

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Regional Consultation on Income Support Schemes for Vulnerable Groups
in Asia and the Pacific

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**REPORT ON THE REGIONAL CONSULTATION ON INCOME SUPPORT
SCHEMES FOR VULNERABLE GROUPS
IN ASIA AND THE PACIFIC**

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I. ORGANIZATION

A. Background

1. The Regional Consultation on Income Support Schemes for Vulnerable Groups in Asia and the Pacific was organized by ESCAP in the context of a project on “Analyzing Social Protection Policies: A Focus on Income Support Schemes”. It was held in Incheon, Republic of Korea, at the ESCAP Subregional Office for North and North-East Asia on 26 and 27 March 2014.

B. Objective of the Regional Consultation

2. The objectives of the Regional Consultation were:
- (a) To disseminate the results of research on existing income support schemes in Asia and the Pacific;
 - (b) to identify trends and gaps in pension schemes including social pensions in the region; and
 - (c) to agree on a way forward on a research agenda on evaluating options for implementing sustainable pension schemes for older persons in the Asian and Pacific region.

C. Attendance

3. The Regional Consultation was attended by experts from the Asian and Pacific region, including experts from the Asian Development Bank and the World Bank as well as experts from the Republic of Korea, representing Government entities and academia. The list of participants is annexed to this document as Annex-I.

II. OVERVIEW OF THE REGIONAL CONSULTATION ON INCOME SUPPORT SCHEMES FOR VULNERABLE GROUPS IN ASIA AND THE PACIFIC

D. Opening of the Regional Consultation

4. Opening remarks were delivered by Mr. Srinivas Tata, Chief, Social Policy and Population Section, Social Development Division, ESCAP; Ms. Min Won Lee, Director, Division of International Cooperation, Ministry of Health and Welfare of the Republic of Korea, Mr. Sangmin Nam, Officer-in-Charge, Subregional Office for East and North-East Asia, ESCAP and Mr. Donghyun Park, Principal Economist, Asian Development Bank.

5. Ms. Vanessa Steinmayer, Population Affairs Officer, SDD, ESCAP, briefly outlined the background, main objectives and the programme of the Regional Consultation.

III. PROCEEDINGS OF THE REGIONAL CONSULTATION

E. Review of income support schemes in Asia and the Pacific: Key findings from an ESCAP study

6. Mr. Suk-myung Yun, Head of the Population Policy Research Department, Korea Institute for Health and Social Affairs (KIHASA), presented the findings of a study on income support schemes in Asia and the Pacific, conducted in cooperation with ESCAP. He stated that while poverty incidence and the depth of poverty had decreased in the Asia-Pacific region, income inequality seemed to be on the rise in the region. In spite of increasing efforts to provide social protection, on average, the Asia-Pacific region spent only 4.8 per cent of GDP on social protection. Countries in the Asia-Pacific region used different strategies to provide social protection, which also included income support schemes. Countries used different eligibility criteria to target these income support schemes. In most cases, income support schemes were means-tested, and targeted poor income groups. In some cases, such as in Indonesia, cash transfers were only paid to female household members. In some programmes, a graduation strategy was embedded, linking cash transfers to participation in vocational counseling or training. However, in many countries, the benefit level of income support schemes was very low. He also stated that while research had found that income support schemes contributed to reducing extreme poverty, it was difficult to determine the extent to which income support schemes contributed to overall poverty reduction and/or reducing inequality. He outlined study results that showed that in the Republic of Korea, the National Basic Livelihood Security System (NBLSS) had proven to be an efficient tool for poverty reduction. He emphasized that transparency in the selection process of beneficiaries was important for the success of an income support scheme and there was a need for countries to target beneficiary groups carefully.

7. Mr. Jorge Carrillo Rodriguez, Independent Consultant, presented on development challenges of income support and social protection. He pointed out that income support strategies should be studied in an overall development context, which allowed not only for identifying gaps in the design of an income support scheme, but also the gaps in their potential contribution to development of such schemes. He further outlined that in order to

be effective, income support should be provided to cover risks over the life-cycle, and should address the root causes of a specific issue. For example, income support schemes should particularly address key causes of gender discrimination, and not simply target women. Moreover, to address specific vulnerabilities of young people, which are manifested in youth unemployment, income support alone for young people may not be adequate. Instead, to address youth unemployment, skills training may be more appropriate. He further outlined which policy challenges had to be addressed so that income support schemes are sustainable and contribute to economic development. Such policies could include, for example, integrating a graduation strategy into the programme to avoid dependence on income support by certain groups. Another policy challenge was to set up the institutional infrastructure so that income support schemes could be sustained over time. He concluded by highlighting the following key points: (i) income support schemes should be aligned with the overall development agenda; (ii) fragmentation in implementation of schemes and their coverage had to be addressed adequately by governments; (iii) institutional and policy setups were crucial; and (iv) government's ultimate goal should be providing universal social protection, while income support schemes could be a means towards it.

8. The subsequent discussion focused on financing income support schemes. Participants discussed the possibility of consolidating budget lines to estimate the requirement and actual amount spent to finance social protection in general, and income support schemes in particular. While some participants suggested removing fuel subsidies, others expressed the view that cutting fuel subsidies could negatively impact poorer segments of society.

9. Participants also discussed targeted versus non-targeted approaches of providing income support. While some participants expressed the view that targeting had to be improved, others emphasized that administrative costs of targeting were generally very high. Thus, some participants advocated for universal programmes, such as universal old-age pensions, as universal programmes usually used a self-targeting mechanism. When the benefit level was relatively low, higher income groups did not consider it worthwhile applying for that benefit.

10. Some participants also shared their countries' experiences with income support schemes and stressed that the institutional set-up was a key factor for success or failure of a programme. In this context, participants emphasized the need for increased South-South

cooperation and sharing of experiences among countries in the region, as countries could benefit from each other's experiences.

F. Consideration of income support schemes for older persons in Asia and the Pacific

11. Mr. Donghyun Park, Principal Economist, Asian Development Bank, delivered a presentation on promoting fairness and sustainability of pension systems in East and South-East Asia. He stated that given Asia's ageing demographic structure, there was a trade-off between adequate, affordable and sustainable old-age income security. The ratio of older persons to the working-age population was increasing rapidly in Asia and the gap between life expectancy and retirement age was increasing steadily in many countries. Currently, pension systems in many countries did not have a redistributive element and there were large disparities in terms of contribution and benefit levels within and across countries. Pension schemes were mostly limited to the formal sector, in some cases even the public sector, and to urban areas. Current pension systems were not sustainable in the long run. In addition, benefit levels of pension systems in many countries in Asia were low, with low replacement rates. He stressed the need for reforms which included increasing the pension age, better investment of pension funds and expanding the coverage of pension systems.

12. In the subsequent discussion, several participants shared their countries' experience and stressed that pension systems only extended to the formal sector, which meant that they typically covered only a small percentage of the population, as the majority of the workforce in many countries in the Asia-Pacific region was employed in the informal sector. Thus, participants emphasized the need of providing old-age income security for all older persons, of which contributory pensions could be one part, but it would not be sufficient to focus on pensions only. Current systems were such that those enjoying more stable lives at working age, namely those in the formal sector, also had a higher degree of income security in old age. Addressing questions of fairness would be crucial when designing systems of old-age income support, including social pension systems. It was also stressed that effective means had to be found to tackle poverty of older persons. Ideally, this should be treated throughout the life-cycle with adequate social protection measures that prevent people from falling into poverty in old age. Some participants stressed that in several high-income countries in the region, the effective retirement age was lower than the official retirement age due to early retirement. Other participants noted that increasing the official retirement age was relevant only for the formal sector in many economies, as work force participation

of older persons was already quite high due to the absence of old-age income security and the presence of a large informal sector.

13. Mr. Dewen Wang, Social Protection Specialist, World Bank Office, Beijing, presented on China's reform of the pension system. He pointed out that pensions were an integral part of China's social security system, which also included an urban and a rural pension scheme. In addition, there was a social assistance scheme for urban and rural areas, which is urban and rural "*dibao*". Currently, China was reforming its pension system with the ultimate aim of achieving full coverage by 2020 and moving towards an equitable and sustainable pension system. The strategy was to initially implement the scheme through pilot projects, which would subsequently be expanded to the entire country, incorporating the learning from the implementation of the pilot projects. The government was also seeking to find a system allowing the portability of pension systems between different household registration areas. Currently, there was a mandatory contributory pension system for urban formal sector workers, a scheme for public sector employees and a voluntary scheme for rural workers and urban workers not covered by the mandatory scheme. The urban pension scheme contained elements of social pooling and individual accounts. Coverage of the urban scheme was currently at 60 per cent. Those who were not covered by the pension scheme were mainly informal sector workers and rural-urban migrants. He also expressed the view that the pension fund under the prevailing conditions may not be sustainable in the long run because of the relatively low retirement age, which was currently 60 years for men and 55 for women. He also explained that coverage of the rural pension scheme had increased over time, and it was planned to merge the rural and urban pension scheme in 2014. The government gave priority to increasing coverage at initial stage, while benefit level, incentives and fiscal capacity would be addressed after achieving full coverage. However, some challenges remained, which included the low participation rate among young people as they considered that incentives for their participation were low.

14. Ms. Chia Ngee Choon, National University of Singapore, presented on income support for older persons in Singapore. She explained that most of the older Singaporeans and permanent residents received old-age income support through the Central Provident Fund (CPF). Contributions are invested on the financial market with very good returns. The Fund's performance also depended on the macroeconomic performance of the country. The scheme could be considered as a mandatory savings scheme. The system was clearly based on individual accounts, without a redistributive element. Since 2009, the system had been re-designed in a way that it converted accumulated savings into a stream of

monthly retirement incomes, which protects against the longevity risk. She explained that there was an accumulation phase and a pay-out face. Pre-accumulation withdrawals, for example to acquire real estate property, were possible, but affected pay-outs during the retirement phase. The CPF system was able to provide members with an adequate retirement income under the condition that members had worked consistently (thus, continuously contributed to the fund) and made prudent decisions in housing consumption. Yet, she pointed out that, the “pioneer generation”, which is the generation that built up Singapore when it was still considered as a developing country, was inadequately covered by the CPF, because that generation paid into the fund when wages in Singapore had still been low. However, many persons of that generation were house owners. Although they may be cash poor in old age, they save on rental costs. To address the needs of that generation, the government had set up a specific “Pioneer Generation Fund”, which was not means-tested and provided transfers and subsidies to ensure affordability of healthcare. The system of setting aside funds allows the Government of Singapore to sustainably provide protection for that generation.

15. Mr. Worawet Suwanrada, Chulalongkorn University, Thailand, presented on Thailand’s current mixed system of providing old-age income security, which combined a contributory, employment-based pension scheme and a non-contributory scheme with an old-age allowance for older persons who are not covered by the pension scheme. The difficulty was currently that the system was fragmented with several different entities overseeing different schemes. In 2009, Thailand made a move towards universal old-age income security with the introduction of the old-age allowance. In 2011, 81.4 per cent of older persons received income from the old-age allowance, and 7.5 per cent received income from pensions. However, he pointed out that the benefit levels of existing income support schemes were not enough to sustain older persons’ living. The main sources of income of older persons in Thailand were still transfers from children and income from work. Replacement rates of existing pension schemes were generally relatively low, particularly in the case of those who were not employed in the public sector. To increase benefit levels, the Government had established the National Savings Fund, where benefits were based on individual’s savings with a contribution from the Government. The National Savings Fund had been frozen currently, and it was expected to be replaced by a new fund.

16. Mr. Giang Thanh Long, National Economics University of Viet Nam briefed on pension schemes in Viet Nam. At the outset, he explained Viet Nam’s demographic

situation, which was ageing at unprecedented speed. The current social protection system in Viet Nam included a contributory pension scheme (both mandatory and voluntary) as well as cash transfers targeted at specific groups. By 2013, the total number of contributors of the mandatory scheme comprised about 22 percent of the total workforce. The majority of the mandatory contributors were from the public sector (including government officials and SOEs' workers). The contributions to the pension scheme were made from both employers and employees. According to recent estimations, the replacement rate in Viet Nam was at 70 per cent, which was among the highest replacement rates in the Asia-Pacific region, but the benefit levels were still inadequate to sustain one's living. Moreover, the financial sustainability of the fund was at stake, because of the demographic developments outlined above. Thus, a number of reforms were being proposed, including increasing the retirement age and expanding pensions to the informal sector. Due to high poverty rates of older persons, a non-contributory pension scheme had been established in 2004. Persons above 80 or persons between 60 and 80 meeting certain conditions were eligible to receive the non-contributory pension. Although benefit levels were low, research had shown that the non-contributory pension allowed older persons to cover some of their daily expenses and that older persons belonging to vulnerable groups, such as women, those living in rural areas and those belonging to ethnic minorities benefitted most from it.

17. The subsequent discussion focused on the question how the informal sector could be covered in pension schemes, for example through voluntary contributions. Several participants expressed the view that tax deductibility of voluntary contributions could increase willingness to pay voluntary contributions. Participants also agreed that further studies would be required to come up with recommendations how employers could be encouraged to contribute to pension funds, taking into consideration that employers' contributions to pensions also increased the cost of labour. Some participants also expressed the view that it would be more important to study the feasibility of universal pensions, as it appeared that pension funds have not yet taken root in the region.

18. Participants also discussed the feasibility of reverse mortgages, which means that house owners could receive a monthly income, while ownership of the house is transferred to a fund after the owner of the house dies. This could provide income security in old age especially to the middle classes who were often house owners. However, some other participants noted that it may not be financially sustainable due to decreasing property

prices with ageing populations. Moreover, house ownership was an important value in many Asian countries and most house owners wished to pass the property to future generations. Thus, some participants expressed the view that the concept of the reverse mortgage may not find support easily.

19. Mr. Mukesh Anand, National Institute of Public Finance and Policy, India, presented on income support for older persons in India. He pointed out that although India was still in a favourable demographic situation; the number of older persons was increasing. This raised the question how sustainable income support could be provided for older persons in the future. In India, poverty was particularly high in rural areas and the majority of workers were employed in the informal sector. He explained that there were several pension schemes for different professional groups, each governed by a different law and thus with varying contribution rates, benefit rates and replacement levels. In most cases, contributions had to be paid by both employers and employees. According to a Supreme Court Statement of 1982, pensions in India were not an act of charity, but a right enforceable by law. Expenditure on pensions had increased steadily over time, thus also increasing employer's labour costs. Due to that cost increase, the age of superannuation had to be raised from 55 to 60 and was likely to be further increased in the future. There were also several non-contributory social pensions targeted towards those below the poverty line. However, less than 12 per cent of the poor received social pensions. While contributory systems were inadequately funded, social pensions were often not enough to address poverty.

20. Mr. Irudaya Rajan, Centre for Development Studies, Thiruvananthapuram, India stressed the need to address old-age security in India, as only 10 per cent of older persons were covered by a contributory pension scheme and only about 22 million persons by social pensions. He stressed that there were large demographic and social disparities across different federal States in India. For example in the federal State of Kerala, population ageing was more advanced than in other federal states of India. Consequently, the federal State of Kerala had already designed its own ageing policy. As there were also more welfare funds provided by the federal State of Kerala, about 60 per cent of older persons in Kerala received some sort of old-age income support. In several other federal States, the State government added to the central pension fund, but these contributions varied by federal State. Thus, older persons in different federal states of India faced different levels of income security. He expressed the view that in the future, more needed to be done to build up contributory pension systems, which were supplemented by social pensions. He also

stressed that targeting involved high administrative costs and that India could learn from the experience of some neighbouring countries that had already introduced universal social pensions, such as Nepal.

21. Ms. Nisha Arunatilake, Institute of Policy Studies of Sri Lanka, presented on contributory and non-contributory old-age pensions in Sri Lanka. She stated that Sri Lanka was a rapidly ageing society, and thus, income security for older persons was a vital concern. She informed that to date, a number of contributory and non-contributory pension schemes were in place. Pension schemes could be divided into four broad areas: (1) public servants' pension scheme; (2) pension scheme for the dependents of public servants; (3) pension schemes for informal sector workers; and (4) income transfers to poor older persons. Most of these pension schemes were employment-based, except for the scheme on income transfers for older persons. There is also a specific pension scheme for the dependents of public servants. Public servants had to contribute separately to that specific fund which would benefit their dependents once the insured person dies. In addition, there were several pension funds for the informal sector, such as one for farmers, one for fishermen, artists, migrant workers abroad and others. Generally, every occupation group had its own pension fund. As a result, contributions as well as benefit levels were different for every population group. In many pension funds, the benefit level was too small to provide income security in old age. In fact, only in the public servants' pension scheme, benefits were high enough to sustain recipients' living in old age. Some of the funds, such as the farmers' scheme, were unsustainable in the long run because of low participation and low contribution rates. She expressed the view that some funds would be unable to pay pensions in the near future. She also mentioned that older persons who were above 70 years old and had no income were eligible for a social transfer. After a recent reform, the monthly benefit under that programme was LKR 1,000.

22. Ms. Oyut-Erdene Namdaldagva, Mongolian State University of Education, presented on income support for older persons in Mongolia and the views of older persons on existing income support. She explained that the Mongolian welfare system consisted of social welfare, social insurance and employment. The Government was aware that in view of rapid demographic changes, there was a need to reform the prevailing social welfare system, including reform of the pension system. The risk of older persons of falling into poverty was particularly high. She also pointed out that Mongolia was currently achieving high economic growth rates, largely generated by the mining sector. But poverty reduction had not kept pace with economic growth and it was likely that Mongolia may not achieve MDG

1. In Mongolia, poor older persons who cannot receive transfers from family members receive a social pension, which is paid as a monthly cash transfer. According to a survey that the presenter had undertaken for UNFPA, the majority of older persons expressed their satisfaction with the social pension, although the benefit level was low. However, many older persons had to take up loans in cases of emergency. The survey had also revealed that those older persons living with their families were generally better off than those living alone, as pensions were not enough to sustain their independent living. Old-age poverty was often exacerbated by the following factors: lack of assets, lack of access to pensions and to credit, out-migration or unemployment of children, poor health, and inflation, particularly food inflation. Surveys had revealed that those who received contributory pensions spent 60 per cent of their pension benefits on food, while the rest is spent for utility charges, partial payment of healthcare and supporting children and grandchildren. The contributory pension in Mongolia is administered by the State Social Insurance General Office of Mongolia. The contributory system was reformed in 1995 and is now divided into a pay-as-you-go system and a defined contributory system with partial funding, which was introduced in 1999. Contributions are shared between employees and the employer. Voluntary contributions are also possible. The minimum pension is defined as 75 per cent of the monthly minimum wage. She reported that to date, there were about 218,700 pensioners in Mongolia. The level of income replacement was relatively low in the Mongolian pension system and coverage was considered as inadequately low. The pension system also suffered from low credibility. Minimum pensions also create low incentives for wage reporting and contribute to a deficit of the pension fund. With the social welfare reform, the Government of Mongolia sought to move from categorical programmes to targeted approaches and endeavoured to provide more efficient programmes with community-based services.

23. In the subsequent discussion, participants discussed institutional fragmentation, sustainability of pension funds, portability across systems and options for reform of prevailing pension funds.

24. Several participants expressed concern about fragmented systems with multiple pension funds and held the view that multiple pension funds, such as for example in Sri Lanka, resulted in high administrative costs. These high administrative costs contributed to the limited sustainability of these pension funds. Some participants also expressed the view that while a multitude of pension funds required a strong regulatory authority, it would be challenging for many countries to provide an adequate institutional environment to manage several pension funds. Other participants also maintained that it may not be worth

sustaining such a multitude of pension funds, as the benefit level in most of those funds was low. Thus, instead of reforming every single fund, it should be explored whether those funds could be merged to a common fund or whether other solutions for income security for older persons could be found.

25. Several participants expressed caveats with regards to voluntary insurance for informal sector workers. One issue was the limited portability of pension funds for the informal sector, which meant that contributions to one fund could not be transferred to another fund, for example for those who moved from the informal sector to the formal sector. In many cases, the propensity among informal sector workers to contribute voluntarily was low, and some of them could only afford relatively low contributions. Moreover, administration of such funds was costly.

26. Some participants also expressed the view that fairness of many pension funds was at stake in view of the changing age structure the region. As a result of the increasing number of pensioners, the benefit level and the replacement rate were constantly decreasing. Those paying into the pension fund to date were likely to receive smaller benefits than contemporary pensioners.

27. In view of the difficulties of extending the coverage of existing pension funds for the informal sector, some participants expressed the view that instead of introducing contributory schemes for informal sector workers, it would be more important to introduce tax-financed universal pensions. In order to finance this, improving the tax system and tax collection would be crucial.

28. Overall, participants agreed that more research would be required on how the informal sector could be covered, as evaluations of existing schemes were relatively limited. Participants also emphasized the need for strengthening national transfer accounts (NTA) in order to gain detailed information on the allocation of resources across generations for the purpose of designing adequate policies with regards to population ageing.

G. Review of the pension system in the Republic of Korea

29. Mr. Suk-myung Yun, Director of Research, Korean Institute of Health and Social Affairs (KIHASA), provided an overarching presentation on the pension system in the Republic of Korea. In his presentation, he commended ESCAP to the timeliness of the

Regional Consultation, as the reform of the pension system was currently under discussion in the Republic of Korea. He also pointed out that the pace in which the Republic of Korea had aged was relatively unique in the world to date. As the Republic of Korea only had a short time to prepare for population ageing, and adequate structures could not be set up in time, poverty of older persons was an area of concern in the Republic of Korea. To date, the pension system in the Republic of Korea is built on several pillars, which includes the National Pension Scheme (NPS), corporate pension schemes and private pensions. The number of subscribers of the NPS stood at 20.2 million in 2012, which was relatively low compared to the economically active population. The NPS also allowed voluntary contributions. Participants in the NPS had to contribute for a minimum of 10 years to be able to qualify for benefits. Typically, only higher income groups participated in private pension schemes, as private pensions were considered as a financial investment. The Basic Old Age Pension, which was aimed at those not covered under the NPS, was introduced in 2007 to address the high poverty rate of older persons, which stood at 45 per cent of 2006. As a result, 70 per cent of older persons were covered under the Basic Old Age Pension. However, the benefit level was low - with the scheme providing only 5 per cent of the average benefit under the NPS. Thus, he concluded that the prevailing system was not adequate to address old-age poverty. In addition, a large number of older persons were still not covered by any income support. This was the reason why the Government of the Republic of Korea was currently seeking to reform the system. Existing reform suggestions included increasing the benefit level under the Basic Old Age Pension, but there were concerns about its financial feasibility. Other plans suggested turning the Basic Old Age Pension into a means-tested system for a specific target group.

30. In the subsequent discussion, participants raised the question whether the Basic Old Age Pension discouraged labour supply of older persons. Several participants expressed the view that there was no negative impact on labour supply, as the benefit levels were low. Moreover, several participants pointed out that in fact, many older persons wanted to work, but faced discrimination on the labour market.

31. In the discussion, it was also clarified that the current pension schemes had an income-related element and a redistributive element. However, the effect of the redistributive element could be distorted, if voluntary contributors declared their incomes inaccurately. This was often the case with the self-employed. Moreover, as many of the self-employed and persons working in rural areas did not contribute to the NPS, the effect of the redistributive element was relatively limited.

32. Some participants also expressed concern that a universal pension for all would provide a disincentive for voluntary contributions to the NPS. As an evidence they mentioned that some of those who had been voluntary insured had left the pension plan after the government had announced reform efforts which included a basic pension for all, regardless whether they made contributions or not. In this context, some participants also pointed out that the system had to include stronger incentives to participate voluntarily in the contributory pension scheme. In the discussion, it was also clarified that the number of voluntary contributions had increased over time and included mainly housewives, whose husbands typically paid the voluntary contributions for them.

33. Mr. Hae-Sik Jung, Researcher, Korean Institute of Health and Social Affairs (KIHASA), presented on financial challenges of the prevailing pension system in the Republic of Korea. He started off with a history of pension reforms in the Republic of Korea. In the past, several pension reforms had to be undertaken because the financial sustainability of the pension fund was under threat. In the pension reform of 1998, the replacement rate was reduced and the pensionable age was increased. In the pension reform of 2007, the benefit level was reduced once more. In addition, the basic old-age pension was introduced for 70 per cent of the people above 65 years of age. However, the second reform was considered as unfinished, as concerns over the financial sustainability of the pension fund were still continuing – according to additional actuarial projections, the fund would be depleted by 2060. During the reform process, it had also been discussed to raise the contribution rate. However, that proposal had not been carried through, as it had raised strong resistance from several stakeholders. He stated that with the expected demographic challenges, which entail a rapidly ageing society, it would be questionable whether the prevailing system would still be suitable to provide old-age income security, as the benefit level had already been cut and was likely to be subject to further reductions. As a result, the basic old-age pension was gaining importance, with an increasing number of beneficiaries. But this increased the total cost of the Basic Old Age Pension. In conclusion, he stated that if an increase in the contribution was not considered as an option, the Government of the Republic of Korea would have to consider other options for providing old-age income security, such as a multi-tier system, which also included private pensions.

34. In the subsequent discussion, participants requested clarification on which basis such frequent reforms in the pension system were conducted in the Republic of Korea. It was clarified that there was a periodic review system, which entailed that a team of actuaries,

economists, demographers and others re-evaluated the sustainability of the pension fund every five years and suggested necessary adaptations. Several participants considered this as a good practice, which could be replicated in other countries. In this context, some participants also pointed out that transitions in pension reforms needed to be well-managed, as it created several cohorts of older persons receiving different benefit levels for their contributions, depending when they contributed to the pension scheme.

35. Several participants also expressed the view that through several reforms, the redistributive element of the NPS had diminished over time. They pointed out that the redistributive element in the NPS had been stronger when the NPS was introduced, because the percentage of participants with lower incomes was higher in earlier times than to date.

36. Ms. Meesok Kim, Researcher, Korean Institute of Health and Social Affairs (KIHASA) presented on the gender implications of the prevailing pension system in the Republic of Korea. As the NPS was a system based on contributions, it was often unavailable for women because of women's lower labour force participation in the Republic of Korea. Low labour force participation and lower salaries could not be correlated with the educational status of women, as in fact, women in the Republic of Korea possessed higher education than men and their productivity was often higher. She explained this phenomenon with cultural expectations that encouraged women to stay at home. As a result, about half of the women in the Republic of Korea were not taking up remunerated employment and the majority of working women were self-employed, because it allowed them to combine childcare with work. For that reason, only 17 per cent of older women in the Republic of Korea received a pension. Moreover, women's benefits on average only made up half of men's benefits - thus, women typically received a very low benefit, which was too low to sustain their living. She also pointed out that to date there was no subsidy or other financial incentive for voluntary contributions to the pension fund. Therefore, husbands had to pay the voluntary contributions for non-working wives - which meant that they were often not affordable for lower income groups. As a result, about 5 in 10 older women were considered as poor.

37. In the subsequent discussion, a representative of the National Pensions Institute of the Republic of Korea pointed out that the participation of women in the NPS had improved over time, and that the majority of voluntary contributions came from women. Another participant also expressed the view that old-age poverty of women was an issue of older generations, when labour force participation of women was low. However, labour force

participation of younger women was significantly higher. Thus, in long-term, the number of women covered by pensions was expected to increase.

38. In the discussion, several participants also expressed the view that subsidizing voluntary contributions to pension schemes could be a way to encourage voluntary contributions to a pension schemes and could make it affordable also for lower income groups. Some participants suggested that the possibility to deduct voluntary contributions from taxes could be a way to encourage voluntary contributions. For example in Singapore, husbands could deduct voluntary contributions for their wives from taxes.

39. Ms. Soo-Wan Kim, Kangnam University, emphasized in her presentation on the pension system of the Republic of Korea that from the perspective of older persons, the NPS was not mature yet due to its relatively late introduction. Thus, it would be important to look at the whole multi-pillar system, which consisted of a combination of contributory and non-contributory schemes. The Basic Old-Age Pension was almost universal in coverage and non-contributory. However, in spite of existing income support, labour income was still an important income source for about 63 per cent of persons above 65. Public transfers only make up about 16.3 per cent of incomes of older persons in the Republic of Korea. As a result, old-age poverty in the Republic of Korea was quite high compared to other OECD countries, with 47.2 per cent old older persons being below the national poverty line. In order to address this situation, the government was carrying forward a plan to introduce a basic pension, which was expected to provide double the amount of benefits to date (about 10 per cent of the average income of those insured under the NPS) and with broader coverage than the programme's predecessor, the basic old-age pension. She explained that two points were still under debate. The first point was the targeted coverage rate. There was still a debate whether the new pension should be universal or whether it should target only poor older persons. The second point of debate was the relationship with the current social insurance-type contributory pension (NPS). Debate was still ongoing whether it should be provided equally regardless of the NPS benefit or if the NPS benefit should be deducted from entitlements. She also pointed at the question of fairness, as NPS recipients had paid their contributions over years, while basic pension beneficiaries would receive benefits without ever having paid into a scheme. There is a concern that it could provide a disincentive for low-income workers and the self-employed in the informal sector to pay voluntary contributions. Thus, creative solutions still needed to be found.

40. In the subsequent discussion, participants also expressed the view that when reform efforts were made, the suitability of an instrument also had to be explored, rather than reforming only the instrument itself. For example it may not be suitable to apply instruments designed for the formal sector to the informal sector. Likewise, gender issues had to be addressed at their root.

41. Some participants also emphasized that the voices of older persons should be reflected more strongly in policymaking, and that the well-being of older persons should be the ultimate goal of pension reforms.

42. There was also a lively debate about the possible impact of the planned pension reform in the Republic of Korea. While some asserted that the overall impact would be relatively small and only visible in the first years after reform, others warned that the financial impact would be small. There were also different views whether after reform there would still be incentives to pay voluntary contributions or not.

VI. RECOMMENDATIONS

43. Participants discussed research gaps and research needs related to income security for older persons in the Asia-Pacific region. Participants identified research gaps in the design of pension schemes, but also related to wider income support for older persons and the voice of older persons.

44. Participants agreed that there was a need to study how comprehensive income security could be provided for older persons, based on contributory and non-contributory schemes. This would also include studying different options of income support for older persons, which not only includes cash transfers, but could also include in-kind transfers targeted to the needs of older persons.

Thus, research needs can be clustered into three areas:

1. Pensions
2. Income security for older persons beyond pensions
3. Broader policies on ageing

Research topics suggested comprised the following:

H. Pensions

45. Participants noted that **actuarial studies on existing pension funds evaluating how long they would last under different scenarios would be necessary**, as in many countries information about the sustainability of pension funds is still insufficient.

46. Participants recommended studying how certain groups that are typically not covered by pensions, such as migrant workers, or the **informal sector**, could be covered through the pension system. In those cases, where some form of pension fund for the informal sector existed, it would be important to **study the lessons learnt, what encourages and discourages people to contribute**.

I. Income security for older persons beyond pensions

47. Participants also recommended further studies on the **tax system and its ability to finance non-contributory income support for older persons**. This should also include studying ways to strengthen the tax system and tax collection to increase overall revenue and to improve inter-generational equity. In this context, the possibility to **providing tax-incentives for voluntary contributions to a pension system should also be studied**.

48. Research would also be required on **means-tested as well as universal social pensions**. This would include an evaluation to which extent existing social pensions meet the needs of older persons, how social pensions are spent and to which extent they contribute to reducing poverty of older persons. **Administrative costs of means-tested schemes as well as the adequacy of targeting also require further studying**.

49. Several participants also noted that there were also non-state actors providing contributory and non-contributory pensions, such as the private sector with private pensions or civil society, which is particularly active in providing social pensions to targeted groups, typically the poor or older persons with disabilities. In order to assess actual income support in a country, there is also a need to study **what kind of other actors provide pensions and study their coverage, beneficiary groups, their benefit levels and these schemes' overall contribution to income security for older persons**.

50. Further research would also be necessary on **possibilities to reduce old-age poverty of women and how to include gender-equity in pension systems**, as women were currently disadvantaged in contribution-based pension systems. Thus, it would be important to study how pension schemes could be designed in a way that women receive adequate and equitable old-age income support. The possibility of combining a contribution-based system with subsidies so that women can receive equitable pensions, also needs to be studied.

51. Participants also pointed out that there was a need to study the **overall institutional landscape administering different income support schemes including different regulatory authorities** and the possibility to coordinate or streamline administration in multiple authorities.

J. Ageing and the needs of older persons

52. Participants also agreed that more research would be required on the **actual needs of older persons as well as their actual income and consumption patterns**. This could be done through national surveys.

53. In order to be able to design evidence-based policies, **National Transfer Accounts (NTAs) need to be strengthened in several countries in the region**. National surveys on income and consumption patterns of older persons, as suggested above, would also be vital to collect necessary data for NTAs. Such surveys would also serve to identify the needs of older persons in order to design adequate support schemes for older persons. In order to be able to provide NTAs on a continuous basis, there is also a need to identify national capacity gaps for conducting NTAs as well as building those necessary capacities.

54. Participants also noted that ageing and the need for old-age income security needed to be mainstreamed in other policy areas, as there is a need to start thinking of old-age income security at an earlier stage in the lifecycle. **Mainstreaming ageing in other policy areas also requires strengthening the voice of older persons. More research should be conducted on existing civil society organizations of older persons and how their voice could be strengthened.**

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ANNEX I

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Regional Consultation on Income Support Schemes for Vulnerable Groups in Asia and the Pacific

26-27 March 2014

Incheon, Republic of Korea

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