006

[c] By estimated number of workers; for more details, see footnote[19]

Source: Column 1: ILO calculations, based on *World development indicators 2007* (World Bank); Column 2: ILO calculations, based on *World economic outlook database* (IMF, October 2007); Column 3: ILO (2002); KILM 2nd edition, 2001-2002.

[18] At present, the ILO numbers 31 of its member States in this region, but it also maintains a "watching brief" over social security (and other world-of-work matters) in several other countries, including several Pacific island States, which geographically fall within the region.

[19] While the "formal" and "informal" components of a national economy are relatively easy to conceptualize in a very broad way, it is in fact very difficult either to frame a satisfactory definition or to identify statistical data which allows for meaningful

(contd...)

Historically socially oriented market economies

By far the biggest country which may be categorized in this way is India. For many years, its rate of economic growth lagged well behind those of the "tiger" economies, but in the last ten years it has accelerated rapidly. As a result, India has begun, and expects to continue, to rise up the economic "league table" of countries based on the average per capita income. At the same time, some concern exists about growing income disparity amongst the country's workforce.

The same level of economic gain has not, on the whole, been felt by other countries of the region which have started from a similar socio-economic "philosophy". The economy of Sri Lanka, for instance, has been considerably affected by the circumstances of civil disturbance. Some relevant indicators are shown in table 2.1B.

In India and Sri Lanka, it was seen from a fairly early stage to be important that social security be widely offered, at least to the majority of formal economy workers, and this has been done for around the past fifty years through the respective countries' provident funds; in India the Employees' Provident Fund has more recently been partly modified to provide a (DB-based) pension. For historical reasons, this has not been the case for Bangladesh, which even now has only very limited social assistance pension arrangements. At the policy-making level, there is awareness of the demand that the existing schemes provide outreach to much greater proportions of the respective workforces. However, the rather meticulous nature of the statutory foundations of the provident funds and the assumed basis of regular wages or salaries forming the basis for contribution calculations have thus far limited the success of efforts to extend coverage through these institutions.

Table 2.1B Economic status, selected countries (II)

Country	Per capita GDP (US$)	Average annual growth rate (%)	Informal economy (%)
Bangladesh	1 867	5.9	n.a.[20]
India	3 369	7.6	83[21]
Sri Lanka	4 370	5.7	n.a.

n.a. = not available

Source and basis of figures as for table 2.1A

(contd. from previous page)

cross-country comparisons. In particular, any quantitative assessment of "informality" is greatly complicated by the question as to how we should allow for the predominance of workers, who may be occasionally or seasonally paid, in the agricultural sector. The ILO's publication *Key Indicators of the Labour Market* (KILM) 5th edition of 2007 sets out the most recent available data, with a discussion of the conceptual and statistical issues.

ILO (2002) sets out estimates where possible for a range of countries of *informal employment as a percentage of total non-agricultural employment*; these are the figures shown in the table above. KILM sets out a detailed picture of employment in the informal economy. The 5th edition presents several data series, which unfortunately allow for very little by way of cross-country comparisons. The KILM 2nd edition of 2001-2002 set out a broader categorization, where those (few) countries for which sufficient data could be gathered were grouped in five categories, from A (most formal) to E (most informal), which confirmed for example that while Thailand experiences a moderate degree of informality, the one in India is clearly greater.

[20] The KILM 2nd edition does show a classification (see previous footnote) for Bangladesh (rather low level of informality), but this is clearly at variance with direct observation.

[21] A commonly quoted measure of the size of the informal/unorganized economy in India derives from figures published by the Government of India (Ministry of Labour see website www.nic.gov.in) indicating that the estimated size of the "unorganized sector", as measured by the National Sample Survey Organization in the 1999-2000 "round", represents about 92 per cent of the labour force.

Historically centralized economies, now decentralizing

In the countries formerly governed according to centralized, socialist principles, little or nothing was arguably required by way of formal provisions for income security (although access to health-care facilities would be needed), since the relevant support was provided to those in need through their community ties.

As the majority of these countries have moved towards a more decentralized economic model, and communes or other community structures of similar type have faded away, it has however become increasingly necessary to provide protection against the same contingencies covered by social security anywhere else in the world. However, the institutional structures through which to administer benefits have simply not existed in the past, and have to be created from scratch. In Viet Nam, the social security schemes which have been designed in recent years (to provide income benefits and health facilities, respectively) are modelled largely on the long-established scheme in the more developed countries, but deal rather weakly with some features of the rather idiosyncratic and hardly matured labour market, particularly the wide divergence in the mix of wages/salaries, assorted allowances and benefits in kind, including facilitated access to health care.

Meanwhile, the measures taken in China to develop the urgently needed institutional, administrative systems to underpin social protection are being developed in a way which owes little to practice in other countries. Responsibility for creating schemes, within a broadly specified framework, has been devolved to the local authorities responsible for the different individuals requiring coverage.

able 2.1C Economic status, selected countries (III)

Cuntry	Per capita GDP (US$)	Annual average Informal growth rate (%)	economy
China	6 492	10.1	n.a.[22]
Lao PDRo	2 065	6.6	n.a.
Mongolia	2 165	7.3	n.a
Viet Nam	2 923	7.8	n.a

n.a. = not available

Source and basis of figures as for table 2.1A.

2.5 *Demographic spectrum*

Ageing

Table 2.2A sets out some key demographic indicators for selected countries. It shows, most dramatically, the extent to which the population of Japan has now "greyed". Already, more than 20 per cent of the population is living beyond retirement age[23] and that figure will continue to increase. At the same time the proportion of the population falling within the normal age range for active work has declined. Whether or not the pensions required by the elderly are financed out of their own, prior saving, the cash income actually to be allocated tom the elderly each week or month has to be met somehow from the overall disposable national income, which is "earned" by

[22] The structure of the labour market in China is very distinctive, and estimates comparable with other countries are particularly difficult. Estimates suggest, however, that rather less than 50 per cent of the *urban* labour force in China are registered in the official statistics; thus the informal component is likely to approach 50 per cent (J. Jutting and T. Xenogiani, *Informal employment and internal migration: The case of China* (OECD Development Centre, Nov. 2007), citing Cai, Du and Wang (2006).

[23] The pensionable age for the National Pension Programme in Japan is 65 years.

the active workers. Hence, as has been observed in an increasing number of countries the national-level base of "active" workers over which the day-to-day cost of pensions has to be spread is reducing, while the number of pensioners is in fact increasing. Thus the funding system for social security pension benefits in many countries has been coming under severe strain, which can be resolved *only* by increasing contributions (or taxes), decreasing benefits, or by taking other action (for example, raising the age at which pensions may become payable) which indirectly has one or the other of these effects (i.e., increasing contributions or decreasing benefits).

Table 2.2A Demographic status, selected countries (I)

Country	Total population (million) 2007 estimate	Population aged 15-65 (%) 2007 estimate	Population over age 65 (%) 2007 estimate	Population over age 65 (%) 2030 estimate
China	1 328.6	71.4	7.9	16.2
India	*1 169.0*	*62.8*	*5.1*	*8.8*
Japan	128.0	65.6	20.8	30.6
Sri Lanka	19.3	69.9	6.7	15.9

Source: *World Population Prospects. The 2006 Revision* (United Nations, Population Division).

Demographic dividend"

There are a limited number of countries where it is observed that the demographic transition is not yet complete, in the sense that fertility rates, while falling, have not yet declined to levels representing effective population "replacement rates" (i.e., a little more than two children per lifetime per woman). In table 2.2B the focus is on countries, in particular India, where the elderly proportion of the population is fairly low and expected to remain so for some time; in such a projected population pattern, among others, the funding of old-age benefits in the broad national picture should be *relatively* straightforward. Such countries therefore project a period of years during which they can expect to see a *comparative* advantage over those having undergone the demographic transition more completely, and may be able to take advantage in competitive markets of the relatively smaller contributions which may be needed by respective national social security administrations. This effect is sometimes described as a "demographic dividend". In the case of India and others it is expected, although the relevant calculation is inevitably somewhat speculative, that a noticeable competitive advantage may last for several decades.[24]

Table 2.2B Demographic status, selected countries (II)

Country	Total population (million) 2007 estimate	Population aged 15-65 (%) 2007 estimate	Population over age 65 (%) 2007 estimate	Population over age 65 (%) 2030 estimate
China	*1 328.6*	*71.4*	*7.9*	*16.2*
India	1 169.0	62.8	5.1	8.8
Bangladesh	158.7	62.1	3.7	6.8
Cambodia	14.4	60.9	3.3	5.8
Lao PDR	5.9	58.4	3.5	5.6
Nepal	128.2	58.3	3.7	5.6
Pakistan	163.9	60.4	4.0	6.4
Papua New Guinea	6.3	57.6	2.4	4.4
Philippines	88.0	60.6	4.0	7.5

Source as for table 2.2A.

[24] A full economic analysis would, of course, be considerably more complex, and is subject to caveats regarding, for example, the possibility of changing patterns of labour force participation by gender.

One aspect of increasing longevity which leads to considerable misunderstandings is that of "life expectancy". It is noted that in many countries the overall life expectancy quoted (which is usually the "life expectancy at birth" and may in some countries, albeit only a few in the Asia-Pacific region, be less than 60 years) is lower than the usual pensionable or retirement age, and it is therefore questioned whether many scheme members are expected to survive to draw pensions at all. However, visibly, many do live to retirement age, and having done so are showing quite rapidly increasing longevity, which may be regarded as the contingency with which pension schemes are required to deal.

Now, "traditional" social security pension schemes, as devised in Europe, America and Japan, envisaged that individuals would reach retirement age and draw pension for perhaps a little more than 8-10 years averaged across all beneficiaries. In modern conditions, an individual retiring even at age 65 may typically have a further outstanding life expectancy of 15 years or more. Thus the relative cost of a fixed quantum of pension benefits may be regarded as having doubled on account of, simply, demographic advances, *in addition to* the cost impacts of wage and/or price inflation, increasing numbers of retiring personnel, and so on. In these circumstances it is questioned whether it would not be "fair", or equitable, to restore the original design profile of the scheme by mandating an increase in the normal retirement age. For reference, it may be noted that, broadly, a change of this kind is being gradually enacted in the United States, while in the United Kingdom normal retirement age is in the process of being increased for women. Such a change must be handled sensitively at both administrative and political levels, and it may be that no country of the Asia-Pacific region is yet ready to make such a radical change. In any case, change must depend on the continuing or new availability of remunerative jobs for those who wish to continue in active work, and to that extent social security policy must be firmly integrated with job creation and other aspects of the employment agenda. This theme is briefly revisited in the next section.

Finally, it may be noted that in the light of increasing longevity, at least two other social security-related issues of wide concern will arise. First, it needs to be asked and ascertained whether the available health-care facilities provide adequate treatment, monitoring and counselling in relation to the specific illnesses and disorders of old age. Second, in light of the inescapable trend towards nuclear families and away from lifestyles in which elderly individuals may find roles for themselves within an extend family setting, there is likely to be a rather urgent need for additional places in residential care homes for the elderly.

2.6 *Social protection and employment in relation to development, vulnerability and poverty*

Policy-makers tend to put forward the assertion that if workers could simply and easily find remunerative work, many of the problems of social security extension would be more or less automatically resolved. However, the Decent Work concept repeatedly reiterates that, while enterprise and economic growth are clearly vital in themselves to the capacity to provide employment opportunities, the provision of decent, remunerative and stable employment must be complemented by adequate arrangements for social protection and, indeed, for appropriate social dialogue.

2.2 *Migration*

We should note the importance of labour migration for many countries in the Asia-Pacific region either as senders or receivers of such workers. In the case of the larger countries, China and India,

substantial numbers of workers move from one part of the country to another, often from rural to urban areas; such "internal migrants" may face many issues in common with workers crossing international borders. This is a very large subject indeed, to be addressed in forums other than this, but it is worth noting that the provision of social protection, in particular through access to social security schemes, is a complex matter. A start has been made on addressing these complexities through, in some cases, bilateral agreements or Memoranda of Understanding, and through multilateral initiatives in forums such as ASEAN (albeit still at a nascent stage).

Internal / external migrati[on]

A migrant is usually thought of as a person crossing at least one national border to work in a country other than her or his own. Typically, therefore, such workers face issues of nationality, which in addition to their many other difficulties have a variety of implications in relation to social protection. Firstly, the rules of any social security scheme in the "receiving" country may deny them access to benefits in part or in full; secondly, even if the rules of a scheme permit them to join, their employers may not make the necessary arrangements; thirdly, they may not be able to repatriate any earned long-term benefit rights to their home countries. Resolving these problems requires agreements between countries,[25] whether bilateral or multilateral, which can be formalized in various ways, including Memoranda of Understanding. There seems to be valuable scope for developing framework agreements through the regional forums of ASEAN and SAARC.

There are, however, several countries in the Asia-Pacific region where workers commonly move from their original homes, typically rural villages, to other locations within the same country, often the urban areas. In doing so, they may encounter many problems similar to those faced by international migrant workers, not least in the possibility of access to social security schemes. This matter is beginning to occupy the attention of policy-makers in China, where social security arrangements differ sharply for rural- and urban-based workers, respectively, and in India, where significant parts of the social protection system are administered at the level of state government, rather than at the Union level.

Social security for migrant workers

When workers migrate from one country (or region of a country) to another, their social security needs and those of their families need to be assessed rather differently. For the workers, generally located far from their homes, there is a need for coverage, in the ordinary way for long-term aspects such as pensions (often difficult to claim, after a period of years, when the worker concerned will probably have left the country in which the social security entitlement was earned), and short-term coverage for sickness and, perhaps, maternity. On the other hand, provision for social security benefits in the case of injury or death in the course of employment assumes considerable importance. There is likely to be a need for specific provision to facilitate return to the worker's home country; "sending" countries such as Nepal, the Philippines and Sri Lanka have made attempts to mandate suitable insurance coverage for workers on their departure, with varying degrees of success.

Social security for families of migrant workers

Just as important as the problem of providing social security coverage for workers outside their home countries is that of providing suitable coverage for family members "left behind" and who

[25] At least two ILO Conventions are relevant in this regard, namely, Migration for Employment (Revised) Convention (No. 97), 1949, and Migrant workers (Supplementary Provisions) Convention (No. 143), 1975.

may, in the absence of the breadwinner, have no statutory basis on which to affiliate to the relevant national social security. The most urgent need is likely to be for access to and financial capacity for health care; innovative developments in this area are investigating the possibility of making effective use for this purpose of remittances sent by the workers who have migrated abroad.

3. The coverage deficit

The previous chapter presented a broad-brush survey, setting out features of the economic and demographic status of selected countries in the Asia-Pacific region which may be regarded as key indicators in relation to the general level of provision of social security. In some sense, the "complementary" account is the deficit, or "gap", in the provision of or access to social protection arrangements. It is important to remember that any assessment across the region made on an "average" basis will inevitably reflect strongly the predominance, in both population and economic terms, of China and India. While it is not the purpose of this paper to conduct a country-by-country analysis, it is important to keep in mind the specific features of the experience of each country (and the variation in patterns of vulnerability within each), because for all countries other than China and India these will inevitably fail to be reflected in any significant way in overall, averaged statistics of a purely numerical nature.

The ILO has in fact conducted much work in the last few years to identify, across national experiences, the whole spectrum of "decent work deficits", of which the social security coverage deficit or "gap" is a critical component, but it is only one amongst a package of elements designed to give a broader picture of employment conditions.

In this brief and essentially descriptive chapter, we seek to provide an indication of the several dimensional "axes" along which the social protection gap stands to be assessed for each country.

3.1 *Coverage of population*

Formal economy

Provided that some form of formal social security exists for formal economy workers as is the case in the majority, but not all, of the countries of the Asia-Pacific region then it is likely that the major source of exclusion is by reason of statutory minimum levels of staffing at an individual enterprise (or workplace). While such rules were introduced to avoid gross inefficiencies in administrations, the effect has been long-term exclusion of too many workers who could be covered with relative ease through existing, formal schemes. Increasing worker mobility between jobs, including transfers between civil service and private sector employment, means that "portability" of social security rights as workers change jobs becomes a critical need.

Informal economy

In the case of informal economy workers, it is often easier and seemingly more "natural" for scheme administrators to simply exclude them than to find possibly innovative or imaginative ways in which, perhaps with a minimum of administrative help and facilitation, these workers might be enabled to take up membership. However, the conditions which prevail for most informal economy workers often employed on casual or seasonal terms, and with widely fluctuating working hours, and hence fluctuating incomes week by week or month by month are such that considerable difficulties arise in interpreting the application of rules of most formal social security institutions in relation to such workers.

An alternative mode of coverage, which has gained a good deal of popularity in recent years, is to promote small-scale, community- or occupation-based schemes of the kind described as "micro-insurance". In fact, by the very nature of such entities, it is rare that a micro-insurance scheme may achieve coverage of a sufficiently wide cross-section of the labour force as to make, in itself, a significant impact on the coverage deficit. Accordingly, the way forward appears to lie in promoting wide networks of schemes, aiming to reach all workers through any one of many schemes, and finding ways effective in terms of practical administration and investment of funds, and in conformity with the relevant laws through which the many schemes may federate.

3.2 *Coverage of contingencies*

Very few countries in the Asia-Pacific region have developed their systems of social protection to the point of covering all of the contingencies listed in ILO Convention No. 102 and other Conventions relating to social security, let alone the social needs, such as shelter and nutrition, envisaged by some commentators and researchers as potentially embraced in a wider conception. Taking public and community-based measures together, the most common single contingency likely to be found covered across the countries of the region is the need for health care. The majority of countries have some provision for old-age benefits, either through pension schemes or provident funds, or on a social assistance basis. For formal economy workers, it is likely that statutory provisions formalize employers' liability for work injury and sickness benefits, and perhaps maternity benefits. However, provision for the remaining contingencies general accident or disablement, survivors' benefits, family/child benefits, and unemployment is very limited indeed.

3.3 *Adequacy of benefits*

The remaining major "dimension" of social security coverage is the question of whether benefits, if paid, are in fact adequate. Like so many other issues in the context of the present discussion, this question is highly dependent on the specific details of each country's condition, and is not easy to answer directly. In practice, it is clearly only in the developed economies of Australia, Japan, New Zealand, Singapore, and possibly Republic of Korea that most individuals claiming social security benefits are likely to find the amount to be anything more than a basic support to fend off destitution. Simply, it is unlikely that financial resources are available to achieve more than this across the whole spectrum of claimants. Moreover, there may be real difficulties in establishing what level of benefits would in fact keep a specified proportion of claimants/beneficiaries out of (deep) poverty; this is likely to be easier in the cases of countries which maintain effective mechanisms for establishing the appropriate level of and payment provisions for minimum wages.

3.4 *Trends and priorities*

Within this conceptual framework of several dimensions of social security and trends, at least in the long term, towards strengthening and development of provisions, the further question arises as to how to prioritize initiatives within each country once resources can be devoted to this objective. In general, it is to be expected that efforts will focus on those aspects of social security most strongly demanded by the workforce and the wider population. However, it cannot simply be taken for granted that priorities established in this way will necessarily correspond to the objective needs. This is in particular because many individuals will place a high level of priority on the most pressing present needs, such as health care, and (unless they are themselves already elderly) relatively little weight on needs which seem distant in time, such as old-age pensions. It is necessary, therefore, to add into the policy-making process objective and quantitative assessment methods; these are likely to include, broadly, actuarial or similar assessments.

4. The need for extension of coverage

4.1 *Universal access*

The necessity for all workers, their families, and other members of any national population to have access to at least a minimum level of social protection might be thought almost sufficiently obvious to need no explicit justification. Without at least a minimum of provision by way of social protection, no country is likely to limit vulnerability and hence poverty in a way which is consistent with its obligations, whether expressed in terms of the human rights of its citizens and residents, or the MDGs, or indeed as is the case for many countries its own national constitution.

However, in conditions of financial constraint which many countries of the Asia-Pacific region have experienced in recent years, social protection has perhaps been less successful than might be hoped in competing against other claims on the national budget for the generosity of treasury ministers and budget directors. For this reason we will say more in Chapter 5 about the global policy framework for social security which has been (and continues to be) developed by the ILO. The essential feature, however, derives from the fact that amongst countries the world over we can observe and increasingly analytical studies confirm a positive correlation between long records of economic growth and well-developed systems of social security. This is in contradiction to the generally negative correlation which we would expect to observe if social security simply represented a cost burden on enterprise; we interpret the situation accordingly in terms of social security as not only a countermeasure to vulnerability and poverty, but also in essence as a factor of productivity at the national level. The question, therefore, is not *whether* each country should seek to provide adequate social protection to all of its citizens and residents, but *how to do so*.

Conditional / unconditional benefits

While there is generally little argument as to the long-term need to achieve universal access to social protection, there is much more debate regarding the terms on which access should be provided. While, to the extent possible, countries seek to organize social income security through systems of social insurance (or ones that operate in a very similar manner), the spectrum of vulnerable individuals in all countries includes a proportion of people who are too poor to participate effectively in such arrangements and must be supported by the general funds, usually the state treasury. In relation to such social assistance in particular there is a good deal of discussion as to whether benefits should be paid on a conditional (usually, but not exclusively, based on a financial means test) or an unconditional basis. The former is thought to be perhaps more "fair" as between claimants and non-claimants and to use limited resources in the most effective, targeted manner. However, it gives rise to rather difficult issues of maintaining personal dignity or avoiding stigmatizing the poor and vulnerable within the whole population, and experience has shown means testing to be an expensive process with often inadequate governance characteristics.

Institutional questions

Social insurance has many advantages as a mechanism for social security provision and is the preferred vehicle in the design of most schemes. However, the insurance process itself is not well understood in many less developed countries, and the distinction between social insurance and individually premium-rated insurances of the kind transacted by commercial companies is understood even less. Hence it may be said that there is a considerable unmet need for education in social security concepts and issues.

Over the years there have been too many experiences in many countries of improper, even corrupt, administration of social security benefits, whether through social insurance institutions or social assistance administration. The need is clear for adequate training of officials and effective and transparent governance, supervised by the stakeholders on a tripartite basis[26] and supported by effective quantitative (actuarial) analysis.

The provision of health care raises additional issues in this regard, if only because in addition to the financing systems the institutional basis physically including hospitals and clinics and in terms of human resources encompassing doctors, nurses, paramedics, and so on is so important. However, these issues are addressed in the companion thematic paper.

4.2 *Balancing social and economic / fiscal concerns*

It is obvious that social security systems can be sustainable only if affordable in the long term. Equally, there is no point in creating large-scale institutions of the kind represented by social security schemes if they are to be regarded as actors *only* in the financial framework of any country. It is necessary that each country find the appropriate balance between the financial and social considerations in establishing the place of the relevant schemes in the overall institutional infrastructure.

4.3 *Setting priorities*

The choice of priorities in relation to social protection is clearly a matter of national circumstances and preferences. However, empirical enquiries and evidence repeatedly show that for the majority of workers and their families the most pressing perceived needs to be met through mechanisms of social protection comprise access to satisfactory levels of health care and income security in old age. [27]

Health

This subject is covered in the companion thematic paper, and therefore does not require further detailed discussion here.

Old age

Provision in regard to this contingency is, almost inevitably and for every country, the component of the social security system to which the greatest proportion of funds must be devoted in the long term. Unfortunately, except for those relatively close to the normal retirement age, there is a strong tendency to discount the perceived value of benefits payable far into the future and hence to downgrade the importance of this branch of social security. Here is another element in regard to which further educational or "awareness-raising" effort should be devoted.

Unemployment

A very difficult issue arises in defining a contingency of "unemployment" as an *event*, in the light of unemployment as a general *condition* of large numbers of potential members of the labour force in less developed countries. Nevertheless, it has been possible to develop valuable schemes of

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[26] See, in particular, Article 72 of Convention No. 102 and Section 27 of Recommendation No. 67.

[27] For the purposes of this discussion, attention is confined for the most part to the nine "traditional" contingencies listed in Convention No. 102. In the conditions prevailing in particular in the Asia-Pacific region, a case is increasingly made for including within the scope of "social security" needs such as education, housing and nutrition, so as to deal with the "social sector" in an integrated way. These needs are not so well suited, however, to provision through social insurance.

unemployment insurance in the Republic of Korea and more recently Thailand. Preparatory studies have been made elsewhere, including Sri Lanka. These initiatives relate exclusively to the formal economy, however. A mould-breaking initiative may be seen, however, in the Indian National Rural Employment Guarantee Scheme.

Other contingencies

Coverage against most of the remaining contingencies listed in Convention No. 102 has been mandated in the law of many countries, most often on the basis of employer liability. An employer could in turn usually obtain commercial insurance to protect against the risk of having to make expensive payments; the difficulty is that too often entrepreneurs have failed either to take out such insurance cover or to make due payments to employees in case of accidents suffered, sickness, or maternity. Social insurance would, in most cases, provide a more reliable solution.

4.4 *Social security and provision in relation to natural or man-made disasters*

There may be additional lessons to be learned from the social security response and claims in relation to disasters and crises, whether natural or man-made. In the Asia-Pacific region, several experiences in recent years may merit reassessment in this light, including:

- The tsunami of December 2004 (Indonesia, Sri Lanka, etc.)
- The earthquake of October 2005 (Pakistan)
- Repeatedly vulnerable countries (Bangladesh)

5. Lessons, strategies and policies

5.1 *Introduction*

The diversity of countries in the Asia-Pacific region, which display different economic frameworks, different population dynamics, and not least in importance different cultural and religious foundations, has led to a wide range of different approaches to providing social security. To a large extent, each country has developed a set of laws and schemes designed to suit its own social needs and economic status, and such a package of social security provision can be fully assessed only in relation to the relevant country background. However, social security is a highly dynamic subject by nature, and policy-makers must take an approach that ensures as far as possible the long-term sustainability of provision while at the same time allowing responsiveness to significant changes in the economic and/or demographic outlook. It is therefore of interest to policy-makers in each country to assess the relative success achieved by any specific approach or scheme format, even if designed for a different set of national circumstances. In the following commentary, accordingly, we try to highlight those aspects of the general policy approach taken in the different groups of countries that are most distinctive and which may offer scope for adaptation to other conditions.

5.2 *Long-time market economies*

In the Republic of Korea and Thailand the main approach to the development of social security systems has been through the creation of "classical", national, formal institutions providing a reasonably comprehensive set of social security benefits through, conceptually, the social insurance mechanism. In particular, in their "package" both countries have included coverage (albeit under different titles) against the contingency of unemployment (redundancy).

The outcome of this approach is generally seen to have been successful, notably in the Republic of Korea. With the help of some additional negotiation with trade unions, the country's system of social security was able to ward off in large measure the potential destitution of many workers in the aftermath of the 1997-98 Asian financial crisis and it is thought likely to be for this reason to enter and traverse the recovery phase after that crisis relatively much more rapidly than the other affected countries.

In Thailand, the development of a reasonably comprehensive system of social security has taken place more recently than in the case of the Republic of Korea. The building of the scheme itself has proceeded well. However, it is only in the next few years that large numbers of claims for pension benefits are expected; this build-up will test the administration fully, and it will be important to ensure that monitoring systems work effectively. There are likely to be growing interactions between formal and informal components of the economy; hints of potential complications may be seen in the steps which were taken to support through the formal social security system the special ("30 Baht") health-care financing scheme designed for the informal economy.

A very distinctive approach to funding of social needs has been taken by Malaysia and Singapore, where workers have been required, in association with their employers, to make allocations directly from their periodical earnings to individual accounts in the respective countries' large-scale provident funds; members who need income support (or other financial facilitation) during any period when suffering a listed contingency are required as a first measure (and up to a certain level of cost) to access their own provident fund savings account. This pragmatic policy approach appears to have worked reasonably well over a fairly long period of time, but it may work well only in the generally favourable economic climate; the approach has in fact no basis in social insurance, nor is there any reliance on solidarity to underpin social redistribution of resources. Such an approach may not, however, be susceptible to easy duplication in countries with less successful records of economic growth, or with less disciplined cultural values.

5.3 *Socially oriented market economies*

Countries such as India (in some states, at least) and Sri Lanka have long histories of responsiveness to the social needs of their populations, and the early policy approaches in the post-independence era reflected that social awareness quite strongly.

The long-time policy approach to social security provision, particularly for old age and for the "organized sector" workers, in the Indian terminology, or formal economy workers, has been through large-scale administrative institutions of the provident fund type, supplemented in the Indian case by a genuine scheme of social insurance created mainly to provide rapid access for workers to relevant health-care services. More recently, India has partially transformed its provident fund into a social insurance pension scheme. Outline studies have been undertaken in Sri Lanka with a view to a similar transformation, but without any result to date. The administration of these schemes and investment of funds has in general been reasonably efficient (by comparison with provident fund schemes elsewhere around the world), but without realizing the full scope for the members' advantages in these regards. The main deficiency in this approach in practice has been the failure of outreach to the large majority of workers in the unorganized sector/informal economy (over 90 per cent of the total in India). In addition, the level of health funding through social security in India has historically been low to a degree remarkable by comparison with almost every other country in the world.

By virtue of its size, India offers considerable scope for a very wide variety of initiatives at levels below that of the Union government to address the hitherto unmet needs of unorganized sector workers. The existence of a network of state schemes rather dense in states such as Kerala and Tamil Nadu has been generally advantageous, although some concerns exist as to the capacity of administrations to respond dynamically and effectively to changing economic and demographic conditions. Government-sponsored initiatives are complemented by those (possibly encouraged and partially or indirectly subsidized by state mechanisms) at community level, including the relatively well-known SEWA scheme and others of a similar nature. The need to address the massive coverage deficit has led to proposals for a new, large-scale national system of provision; however, because of the need to reconcile a very wide range of rather incompatible interests, implementation of the system has been delayed.

5.5 *Decentralizing economies*

In this group the main focus in naturally on China, which has developed a very distinctive approach to social security provision, delegating a high degree of responsibility to sub-national levels of government. This has made it possible to overcome to a large extent the problems arising from the sheer size of the country and to achieve steady progress, on a contingency by contingency basis, in the various dimensions of social security. This approach has a "downside", however, in that a range of difficulties have become apparent in providing a consistent framework in which workers, displaying the levels of mobility which are increasingly required by the countries general economic development, can accumulate social security rights effectively or ensure their "portability" as they move between jobs.

While starting with a broadly similar economic and cultural canvas, other countries including Viet Nam, and perhaps Mongolia and Lao People's Democratic Republic have not faced the same problem of overwhelming size and have opted to develop systems of social income protection based on more common institutional models. In general, reasonable progress has been made, but with some difficulties arising from the very wide range of income and work history records among the membership.

5.6 *Some additional possible sources of guidance*

The Asia-Pacific region is, unfortunately, rather prone to the impact of disasters, both natural and human-induced. Systems of social protection offer potentially valuable mechanisms for limiting the vulnerability and poverty likely to arise from such disasters, if the administrations can react with sufficient flexibility. Some lessons can nevertheless be drawn from experience in recent instances, including:

The 1997-98 Asian financial crisis

In this instance, the fact that the Republic of Korea was actively implementing an effective system of social security, including unemployment insurance, is acknowledged to have speeded up the country's recovery from the crisis.

The tsunami of December 2004

The tragedy of the Indian Ocean tsunami, which had a major impact in a number of countries including Sri Lanka, Indonesia and Thailand, among others, revealed many vulnerabilities, as well as the strengths and weaknesses of the mechanisms available in each country to deal with the aftermath of the disaster. In Sri Lanka, while some use has been made of networks for social assistance provision to assist those living in the localities worst affected by the tsunami, it is

probably true that the scope for social security has by no means been optimized. The reasons may include, for example, the difficulties of ensuring adequate liaison between a myriad of departments and agencies, pointing to the need at policy level to work towards large-scale rationalization of social security institutions.

5.7 *The ILO's strategic framework for social security policy*

The global approach of the ILO itself to the development of a framework for social security policy in the new millennium[28] focuses on the need to arrive at a new consensus on the responsibilities of the global society, the nation State, communities, social partners, civil society and individuals. Clearly, global minimum social standards and global financial transfers are to some extent substitutes. Then the key role of the (national) State needs reconfirming. The complementary and supporting role of the global community has to be defined. The wider the implementation of minimum standards at the national level enabled by sufficient fiscal space the less need there is for international transfers to combat poverty. It is evident that social security investments based on principles of socially and economically responsible investment may also substitute for some of the lost fiscal space of national governments. If global minimum standards defending or reserving fiscal space for social transfers are accepted, then the challenges of ageing, HIV/AIDS and other infectious diseases, and other national adjustment processes lose much of their threat.

The ILO's tripartite structure is optimal for initiating a global debate with a view to reaching a necessary consensus on new roles and, possibly, new international instruments. It is also the ideal forum to empower the different actors with the knowledge and skills needed to contribute to sound national and global governance of social security.

The ILO seeks, first and foremost, a comprehensive vision of a national and global social security: a system with the flexibility to adapt to the state of economic development, yet pursuing the key objectives of universality, poverty alleviation, the containment of social insecurity through social rights, the promotion of long-term growth, a fair distribution of income and non-discrimination. The International Labour Conference, by virtue of its undertaking a General Discussion on Social Security, took a major step in that direction. What is needed now is for national policy-makers to whom the ILO can offer support, building on the conclusions of the 2001 debate to define policy priorities and identify concrete measures towards reducing social insecurity, poverty and unfair inequality of access to opportunities in the modern, globalizing world.

5.8 *In summary*

It is clear that countries (or, within countries, states or similar administrative divisions) need a structured framework within which to develop policies towards income security, including approaches to poverty prevention and alleviation in other words social security; this would pay specific regard to the competition for resources which, within the social security arena might reflect considerations including:

- *national* versus *local* interests
- *institutional* versus *"grassroots"* approaches
- *formal (or "organized")* versus *informal (or "unorganized")*

See ILO (2006).

- *urban* versus *rural* needs
- *market-oriented* versus *socially oriented* preferences in policy approach: in this context we know, and the understanding is becoming more widespread, that social security represents an investment in a productive economy
- *the value of complementary approaches* using the techniques of social insurance for formal economy workers, and (probably) less highly structured mechanisms for outreach to the wider economy

At the broadest level:

— We know - and have demonstrated through well-respected research that at least a basic social security programme is affordable, perhaps with some temporary outside support, in all countries.

— Nevertheless, it is clearly a challenging task to make the case for (expanding) social security at the political level, in competition with other demands on government and treasury.

— Options suitable for the circumstances of virtually every country are available, but national policy-makes must not unduly delay (or even shirk) their ultimate responsibility for decision making.

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Poverty, Economic and Social Development and the Right to Social Security within the Global Decent Work Debate*

Asia-Pacific Regional High-Level Meeting on Socially Inclusive Strategies to Extend Social Security Coverage

New Delhi, India, 19-20 May 2008

International Labour Organization

* This paper summarizes arguments developed over recent years in the ILO and based to a large extent on the Background Note to the intervention of the ILO Director-General at the G8 Labour and Employment Ministers Conference, Dresden, Germany, 6-8 May 2007, and on Discussion papers Nos. 13, 15, 16, 17 and 18 published by the ILO Social Security Department between 2005 and 2007, namely: Pal et al. (2005); Gassmann and Behrendt (2006); ILO (2006a); Mizunoya et al. (2006); Townsend (2007).

1. Introduction: Social and economic policy background and the mandate of the ILO

The positive potential of globalization in terms of higher growth, higher levels of employment, higher standards of living and lower poverty, triggered inter alia through rapid technology transfers, fast pace of investment, global information access, as well as potentially enhanced fiscal space for social protection, will materialize only in politically and socially stable societies. Societies can only be stabilized if persistent and emerging social and decent work deficits in industrialized and developing countries are addressed effectively; these range from poor education and illiteracy with consequential social exclusion and gross productivity deficits, to unemployment, unmet health-care needs, health hazards in formal and informal workplaces, deep poverty, widespread inequality and finally to denied basic human and labour rights and lack of social dialogue. Such deficits create risks for sustainable economic and social development (insecurity, societal disintegration, environmental hazards, global health hazards, etc.). Without social stability economic growth and development remain at risk.

Social stability rests on a on a variety of societal factors among which two are crucial:

- an adequate degree of security of decent employment for those who can work, and
- an adequate degree of effective social security for those who cannot or can no longer work.

In effect, people need to be confident even in an economy dominated by global players that their societies and governments can still provide an adequate level of economic and social security. In order to broaden and deepen confidence in the process of change set in motion by globalization, these twin objectives must be achieved:

- Effective social security means secure access to benefits and services that maintain and enhance an individual's employability and the guarantee of at least a minimum income level, including adequate and secure pensions when no longer active, together with basic social services (including health care);
- In general and in the long-run, high levels of productive employment are necessary to finance social protection, as high employment levels substantially contribute to the creation of the tax base for social spending. Ultimately, social security systems can remain economically and financially viable only if they are successful in containing levels of dependency at socially adequate and economically responsible levels.

However, the case is made here that high levels of *decent and productive* employment can only be achieved in the long run if decent levels of social security are achieved in parallel. Change, for example, will be more easily accepted by employees and societies as a whole if the population is confident that governments and employers are seeking ways to facilitate the adaptation process in a socially responsible manner, using constructive social dialogue to build the necessary consensus for restructuring while providing the population with a basic floor of social security that helps to avoid excessive hardship for those that are affected by change. Social security systems also facilitate the distribution of benefits from growth and globalization to those most in need. They also help to create and maintain a productive workforce.

What is required is innovative combinations of government economic, employment and social policies. This Note focuses on the role of social security in that context. The paper also reports on a major shift in the international policy debate with respect to the role of social security in national development. Social security systems are increasingly seen as a crucial element in national economic and social development, and for the first time in decades major innovations

originate from countries in Africa, Asia and Latin America. The understanding that the globalizing world needs a minimum social security floor for all is gaining ground.

The constitutional mandate of the ILO, as re-stated in the 1944 Declaration of Philadelphia,[2] "..recognises the … solemn obligation of the International Labour Organisation to further encourage among the nations of the world programmes that will achieve, inter alia, the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care".

The ILO constituents reaffirmed the fundamental role of the ILO in the promotion and extension of social security and its obligations in this respect at the International Labour Conference in 2001.[3] On this occasion, the Conference Committee on social security concluded that "highest priority should go to policies and initiatives which can bring social security to those who are not covered by existing systems".[4] In this regard, it was proposed, among others, that a major campaign be launched in order to promote the extension of social security coverage.[5] Thus, in 2003, the Global Campaign on Social Security and Coverage for All was launched, with a view to achieving concrete improvements in social security coverage in as many countries as possible; strengthening social partners and individuals' know-how in the field of social security and developing useful tools for key actors; and placing social security at the top of the international policy agenda. The promotion of a social floor is rapidly becoming the policy nucleus of the campaign and of international debate.

2. Achieving decent work and decent lives for the global society: The role of social security

The term social security as used here encompasses all measures that provide income security to people in case of poverty, unemployment, sickness, disability, old age, loss of the breadwinner, as well as access to essential social services. Such access to essential social services comprises most importantly access to health services as well as access to education and occupational training and retraining. Social protection including social security as defined above is part and parcel of the ILO's Decent Work Agenda. Social protection is also a productive factor that facilitates social and economic development. But before that case is made, some of the ethical foundations of social protection and the present political debate on the subject have to be revisited.

2.1 The moral challenge

Social security is a human right. Article 22 of the United Nations Universal Declaration of Human Rights states: "Everyone, as a member of society, has the right to social security".[6] Almost sixty years later, that right remains a dream for 80 per cent of the global population. To many people a basic set of benefits could make the difference between a miserable and a decent life, or simply the difference between life and early death. Millions of children under the age of five die every year because they have no access to adequate health care and because there is not enough income to secure their food. According to ILO calculations,[7] less than 2 per cent of Global Product would be

[2] Declaration concerning the aims and purposes of the International Labour Organization, adopted by the International Labour Conference at its 26th Session in Philadelphia on 10 May 1944.

[3] Resolution and Conclusions concerning social security, International Labour Conference, 89th Session, 2001, para. 2.

[4] Ibid., para. 5.

[5] Ibid., para. 17.

[6] The full text of the Declaration is available at: http://www.un.org/Overview/rights.html

[7] Presented in Cichon and Hagemejer (2007), pp. 169 et seq.

necessary to provide a basic set of social security benefits to all the world's poor. Providing a basic set of benefits to all who lack access to social security would require 6 per cent of Global Product. That potential investment in people amounts, for the two scenarios, to less than 10 per cent or 30 per cent respectively of the total annual global investment in tangible assets. The major share of the cost of a set of basic social security benefits stands to be financed out of national revenues, although in some countries international help might be needed to jump-start such systems.

2.2 Social impact and historical experience

Social security systems providing social transfers are instruments to alleviate and prevent poverty, which work directly and fast in a way that the putative benefits of "trickle-down" effects of economic growth cannot match. We know from long experience in OECD countries that social protection is a powerful tool to alleviate poverty and inequality: It reduces poverty and inequality in many OECD countries by almost 50 per cent.

There is no successful industrialized country in the world that does not have a fairly extensive social security system. There has been widespread consensus in most industrialized countries that the social protection of their population should be improved as societies grew more prosperous. Until recently and over many decades that principle was rightly never questioned. Many of those "traditionally" regarded as the most successful amongst the "developed" economies of the world, such as Denmark, France, Germany, Netherlands, Norway and Sweden, also have the highest social expenditure when measured as a percentage of GDP, generally between 25 and 35 per cent. These economies are also traditionally open economies and have been subject to international competition for decades before globalization became a topical issue. They also have in common the fact that they all started to introduce their social protection systems about a century ago that is, when they were poor. Providing social security was and is part of their development paradigm.

There are positive examples of successes with modest universal social benefit systems in Africa, Latin America and Asia. In Botswana, Mauritius, Namibia and South Africa, for example, basic universal pensions have shown positive poverty alleviation effects. Valuable experience has been gained regarding the potential role of social transfers in combating poverty in countries such as Brazil and Mexico. Notable success in achieving full population coverage in health care could be observed across Asia during the last three decades. The Republic of Korea achieved full population coverage in a little over twenty years and Thailand in less than fifteen. Now major progress is being made in India and China. All experience shows that implementing basic social security systems in low-income countries can make an enormous contribution to achieving the first of the Millennium Development Goals (MDGs) that of halving poverty by 2015.[8]

One may ask why is then the reduction or containment of social expenditure a predominant preoccupation of policy-makers in many countries the world over? Why does the stabilization of social security systems or the introduction of at least basic systems of social security not play a bigger role in economic and development policies? Why then do the majority of people in the world lack access to even basic social security? Why are many of those who provide advice to poor countries reluctant to support major transfer programmes? Why is there not enough support within the countries themselves? The answer lies in a fundamental and widespread misconception of the economic effects of social security.

[8] The full text of the MDGs is available at: http://www.un.org/millenniumgoals/

2.3 Challenging conventional economic wisdom

The answer to the above questions lies in a lack of understanding about the economic effects of social protection systems. In a tough competitive environment of global markets, every perceived detriment to national competitiveness is subject to intense scrutiny. Thus, social expenditure at a level of between 25 and 35 per cent of GDP in industrialized countries and between 5 and 15 per cent of GDP in many developing countries is often feared to be an unproductive expenditure. The national social security systems in industrialized countries came under political pressure following the two oil crises, when economic growth slowed down and the fiscal space for income transfers in cash and in kind contracted or at least no longer expanded. The perceived need to contain social security expenditure became even more pronounced when globalization took off in full force at the beginning of the new millennium. The pressure to perform in a global competitive environment led to a one-sided view of social security as a cost to a society rather than a potential benefit and an investment in economies and people.

The international social protection policy debate has thus become a debate on fiscal and economic affordability. In the developed world it is a double-edged debate. On the one hand on the revenue side real or perceived global tax competition between countries and growing informality are perceived to limit the fiscal space for transfers, while on the other hand on the expenditure side population ageing and new health hazards lead to higher dependency levels and treatment costs, and are hence seen as inexorably driving up expenditure levels. In the developing world the fiscal space debate is likewise a debate on economic and fiscal affordability but also implicitly an opportunity cost debate. It is argued that scarce public resources can better be invested elsewhere where they would create more economic growth, which would in the long run be more beneficial to the welfare of a population than allegedly "unproductive" transfer payments largely to people working and living in informality.

In making the economic case for strong social transfer systems, the conventional economic wisdom with regard to the relationship between social protection and economic performance has to be challenged. The major elements of that conventional economic thinking are:

(1) Social expenditure is perceived to be exclusively consumptive expenditure and does not have an investment character.

(2) Economic growth is believed to reduce poverty automatically (often described as the "trickle-down effect") and thus in an environment of growth the need for redistributive (social protection) policies may remain very limited.

(3) There is a trade-off between social expenditure and economic efficiency or growth and hence high levels of redistribution are detrimental to growth.

Whereas, in our view:

(1) Social expenditure has an investment character

Social security systems reduce poverty and are an investment in productivity. The World Bank stated in a recent report that poverty is a risk to security and lack of security is a hindrance to the investment climate.[9] Furthermore, only people who enjoy a minimum of material security can afford to take entrepreneurial risks.[10] Social security benefits (that do not establish disincentives to work) can facilitate the adjustment of labour markets in the industrialized and the developing world; they can thus help to facilitate the public acceptance of global changes in production

[9] See World Bank (2005).
[10] See OECD (2006).

processes triggered by globalization. The existence of collective social security systems can help to maintain competitive wage levels as, in their absence, individuals would have to seek higher incomes to finance individual or private risk-coping mechanisms out of current incomes. Furthermore, only healthy and well-nourished people can be productive. Only people that have enjoyed at least a minimum level of schooling facilitated by child and schooling benefits can work their way out of poverty successfully. Many people would not be able to afford that level of schooling without family cash benefits.

(2) Economic growth does not automatically reduce poverty

The empirical and statistical evidence of the last decade shows clearly that economic growth does not automatically reduce poverty without putting employment promotion and income redistributive mechanisms (such as social security systems) in place, otherwise countries with the same levels of GDP per capita would not experience a wide range of different levels of poverty and inequality. And one would not see persistently high levels of poverty in some countries with relatively high levels of GDP per capita.

(3) The famous trade-off between growth and equity does not hold true

There is ample evidence that countries with identical levels of social spending experience a wide range of different levels of GDP, contradicting the hypothesis that there is an automatic negative correlation between economic performance and levels of redistribution. The latter implies that there is no hard and fast rule as to what countries can afford. There is, however, a fairly strong positive correlation between per hour productivity and per capita expenditure on social protection in OECD countries. Thus, superior economic performance and high social expenditure do coexist and social expenditure and economic performance support each other. The famous growthequity tradeoff is a myth rather than fact.

Obviously, at early stages of development the available financial and fiscal space is more limited than at later stages, so the introduction of social security benefits needs to be sequenced by order of priority. But we will show in the following sections that even amongst low-income countries most can afford some level of social protection.

At a later stage of development there may be a saturation point for social expenditure beyond which it becomes economically and socially counterproductive due to disincentives and crowding out of other public expenditure. That will depend on specific national circumstances and the specific design of the transfer systems and the affiliated incentives for example, whether the system creates incentives for staying in or taking up work. The ageing of the populations and the consequential reduction in the size of the labour force call for a close review of the incentives that need to be built into the systems to limit or reduce dependency levels without depriving those in need from necessary levels of protection.

2.4 The case for a global social floor

Thus there seem to be good social reasons to introduce social protection mechanisms at an early stage of economic development and generally no good economic reasons why that should not be done.

The time seems right to promote a basic set of social protection benefits that should be achieved by all countries in the shortest possible time. This could be the social security minimum benefit package as part of a global socio-economic floor that was advocated by the World Commission on the Social Dimension of Globalization. The World Commission argues: "As long

as countries however poor are able to collect some taxes and contributions, they can afford some level of social protection. A global commitment to deal with insecurity is critical to provide legitimacy to globalization."[11]

Since about mid-2005, social security research in the ILO within the framework of the Global Campaign has focused on the affordability of minimum tax-financed cash benefits and the feasibility of pluralistic financing systems for health care.

The ILO regards its generic strategy for the extension of social security coverage as one of progressive universalisms. That strategy is based on two distinct types of rights of the individual that give effect to the human right to social security. The strategy envisages:

(1) **for those who derive rights on the basis of payments of contributions or taxes**, the building of progressively higher levels of protection for all or defined subgroups of the population, on the basis of societal consensus and the minimum levels of ILO Convention No. 102;

(2) **residents' rights**, comprising a basic "floor" of social security for all that can be introduced and strengthened progressively in line with economic development
- by increasing the number of benefits
- by increasing the levels of benefits

but twhich should be underpinned by commitment to the objective of reaching the floor and reporting on the progress towards the objective.

In a recent policy consultation paper the ILO suggests that the social protection part of the global socio-economic floor should consist of:

- Access for all residents to basic/essential health care through pluralistic national systems that consist of public tax-financed components, social and private insurance components, as well as community-based components that are linked to a strong central system;
- A system of family benefits that provides basic income security for children and facilitates children's access to nutrition, education and care;
- A system of basic social assistance that provides income security at least at the poverty line level to people of active age (who are unable to earn sufficient income due to sickness, unavailability of adequately remunerated work, loss of breadwinner, care responsibilities, etc.);
- A system of basic universal pensions that provides income security at least at the poverty line level in case of old age, invalidity and survivorship.[12]

The Social Security Department has also identified the following basic principles for its campaign strategy when supporting countries to build up national social security systems:

First: Promotion of basic coverage for all, on a basis of universal access (but not necessarily with uniform benefits).

Second: Promotion of a rights-based approach to safeguard the rights of residents ("everyone has a right to social security", as set out in Article 22 of the United Nations Universal Declaration of Human Rights) and of contributors and taxpayers (by honouring earned entitlements).

[11] See ILO (2004a), p. 110.
[12] ILO (2006a), p. 34.

Third: Promotion of adequate benefit levels that ensure basic poverty protection and fair levels of income replacement.

Fourth: Making the case that overall responsibility for provision rests with the government, although delivery can be shared with private sector and community-based entities (except in failed or failing States).

Fifth: Accepting pluralism in organization and financing.

Sixth: Promotion of good tripartite governance, financial sustainability and fiscal and economic viability.

Based on research undertaken in recent years and needs assessments carried out in the course of its technical cooperation activities, the ILO Social Security Department has identified a minimum set of four essential basic social security guarantees (a basic benefit package) that could constitute a social security floor:

- All residents have access to basic/essential health-care benefits, where the State accepts the general responsibility for ensuring the adequacy of the delivery system and financing of the scheme;
- All children enjoy income security at least at the poverty level: through family/child benefits aimed to facilitate access to nutrition, education and care;
- Some targeted income support for the poor and unemployed in active age groups;
- All residents in circumstances of old age and disability enjoy income security through pensions granted at least at the poverty line level.[13]

Support is gathering for the policy position that countries can grow with equity, i.e., providing some form of social protection from some early stages of their development. The Director-General's report to the International Labour Conference of 2004 announced that the Office will further explore that suggestion and will explicitly test the financial feasibility and deliverability of basic non-contributory pensions, basic health services and access to basic education.[14] The United Kingdom-based initiative Grow Up Free From Poverty, a coalition of 21 leading NGOs, promotes a "social minimum"[15] benefit package consisting of a basic set of cash transfers, similar to the one listed by the ILO, as a crucial tool in the combat against poverty in developing countries. This position is fully endorsed by the recent White Paper on development policy of the Government of the United Kingdom.[16] The Governments of Belgium, France and Portugal have, for several years now, supported the extension of health security through a combination of community-based and central government approaches, through the framework of the ILO-STEP project. The Government of France launched a health insurance initiative for developing countries during the 2006 G8 meeting in St. Petersburg and is actively following up on this initiative. During its Presidency of the G8 in 2007, the Government of Germany provided continuity by adopting as focal topics health care in developing countries, the social dimension of social protection and the role of social protection.

What we observe is a real shift in development policy paradigms. The "grow first distribute later" policies appear to be consigned to history. The Rt. Hon. Hilary Benn, then Secretary [Minister] for Overseas Development in the Government of the United Kingdom, described the new

[13] See ILO (2008a).

[14] ILO (2004b).

[15] See Grow Up Free From Poverty (2006).

[16] See DfID (2006), pp. 85-86.

development policy with the statement: "Our agenda is about growth with equity, not either or."[17] We are witnessing a growing awareness of the potential value of social transfers in development policies, as was recognized at the G8 Labour Ministers meeting in Dresden[18] and in the Ministerial Declaration of the 2006 ECOSOC High-Level Segment that stated explicitly "… countries need to devise policies that enable them to pursue both economic efficiency and social security and develop systems of social protection with broader and effective coverage".[19] The ILO further developed the issue at an informal meeting of the Ministers of Labour and Social Affairs during the 2007 International Labour Conference[20] where a possible new approach to a policy for balanced and inclusive growth was presented by the Office.

However, a basic set of social protection benefits can only be promoted with credibility if it can be demonstrated that it is logistically feasible and affordable. Logistical feasibility can easily be demonstrated by examples of successful benefit delivery at reasonable administrative cost from Botswana, Brazil, Mexico, Namibia and South Africa. The critical question remains: Can developing countries afford a basic social security floor?

2.5 Fiscal affordability of social protection in a development context

Fiscal space is always limited. Obviously, it is to be expected that in the early stages of development the constraint is tighter than at later stages, so the introduction of social security benefits may have to be sequenced by order of priority. However, ILO actuarial calculations have shown in the case of 12 developing countries that some form of basic social security can be afforded by virtually all countries. The following box describes that exercise in more detail. At the same time, countries need to invest in tax system design and the effectiveness of contribution collection mechanisms.

Can developing countries afford to close the social security deficit?

A recent ILO modelling exercise has demonstrated that basic social protection benefits are not out of reach for low-income countries in sub-Saharan Africa and Asia, even though some of them might require some international assistance for a transitory period.[1] The study covered seven African countries (Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal, United Republic of Tanzania) and five Asian countries (Bangladesh, India, Nepal, Pakistan, Viet Nam). The cost of a basic social protection package was assessed, including a universal old-age and invalidity pension, universal access to basic health care and a universal child benefit. The main assumptions were:

- *Basic old age and invalidity pensions:*

Benefit of 30 per cent of per capita GDP.

- *Child benefit:*

Benefit of 15 per cent of per capita GDP for the first two children under age 14 in a household.

- *Social assistance*

100-day guaranteed employment at a wage of 30 per cent of per capita GDP for a maximum of 10 per cent of all people of active age,

- *Essential health care*:

Annual per capita costs based on the benchmark professional staffing ratio of 300 population per one health professional (approximately the staffing ratio of Namibia and Thailand).

[17] The full text of the speech is available at: http://www.dfid.gov.uk/news/files/Speeches/wp2006-speeches/growth190106.asp

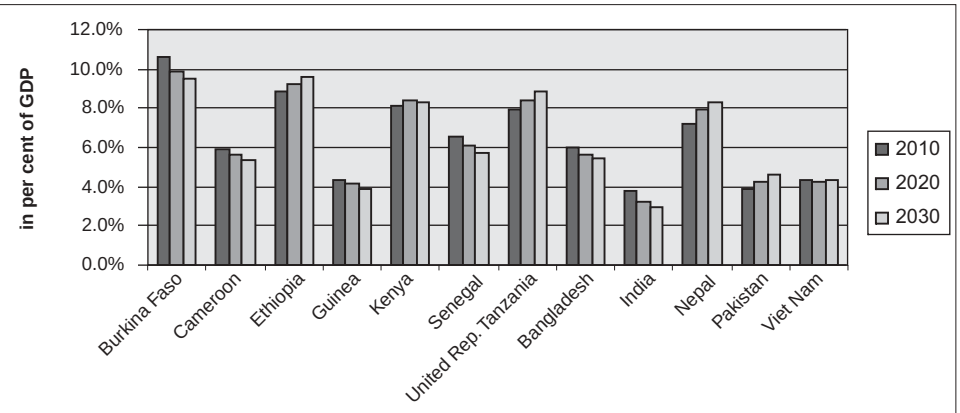
[18] See the G8 Labour and Employment Ministers Conference: Shaping the Social Dimensions of Globalisation, Dresden, 6-8 May 2007, Chair's conclusions.

[19] See United Nations, Economic and Social Council (E/2006)/L.8, para. 19.

[20] The ILO tabled and presented a discussion paper entitled *Growth, employment and social protection: A strategy for balanced growth in a global market economy*.

The results of the projection show that a modest basic social protection package or at least substantial parts thereof would be affordable for low- and middle-income countries. Expenditure on the basic benefits package could be kept at around 8 per cent of GDP in Nepal and below 6 per cent of GDP in Bangladesh, India, Pakistan and Viet Nam. The results show a generally lower level of relative cost in Asia as compared with Africa; this largely reflects lower demographic dependency rates in the Asian countries.

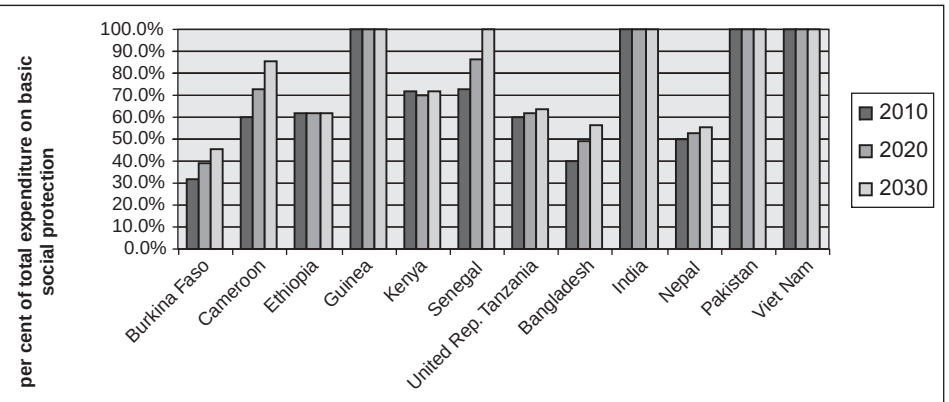
Box figure 1 Projected expenditure on basic social protection benefit package for selected countries in Africa and Asia, 20102030



Source: ILO calculations.

If Asian countries, after some fiscal reforms, were able to use about 20 per cent of their revenues to finance the basic benefits package, full domestic financing for the complete benefit package would be possible in three out of those five countries. In the other countries the financing gaps during the next three decades might have to be closed through a gradual introduction of the benefit package, some budget support from international donors or the increase of the resource base for the national social budget. The latter could, for example, be achieved through the introduction of a health insurance system with wide population coverage.

Box figure 2 Projected share of total cost of basic social protection package that can be covered by domestic resources equivalent to 20 per cent of government expenditure, selected countries in Africa and Asia, 20102030



Source: ILO calculations.
[1] See Pal et al. (2005); Mizunoya et al. (2006); ILO (2008b).

The effects of a basic benefit package on poverty reductions could be quite dramatic. Our distributional analysis[21] shows that the combination of a modest cash benefit for children and a

[21] Gassmann and Behrendt (2006).

modest pension, which could be an entry level benefit package for poorer countries, could reduce the poverty head count by about 40 per cent a major contribution to the achievement of MDG 1 in some African countries. This set of benefits is estimated to cost no more than about 4 per cent of GDP.

The above costing exercise uses a static (i.e., a simple "all other things being equal") economic and fiscal model. It does not take into account the potential dynamic effects of a basic social protection package on the levels of national growth.

The case can well be made that the net costs of early investments into a basic set of social security benefits are zero or even negative, given expected offsets by positive economic returns. A small "back-of-the-envelope" calculation illustrates this. We know that the basic conditional cash transfer programme in Mexico, *Oportunitades*, reduces sickness days of adults by about 19 per cent, a major productivity push. The cash-for-education programme in Bangladesh (formerly food-for-education) has enabled children, in particular girls, to remain in school for several years longer than would otherwise be the case, and hence improved individuals' employment prospects to a degree which should increase the lifetime earnings of beneficiaries by an amount estimated to reach 25 per cent once again a case of social benefits driving a productivity jump.[22] If we assume, conservatively, that such productivity increases, linked to basic social security schemes, lead to a rise in overall levels of GDP by no more than 10 per cent, then modest schemes should quickly pay for themselves. In the long run and after some investment in the tax collection mechanisms the resulting enhanced tax revenues would increase in line with growth, creating sufficient fiscal space, and more, to finance the benefits.

Recent developments in Asia also show that at least some elements of a basic social security floor are affordable in many countries. Most progress has probably been made in achieving higher levels of access to health care.[23] The available indicators show that in the Republic of Korea and in several middle-income economies (Malaysia, Thailand, Tonga, Fiji, Sri Lanka),[24] as well as a few low-income economies (Mongolia, Viet Nam, Kyrgyzstan), the population enjoys relatively high levels of access to basic and most intermediate health-care services, although high-technology services may be accessible only to a few. For key basic health interventions, such as skilled birth attendance and immunization coverage, the indicators in these countries are also close to universal. In these countries, extreme inequalities in use of health-care services between rich and poor are not typical, and in some of them, such as Malaysia and Sri Lanka, equity in health-care use is high.[25] In the remaining countries of the Asia-Pacific region considerable disparities exist in access to services, and large numbers of people still lack adequate access to services.

The Chinese Government is currently focusing on building a "moderate welfare state" and has defined the improvement of health care as an essential element of economic growth. The central Government has increased public health spending as well as social cash transfers. Based on high economic growth, some communities have set up local health insurance schemes. In urban areas, Government Employment Schemes (GIS) and Labour Insurance Schemes (LIS) covering public servants and workers in state enterprises were replaced in 1998 by an insurance system for all employees that is open to smaller companies and the self-employed. The GIS and LIS reforms are local initiatives comprising the introduction of cost sharing to the beneficiaries, the

[22] See DfID (2005), pp. 13, 17

[23] The following sections build on the ILO paper on health protection and the health policy paper presented to this meeting.

[24] The classification used here is that of the World Bank (2007 series); of these countries, Malaysia is classed amongst upper-middle income countries, the others with the lower-middle income group.

[25] Rannan-Eliya and Somanathan (2006).

establishment of catastrophic disease insurance and the application of capitation payment in some cities. In 2005, the Basic Medical Insurance (BMI) covered more than 130 million beneficiaries in various Chinese cities. For rural areas, a new voluntary health insurance for self-employed farmers, organized on the basis of local risk pooling, was introduced in 2003, covering 80 million individuals that year. The organization and financing are fostered and backed by the central Government and coverage has been extended progressively, reaching by early 2008 a stated figure of 730 million.[26]

The Republic of Korea is an outstanding example of the successful introduction of a universal health insurance system. Once the country had passed its Health Insurance Act in 1963, it took just 26 years to achieve universal insurance coverage. It should be stressed that the country's GDP per capita in real terms was still under US$1,600, in other words, only two-thirds of the current level of GDP per capita in the Philippines and around the same level as that of countries such as Cameroon, Mozambique, Niger and Sri Lanka.

The Indian health-care sector is growing rapidly, following on the country's general economic and social development. However, at just 1 per cent, the share of GDP spent on public health care remains very low. All health financing mechanisms coexist in India, although "out-of-pocket" (OOP) payments represent the main form of financing (over 70 per cent of total health expenditure, according to the latest WHO statistics).[27] However, health finance mechanisms also include social health insurance, namely the Employees' State Insurance Scheme (ESIS), which provides for compulsory coverage of government employees and staff in larger companies, the Central Government Health Scheme (CGHS), employer-based schemes, voluntary (commercial) health insurance, and community health insurance. Shortfalls in provision, high contributions, drastic co-payments and poor quality of providers have led to the emergence of micro-insurance schemes in rural areas as well as in major cities. Micro-insurers often purchase cover from the state-owned insurance companies, and in recent years the commercial insurance companies have started to enter this market. For the population in the informal economy, coverage of outpatient services, medicines and the indirect costs of illness (e.g., transport costs and loss of earnings) are crucial.

In October 2001 Thailand took a historical step towards achieving full population coverage in health care by introducing a universal health-care scheme called "UC scheme" (also commonly known as the "30 Baht" scheme). The scheme offers any Thai citizen not affiliated to the Social Security Health insurance scheme (SSO scheme) or the Civil Servants' Medical Benefit Scheme (CSMBS) full access to health services provided by designated district-based networks of providers (consisting of health centres, district hospitals and cooperating provincial hospitals). Eligible persons have to register with the networks and obtain a free insurance card. They were formerly required to pay a nominal co-payment of 30 Baht (a little less than US$ 1)[28] for each outpatient visit or hospital admission; however, the co-payment was recently abolished. Drugs on prescription are also free of charge. The scheme has been remarkably successful with respect to population coverage in the first years of its existence. Its sustainability remains in some doubt, however, in so far as fiscal allocations to the scheme have to be renegotiated each year in the government budgeting process.

While there are a number of alternative initiatives to improve access to health services, progress on cash transfers that ensure some level of income security for all has been much slower

[26] Figure quoted in "Health care in China", *The Economist*, 21 February 2008

[27] Available at: www.who.int/countries/ind/en

[28] Current exchange rate (early 2008): 32 baht = US$1 approximately.

in Asia. Table 1 presents a classification of a selection (by no means complete) of significant cash transfer schemes, and suggests that among the countries that have introduced some form of cash transfer schemes seeking to reach either the total population or a specified group of populations whether on a conditional or unconditional basis, Asian countries may be in a minority.

Table 1 Global instance of conditional and unconditional cash transfer programmes, 2008 and ongoing

Type of cash transfers	Countries	Number
Unconditional		
Household income support	Chile, China Indonesia (till 2007), Mozambique, Pakistan, Zambia	6
Social pensions	Argentina, Bolivia, Bangladesh, Brazil, Botswana Chile, Costa Rica, India, Kiribati, Lesotho, Mauritius, Namibia, Nepal, Samoa, South Africa, Uruguay	16
Child/family benefits	Mozambique, South Africa	2
Conditional		
Cash for work	Argentina, Ethiopia, India, Rep. of Korea, Malawi, South Africa	6
Cash for human development	Bangladesh, Brazil, Colombia, Ecuador Indonesia, Honduras, Jamaica, Mexico, Nicaragua	9
	Total number of countries with at least one programme	30
	Of which in Asia and the Pacific	8

Source: University of Sussex and ILO.

However, it is interesting to note that all of the high-population Asian countries in the middle- and low-income categories (China, India, Indonesia, Pakistan, Bangladesh) are represented in the table, having at least one significant cash transfer programme in operation. India has, moreover, introduced a very innovative 100-day guaranteed employment scheme for rural districts that has now been rolled out to its entire target area. Nepal has been pioneering social pensions for old age and invalidity (albeit with a very high retirement age of 75 years) and is presently exploring the fiscal possibility of strengthening the universal pension by bringing the retirement age down, and of possibly adding a child benefit. Two Pacific island States (Samoa and Kiribati) also have universal old-age pensions. The above examples show that many countries can afford some level of either conditional or unconditional cash transfers and in some cases even a combination of good health coverage and access to basic cash benefits.

It should not be overlooked that almost all countries in the region, however, have some form of insurance-based cash benefits (or tax-financed cash benefits, as in the case of New Zealand and Australia) for old age and invalidity, sickness and maternity or work injury. However, with the exception of the industrialized countries in the region, these schemes have limited population coverage.

3. By way of summary and conclusion: A new focus of the ILO campaign for the extension of social security coverage in Asia

Social protection systems and activating employment policies stabilize societies in low- and high-income countries. Stable societies in low-income countries are of direct economic benefit to high-income countries as only stable countries produce the volume of trade that can create further

global growth. Social protection and active employment policies are investment in people, the productivity of the workforce and social cohesion that are prerequisites for a good investment climate and a potentially productive economy. However, the benefits of such policies are of a mid- and long-term nature, while requiring immediate corporate and state investments in non-financial production assets that tend to be easily sacrificed on the altar of short-term profit and rent seeking in global financial markets. Ensuring that national strategies for social and economic development are complementary and avoid the risk of countries undermining each other's development strategies requires increased dialogue and commitment to the progressive application of international labour and social standards in the longer term as well as a short-term consensus on creating a basic floor of social security that all countries should afford to all their residents.

To pursue the latter objective in a practical manner, and based on the conclusions of the Fourteenth Asian Regional Meeting in 2006 that requested the International Labour Office to "within the means available…integrate actions in the following fields: …establishing benchmarks and good practices on the extension of social protection to all working women and men and their families [and] promoting the development of up to date and reliable statistics and data-gathering to assist in fact-based research, comparison and decision making",[29] the ILO recommends as follows:

(1) All countries should develop within their Decent Work country strategies national social security development plans that determine a roadmap towards national social security systems that are compatible with social needs and available fiscal space, and that are conducive to economic performance, to consist in each case of:

   a. a fully inclusive basic social security system, representing a social security floor for all, even if implemented only gradually. The exact components of such a floor for each country level, and the sequencing for its introduction, remain a matter of national policy priorities;

   b. higher levels of health protection and income security that are designed in national social dialogue processes once economic performance and the fiscal space permits the financing of such benefits, and implemented through multi-pillar, including social insurance, schemes.

(2) Countries should subscribe to a review system that allows them to self-monitor progress with respect to population coverage. Without such a self-binding mechanism progress might not be as rapid as it could be.

The ILO is able to provide technical advice covering legal and managerial aspects, in addition to actuarial and social budget analyses. The latter should ensure that the progress towards coverage is compatible with national economic and fiscal capacity and would help to facilitate donor support for the design and implementation of a social floor. The ILO has also embarked on a review of its social security standards with a view to exploring whether they provide sufficient guidance to countries with respect to the definition of a social floor. It appears from the present state of the analysis that a new binding or non-binding instrument defining a social floor could strengthen the ILO campaign.

[29] ILO (2006b), p. 4Z

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International Labour Organization

Asia-Pacific Regional High-Level Meeting on Socially-Inclusive Strategies to Extend Social Security Coverage
Draft programme

New Delhi, India, 19 –20 May 2008

Sunday 18 May 2008	
16.00 – 18.00	Registration
19.30 – 21:00	Meetings/Informal Discussions of Employers' and Workers' Groups
Monday 19 May 2008	
08:00 - 09:30	Registration (continued)
09.30 - 10.30	**Opening Session:** Presentation of Bouquets Lightning of Lamp and Invocation Welcome Address by Ms. Sachiko Yamamoto, Regional Director ILO, Asia and the Pacific Video Message from Mr. Juan Somavia, Director General ILO Address by Mr. J.M. Salazar – Xirinachs, Executive Director, Employment Sector Address by Mr. Oscar Fernandes, Minister of State (Independent Charge) of Ministry of Labour and Employment, India
10.30- 10.45	***Scene-setting*:** Introduction on the objectives and key issues the meeting will cover, including a brief introduction on the various panel and thematic sessions that will follow; Mr. A. Diop, Executive Director, Social Protection, ILO
10.45- 11.15	**Coffee Break**
11.15- 13.00	***High Level round-table on the Extension of Social Protection*** *Moderator:* Mr. Paranjoy Guha Thakurta *Overview presentation*: Poverty, Economic and Social Development and the Right to Social Security Within the Global Decent Work Debate. Mr. M. Cichon, Director of the Social Security Department, ILO Geneva The Panel will highlight the key opportunities and challenges facing the region in the area of social security extension. Panel members may be briefed / prepared to raise or be ready to address questions on critical cross-cutting issues including the gender dimension of social security and the rapidly-increasing number of migrant workers moving within the region. A specific target should be to distil new collaborative mechanisms that can better contribute to the progressive extension of social security to all. *Panel presentation:* • Ministers and high-level presentations: Sri Lanka, Singapore, Bangladesh and India 1. Honourable Athauda Seneviratne, Minister of Labour Relations and Manpower, Sri Lanka 2. Mr. Hawaza Daipi, Senior Parliamentary Secretary, Member of Parliament, Ministry of Manpower, Singapore

	3. Dr. Mahfuzul Haque, Secretary, Ministry of Labour and Employment, Bangladesh 4. Ms. Sudha Pillai, Secretary, Ministry of Labour and Employment, India • ISSA Perspectives and International Experience Ms. C. de la Paz, President of ISSA • Employers' Perspectives and International Experience Mr. Toshio Suzuki, Member of the ILO's Governing Body and Regional Vice President of the International Organization of Employers (IOE) • Workers' Perspectives and International Experience Mr. Noriyuki Suzuki, General Secretary, International Trade Union Confederation – Asia Pacific (ITUC –AP) *Discussion*
13.00-14.30	***Lunch***
14:30- 16:00	***Panel on Social Security and the Right to Work; perspectives linking protection and employment*** *Moderator*: Mr. Guy Thijs, Deputy Regional Director ILO, Asia and the Pacific Social security and its development stands at the heart of the ILO's Decent Work Agenda. In the absence of a framework of Decent Work, sustainable long-term national social and economic development is impossible; social security systems are essential to the quality of the lives and the jobs of workers and their families. Well managed, such systems represent, moreover, a prerequisite for a productive workforce and therefore a significant factor in economic development. However, the picture in almost all developing countries is one in which effective social protection for the workforce is lacking. While many of these countries have made a significant start on implementing social security systems, there is a clear need to build, or rebuild, the existing schemes, keeping in view the urgent priorities of: providing: access to essential health care for all; child benefits that keep children in school rather than at work; social assistance (at a modest level, and administered flexibly) to meet the basic income support needs of the working-age population; and a minimum level of income security for the elderly and the disabled. All of these will contribute, not only to the imperatives of alleviating poverty, vulnerability and inequality, but also on a broad basis to the enhancement of work and enterprise. *Panel presentation:* • Dr. K.P. Kannan, Member of the National Commission for Enterprises in the Unorganized Sector, India • Ms. Amita Sharma, Joint Secretary, Ministry of Rural Development, India • Mr. J.M. Salazar – Xirinachs, Executive Director, Employment Sector, ILO • Mr. A. Diop, Executive Director, Social Protection, ILO • Mr. Emmanuel Reynaud, Senior Advisor on Informal Economy, Social Protection, ILO • Ms. Judy See, Vice-President, Social Security System (SSS), Philippines *Discussion*
16:00-16.30	**Coffee break**
16: 30-17:30	Workers' and Employers' groups discussions

Free	
18:00--	**Reception and dinner**
Tuesday, 20 May 2008	
09.30- 11.15	***Thematic Topic I: Income Security for the Elderly and Not-so-Elderly in the Countries of the Asia-Pacific Region*** *Moderator:* Mr. J.M. Salazar – Xirinachs, Executive Director, Employment Sector *Overview presenter:* Mr. J. Woodall, Department of Social Security, ILO, Geneva Despite impressive levels of economic growth in a range of countries, employment growth has generally failed to keep pace, resulting in increasing unemployment and informalization. As, in addition, many economies enter a transitional, "reform" phase, and with formal jobs becoming less secure, the informal economy is seen to play a role as a natural "shock absorber". Since workers must therefore deal with "new" uncertainties in addition to those which they have always faced on daily basis, the need for efficient income security measures has dramatically increased. At the same time, the ageing of the population in many countries, with consequent social needs of the expanding elderly segment of the population, together with a failure – inter alia - to meet the range of maternity protection needs of poor and vulnerable women, is reflected in a decline in health indicators with a potentially far-reaching impact on future generations. Accordingly the meeting is invited to review the topical experiences of Asian countries in the effective and efficient provision of income security benefits to larger proportions of their populations, with a view to sharing experiences and facilitating the commitment to the achievement of the social security element of DW objectives in their own countries. *Panel presentation:* • Country presentations- China, Indonesia, Viet-Nam, Fiji • Social Security in an Ageing World: Mr. Brooks Dodge, Regional Programme Manager, HelpAge International (HAI) – Asia/Pacific • Comments by Employers' and Worker's representatives *Discussions*
11.15-11.45	**Coffee break**
11.45 13.00	***Thematic Topic II: Extending Social Health Protection in the Asia-Pacific Region: Progress and Challenges*** *Moderator:* Mr. A. Diop, Executive Director, Social Protection, ILO *Overview presenter:* Dr. Ravi Rannan-Eliya, Institute for Health Policy, Sri Lanka. While being at the core of the MDGs, achieving universal access to essential health services remains a daunting challenge in many Asian countries. While direct public spending on health has remained at (or fallen to) low levels in such countries, and access through private arrangements remains far beyond the reach of the vast majority, most workers in the informal economy now face further vulnerability and, perhaps, deprivation. The growing prevalence of casual and self-employment presents further impediments to enrolment, on the scale needed, into appropriate and efficient systems of health security financing. In this emerging context, there is a consensus that a broad mix of approaches must be mobilized in the drive to attain universal coverage. It is envisaged, accordingly, that the meeting may review the various strategies and programmes – representing both innovative and longer-established approaches - implemented by Asian countries, and the lessons they offer. Such evidence-based knowledge will allow participants to share ideas aimed at moving ahead the social health security agenda in different country-

	specific situations. *Panel presentation:* • Country presentations- Cambodia, India, Republic of Korea, Thailand • Health Protection: WHO's Perspective: Dr. Kumara Rai, Director, Department of Health Systems Development, Regional Office for South-East Asia, WHO (SEARO) • Comments by Employers' and Worker's representatives *Discussions*
13.00-14.30	**Lunch**
14.30 – 16:00	***General discussions on the conclusions that can be drawn from the thematic papers on the way forward*** *Moderator*: Mr. M. Cichon, Director of the Social Security Department, ILO Geneva
16.00-16.30	**Coffee**
16.30- 17.15	**Towards an ongoing consensual agenda for social security in Asia** Final comments from: Summary of conclusions by ILO: Mr. Thijs and Mr. Diop Comments by Governments', Employers' and Workers' representatives
17.15-17.45	Closing ceremony *Speakers:* • Mr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, Government of India (*to be confirmed*) • Ms. Guy Thijs, Deputy Regional Director of ILO Office for Asia and the Pacific, Bangkok

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Asia-Pacific Regional High-Level Meeting on Socially-Inclusive Strategies to Extend Social Security Coverage

New Delhi, India, 19 –20 May 2008

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International Labour Organization

Asia-Pacific Regional High-Level Meeting on Socially-Inclusive Strategies to Extend Social Security Coverage

New Delhi, India, 19 –20 May 2008

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