



# Protecting our Future Today: Social Protection in Asia and the Pacific

**Social Outlook for Asia and the Pacific**





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# **Protecting our Future Today: Social Protection in Asia and the Pacific**

## **Social Outlook for Asia and the Pacific**

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# Foreword

Social protection is critical to shield people from risk and achieve sustainable socioeconomic development for all. Governments in Asia and the Pacific understand this fact and have made progress, albeit uneven, in establishing and strengthening the building blocks of comprehensive social protection systems.

However, the gains made both in development and in the social protection systems have proved vulnerable to shocks, most prominently of late the COVID-19 pandemic and the cost-of-living crisis. After decades, poverty is on the rise again and social protection remains inadequate in much of the region.

How can governments plan and pay for social protection systems able to withstand future shocks, whether natural disasters or health challenges like the pandemic, and the megatrends of climate change, demographic shifts and digitalization? This is the big question that this edition of our Social Outlook for Asia and the Pacific report, *Protecting our Future Today: Social Protection in Asia and the Pacific*, seeks to answer.

People in Asia and the Pacific are highly exposed to climate change related events. Our region is also the fastest ageing in the world, with the economic dependency ratio expected to reach 0.9 by 2050, implying almost one worker per dependent. Technology is advancing at a quick pace, bringing not only enhanced productivity but also changes in the way we work. Without adequate social protection, the region can expect to see a further erosion of past gains and an increase in poverty and inequality.

Policymakers must somehow see into the future to craft policy today. The better their foresight the better they will be able to make social protection systems that are fit for the future, which is the theme of this report. Applying a “foresight methodology,” we peer into the future, with its inevitable shocks and challenges, but a future with social protection systems adequate to the task of safeguarding the security and wellbeing of the region’s populations and their socioeconomic development.

The result is a “how-to” approach that policymakers can use to craft forward-looking, future-proofed policy. Such solutions are urgently needed, because the price of inaction is high. Under a worst-case scenario, more than 266 million additional people could fall into poverty by 2040, a very large number of older persons left without income or health security, and a large number of youth left without access to decent work.

When anchored in strong foundations – policies and laws built through participation, with transparency and accountability – social protection systems can help meet the challenges ahead. Done right, social protection can build people’s resilience, facilitate adaptation and mitigation policies and support the transformations we want and need in the context of megatrends.



A handwritten signature in black ink, appearing to read 'A. S. Alisjahbana'.

**Armida Salsiah Alisjahbana**

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

# Acknowledgements

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# Glossary

**Active labour market policies:** Publicly financed interventions in the labour market to preserve existing jobs and create new employment opportunities targeting employed, unemployed as well as inactive individuals, among others. (International Labour Organization)

**Contributory schemes:** Benefits that are paid from social insurance or individual accounts into which a member contributes.

**Covariate shocks:** A shock that impacts a large number of individuals in the same geographic area or at the same time, as opposed to idiosyncratic risks that affect individuals.

**Future-proof:** Designing or changing a system in a way to ensure that the system will continue to be useful and successful in different and unknown situations in the future.

**Informality:** Economic activities carried out by workers or establishments without any or partial coverage by formal arrangements. (International Labour Organization)

**International poverty line at purchasing power parity:** A minimum amount of daily monetary income needed to afford necessities of life such as food and shelter that is comparable across countries.

**Just transition:** A shift in economic activities to limit global warming and achieve net-zero emissions by 2050 while ensuring the economic and social benefits are equitably distributed among all, including persons in or entering vulnerable situations. (United Nations Environment Programme)

**Life cycle contingencies:** Key events or conditions that typically occur across the life cycle, such as having a child, having a disability, falling sick, losing a job or becoming old, which can introduce disruptions or risks to income security.

**Non-contributory programmes:** Cash or in-kind benefits that are provided to individuals, regardless of any previous financial contributions. They are often funded through taxes.

**Social protection floors:** Social protection floors are nationally defined sets of basic social security guarantees that should ensure, as a minimum that, over the life cycle, all in need have access to essential healthcare and to basic income security which together secure effective access to goods and services defined as necessary at the national level. (International Labour Organization)

**Quasi-universal benefit:** Tax-financed benefits or transfers that establish the right to a scheme by being a member of a defined group but limit eligibility in a clear and objective manner, such as by age cohort or geographic location, which can be scaled up to achieve full universality. This can include, for example, child benefits for all children aged 0-3 years old.

**Universal benefit:** Tax-financed benefits or transfers that are paid to all citizens or inhabitants falling into a specific category of the population (for example, families with children or people over a certain age). (International Labour Organization)

**Universal social protection system:** A combination of schemes that provide unconditional cash transfers to everyone experiencing a defined contingency. Benefits may be financed from general taxation, social contributions or a combination of both, and the level of benefit may vary according to previous contributions, labour market status or earnings. (ESCAP and Development Pathways, 2022)

# Explanatory Notes

## ESCAP SUBREGIONS

### **East and North-East Asia (ENE):**

China, Democratic People's Republic of Korea, Hong Kong (China); Japan, Macao (China), Mongolia, Republic of Korea

### **North and Central Asia (NCA):**

Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Turkmenistan, Uzbekistan

### **Pacific:**

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

### **South-East Asia (SEA):**

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

### **South and South-West Asia (SSWA):**

Afghanistan, Bangladesh, Bhutan, India, Islamic Republic of Iran, Maldives, Nepal, Pakistan, Sri Lanka, Türkiye





# Executive Summary

Social protection schemes provide cash or in-kind support for people facing life cycle contingencies, such as having children, getting sick, acquiring a disability, losing a job or growing older. Social protection is also an important tool to protect people from covariate shocks, such as natural disasters, economic crises and pandemics. Lack of social protection exposes everyone to financial uncertainty and contributes to increasing within- and across-country inequalities.

Beyond risk mitigation, social protection is essential in supporting a just transition to a net-zero-emissions economy. It fosters synergies with economic, environmental and social policies and goals including health and therefore optimizes the opportunities that are associated with the social, economic and technological transformations the Asia-Pacific region needs.

Without social protection, both life cycle risks and new and emerging covariate risks are likely to have devastating impact on the social fabric of the region, in particular affecting population groups already in vulnerable situations, including children, women, persons with disabilities and older persons in intensifying and emerging hotspots of multi-hazard risk.

A social protection system that is ready for the future is one based on inclusive, comprehensive and agile schemes that build on coordination with different actors, provide anticipatory and post-shock transfers, and facilitate longer term inclusive sustainable and net-zero-emissions development. Concerted effort is needed to realize this vision and broaden the reach of social protection systems in view of demographic shifts, including population ageing, climate change, and emerging digital technologies, to cover people who are often missed but highly exposed to vulnerabilities, such as informal and migrant workers.

## Poverty and inequality amid complex crises

Poverty measured either in monetary or non-monetary terms is on the rise for the first time in decades, amid complex global shocks. An increasing number of people have been pushed back into poverty by the COVID-19 pandemic, the cost-of-living crisis and the climate crisis. Inequality is also widening in multiple forms, including income, wealth and access to opportunities. There is already evidence of wider gaps in access to basic opportunities between furthest behind and furthest ahead groups in multi-hazard hotspots relative to gaps estimated for a country as a whole.

There is a high probability that the SDGs will not be achieved by 2030 across Asia and the Pacific. In fact, based on current progress, SDGs will not be achieved until 2062. Focusing on goals closely linked to social development, only 9 out of 112 SDG targets at the regional level, including SDG 1 (No Poverty) through to 11 (Sustainable Cities and Communities) and 16 (Peace Justice and Strong Institutions), are expected to be achieved by 2030. In some subregions, even fewer are on track.

The negative consequences of global megatrends—demographic shifts, climate change and digitalization—and complex shocks (i.e. COVID-19 pandemic and the cost-of-living crisis) are felt disproportionately by people in vulnerable situations. Child malnutrition is on the rise, with a 5 per cent increase in the real price of food causing a 14 per cent increase in the risk of severe wasting in low- and middle-income countries globally. Slow and sudden-onset climate events wreak havoc across the Asia-Pacific region and have started reaching previously unaffected areas. Heat waves increasingly lead to loss of potential working hours, with South and South-West Asia alone accounting for at least 250 billion of the 490 billion potential labour hours lost globally in 2022. The number of older persons expected to be exposed to heat waves by 2050 in Asia and the Pacific is four times larger than in all other regions combined. The majority of all internally displaced people in 2022 globally, due to disasters such as flooding, were from the Asia-Pacific region. Women-headed households are particularly at risk, because they account for a higher proportion of households in rural areas, partly due to outmigration of men to urban areas.

Lacking in skills, youth and persons with disabilities struggle to transition from school to decent jobs in the formal sector, with young women affected proportionally more than young men by unemployment and inactivity. Older people, often in physically demanding jobs despite their age, cannot afford to retire because they have limited income security and are mostly relegated to informal employment. Meanwhile, digital dividends, the development benefits of emerging digital technologies—faster growth, more jobs and better services, from education to health—are limited by a digital divide of inaccessibility. At the same time, employment contracts in the online platforms and gig economy fall short of the minimum standards expected in decent jobs.

Two thirds of the workforce, that is 1.3 billion workers, in Asia and the Pacific continue to be informally employed. Prevalence of informal employment is particularly high in South and South-West Asia and South-East Asia where many women participate in the labour market as contributing family workers. Informality keeps people vulnerable without rights and access to social protection. It is a major challenge that entrenches people in subsistence and low-skilled and low-productivity activities as well as poverty. In this way, informality leads to a vicious cycle whereby employed persons are unable to adhere to contributory pension systems and end up in poverty in old age.

There is an urgent need for strong commitment to inclusive and comprehensive social protection systems, decent work and active labour market policies as a foundation on which to build just, secure and prosperous societies.

## **Heightened risks demand a social protection response**

Asia and the Pacific is at a crossroads of climate change, demographic shifts, including ageing, and digitalization that will profoundly change its risk landscape. Social protection can build people's resilience, facilitate adaptation and mitigate negative externalities emanating from these megatrends.

People in Asia and the Pacific are highly exposed to climate change related events. The region remains the most disaster-prone region globally and faces major human and economic costs, with 64 million people affected in 2022 alone. In the absence of comprehensive social protection, poverty and inequality will likely increase and compromise socioeconomic development. Social protection can support climate resilience and help smooth the introduction of climate change mitigation and adaptation policies and measures, to enable the transformative change we need and ensure a just transition to a net-zero-emissions future and inclusive and resilient socioeconomic development.

Asia and the Pacific is the fastest ageing region in the world, with the old-age dependency ratio expected to double by 2050 while labour force participation is in steady decline. To harness the benefits and address potential challenges arising from population ageing, countries in the region will need to strengthen pension systems and health and long-term care, while ensuring that the costs of these do not overburden public budgets. The goal is a smooth transition to an aged society that also pays attention to gender disparities. Financially sustainable pension systems that provide adequate benefits are imperative in an aged society, to protect people in old age from poverty and alleviate pressure on informal social protection arrangements, which are often provided by family members.

The significant progress towards universal and meaningful connectivity in Asia and the Pacific suggests there exists the digital foundation upon which countries could support digitalized social protection systems. At the same time, advances in technology and digitalization can also replace jobs and work tasks. These new technologies also carry the risk of replicating or exacerbating existing inequalities, especially in the presence of existing digital gaps which negatively impact women, older persons, persons living in rural areas and persons with disabilities. The role of active labour market policies, such as building requisite technical and non-technical skills, remains untapped in the region, especially in support of people in vulnerable situations. Social protection systems will need to navigate these potential negative and positive transformations to harness the power of technology to foster more inclusive and comprehensive social protection systems.

Unless anchored in strong basic foundations, social protection systems will not be able to help countries meet the challenges ahead.

## Slow but steady progress in social protection coverage

Asia and the Pacific has made slow but steady progress in efforts to implement nationally appropriate social protection systems and measures for all, including social protection floors, and by 2030 achieve substantial coverage of the poor and the vulnerable (SDG target 1.3). The share of the population covered by at least one social protection scheme increased from 41 per cent in 2015 to 55 per cent in 2023. This progress is notably higher than the progress observed in other developing regions. In the same period, many countries made progress in extending coverage in the main contingencies (excluding health) across the life cycle, covering children, persons with disabilities, people of working age and those in old age, in line with the concept of the social protection floor. Despite positive developments across life cycle contingencies, coverage and adequacy levels remain low, with 45 per cent of the regional population continuing to lack access to any social protection benefit.

Old age continues to be the life cycle contingency with a higher level of coverage, in the form of pensions, in the region. One in three persons with a disability has access to a benefit. Nevertheless, even when people can access a benefit through a non-contributory scheme, benefit levels are low. Although 30 per cent of workers are covered by worker injury schemes, unemployment insurance schemes have the lowest coverage of all social protection schemes, with just over 13 per cent of those who are unemployed receiving support. In fact, effective coverage of unemployed persons has regressed in a third of the countries across Asia and the Pacific with available data. Only one in five children are covered through child benefits and just under 40 per cent of mothers of newborns have access to a maternity benefit. Overall, only 31.4 per cent of vulnerable persons have access to any form of income security.

Barriers to extending coverage to persons in vulnerable situations persist. Various factors contribute to people's exclusion from social protection schemes, including eligibility criteria, methodologies used to target beneficiaries, administrative and implementation constraints, and weak enforcement measures. Women, persons with disabilities, informal workers, migrant workers, refugees and internally displaced persons are among the population groups in vulnerable situations that often have little or no access to any form of social protection.

Most women of working age fall outside the scope of existing social protection schemes. Around 62 per cent of the female workforce of reproductive age in Asia and the Pacific is in informal employment, and by default cannot access contributory schemes. For women who are eligible, they often do not meet the qualifying criteria, such as number of years contributing into a scheme, due to career breaks to tend to care duties. Almost half of women of reproductive age remain outside the workforce and thus do not qualify for work-related contributory maternity benefits. With current levels of women's exclusion from the formal labour market, a large proportion of women is at risk of poverty and vulnerability due to work-related events and also due to lack of an old-age pension.

Persons with disabilities are consistently less likely to be employed than persons without disabilities. Among the 21 countries with data, the average employment-to-population ratio was 24.3 per cent for persons with disabilities compared to 62.1 per cent for persons without disabilities. The employment-to-population ratio was lowest for women with disabilities, standing at 17.0 per cent compared to 31.3 per cent for men with disabilities, 50 per cent for women without disabilities and 74.7 per cent for men without disabilities. When employed, persons with disabilities are also more likely to be in informal work than persons without disabilities, indicating their more precarious livelihoods.

Migrant workers form another significant group of workers predominantly engaged in informal, low-skill, casual, temporary and seasonal work. Even though they are disproportionately employed in professions with higher risk of occupational injuries, restrictive legislation and lack of enforcement leave many migrant workers unprotected. Climate change, with its potential to exacerbate environmental challenges and disrupt livelihoods, is likely to increase the number of migrants. Refugees and people in refugee-like situations often encounter distinct challenges in securing social protection due to their often provisional or temporary legal status, uncertain duration of stay, limited history of contribution, lack of social protection from their countries of origin, and restricted or no access to formal employment.

## Planning for the future: a preferred scenario for social protection by 2040

Strategic foresight is a practical application of futures thinking to describe and develop a vision for 20 to 50 years into the future. By identifying emerging trends and articulating scenarios, the tool helps policymakers mitigate a variety of future risks—by seeking today the solutions for problems of tomorrow.

ESCAP invited policymakers and practitioners from various fields, including climate change, demography and digital technology, and representing governments, non-governmental organizations, academia and the private sector, to identify critical issues that will impact social protection systems by 2040 and to review and discuss key paths of influence between climate change, demographic shifts and digitalization on one hand and social protection on the other.

Divided into four groups, the participants engaged in an exercise in “causal-layered analysis” in which they created alternative future scenarios for social protection systems by 2040, contingent on whether (i) the status quo is maintained, (ii) incremental change is introduced, (iii) progressive change is pursued or (iv) radical change is achieved.



### Scenario 1 Status quo is maintained

Despite policymakers’ ambitions and knowledge, social protection systems have for too long been neglected. Social protection systems are not equipped with the resources or capacity to mitigate the risks, especially those emanating from megatrends, that have been on the horizon but are now imminent.



### Scenario 2 Incremental change is introduced

Social protection systems offer some form of protection and continually add components (albeit on an ad hoc basis) to meet people’s needs. However, these systems, with their incremental improvements, are neither robust enough to adequately protect people during extreme disasters nor sustainable in the long run.



### Scenario 3 Progressive change is pursued

Agile and modern social protection systems are built to withstand and adapt to risks and vulnerabilities. They work in harmony with technological innovations to deliver more sustainable solutions for a climate neutral future. Despite potential storms ahead and a persistent threat of poverty, people look to a brighter future, confident in their resilience, because their policymakers pursued progressive change.



### Scenario 4 Radical change is achieved

Social protection is like a portal that can appear anywhere to transport people to the destination of their choice. Technology and human-centric design are used to create tailored social protection systems that are accessible for all persons of all ages. The environment is flourishing. Certain that they will not fall into poverty, which by now is a thing of the past, individuals dedicate their efforts to advancing their ambitions and communities.

The progressive change scenario is sufficiently ambitious and realistically attainable by 2040. To make real the preferred scenario, dubbed the “protected space” scenario by the participants, most countries in the region by 2040:

*Have adopted* new or revised national legal and policy frameworks and put in place comprehensive plans and strategies on social protection with a view to extending coverage to all. Labour legislation has been adapted to define and expand mandatory contributory schemes for informal and non-standard forms of employment, resulting in a gradual increase in contributory coverage and adequacy of benefits. Non-contributory schemes, in particular quasi-universal ones, most of which by 2040 are anchored in legislation, have been extended to provide more stable and regular basic income security for most people during key life cycle contingencies and have helped to eradicate extreme poverty in many countries and reduce moderate poverty levels significantly.

*Have systems* that are more gender-responsive, with women’s access almost on par with men, that increase protection provided to unpaid caregivers, and that have a more even balance of care responsibilities between women and men. Basic income security in 2040 is guaranteed for most older persons, both women and men, and schemes are designed to be compatible with continued employment. Essential health services have become widely available and out-of-pocket payments have decreased significantly, also for marginalized and remote communities.

*Have made* significant investment to develop the capacity of human resources and increase the financial resources for institutions and mechanisms that enable coordination across line ministries and with provincial institutions, communities and the private sector, as well as to monitor implementation and drive continuous improvements. Individuals in nearly all countries in the region are provided a unique e-government identifier at birth, which serves as their access key to social protection across their life cycle. Social protection schemes have cushioned transition for many affected population groups, including through unemployment benefits and training and reskilling programmes, and extending existing benefits during climate related shocks.

Now see social protection as an investment that can reap socioeconomic returns with significant multiplier effects. Tax-to-Gross Domestic Product (GDP) ratios have increased over time, from an average of 16 per cent in 2023 to around 33.5 per cent in 2040, similar to latest Organisation for Economic Cooperation and Development (OECD) levels. This has been achieved partly through better enforcement and compliance mechanisms and by increasing the efficiency and effectiveness of tax authorities. Fiscal space is increased by capitalizing on synergies between climate change and disaster risk financing and social protection financing frameworks and instruments.

## **The price of inaction is high, but cost of action within reach**

Future proofing social protection calls for an understanding of how much it will cost and how it can be sustainably financed. This is especially important when fiscal space is limited. However, empirical evidence underscores the important role of social protection in reducing poverty and inequality, and achieving favourable outcomes in nutrition, education, health, participation in the labour market, performance in entrepreneurship and societal cohesion. Consequently, public spending on social protection is a solid investment in people that delivers high returns.

Given current low social protection expenditure levels, however, estimates in this report indicate that the poverty headcount could increase by more than 15 percentage points in some countries. Under a pessimistic scenario, about 266 million additional people, or 8.7 per cent of the region's population, could fall into poverty by 2040. Unless social protection expenditures improve between 2024 and 2040, substantial resources will be needed in 2040 to mitigate the combined negative effects of the three megatrends discussed in the report. Up to 9 per cent of GDP would need to be mobilized and transferred to affected households if governments are to lift households out of poverty under a pessimistic scenario in 2040. The cost will be significantly higher in countries with wider poverty gaps where many people live far below the national poverty line.

Today, countries in Asia and the Pacific on average spend only 8.2 per cent of GDP on social protection, half the amount that OECD countries spend on average. One third of countries in the region—mostly in the Pacific and South-East Asia—spend less than 2 per cent of GDP on social protection. Introducing universal non-contributory social protection schemes today would help reduce the cost of responding to a pessimistic scenario and pave the way for a more positive future with less poverty. The associated cost would be on average 3.3 per cent of GDP.

## **Financing social protection**

Financing social protection in a sustainable manner is possible, but requires the expansion of fiscal capacity through better and more efficient and effective tax systems, the expansion of contributory schemes, reallocation of public expenditure and realizing synergies with new forms of climate related financing frameworks. Access to climate finance, which, when coupled with domestic resources, could be used to build comprehensive social protection systems that provide adequate benefits and respond to current life cycle contingencies and new and exacerbated risks brought by a changing climate.

Persistent financing gaps require bold and innovative solutions, especially in the context of rising public debt among developing countries. In Asia and the Pacific, the average general gross government debt as a percentage of GDP is projected to reach 94 per cent in 2024, higher than in any other developing region. While the financial challenges are real, they are by no means insurmountable. Also, there is a severe cost to delaying action. Challenges are more affordable today than they will be in the future given the potential increase in poverty due to megatrends and complex shocks.

Affordability ultimately depends on a society's willingness, and a government's political will, to redistribute and finance social protection policies through taxes, contributions and other financing sources. Thus, the successful implementation of the available financing options will to some extent depend on a government's ability to garner public support for their initiatives and on people's confidence in their governments and the respective systems of public service delivery. Societies built on an understanding of, and aspiring towards, social justice, solidarity and fairness, can in turn scale up investments in public goods, including social protection.

If countries were to introduce a combination of only non-contributory universal social protection schemes—child, maternity, disability and old age benefits—in addition to their existing non-contributory schemes, the cost would be relatively low and within reach of most countries in the region. ESCAP calculations show that introducing a combination of universal non-contributory social protection schemes is usually not very costly. On average, introducing these universal schemes at a global average benefit level would cost 3.3 per cent of GDP in 2030 and 4.3 per cent of GDP at an OECD average benefit level. Only in a few countries, such as Sri Lanka and Federated States of Micronesia, would the total cost of non-contributory schemes reach beyond 4.5 per cent of GDP.

## The way forward

Future proofing social protection starts with the establishment of a universal social protection floor. Adoption of the Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific demonstrates political commitment to this ambition. The ideal multi-pillar social protection system blends non-contributory and contributory schemes and can be developed incrementally to achieve full coverage and adequate benefit levels.

The following recommendations are put forward for the consideration of governments in the region:

**Strengthen legislative and policy frameworks on social protection.** Governments need to ratify and implement relevant ILO Conventions and Recommendations as an initial move towards integrating these principles and standards into national legislation. They should review current social security legislation and policy frameworks with a view to closing coverage gaps, forming synergies and reducing fragmentation across the social protection system. Governments should review and address legal barriers or threshold requirements to extend eligibility for all workers in a fiscally sustainable manner.

**Embed universal social protection in national development agendas, including climate policies.** Strong political commitment is needed for social protection to be recognized as a multifaceted policy tool to address emerging vulnerabilities in the presence of climate change, demographic shifts and digitalization. Dialogue and the engagement of trade unions and civil society and stakeholders will be central to ensuring that effective solutions are found.

**Allocating sufficient resources for social protection is critical.** Political will is needed to reprioritize existing public expenditures and reform taxation systems. There are a range of options available to countries depending on their situation, and securing universal social protection across the life cycle is well within reach of most countries in the region. Valuing social protection as an investment that can reap positive socio-economic returns and multiplier effects is instrumental to support prioritization of resources.

**Design inclusive social protection schemes that uphold human rights.** Everyone has a right to social protection. A rights-based approach should be adopted to ground policies in principles of non-discrimination and equality, participation, empowerment, accountability and transparency. A universal social protection floor can ensure the coverage of children, working-age adults and older persons.

**Design integrated social protection schemes.** Contributory and non-contributory schemes need to be integrated in a coherent and complementary manner. Social protection systems will need to forge greater linkages with different social services, such as care and support services, education, health,

nutrition and employment, as well as climate policies to foster greater empowerment and resilience of people to ensure seamless design and delivery of social protection.

**Strengthen cross-sectoral and inter-ministerial collaboration.** Future proofing social protection requires policy action in various policy domains. An iterative and integrated approach across government is therefore key, particularly to reach population groups at the highest risk of being left behind. Governments will need to better harness synergies and strengthen coordination with climate change efforts, as well as social, economic and environmental policies and related measures and funding mechanisms.

**Build capacity in government agencies to identify, forecast and address climate risks and their relation to social protection.** Countries can do this by integrating climate risk management considerations in the design of social protection measures that can respond to climate risk and the new forms of vulnerabilities related to health, food and income security, and human mobility. This will require better linkages with early warning systems and a better understanding of multiple and complex inequalities and how they relate to climate risks, especially for vulnerable groups such as women.

**Adapt social protection to an ageing population.** In many countries, coverage and adequacy of old-age pensions are low, with women at a particular disadvantage. The demographic transitions under way will increase demand for old-age pensions and put upward pressure on pension costs. This will require a substantial extension of both non-contributory and contributory pension schemes. The legal frameworks, administration, communication and financial incentives of all schemes related to an ageing population need to be reviewed to ensure they are sustainable and promote gender equality.

**The needs and voices of people in vulnerable situations, especially women, need to be mainstreamed throughout social protection systems.** Design tweaks to make contributory schemes more gender responsive and inclusive will also reap benefits for other groups, such as informal workers. The provision of universal non-contributory benefits would be an effective way to ensure all persons in vulnerable situations have access to a minimum income guarantee and avoid falling into poverty when their lives are disrupted by shocks and life cycle contingencies.

**Build digital solutions to support delivery and adaptation.** Technological change offers opportunities to enhance the design and delivery of social protection. New technologies can facilitate the identification and registration of individuals, and linking social protection databases to national identification systems and civil registries can reduce the risk of fraud and duplication. New technologies and such linking can also help gain efficiency and minimize waste.

**Improve data collection and analysis to identify the impact of social protection policies and change course when needed.** To identify those people at risk of being left behind and to target policymaking, data collection needs to allow for more granular disaggregation. Data collection and analysis are also critical for monitoring and evaluating existing programmes and improving their impact. Disaggregated data, better techniques and analytical rigor are needed to identify the factors that cause people to be left behind.

**Work in partnership and capitalize on regional cooperation.** ESCAP members and associate members adopted the Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific in 2020. The Action Plan is a shared strategy for broadening social protection coverage and a platform to strengthen regional cooperation to accelerate the strengthening of social protection systems.

Implementing these policy recommendations, tailored to national and local circumstances, can support implementation and expansion of effective social protection systems able to help reduce poverty and inequality while building resilience in the face of global megatrends and complex crises.



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# Introduction

**Social protection is a powerful policy tool to prevent and reduce poverty, inequality, social exclusion and insecurity emanating from risks and shocks, including those related to life cycle contingencies.** While social protection schemes first and foremost provide cash or in-kind support for people facing life cycle contingencies, such as having children, getting sick, acquiring a disability, losing a job or growing older, social protection is also increasingly recognized as a tool to protect people from covariate shocks, such as natural disasters, economic crises and pandemics, and help ensure a just transition away from fossil fuels in the context of climate change mitigation. Lack of social protection exposes individuals to financial hardship and contributes to increasing within- and across-country inequalities.

**The premise of this report is that social protection is a transformative development tool and that a long-term vision together with institutional enhancements and stronger delivery mechanisms for social protection are imperative to safeguard future populations in Asia and the Pacific.** Governments are continuing to strengthen their social protection systems and make slow and steady progress to extend coverage. The surge in investment and number of social protection interventions in response to the COVID-19 pandemic highlight the critical role social protection plays in safeguarding the well-being of people. As well-known, new and emerging risks impact the social fabric of Asia and the Pacific, in particular affecting population groups already in vulnerable situations or in intensifying and emerging hotspots of multi-hazard risk, the transformative role of social protection will be essential to foster people's empowerment and resilience.

**The price of inaction is increasing quickly and the region requires bold and transformative policy commitment and action.** A social protection vision of the future is one based on inclusive, comprehensive and agile systems that build on coordination with different actors, provide anticipatory and post-

shock transfers, and facilitate longer term inclusive sustainable and net-zero-emissions development. Concerted effort is needed to realize this vision and broaden the reach of social protection systems in view of climate change, demographic shifts, including population ageing, and emerging digital technologies, to cover people who are more exposed to vulnerabilities, such as informal and migrant workers. Synergies with measures to address climate change open new opportunities to access climate finance, which, when coupled with domestic resource mobilization efforts, could be used to build comprehensive social protection systems that provide adequate benefits and respond to current life cycle contingencies and new and exacerbated risks brought by a changing climate.

To help countries take requisite policy actions with a view to strengthening their social protection systems, the 2024 edition of Social Outlook, under the theme "Protecting our future today: Social Protection in Asia and the Pacific", is organized around five chapters. **Chapter 1** reviews latest trends in monetary and non-monetary poverty and the widening gaps in inequality of outcomes and opportunity. **Chapter 2** outlines emerging megatrends and the need for stronger and more agile social protection systems to foster a more inclusive, sustainable and equitable future for all. **Chapter 3** explores the status of social protection systems in the region and the extent to which countries are ready to accommodate or respond to potential risks posed by megatrends. **Chapter 4** adopts a forward-looking methodology and describes four scenarios for social protection systems in 2040. Using backcasting, it provides policy recommendations from 2024 to 2040 to meet changing conditions and contribute to a just and equitable transition for people and the planet. **Chapter 5** reviews the cost of requisite action along with implications of inaction and elaborates on sources of financing for long-term investment in social protection systems. The report concludes with broader policy recommendations.

# Chapter 1

## Poverty and inequality amid complex crises in Asia and the Pacific





## Main Messages

**Poverty measured either in monetary or non-monetary terms is on the rise** for the first time in decades amid complex global shocks. An increasing number of people are being pushed back into poverty because of the impacts of the COVID-19 pandemic, the cost-of-living crisis, or climate change.

While most countries in Asia and the Pacific recorded significant improvements in expanding access to basic services and opportunities, **inequalities are widening** with respect to income and wealth, which in turn exacerbates the already existing geographical, gender, disability and generational divides that have stymied inclusive and sustainable development. At the regional level, only 9 out of 112 SDG targets with a close connection to social development are on track to be achieved by 2030.

**The number of people in vulnerable situations in the region is expected to rise**, as negative shocks continue to hit amid prevailing inequalities. Informality keeps people vulnerable and is a major challenge. Bold and evidence-based policies are needed so that no one is left behind, including people residing in areas with intensifying and cascading risks.



## 1.1 Emerging threats to social development

**Cascading risks, compounded by the COVID-19 pandemic, the global cost-of-living crisis and the impacts of the climate crisis, threaten inclusive and sustainable development in Asia and the Pacific.** Some 156 million people fell into moderate poverty in 2022 in Asia and the Pacific.<sup>1</sup> The number of undernourished people in the region, at 402 million, represents 55 per cent of the total number of undernourished people globally.<sup>2</sup> Wide gaps in access to basic opportunities persist between people furthest behind and furthest ahead—there is a fourfold gap in tertiary education attendance, a threefold gap in Internet usage and a twofold gap in access to clean fuels.<sup>3</sup> The future of the region's children is at risk, with pandemic-induced disruptions in education alone expected to lower average lifetime earnings, for example by up to 5 per cent in South Asia.<sup>4</sup> In more than one third of countries in the region, future labour productivity would be expected to be at least twice as high if governments were to provide full health and complete education to all children born in 2020.<sup>5</sup> Unless action is taken now, vulnerabilities, marginalization and social exclusion will increase, ultimately putting at risk the social foundation of the Asia-Pacific region.

**The number of unprotected people in vulnerable situations will continue to rise due to climate change, demographic shifts, including population ageing, and inequality in access to emerging digital technologies.** The negative consequences of these global megatrends are already visible and disproportionately fall on people who lack coping capacity.<sup>6</sup> The prevalence of undernourishment is still above pre-pandemic levels due to multiple crises, including the cost-of-living crisis. A 5 per cent increase in the real price of food caused a 14 per cent increase in the risk of severe wasting in low- and middle-income countries in 2000-2021.<sup>7</sup> The region accounts for 65 per cent of all wasted children, 47 per cent of stunted children, 51 per cent of anemic women of reproductive age, and 55 per cent of low birth weight cases.<sup>8</sup> The share of urban poor is expected to grow, with new rural-to-urban poor migrants settling mostly in places without adequate and reliable access to basic services.<sup>9</sup> Heat waves increasingly lead to loss of potential working hours, with heat waves in South and South-West Asia alone accounting for at least 250 billion of the 490 billion total potential labour hours lost in 2022 globally.<sup>10</sup> The number of older persons expected to be exposed to heat waves by 2050 is four times larger in Asia and the Pacific than in all other regions combined.<sup>11</sup> Slow and sudden-onset climate events are devastating lives and ecosystems across the Asia-Pacific region, and have begun reaching previously unaffected

1. Based on the \$3.65-a-day international poverty line, in United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2024). *Economic and Social Survey of Asia and the Pacific 2024: Boosting affordable and longer-term financing for governments*. ESCAP, Bangkok.
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3. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). "ESCAP LNOB Platform". Available at <https://lnob.unescap.org/> (accessed on 12 March 2024).
4. J. P. Azevedo, A. Hasan, D. Goldemberg, S. A. Iqbal, and K. Geven. 2020. "Simulating the Potential Impacts of COVID-19 School Closures on Schooling and Learning Outcomes: A Set of Global Estimates". Policy Research Working Paper 9284. World Bank, Washington, DC.
5. ESCAP elaborations based on latest available data on Human Capital Index from the World Bank accessed on 23 January 2024.
6. The global megatrends, among which three are analyzed in detail throughout this report have been identified by United Nations Economist Network in their publication entitled "Shaping the Trends of Our Time" in September 2020.
7. Headey, Derek and Marie Ruel (2023). "Food inflation and child undernutrition in low- and middle-income countries". *Nature Communications* 14: 5761. Available at <https://www.nature.com/articles/s41467-023-41543-9>.
8. World Food Programme (WFP) (2023). *The Global Food Crisis: Impact on the Asia Pacific Region, Key Issues for WFP Country Offices*.
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10. ESCAP elaborations based on "Lancet Countdown: Tracking Progress on Health and Climate Change (2023)". Available at <https://www.lancetcountdown.org/data-platform/> (accessed on 12 March 2024).
11. Giacomo Falchetta, Enrica De Cian, Ian Sue Wing and Deborah Carr (2024). "Global Projections of health exposure of older adults". *Nature Communications* (2024) 15: 3678.

areas. The majority of all internally displaced people in 2022 globally, due to disasters such as flooding, were from the Asia-Pacific region.<sup>12</sup> Women-headed households are particularly at risk, because they account for a higher proportion of households in flood-prone areas, partly due to male outmigration from rural areas.<sup>13</sup> Youth and persons with disabilities lack skills and struggle to transition from school to decent jobs<sup>14</sup> in the formal sector, with women particularly affected by unemployment and economic inactivity. Older people, often in physically demanding jobs despite their age, cannot afford to exit the labour force, are concentrated in informal employment and have limited income security. Meanwhile, the digital divide overshadows the prospect of digital dividends, and employment contracts in the online platform and freelance or on-demand (gig) economies fall short of the requirements of decent jobs.

**The increasing frequency and intensity of shocks, coupled with rising inequalities and intersecting vulnerabilities, requires a strong policy commitment now for inclusive and comprehensive social protection.** Lack of income and wealth remains the key driver of inequality of opportunity. However, other factors—such as age, gender, disability status, migration status, and minority status by caste, ethnicity, language or religion—intersect in many ways due to social norms, values and discrimination, intensifying deprivations and diminishing people’s resilience.<sup>15</sup> Yet, although social protection is recognized to have catalytic and multiplier effects across the Sustainable Development Goals (SDGs),<sup>16</sup> just over half of the region’s population is covered by at least one social protection scheme. Against this backdrop, this chapter provides an overview of the latest trends in monetary and non-monetary poverty and explores inequality of opportunity and outcome in Asia and the Pacific.

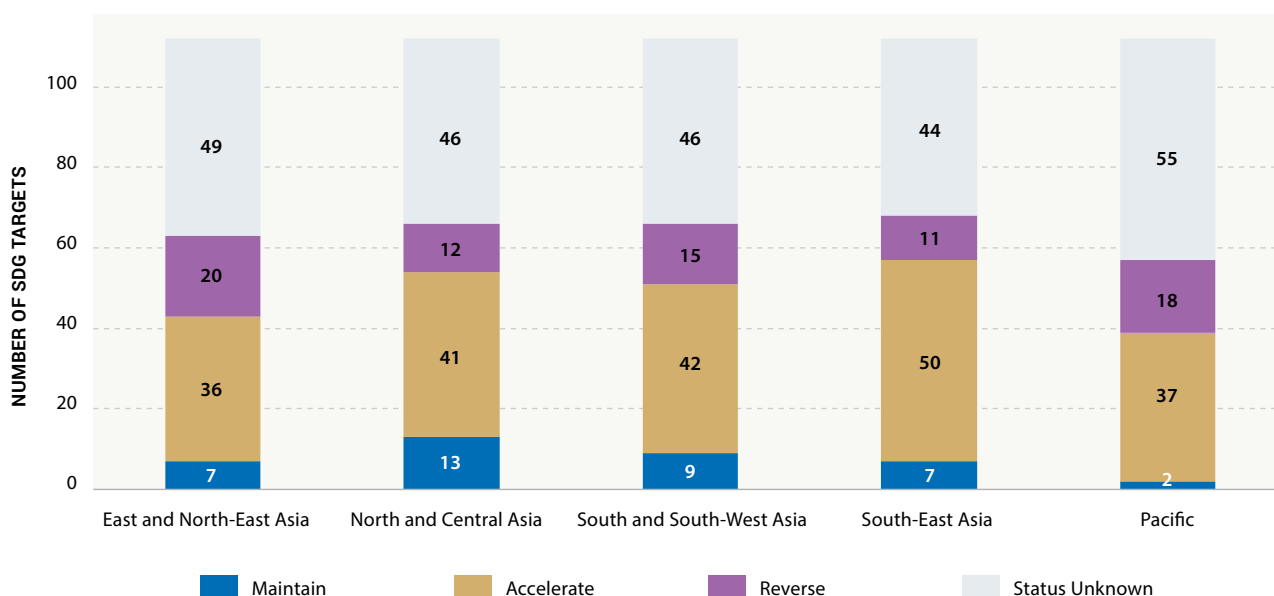
## 1.2 Trends in social development

**Without greater effort and political will now, there is a great chance that the SDGs will not be achieved by 2030 across Asia and the Pacific, especially the goals closely linked to social development.** Only 9 out of 112 SDG targets associated with social development—including those in SDG 1 (No Poverty) through to 11 (Sustainable Cities and Communities) and 16 (Peace Justice and Strong Institutions)—are expected to be achieved in the region by 2030. In some subregions even fewer are on track (figure 1.1).<sup>17</sup> Achieving more than half of the targets, especially those that relate to SDGs 3 (Good Health and Well-Being), 4 (Quality Education) and 8 (Decent Work and Economic Growth), will require accelerated action. In the area of social protection (SDG 1.3.1),<sup>18</sup> only 21.7 per cent of the total progress needed has been made according to ESCAP SDG Tracker.

Furthermore, there are 14 targets in which there is regression, especially in areas such as resilience to disasters and resources for poverty programmes in SDG 1, undernourishment and food security in SDG 2, universal health coverage in SDG 3, and equal access to education and decent work in SDGs 4 and 8. In terms of subregions, North and Central Asia is set to achieve the largest set of social targets by 2030, while East and North-East Asia has the largest set of social targets for which trends must be reversed. Only two targets are on track to be achieved in the Pacific, where data are lacking on close to half of the SDG indicators.

12. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). *Asia-Pacific Population and Development Report 2023*. ESCAP, Bangkok.
13. Food and Agriculture Organization (FAO) (2024). *The unjust climate – Measuring the impacts of climate change on rural poor, women and youth*. Rome. Available at <https://doi.org/10.4060/cc9680en>.
14. According to the International Labour Organization, decent jobs entail work that is productive, that delivers fair income for men and women with security in the workplace including social protection and better prospects for personal development and social integration. It also gives workers the freedom to express their concerns, organize and participate in decision-making processes.
15. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and International Labour Office (ILO) (2021). *The Protection We Want: Social Outlook for Asia and the Pacific*. ESCAP, Bangkok.
16. United Nations Sustainable Development Group (2023). *Six Transitions: Investment and Pathways to Deliver the SDGs*. United Nations, New York.
17. The results are available at Asia-Pacific SDG Gateway available at <https://data.unescap.org/home>.
18. The indicator SDG 1.3.1 measures the proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims and the poor and the vulnerable.

FIGURE 1.1 Status of Sustainable Development Goals in Asia-Pacific associated with social development

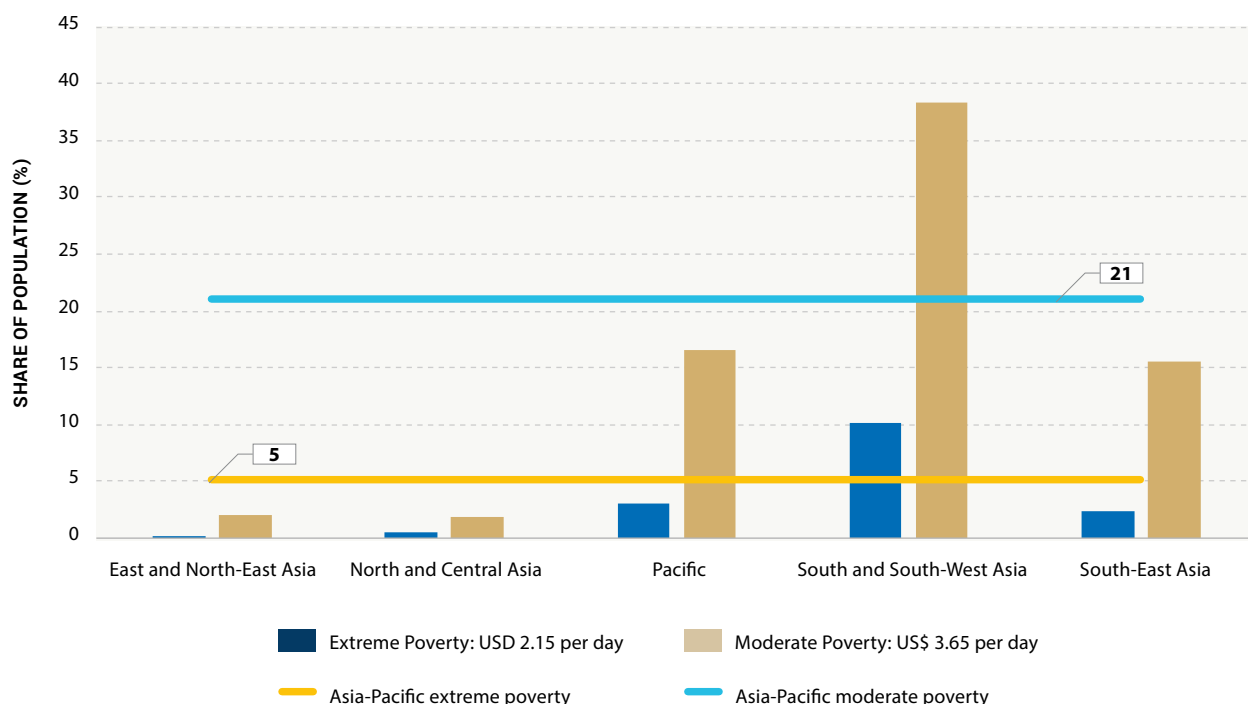


Note: ESCAP elaborations based on “Asia and the Pacific SDG Progress Report 2024: Showcasing Transformative Actions 2024”. Available at <https://www.unescap.org/kp/2024/asia-and-pacific-sdg-progress-report-2024>. Progress is assessed with national targets for 2030 and recent trends since 2015.

### 1.2.1 Monetary poverty

The steady and positive trend in poverty reduction in recent decades in Asia and the Pacific was reversed and hard-won gains lost due to the COVID-19 pandemic compounded by the ongoing cost-of-living crisis. On average, less than 5 per cent of people in Asia and the Pacific (excluding high-income countries) live in extreme poverty, with a high of 10 per cent in South and South-West Asia (figure 1.2). While extreme poverty is lower in the Pacific, over 20 per cent of the population in several countries in the subregion lives in extreme poverty. At the regional level, moderate poverty is four times more prevalent than extreme poverty and affects over one third of the population in South and South-West Asia. In the context of the ongoing cost-of-living crisis, these results should be considered as low estimates for poverty.

FIGURE 1.2 Share of population living in extreme and moderate poverty, by ESCAP subregions excluding high-income countries



Source: ESCAP estimates based on World Bank Poverty and Inequality Platform accessed on 15 May 2024.

Note: Estimates follow ESCAP definitions of subregions and are based on the latest international poverty lines estimated by the World Bank at \$2.15 and \$3.65 a day at 2017 purchasing power parity. Therefore, in total 26 countries with data available in 2017-2022 are included. The figure excludes all high-income countries in Asia and the Pacific. In India, poverty rates are projected to recent periods by the World Bank due to lack of recent household surveys.

**Vulnerability to negative shocks is a major concern in Asia and the Pacific.**

The cost-of-living crisis has compounded the negative impact of the pandemic and pushed millions more people into poverty. It is estimated that an additional 42 million people in Asia and the Pacific were pushed into extreme poverty in 2022 relative to 2019 based on a poverty line of \$2.15.<sup>19</sup> Based on a higher poverty line of \$3.65, an additional 156 million people are estimated to have fallen into poverty. Equally important is that millions of households live just above the poverty line. It is in this context that the COVID-19 pandemic halted poverty reduction and plunged an estimated 75-80 million people in the region into extreme poverty in 2020-2021.<sup>20</sup> The reverberating effects of the pandemic and the ongoing cost-of-living

crisis continue to take a heavy toll on the region’s over 1.3 billion informal workers representing two thirds of the employed persons in the region.<sup>21</sup> Extreme and moderate poverty among workers decreased significantly from 2015 to 2023 in Asia and the Pacific. However, informal employment has remained persistently widespread with virtually no change.<sup>22</sup> Short-term economic prospects are clouded by risk, especially weak job creation (formal and decent jobs) amid tighter public budgets due to the rising debt servicing burden.<sup>23</sup> Consequently, vulnerability to shocks is likely to remain. This will affect a considerable share of the region’s population, including those people who are missed by social protection policies because they are not below the poverty line but near poor and work informally.<sup>24</sup>

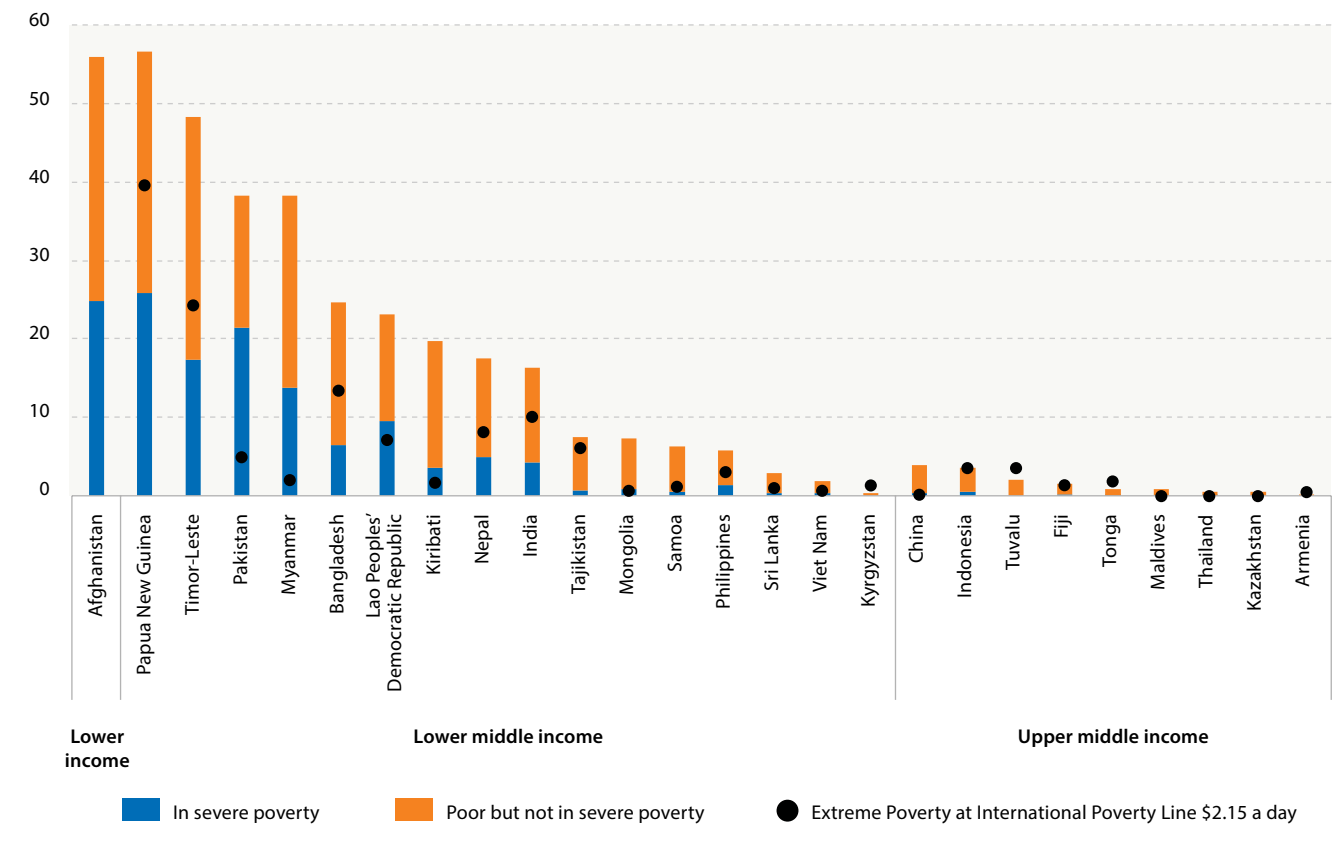
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 21. International Labour Office (ILO) (2024). *Asia-Pacific Employment and Social Outlook 2024: Promoting Decent Work and Social Justice to Manage Ageing Societies*. ILO, Geneva.  
 22. Ibid.  
 23. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2024). *Economic and Social Survey of Asia and the Pacific 2024: Boosting affordable and longer-term financing for governments*. ESCAP, Bangkok.  
 24. Stephen Kidd and Diloá Athias (2020). *Hit and miss: an assessment of targeting effectiveness in social protection with additional analysis*. Working paper. Orpington, UK, Development Pathways.

## 1.2.2 Non-monetary poverty

**Measuring poverty in monetary terms alone can lead to massive underestimation of its prevalence.** This is because people’s well-being is affected by a wide range of deprivations, such as undernourishment, child mortality, inadequate schooling, and lack of access to electricity, clean cooking fuels, basic sanitation or drinking water, housing materials and assets. This will be especially so in the emerging context of climate change. The global multidimensional poverty index (MPI), a measure of non-monetary poverty that considers a variety of deprivations that households face, indicates that large segments of the population have been left behind, particularly in low and lower-middle-income developing countries in Asia and the Pacific (figure 1.3).

In some countries in the region, over a third of people are deprived of many basic opportunities. The proportion of multidimensionally poor (blue and orange bars combined, figure 1.3) is higher than the proportion of monetary poor (black dot, figure 1.3) in almost all countries with available data. The Asia-Pacific region hosts half of the world’s multidimensionally poor, about 500 million people.<sup>25</sup> The number could be much higher if more country-specific deprivations were included in MPI.

FIGURE 1.3 Monetary vs. non-monetary poverty in Asia-Pacific by income group



Source: ESCAP elaborations sorted by World Bank income groups and based on extreme poverty figures from World Bank Poverty and Inequality Platform and Global Multidimensional Poverty Index (MPI) developed by Alkire, Kanagaratnam and Suppa (2023a and 2023b).

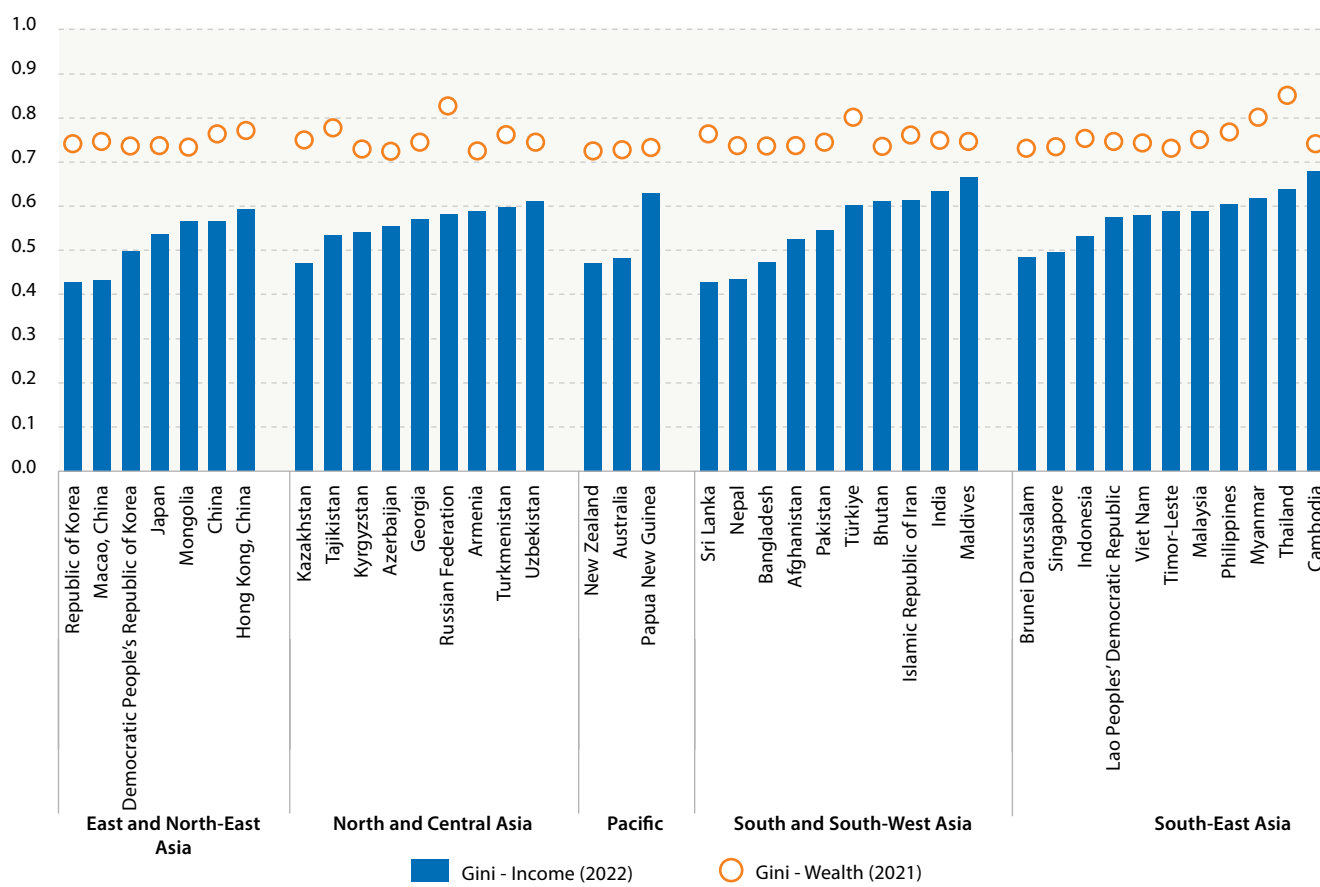
25. United Nations Development Programme (UNDP) (2024). *Regional Human Development Report*. UNDP, Bangkok.

### 1.2.3 Inequality of outcomes

**Inequality of outcomes refers to wide, endemic disparities in income, consumption or wealth, and is inherently associated with uneven distribution of power and social status.** It perpetuates inequality in opportunities, undermines economic efficiency and exacerbates deprivations.<sup>26</sup> It is important to note that there is a recent rising trend in inequality in Asia and the Pacific. More than half of ESCAP member States and associated members experienced an increase in inequality in the period 2019-2022 relative to 1990-2019. Income inequality has increased especially in several large economies characterized by rapid economic growth.<sup>27</sup>

**Inequalities in wealth can have enduring consequences over generations.**<sup>28</sup> Inequalities in wealth as of 2021 remained much higher than income inequalities as of 2022, with the Gini coefficient for net personal wealth ranging between 0.7 and 0.9.<sup>29</sup> Wealth not only provides short-term financial security but also a means for future economic gains and contributes to securing status and political power, which can solidify and increase the existing gaps in wealth and income.<sup>30</sup> Equally concerning is the persistence of wealth inequality over the years, with the regional aggregate Gini coefficient stalling just above 0.8 since 1995.

FIGURE 1.4 Income and wealth inequality (Gini coefficient) by ESCAP subregions



Source: ESCAP elaborations based on World Inequality Database accessed on 16 December 2023.

Note: The commonly used measure of inequality, the Gini coefficient, is based on pre-tax incomes and net personal wealth at national levels, with the value 0 representing perfect equality and the value of 1 representing perfect inequality. It compares the cumulative income distribution against the cumulative population on the Lorenz curve. The figure shows the Gini coefficient in pre-tax national income (blue bar) as well as net personal wealth (orange dot) across Asia and the Pacific. The Gini coefficient ranges between 0.4 and 0.7 with an average of 0.55 in the region.

26. Francois Bourguignon, Francisco H. G. Ferreira and Michael Walton (2007). "Equity, efficiency and inequality traps: A research agenda". *Journal of Economic Inequality*, 5: 235-256.

27. Li Yang (2020). "What's New about Income Inequality Data in Asia?". *World Inequality Lab Issue Brief 2020/08*.

28. While income is the sum of all pre-tax personal income flows accruing to the owners of the production factors such as labour and capital, wealth is the total value of non-financial and financial assets (housing, land, deposits, bonds, equities, etc.) held by households.

29. Difference in period coverage is due to differences in availability of data for income and wealth inequality.

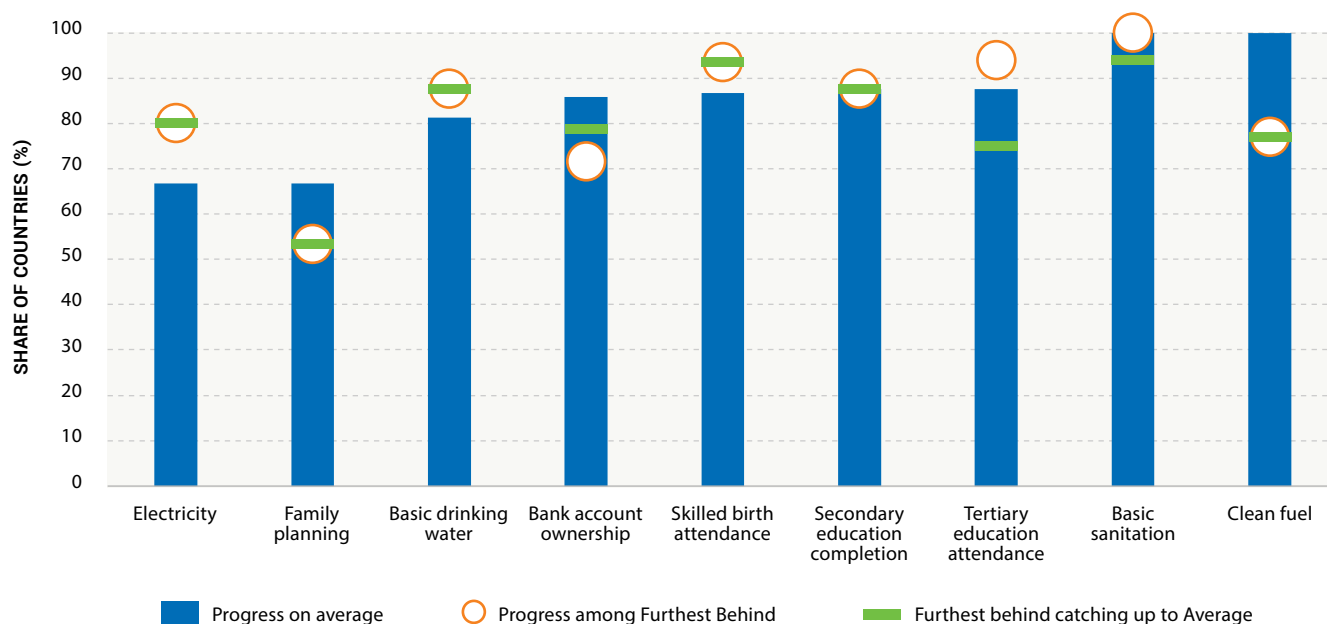
30. Lucas Chancel, Thomas Piketty, Emmanuel Saez and Gabriel Zucman (2022). *World Inequality Report 2022*. World Inequality Lab.

## 1.2.4 Inequality of opportunity

**Contingent circumstances<sup>31</sup> such as age, gender, disability, location of residence and family background, can negatively affect an individual's access to opportunities.** Study of inequality of opportunity explores systemic and structural causes that leave countless people behind and in vulnerable situations, with limited access to basic opportunities and high prevalence of barriers to realizing their full potential. Notwithstanding the international legal and normative frameworks<sup>32</sup> firmly in place, millions of individuals in Asia and the Pacific, and groups, such as children, women, youth, older persons, persons with disabilities, and ethnic, language or religious minority groups, continue to live in vulnerable situations on the margins of society.<sup>33</sup>

Over the period 2010-2022, most countries in Asia and the Pacific significantly expanded people's access to basic services and opportunities (figure 1.5). In fact, progress has been fast among the furthest behind groups in many countries. For instance, access to basic sanitation and clean fuel increased in all countries with available data. In over three quarters of the countries, not only did access to clean fuel increase among furthest behind households, but this increase was relatively higher than the increase recorded on average. This implies that in these countries, the furthest behind households are catching up to the national average. Also, in almost all countries, access to basic sanitation increased, especially among the furthest behind households.

FIGURE 1.5 Progress in Sustainable Development Goals among the furthest behind groups in Asia-Pacific in 2010-2022



**Source:** ESCAP Leaving No One Behind (LNOB) Platform with up to 16 countries with two rounds of Multiple Indicator Cluster Surveys (MICS) or Demographic and Health Surveys (DHS) data accessed on 23 April 2024. Since longitudinal data on other indicators are available only for a few countries, they are not included in this graph.

**Note:** The chart reports the share of countries where three different types of change happened. The blue bar captures the share of countries where average access to a given opportunity has increased over two rounds of surveys. The graph then zooms in to furthest behind households and reports the share of countries where the access rate among furthest behind households increased over time (orange circle). Finally, the green line indicates the share of countries where the change in access rates were higher among furthest behind households than the average households, indicating that furthest behind households are catching up to average households.

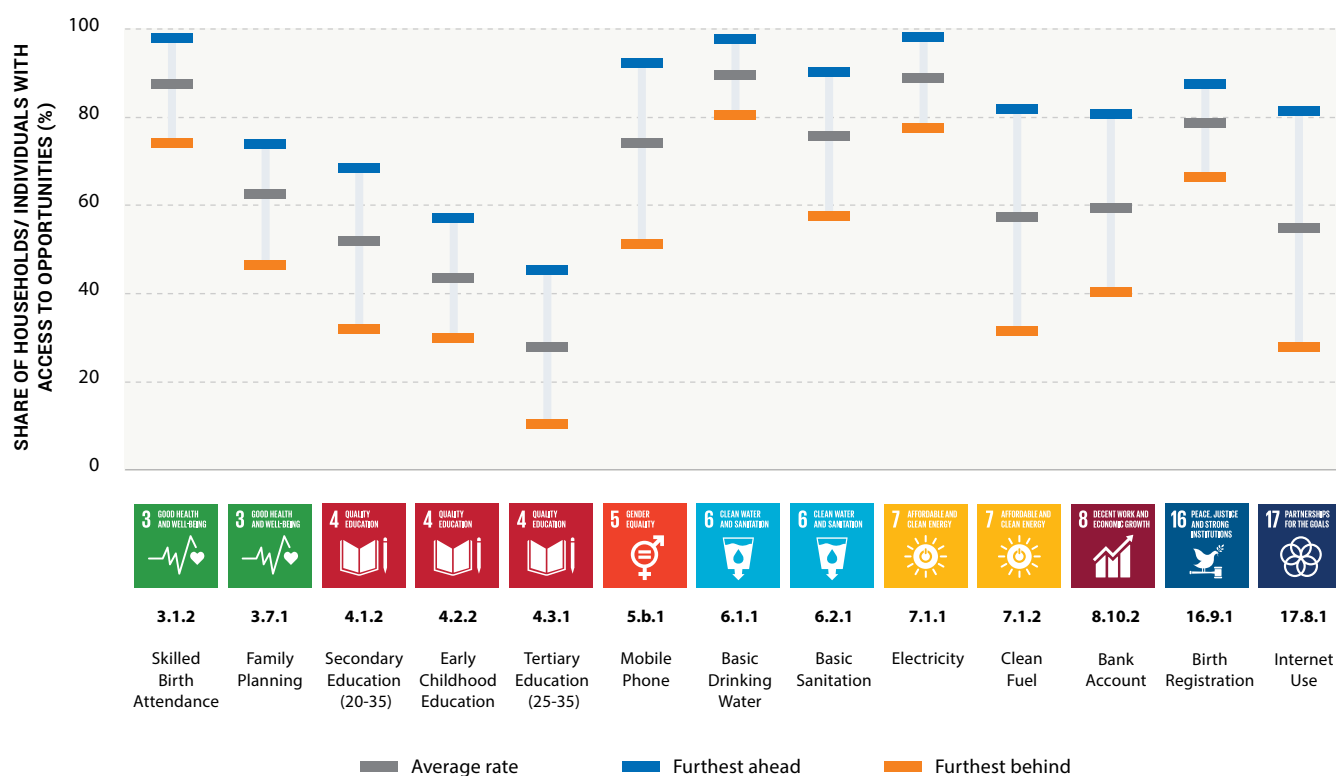
31. Amartya K. Sen (1999). *Development as freedom*. Anchor Books.

32. Among others, these include the International Covenant on Economic, Social, and Cultural Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the Convention of the Rights of the Child, the Convention on the Rights of Persons with Disabilities and recently the 2030 Agenda for Sustainable Development.

33. United Nations (1995). Report of the World Summit for Social Development, Copenhagen, Mar. 6–12, 1995, UN Doc. A/ CONF.166/9 [Copenhagen Declaration]. United Nations, New York



FIGURE 1.6 Gaps in attainment of Sustainable Development Goals and inequality of opportunity in Asia-Pacific



Source: ESCAP LNOB Platform based on latest DHS and/or MICS data in 2010-2022 period from 30 countries accessible at <https://lnob.unescap.org/>.

However, gaps in opportunities between the furthest ahead and furthest behind remain wide in Asia and the Pacific (figure 1.6). The Leaving no one behind (LNOB) methodology used by ESCAP captures the intersectionality of individual and household circumstances that are associated with differences in access to opportunities. Poverty, measured by household wealth, is usually a driver of inequality of opportunity, often in combination with location and education. The largest gaps are observed in access to information and communication technologies (ICT). Access to clean fuel is also among the most unequally accessed opportunities, indicating that a large share of the population continues to be exposed to indoor air pollution and resulting health risks, with women and children at greatest risk.

The regional overview can mask substantial variation within countries. For example, in the case of access to basic drinking water, which evidently has the lowest gap at the regional level, less than half of people in the furthest behind group can access basic drinking water in Afghanistan, Mongolia and Papua New Guinea compared to almost universal access among the furthest ahead in those countries.<sup>34</sup> These insights underscore pronounced disparities when comparing the average access of the general population to that of the most marginalized segments even in the same country.

34. Country specific results on specific SDG indicators are available on ESCAP LNOB Platform accessible via <https://lnob.unescap.org/>

**Inequalities in accessing, continuing and attaining education can lead to further inequalities in labour market outcomes.** Before the COVID-19 pandemic, national averages for educational outcomes were the lowest among all SDGs (figure 1.6), with wide gaps between furthest behind and furthest ahead individuals. In secondary education completion, women living in poorer households, often in rural areas, made up the furthest behind group in most countries. In tertiary education attendance, poorer and rural adults were largely left behind. Evidence of gender bias in tertiary education attendance was mixed across countries. Such inequalities in education could lead to prolonged economic inactivity among working-age populations, especially for women and youth. For instance, around one in four, or 144 million youth, were not in employment, education or training (NEET) in Asia and the Pacific before the pandemic.<sup>35</sup> Notably, there is a major gender gap of nearly threefold disfavoring women (i.e. 32 per cent for young women and 12 per cent for young men), which is much higher than the gender gap estimated for NEET in other developing regions.<sup>36</sup> As the window of opportunity to harness the demographic dividend will close soon in many countries in the region, the inequalities experienced by youth, in particular young women, in education and employment need an urgent policy response.

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**The Asia-Pacific region is home to many poor and near-poor households that are exposed to major changes while lacking the capacity to cope with shocks and risks.** Climate change is profoundly affecting the lives and livelihoods of those in vulnerable situations and those who are near poverty. Leaving no one behind in the context of these evolving vulnerabilities and global megatrends is a major task now for policymakers in Asia and the Pacific. There is a strong and urgent need for inclusive policies that generate decent jobs and extend social protection. Social protection and decent jobs together have been cited as one of the six transition and investment pathways to achieve the SDGs,<sup>37</sup> to steer and shape the global megatrends and build resilience in Asia and the Pacific. In this context, chapter 2 highlights the heightened need for social protection given potential challenges arising from three global megatrends.

35. International Labour Office (ILO) (2022). *Youth not in employment, education or training in Asia and the Pacific: Trends and policy considerations*. ILO, Geneva.

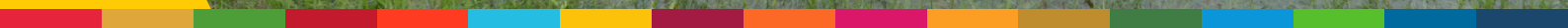
36. ESCAP elaborations based on ILOStat accessed on 15 March 2024.

37. United Nations Sustainable Development Group (2023). *Six Transitions: Investment Pathways to Deliver the SDGs*. United Nations, New York.



# Chapter 2

## New vulnerabilities and opportunities amid emerging megatrends demand new role for social protection



## Main Messages

**Asia and the Pacific is at a crossroads of megatrends—climate change, demographic shifts and digitalization—profoundly changing its risk landscape.** Social protection can redirect or reinforce these megatrends and set the stage for an inclusive, sustainable and equitable future for all.

**People in Asia and the Pacific are highly exposed to climate change related events that will increase poverty and inequality and compromise socioeconomic development.** Social protection can support climate resilience and help smooth the introduction of climate change mitigation and adaptation policies and measures, with a view to ensuring a just transition to a net-zero emissions future and inclusive and resilient socioeconomic development.

**Asia and the Pacific is the fastest ageing region in the world, with the old-age dependency ratio expected to double by 2050.** To harness the benefits and address potential challenges arising from population ageing, countries in the region will need to strengthen pension systems and health and long-term care, while ensuring that the costs of these do not overburden public budgets. The goal is a smooth transition to an aged society, also paying attention to gender disparities.

**Technology is advancing exponentially with the potential to enhance productivity and transform the world of work and social protection systems.** However, technology and digitalization can also replace jobs and work tasks and shift demand towards more skilled labour. Social protection systems will need to navigate these potential negative and positive transformations to harness the power of technology to foster more inclusive and comprehensive social protection systems.



## 2.1 Addressing the climate emergency in Asia and the Pacific

### 2.1.1 Climate change remains a central driver of poverty and inequality across the region

**Achieving inclusive and sustainable development will become even more challenging as the impacts of climate change manifest themselves across Asia and the Pacific.** Even if global warming can be limited to 1.5-degree Celsius,<sup>38</sup> which according to projections is likely to be surpassed, 85 per cent of the Asia-Pacific region's population is expected to be exposed to multi-hazard risks associated with climate change. Many existing hotspots of climate-related multi-hazards are forecast to expand or intensify while new hotspots emerge. People residing in these hotspots, often already poor with limited access to infrastructure, will be exposed to more frequent and intense sudden-onset natural disasters. They will also be first in line to be affected by slow-onset climate change events, such as sea level rise, temperature increases, and the impacts of adaptation and mitigation policies to tackle climate change.

**Climate change and rising socioeconomic inequalities are inextricably linked, with severe negative effects on the lives and livelihoods of marginalized people in vulnerable situations who lack the capacity and resources to cope with complex shocks related to health, income and food security, and displacement.** Children, women, older persons and persons with disabilities are disproportionately affected by climate change, reinforcing the need for adaptation and mitigation measures that address underlying inequalities faced by people in vulnerable situations.

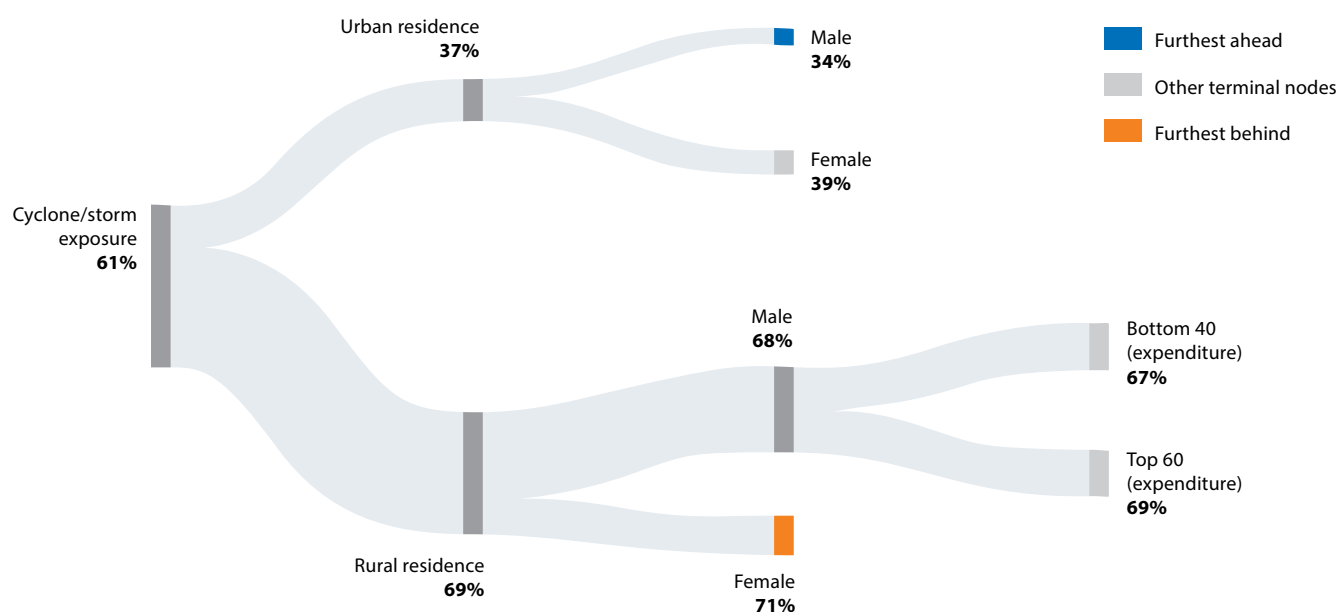
**Exposure and vulnerability to climate-change-induced events and coping capacity are by no means equal between and within countries.** Consider the case of Vanuatu (figure 2.1). While 61 per cent of households were directly affected by a cyclone or storm in 2016-2019, exposure was twice as high in rural areas as in urban areas. In rural areas, 71 per cent of households headed by women were exposed, representing the most disadvantaged group in Vanuatu. In larger countries, different regions might have differential exposure with hotspots located in specific geographic areas. For example, in the Highlands region of Mongolia, 20 per cent of households experienced at least one type of disaster in 2021, compared with 2 per cent of households in Ulaanbaatar. Living in urban areas reduces exposure fourfold, but poorer households, irrespective of their location, are twice as likely to be exposed compared to richer households.

**Inequality in access to basic services and infrastructure amplifies lack of resilience, and thereby perpetuate inequalities over time.** Inequality of opportunity is high in areas that will be exposed to intensifying or emerging multi-hazard risks under a 2-degree global warming scenario. Figure 2.2 zooms in to five hotspots<sup>39</sup> to demonstrate prevailing gaps in access to basic services. For instance, in access to basic sanitation and clean fuel, gaps between furthest behind and furthest ahead groups range between 19 and 72 percentage points in the Barishal region of Bangladesh, Khangai region of Mongolia and Mekong River Delta region in Viet Nam. Inequalities in access can be much wider in hotspots than they are for a country as a whole. Moreover, furthest behind households can represent up to 60 per cent of the total population in these hotspots.

38. The Paris Agreement aims to limit the rise in average global temperatures to well below 2°C and as close as possible to 1.5°C above pre-industrial levels.

39. These hotspots are picked from ESCAP's Disaster Risk and Resilience Portal and also informed by Asia-Pacific Disaster Report.

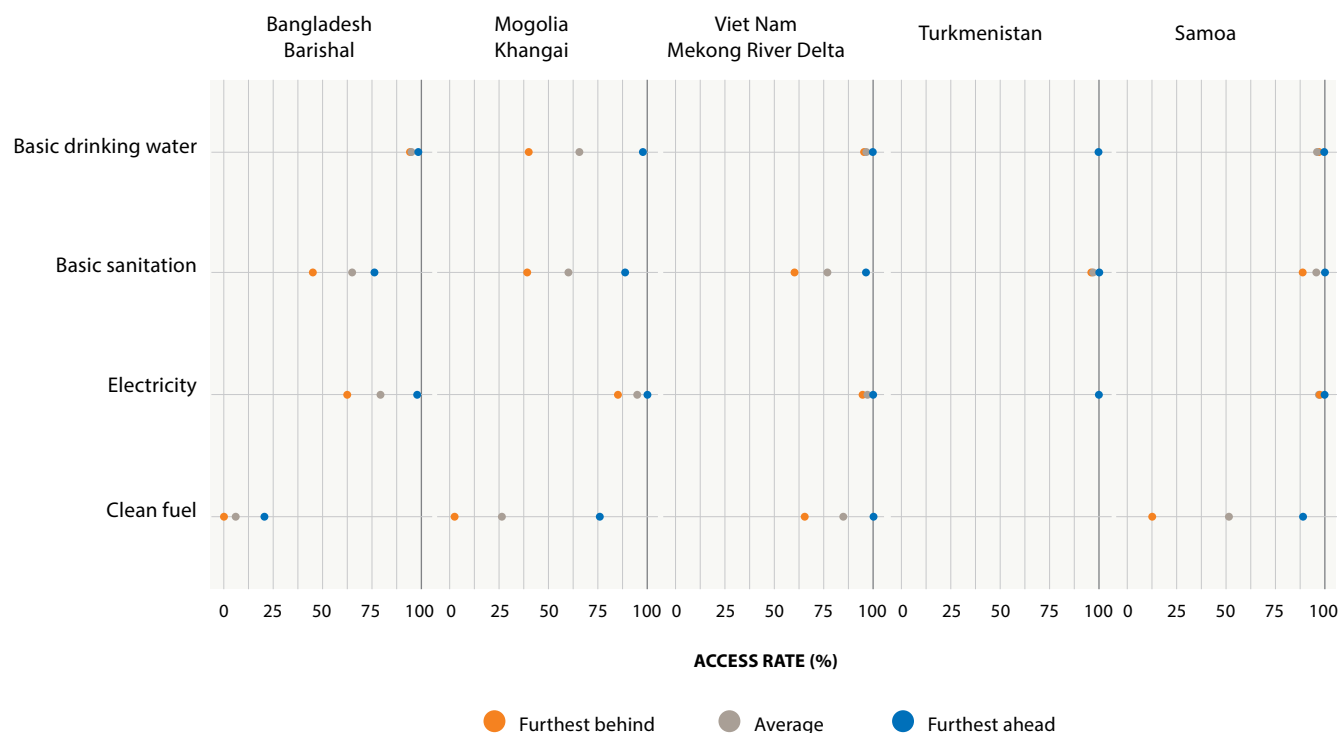
FIGURE 2.1 Exposure to cyclones and storms in Vanuatu (2016-2019)



Source: ESCAP estimates based on Vanuatu National Sustainable Development Plan Baseline Survey (2019) shared by Vanuatu Bureau of Statistics covering 4,509 households.

Note: This binary regression tree is estimated using Classification and Regression Tree Analysis which aims to capture the intersectionality of circumstances that lead to differential outcomes within population groups in a given location. The model disaggregates exposure to cyclones and storms using the following circumstances: household expenditure, sex of household head, highest level of education in the household, and location of residence. The group with the lowest exposure is referred to as furthest behind. The group with the highest exposure is referred to as furthest ahead.

FIGURE 2.2 Differential access to basic services in disaster hotspots across Asia-Pacific



Source: ESCAP LNOB Platform based on latest DHS and/or MICS data accessible at <https://lnob.unescap.org/>.

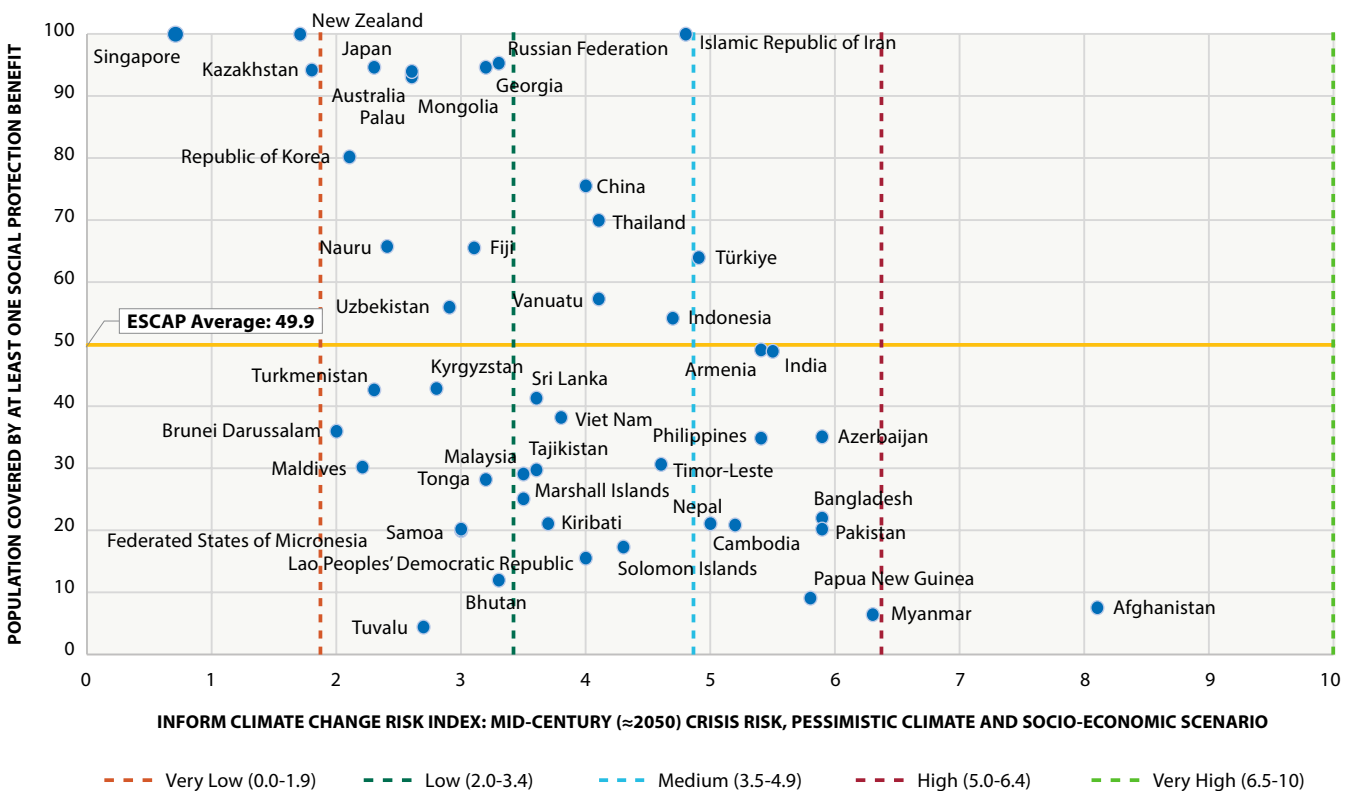
Note: Access to basic services is presented for three groups of households: furthest behind (orange), average (gray) and furthest ahead (blue). Since these are positive outcomes, where the ideal outcome is 100 per cent access, the furthest ahead (blue) have the highest access rates. When the furthest behind group has 100 per cent access, no one is left behind.

## 2.1.2 Increasing exposure to climate change related risks, but are people protected?

Climate change induced risks in Asia and the Pacific are expected to increase, while at the same time, coverage by at least one social protection benefit is below 50 per cent in more than half of Asia-Pacific countries. Figure 2.3 shows the proportion of the population covered by social protection and the projected level of crisis risk owing to the impacts of climate change and socioeconomic trends by mid-century in a pessimistic climate and socioeconomic scenario.<sup>40</sup> Many countries have a high share of their population exposed to climate risks but have low levels of social protection coverage. Countries

on the far right of figure 2.3 (e.g. Afghanistan, Bangladesh, Myanmar, Pakistan, Papua New Guinea) have high risk of crisis and, in combination with low coverage, are particularly vulnerable to the impacts of climate change. Countries with high levels of social protection coverage (e.g. Australia, Japan, Kazakhstan, New Zealand, Palau, Singapore) are in a more favourable position to protect their populations in the event of crises induced by climate change. Yet, levels of protection also depend on the comprehensiveness and adequacy of protection and the preparedness of countries to provide timely support in the event of climate related events. In the absence of social protection, climate change related hazards will likely increase inequality and poverty across countries, disproportionately affecting those who are already vulnerable.

FIGURE 2.3 Share of population covered by at least one social protection benefit and the projected level of climate change induced risk by mid-century in a pessimistic climate and socioeconomic scenario



Source: ESCAP elaborations using data from the European Commission, "INFORM Climate Change Risk Index", available at <https://drmkc.jrc.ec.europa.eu/inform-index> (accessed in May 2024) and ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

Note: Pessimistic scenario, assuming Representative Concentration Pathway (RCP) 8.5 (high emissions) and Shared Socio-economic Pathways (SSP) 3 (Regional Rivalry – high challenges for both mitigation and adaptation, including higher population growth), is used to project the Hazard and Exposure dimension of the INFORM Risk Index into the future by mid-century (2050), taking into account changes to climate-related hazards (river flood, drought, coastal flood and epidemics) and the distribution of exposed populations. ESCAP average for the share of population covered by at least one social protection benefit is unweighted average.

40. The INFORM Climate Change Index measures future risk of crises based on projected climate and socioeconomic trends, lending insights into how risk will change in the medium to long term and on the impacts of climate change on future crises. The scale of the index is from 0 to 10, lower values representing lower risk and higher values representing higher risk.



### 2.1.3 A framework for social protection, addressing climate change events and policies

**The Paris Agreement, adopted in 2015, recognizes the importance of social protection in reducing climate impacts as well as in supporting mitigation and adaptation efforts.** Since the adoption of the Paris Agreement, the role of social protection in the context of climate change is gaining traction to ensure a just transition in the wake of a changing climate. Integrating social protection into policies addressing environmental impacts and transition challenges is essential for achieving cumulative and transformative outcomes. Effective policy packages involve inclusive social dialogue with trade unions and civil society, linking labour market and industrial policies with social protection, and developing national just-transition strategies.

**Climate policies can be categorized into two main approaches: mitigation and adaptation.** Mitigation focuses on addressing the causes of climate change, while adaptation refers to adjustments in ecological, social or economic systems in response to actual or expected climate effects.<sup>41</sup> These two approaches are connected and often complement each other. In addition, there is increasing recognition for the need to respond to loss and damage that cannot be prevented through mitigation and adaptation and to build resilience around such climate change events (both slow and fast onset).

**This section provides a framework to assess the new and increasing needs for social protection in the context of climate change, taking into account country evidence and national and regional policy frameworks.** As illustrated in figure 2.4, various forces are at play. Both climate change policies (such as mitigation and adaptation policies) and climate events (slow and fast onset) have a direct impact on people's lives. This impact can be grouped

into four impact channels: health, income, food security, and displacement and human mobility. For instance, mitigation policies, such as phasing out fossil fuel dependent industries, are likely to have a disruptive effect on labour markets, affecting people's employment and income and requiring workers to reskill or upskill.

**While mitigation efforts to reduce greenhouse gas emissions are essential to address the climate crisis, such policies can have far-reaching effects, including potential job losses and shifts in economic structures.**<sup>42</sup> Vulnerable populations may face challenges during this transition, and social protection is crucial in ensuring an equitable "just" transition. Sectors expected to go through a significant transition in Asia and the Pacific include agriculture, construction, transport and energy. While some industries may decline, others, like sustainable energy and green construction, offer significant job opportunities. Social protection can ensure that marginalized communities are integrated into environmentally friendly shifts (e.g. by providing universal transfers to compensate for price increases) and help manage workforce transitions (e.g. through unemployment benefits and reskilling initiatives). Social protection can also enhance the acceptability of climate policies (e.g. by supporting people during work and life transitions with income support and reskilling), making it a versatile tool in addressing climate change challenges. For example, Islamic Republic of Iran leveraged social protection to bolster the acceptance of its energy subsidy reform in the early 2010s. The policy decreased fossil fuel consumption and reduced inequality.<sup>43</sup>

**Climate events affect people's lives in various ways.** Floods or heat waves can trigger direct health effects, physically injuring people and spreading disease due to drinking water contamination. Climate-related hazards led to an annual loss of 23 million working-life years<sup>44</sup> globally between 2000 and 2015 with vulnerable groups being disproportionately impacted.<sup>45</sup> The recent United Nations Secretary-

41. The Intergovernmental Panel on Climate Change (IPCC) (2023). "Climate Change 2023: Synthesis Report". Geneva, Switzerland, pp. 35-115.

42. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *Social Outlook for Asia and the Pacific: the workforce we need*. ESCAP, Bangkok.

43. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2023). *Social Protection and Climate Change in the Asia and Pacific*. ESCAP, Bangkok.

44. This refers to the loss of work hours and productivity among other losses.

45. International Labour Organization (ILO) (2018). "The Employment Impact of Climate Change Adaptation". Input Document for the G20 Climate Sustainability Working Group. ILO, Geneva.

General's call to action on extreme heat has recognized the importance of social protection in protecting the most vulnerable from the impacts of extreme heat and in building people's resilience, urging countries and communities to enhance their social protection schemes.<sup>46</sup>

**Employment in various sectors depends directly and indirectly on ecosystem services, such as the availability of freshwater supply, biodiversity, storm protection and stock replenishment.** Employment groups, such as the working poor, informal economy workers, seasonal/casual labourers, workers not in employment, self-employed individuals, and those in micro/small enterprises, are disproportionately affected by climate change. This is because they often work in sectors directly impacted (e.g. agriculture, fisheries, tourism)<sup>47</sup> and because they lack access to social protection and tend to earn less and thus have limited coping mechanisms when they are confronted with the effects of climate change.<sup>48</sup> Climate events also affect food security, especially when climate events reduce yields, leading to higher food prices and even higher malnutrition rates. Climate events, especially when they occur on a regular basis, may cause people to migrate to less exposed locations.

**Climate-related health risks will increase healthcare needs.** Disasters can interrupt healthcare delivery or strain health system capacity with a surge in demand. Increasing frequency and intensity of extreme weather events elevates climate-sensitive risks, such as heat-related illness, noncommunicable diseases and vector-borne diseases.<sup>49</sup> By ensuring access to healthcare, social health protection systems can protect everyone, especially those vulnerable, against health risks and associated financial risks.<sup>50</sup> However, this will require universal coverage, climate-informed benefit design and more resilient health systems. Measures in support of this goal include establishment of climate-informed health surveillance and early warning systems, training of the health workforce, and improving resilience of healthcare facilities.<sup>51</sup>

**Social protection is a powerful policy tool to support people affected by climate change policies and events.** Through the provision of unemployment benefits, coupled with reskilling and active labour market policies (e.g. job-counseling, public work programs or environmental services, etc.), social protection can support mitigation policies, or incentivize positive behaviour, for example by providing payment for ecosystem services, hence supporting transformative action.

**Social protection supports people's health, income and food security and helps those displaced by climate change.** Beyond healthcare and income security, social protection's ability to reduce poverty and vulnerability and to build resilience against shocks and crises (economic, environmental, health, climate, etc.) is pivotal. By receiving regular and predictable transfers in case of unemployment, illness or old-age, and anticipatory cash and other transfers before shocks occur, people can develop better coping strategies, build resilience and recover faster.

**Social protection, coupled with active labour market policies, such as reskilling, can help people manage work and life transitions.** Such support is also relevant in the context of climate change adaptation. While climate change adaptation primarily focuses on helping people cope with unavoidable risks and events, in certain cases adaptation measures can also affect people's livelihoods, for example when flood protection measures make land unusable or force people to move.

46. United Nations (2024). "United Nations Secretary General's Call to Action on Extreme Heat".

47. International Trade Union Confederation (ITUC) (2024). *A Bad Climate. The Climate Crisis Is Putting Workers at Potentially Deadly Risk*. ITUC, Brussels.

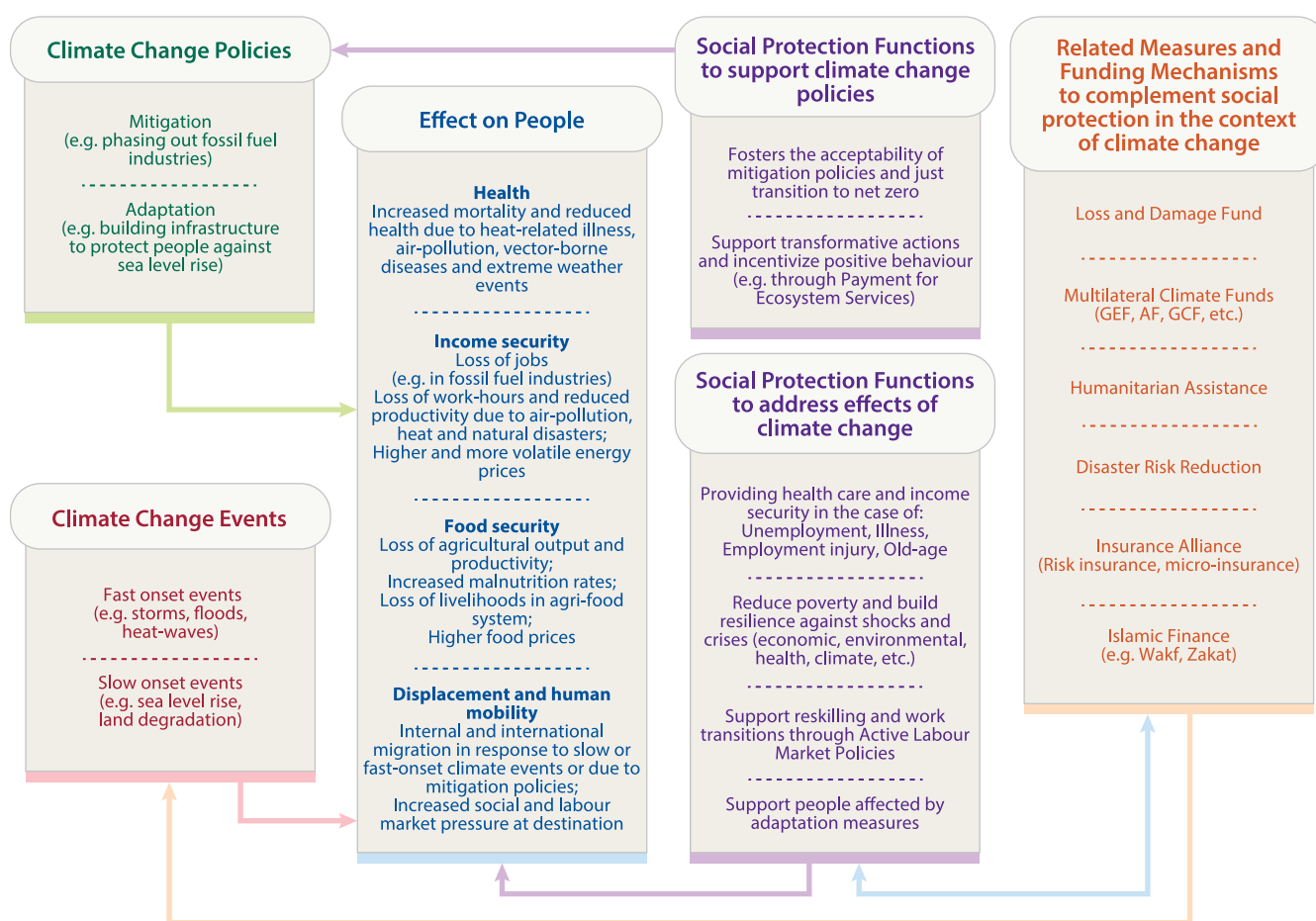
48. International Labour Organization (ILO) (2014). "Transitioning from the informal to the formal economy". International Labour Conference 103rd Session 2014.

49. World Health Organization (WHO), "Climate Change", fact sheet (accessed on 9 February 2024).

50. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2023). *Social Protection and Climate Change in the Asia and Pacific*. ESCAP, Bangkok.

51. World Health Organization (WHO) (2021). *2021 WHO health and climate change global survey report*.

FIGURE 2.4 Interplay between climate change events, policies and social protection



Source: ESCAP elaboration.

**Various measures and funding mechanisms can complement social protection in the context of climate change.** While the Loss and Damage Fund is not yet operational, its main purpose will be to respond to economic and non-economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow-onset events.<sup>52</sup> Existing social protection infrastructure may be used for payments. Likewise, multilateral climate funds, such as the Global Environmental Facility (GEF), the Adaptation Fund (AF) and Green Climate Fund, have been set up to support climate change adaptation and mitigation measures. The relevance of social protection to address the social dimension of climate change policies is acknowledged in the frameworks of these funds.<sup>53</sup>

**Humanitarian assistance can rapidly channel funds through existing social protection delivery mechanisms,** potentially also transforming short-term humanitarian interventions into development processes in the spirit of the humanitarian-development nexus.<sup>54</sup> Insurance alliances, such as the Caribbean Catastrophic Risk Insurance Facility and the African Risk Capacity, are multi-country climate risk-pooling systems that aim to limit the financial impact of natural hazards. They offer insurance against cyclones, earthquakes, excess rainfall, and other natural events, and can work with national social protection systems (e.g. by using social registries for the distribution of funds). Islamic finance is another funding source.

52. M. Kaltenborn (2023). "The Relevance of Social Protection Systems for the Loss and Damage Fund and Funding Arrangements". Submission to the UNFCCC Transitional Committee, July 2023.

53. R. Hopper, M. Hurworth, and Z. Lowndes-Bull (2024). "The Realities of Climate Finance for Social Protection". Social Protection Technical Assistance, Advice and Resources (STAAR) Facility, DAI Global UK Ltd, United Kingdom.

54. European Commission DG DEVCO, ECHO, NEAR (2019). Tools and Methods Series Reference Document No 26 – "Social Protection across the Humanitarian-Development Nexus: A Game Changer in Supporting People through Crises".

The framework described above requires social protection systems to be comprehensive and inclusive, building on contributory and non-contributory schemes and programmes that can respond to life cycle contingencies<sup>55</sup> likely to be made worse by climate change. Social protection systems will also increasingly have to support the impacts of both climate mitigation and adaptation policies, to enable the transformative change we need and to ensure a just transition. This will require policies, now, that harness synergies and strengthen coordination with climate change efforts, as well as social, economic and environmental policies and related measures and funding mechanisms. A fragmented and uncoordinated approach will likely diminish the impact of measures addressing the social consequences of climate change.

## 2.2 The rapid pace of population ageing

The populations of most countries in the Asia-Pacific region are still young, with a median age of 32.5 years. However, the opportunities to harness this “demographic dividend” are declining quickly.<sup>56</sup>

<sup>57</sup> Several countries in Asia and the Pacific are still in a position to benefit if they act fast, and they can establish inclusive, sustainable and comprehensive social protection systems while they still have a youthful population.

Financially sustainable pension systems that provide adequate benefits are imperative in an aged society, to protect people in old age from poverty and alleviate pressure on informal social protection arrangements, which are often provided by family members. Consequently, pension systems also contribute to labour market mobility and support the effective operation of the economy.<sup>58</sup>

Countries in the bottom left quadrant of figure 2.5 will be entering an aged society in less than 30 years, while less than half of the labour force is covered by pensions. Countries in the bottom left quadrant urgently need to expand pension coverage to avoid a significant increase in old-age poverty when a large share of their currently working-age population enters old age. Countries in the bottom right quadrant should also expand coverage, as current pension coverage levels are low. While ageing is less progressed in these countries, the opportunity to reap a demographic dividend and set up comprehensive social security systems, including pension schemes, before transitioning to an aged society, should not be missed. The longer countries postpone the extension of cover age, the more costly it will become for future generations to deal with the financial consequences of an aged society. Countries in the top left quadrant have pension coverage rates that are above average. However, due to their ageing profiles and the fact that coverage gaps still exist, these countries should focus on extending coverage to those population groups not yet covered. Countries in the top right quadrant have more time to reap the benefits of a demographic dividend. The earlier they establish comprehensive social protection systems, including pension schemes, the easier it will be to build financially robust and comprehensive social security systems. It should be noted that figure 2.5 uses only contributory schemes as a proxy for pension coverage. A number of countries already have non-contributory social pension schemes in place. Yet, many of these schemes offer very low benefit levels and are far from adequate. In order to achieve high levels of coverage with benefit levels that are adequate, countries should focus on building multi-pillar pension systems, consisting of contributory and non-contributory schemes. A detailed description of the multi-pillar model is explained in chapter 3.

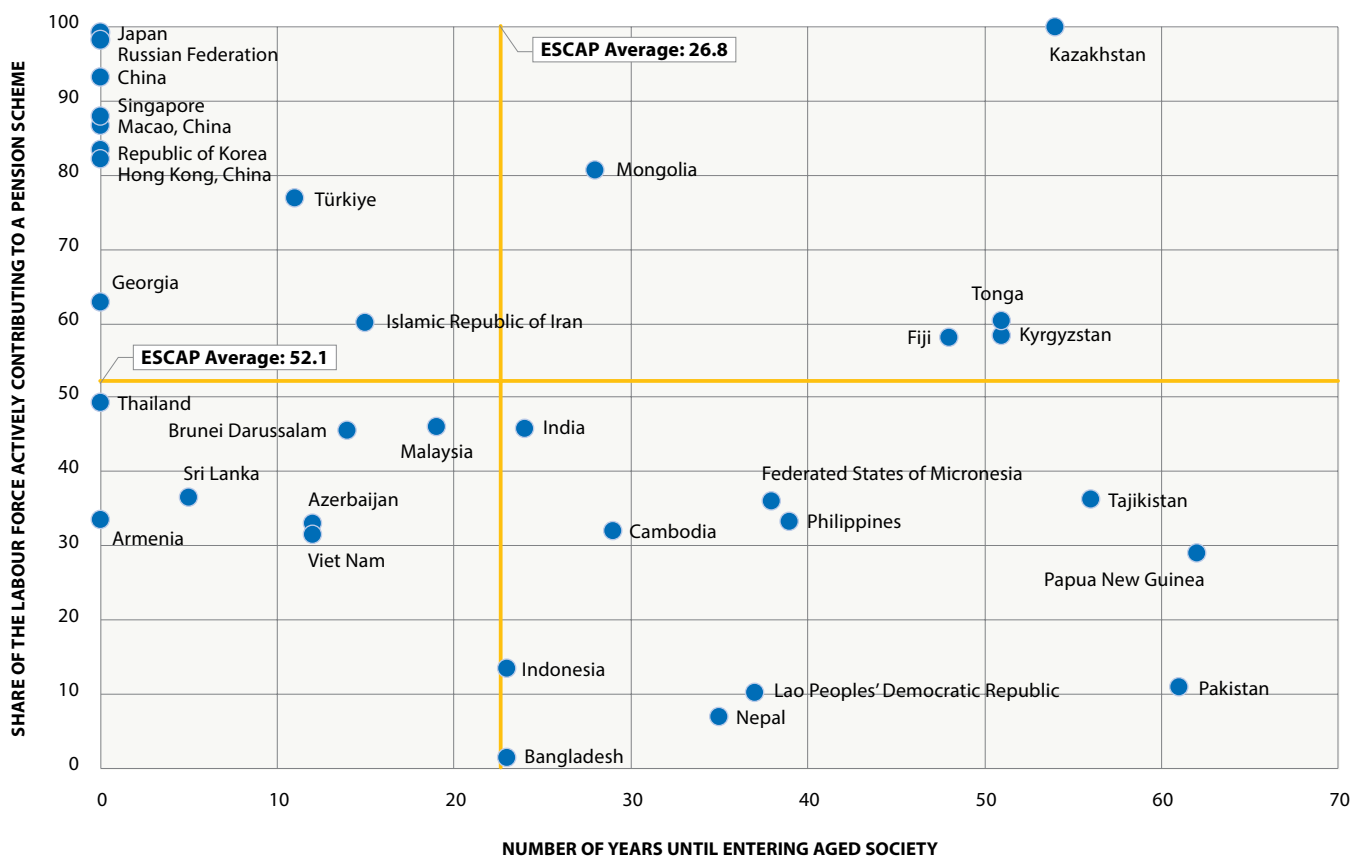
55. ILO defines nine life contingencies for which all members of society need to be protected along the life cycle through a rights-based approach. The nine life-cycle contingencies include healthcare, sickness, maternity, unemployment, disability, death of a breadwinner, employment injury, old-age and maintenance of children. See ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) and Social Protection Floors Recommendation, 2012 (No. 202).

56. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *ESCAP Population datasheet*. ESCAP, Bangkok.

57. The demographic dividend describes the economic growth potential that can result from shifts in a population age structure and is seen as an opportunity for establishing and financing social protection systems.

58. World Bank Group (2022). *Charting a Course Towards Universal Social Protection: Resilience, Equity, and Opportunity for All*. World Bank Group, Washington, DC.

FIGURE 2.5 Pace of ageing and share of the labour force actively contributing to a pension scheme



Source: ESCAP elaborations using data from the UN (2024), World Population Prospects 2024, available at <https://population.un.org/wpp/> (accessed in May 2024) and ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources..

Note: For aged society, OECD definition is used, an economy where the share of people aged 65+ is between 15 per cent and 20 per cent is categorized as an aged society. ESCAP member States and associated members where the share is above 20 per cent are referred to as super aged societies. The x-axis shows years until entering an aged society, defined as more than 14 per cent of people are aged 65 and over. The y-axis shows share of the labour force actively contributing to a pension scheme. The latter is a proxy for the share of the population that is expected to receive a pension in the future and therefore indicates the share of the population that can rely on formal income protection in old age. The yellow lines indicate the ESCAP simple averages for the respective indicators, ageing and pension coverage.

**The pace of population ageing in Asia and the Pacific is the fastest globally. Countries are getting old before they get rich, with less time to adjust policies.** This rapid pace is largely responsible for a projected increase in the region's economic dependency ratio<sup>59</sup> from 0.72 in 2020 to 0.90 in 2050 implying almost one dependent per employed person.<sup>60</sup> In 2023, individuals over 60 years of age made up 18 per cent of the total population. By 2050, this figure could rise to 25 per cent or 1.3 billion people.<sup>61</sup> In the same period, the working age and youth population is expected to decrease, pushing labour force participation rates downward steadily, while access to productive and decent work is expected to remain limited, especially for women. As societies age, the proportion of women in the total population increases due to the large share of older women. They are vulnerable to poverty and isolation after experiencing lifelong inequalities in health, education, employment and social protection.<sup>62</sup> Population ageing is also associated with increased prevalence of disability.<sup>63</sup> Older persons with disabilities experience various environmental and attitudinal barriers that hinder their participation in all aspects of life and reduce their standard of living. At the same time, while urban poverty is rising, especially in slum areas, rural poverty is still dominant across the region and a major concern amid ageing, urbanization and migration. For instance, in South Asia where poverty rates are highest, women account for an increasing proportion of rural poor, with pressures from climate change expected to push more women into agriculture due to outmigration of men.<sup>64, 65</sup>

**As the elderly population grows, the burden on the working-age population to support older persons increases and economic resources are strained.**

This can be softened somewhat by increases in productivity, promotion of female labour force participation, and promotion of healthy and active ageing, which enables people to work longer. However, dependency ratios might understate the situation in countries where quality of employment and productivity levels are low, underemployment and working poverty levels high and decent work opportunities limited.<sup>66</sup> In response to ageing, several countries in the region are attempting to strengthen their pension systems through the extension of contributory pension schemes and introduction and extension of social pensions.<sup>67</sup> Viet Nam gradually extended its contributory pension schemes, extending coverage from 23 per cent in 2015 to 38 per cent in 2023. Nepal has been incrementally extending its social pension programme, beginning with reducing the age of eligibility from 75 to 70 in 2008 and then to 68 years of age more recently. Age eligibility for Dalits and residents of the Karnali zone remains at 60 years of age.<sup>68</sup>

**Women outlive men, but the quality of those additional years can be low.**

The gap between life expectancy and healthy life expectancy at birth is larger for women relative to men, reaching on average a full decade of difference for women in 36 out of 44 countries with available data.<sup>69</sup> This difference is more prominent in South and South-West Asia where women experience four additional years of health problems in old age as compared with men.<sup>70</sup> Despite women living longer, women often

59. The economic dependency ratio is defined as the ratio of those not employed to those who are employed among the working-age population including all individuals aged 15 and above.

60. International Labour Office (ILO) (2024). *Asia-Pacific Employment and Social Outlook 2024: Promoting decent work and social justice to manage ageing societies*. ILO, Bangkok.

61. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2023). *Asia-Pacific Population and Development Report*. ESCAP, Bangkok.

62. Ibid.

63. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *A Three-Decade Journey towards Inclusion: Assessing the State of Disability-Inclusive Development in Asia and the Pacific*. ESCAP, Bangkok.

64. M. N. Asadullah and Uma Kambhampati (2021). "Feminization of farming, food security and female empowerment". *Global Food Security*, Volume 29.

65. Emily M.L. Southard and Heather Randell (2022). "Climate Change, Agrarian Distress and the Feminization of Agriculture in South Asia". *Rural Sociology*, 87:3, pp.873-900.

66. C. Harasty, M. Ostermeier (2020). Population Ageing: "Alternative measures of dependency and implications for the future of work". ILO Working Paper No. 5. ILO, Geneva.

67. ILO defines a social pension as a non-contributory pension provided by the state to elderly individuals. Social pensions are often poverty targeted or pension tested.

68. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (forthcoming). *Readiness to Implement Action Plan to Strengthen Regional Cooperation on Social Protection: Nepal*.

69. ESCAP elaborations based on 44 countries with available data on WHO Global Health Observatory accessed on 23 April 2024.

70. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *ESCAP Population Data Sheet*. ESCAP, Bangkok.

have less access to pensions and social security systems, leaving them financially more vulnerable in old age. In addition, with ageing populations, the demand for informal (and partly unpaid) caregiving, predominantly provided by women, is expected to surge. The need to juggle care responsibilities with work can reduce labour force participation and increase financial dependence, leading to a higher probability of women experiencing poverty in old age.

**The demographic transition in the Asia-Pacific region has significant implications for public budgets.** Most countries will not only have an increasing number of older persons, but a decreasing number of working-age people, and thus a decreasing number of taxpayers (e.g. paying income tax). While adjustments in retirement age, promotion of healthy and active ageing, and expansion of formal employment might soften the decrease, public expenditure on healthcare, pensions and long-term care is likely to increase, potentially affecting other public sectors. One of the immediate challenges posed by population ageing is the strain on pension systems. As more people reach retirement age and fewer enter the workforce, pension systems can struggle to meet their financial obligations.

**Rapid population ageing will increase financial burdens on individuals and healthcare systems.** While longevity is welcome and positive, the decreasing labour force participation rates and heightened pressures on healthcare and social protection systems require urgent policy action. Healthcare and long-term care costs are anticipated to escalate due to the higher medical and care needs of the increasing number of older persons,<sup>71</sup> who are more likely to suffer from disability and chronic diseases.<sup>72</sup> ESCAP's empirical modeling estimates show that health expenditures will rise by 80 to 144 per cent between 2020 and 2060.<sup>73</sup> Older persons tend to have more complex and diverse needs for

health and social care, necessitating investments in healthcare systems.<sup>74</sup> Health protection for older persons requires a comprehensive benefit design, greater integration of different services, and coordination with other benefits. Long-term care is increasingly drawing policy attention in the region as the demand for professional services is rising, while most countries face severe public financing gaps and a shortage of care workers. Japan, the Republic of Korea and Singapore have developed formal compulsory long-term care insurance schemes funded by a mix of contributions and state subsidies.<sup>75</sup> Countries have also initiated efforts to provide public services, subsidize providers, enhance coordination, and provide financial and training support to caregivers.<sup>76, 77, 78</sup>

## 2.3 Opportunities and challenges from digital transformation

**Technology is advancing exponentially and could transform how social protection is designed and delivered.** What is more, the COVID-19 pandemic has catalyzed digitalization. With the automation of registration, enrolment, beneficiary identification, payment and outreach services, schemes have become more accessible and efficient. Efficient and affordable ICT infrastructure, including mobile broadband services, will be critical to expand access to ICT and enable the full capacity of digitalized social protection systems to reach those left furthest behind.

71. A. Mahal and B. McPake (2017). "Health Systems for Aging Societies in Asia and the Pacific". *Health Systems & Reform*, 3(3), 149-153.

72. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *Social Outlook for Asia and the Pacific: The Workforce We Need*. ESCAP, Bangkok.

73. Ibid.

74. United Nations, Economic and Social Commission for Asia and the Pacific (ESCAP) (2023). *Asia-Pacific Population and Development Report 2023 (ST/ESCAP/3112)*.

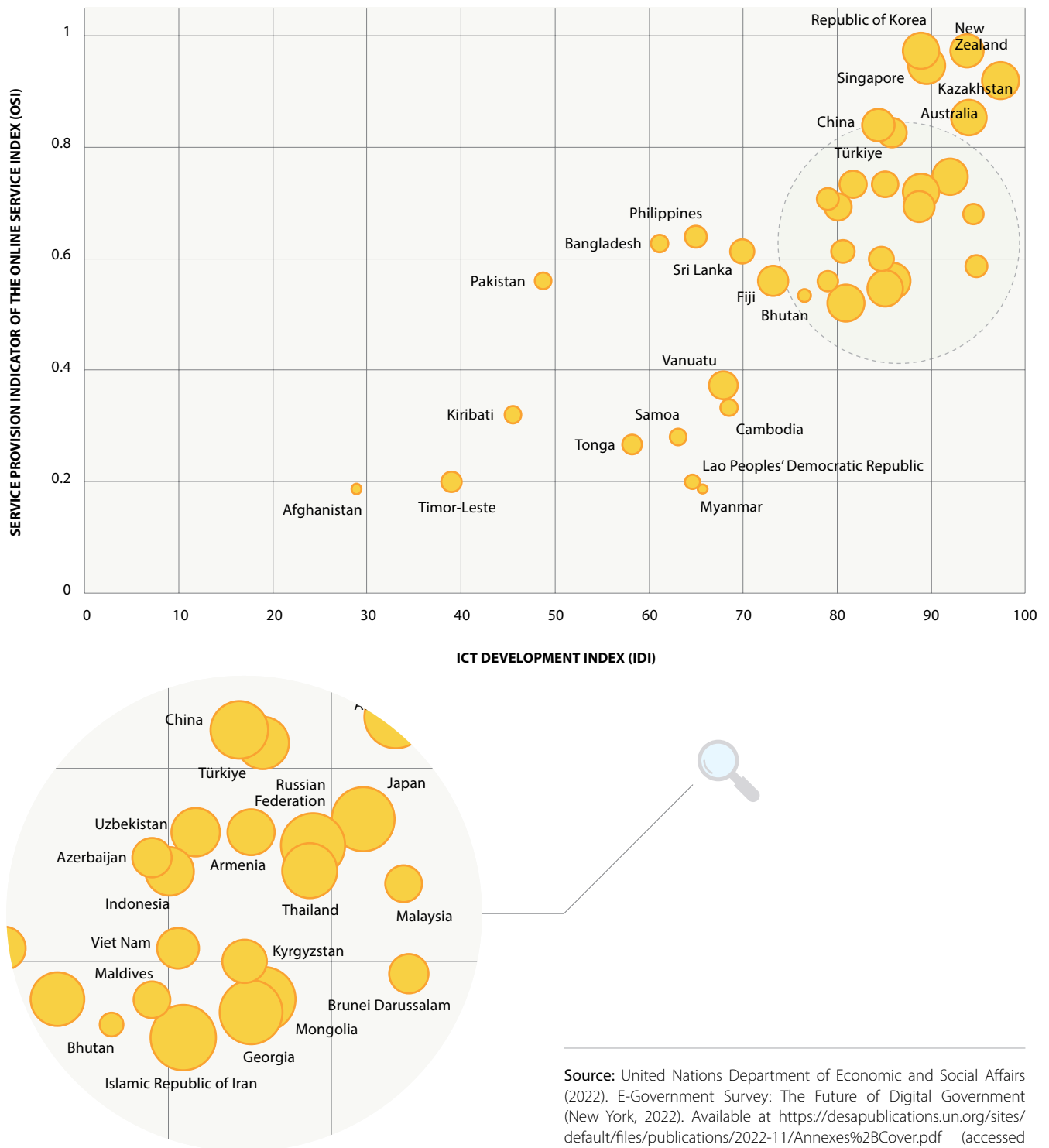
75. International Labour Office (ILO) (2021). *Extending social health protection: Accelerating progress towards Universal Health Coverage in Asia and the Pacific*.

76. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2018). *Financing for long-term care in Asia and the Pacific*. ESCAP, Bangkok.

77. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *Asia-Pacific Report on Population Ageing 2022: Trends, policies and good practices regarding older persons and population ageing*. ESCAP, Bangkok.

78. Ministry of Health of Singapore, "Caregiver Support". Available at <https://www.moh.gov.sg/caregiver-support> (accessed on 9 February 2024).

FIGURE 2.6 Level of digital connectivity and e-government services available in Asia-Pacific countries



**Source:** United Nations Department of Economic and Social Affairs (2022). E-Government Survey: The Future of Digital Government (New York, 2022). Available at <https://desapublications.un.org/sites/default/files/publications/2022-11/Annexes%2BCover.pdf> (accessed in February 2024) and ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

**Note:** This scatterplot combines the ICT Development Indicator, to represent the level of connectivity achieved in a country, and the Service Provision component of UN DESA E-Government Online Service Index, which signals readiness of governments to improve e-service delivery, including on social protection, to illustrate the readiness of Asia-Pacific countries to harness digital technologies to support social protection systems. The size of bubbles indicates the share of the population that has access to at least one social protection scheme.



**The significant progress made towards connectivity in Asia and the Pacific suggests there exists a digital foundation upon which countries could support digitalized social protection systems.** A large proportion of countries have achieved higher levels of connectivity and e-government service delivery to provide more robust e-social protection services with a wider reach to the population. Many of these countries with higher levels of connectivity and e-government service delivery also have attained higher levels of social protection coverage. Australia, China, New Zealand, Kazakhstan, Republic of Korea, Singapore and Türkiye have the highest ICT Development Indicator and Service Provision Indicator of the Online Service Index, and have also achieved between very high to universal levels of social protection coverage (figure 2.6). However, progress is varied. Countries on the bottom left of figure 2.6 have lower levels of social protection coverage and are likely to have lower levels of overall meaningful and universal connectivity and be at more nascent stages of e-government online service capacity, indicating less capacity to develop digitalized social protection systems. Those on the upper left are likely to be at more developed stages of e-government online service capacity, but face challenges in reaching wider segments of the population through meaningful and universal connectivity. Several countries are on the lower right, suggesting higher levels of connectivity, but efforts are needed to digitalize their e-government and social protection systems. Many of these countries also have lower levels of social protection coverage, highlighting the need for, and potential to, harness technology to support scalability of schemes and programmes.

**The emergence of digital technologies is a double-edged sword.** The efficacy of digitalized social protection systems is contingent on the digital inclusion<sup>79</sup> of all people through digital literacy and the affordability and availability of digital devices. However, gaps in digital inclusion persist in Asia and the Pacific. On average, 17.3 per cent of people in the region have a fixed broadband subscription and just 61.2 per cent of the population is using the Internet.<sup>80</sup> Of the 17 countries in Asia and the Pacific for which there are data, in 10 countries less than half the population is equipped with information and communications technology (ICT). Digital literacy rates range between 4 and 42 per cent of the total population.<sup>81</sup> Concerted efforts will be required to integrate the needs and voices of groups in vulnerable situation in the design and implementation of digitalized social protection systems.

### 2.3.1 Digitalized social protection information, delivery and payment systems

**Digitalized social protection information systems can maximize efficiency gains through the interoperability of data systems between social protection registries and national administrative databases.** Such systems reduce documentation requirements, simplify registration and enrolment steps and streamline government services through “one-stop-shop” online windows. They consolidate fragmented schemes, reduce duplication and provide faster services. By automating and improving data management, digitalization can link recipients to other services and support. In the case of Türkiye, the use of digital technologies has been instrumental in achieving high coverage levels by automating registration processes for non-contributory and contributory schemes.<sup>82</sup> Strong civil registration and vital statistics (CRVS) systems

79. Digital inclusion, defined as “equitable, meaningful, and safe access to use, lead, and design of digital technologies, services, and associated opportunities for everyone, everywhere” is a policy priority for honouring the pledge of leaving no one behind in the digital age and achieving the vision of the 2030 Agenda for Sustainable Development and the forthcoming Global Digital Compact. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2023). “Leveraging Digital Innovation for Inclusive and Sustainable Development in Asia and the Pacific”. Working paper series No. 2023/02.

80. United Nations Economic and Social Commission for Asia and the Pacific SDG Tracker for SDG Indicator 17.6.1. Data from 2021. Available at <https://data.unescap.org/stories/national-sdg-tracker> (accessed on 10 April 2024).

81. Data refer to “the proportion of individuals with ICT skills, defined as having undertaken certain activities in the last three months, independent of the device(s) used. Individuals can have carried out multiple activities and therefore be considered to possess several ICT skills”. ITU, ITU Datahub. Available at <https://datahub.itu.int/> (accessed on 10 April 2024).

82. United Nations Economic and Social Commission for Asia and the Pacific, Ministry of Family and Social Services and the UN Resident Coordinator’s Office, Türkiye (2024). *Readiness to Implement Action Plan to Strengthen Regional Cooperation on Social Protection: Türkiye*.

are the backbone of these social protection systems. Due to the sensitivity of the information these systems host, safeguards must be in place to protect the data rights and privacy of beneficiaries, particularly regarding sensitive information, such as identity, household information, medical records, assets and bank information. The Social Protection inter-Agency Cooperation Board (SPIAC-B) Working Group on Digital Social Protection developed a guide to support government efforts on this.<sup>83</sup> Just over half of countries in Asia and the Pacific have legislation on data privacy and legislation.<sup>84</sup>

**There exists a wide variety of digital data sources—from satellite imagery, mobile phone data, social media and website data to digital finance and digital administrative data.** These can be analyzed, overlaid and used to make powerful tools for outreach, registration, delivery and grievance and redressal mechanisms, particularly for poverty-targeted programmes. They can even enable access to new forms of data in real time, such as global positioning systems data layered with economic indicators to assess geographic targeting of households or vulnerability to climate change-related risks and disasters. Data on climate related events, such as cyclones, floods and droughts, including forecasts on extreme and seasonal weather events, could help identify potential beneficiaries and schedule benefit payments, pre- or post-climate related shocks and crises. Mobile phone data has been used to track mobility, geographic location or economic indicators to proximate income levels.<sup>85</sup> Artificial Intelligence (AI),<sup>86</sup> machine-based algorithms and machine learning enable data analysis that can provide a more holistic understanding of risks and potential

solutions.<sup>87</sup> Algorithms and analysis can also spot unconscious bias and discrimination, violations of privacy or hackers.<sup>88</sup> Nevertheless when provided universally, social protection programmes such as child, disability and old age schemes, can have relatively simple data requirements and verification processes, based on age and disability status for example. This would reduce the need for complex data collection and verification processes.

**Digital technologies promote inclusion and participation by offering users a variety of ways to register for social protection and receive benefits, such as via phone, text message or online.** Nevertheless, in reaching those left furthest behind, additional design concerns should be taken into account, especially in providing offline services. Otherwise, households risk being systematically excluded from schemes. For example, although mobile phones are an effective way to enroll excluded groups, if a mobile phone is not properly registered to the user it might not be possible to verify the user's identity.<sup>89</sup>

**Bias in data collection, cumbersome administrative requirements or lack of identification documents can exclude individuals from digitalized social protection systems.** Common hurdles for women in registering for benefits include lower registration of women in CRVS systems and cost of travel to obtain identity documentation.<sup>90</sup> Biometric forms of identification can pose unique challenges for persons with disabilities, who might require alternative means of authentication.<sup>91</sup>

83. SPIAC-B (2022). *Implementation Guide – Good Practices for Ensuring Data Protection and Privacy in Social Protection Systems*.

84. UNCTAD. "Data Protection and Privacy Legislation Worldwide".

85. Emily Aiken and Tim Ohlenburg (2023). *Novel Digital Data Sources for Social Protection: Opportunities and Challenges*. GIZ.

86. Artificial Intelligence (AI) refers to a branch of computer science concerned with creating systems capable of tasks that would typically require human intelligence, such as understanding languages, recognizing patterns, problem-solving, and learning from experience. While AI technologies have been around for several decades, recent advancements in hardware capabilities, data availability, and significant improvements in AI algorithms have enabled AI to achieve unprecedented accuracy in tasks like image recognition, natural language processing, and predictive analytics. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). "Technology and Innovation Policies". Available at <https://www.unescap.org/our-work/trade-investment-innovation/technology-innovation-policies/artificial-intelligence>.

87. B. Lee-Archer (2023). "Effects of digitalization on the human centrality of social security administration and services". ILO Working Paper 87. Geneva, ILO.

88. Shahra Razavi et al., (2020). "Building Universal Social Protection Systems for All: What Role for Targeting?". *Global Social Policy* 2022, Vol. 22(3) 449– 463.

89. In India and Bangladesh, the use of mobile phones to register and verify identification for informal workers faced challenges as many phones were not officially registered to their national identification. WIEGO Policy Brief #5. "Social Protection Responses to COVID-19: The role of digital technology in COVID social protection responses". Available at [https://www.wiego.org/sites/default/files/resources/file/05\\_Social\\_Protection\\_Responses\\_to\\_Covid-19\\_ENG.pdf](https://www.wiego.org/sites/default/files/resources/file/05_Social_Protection_Responses_to_Covid-19_ENG.pdf)

90. Lucia Hanmer and Marina Elefante (2019). *Achieving Universal Access to ID: Gender-based Legal Barriers Against Women and Good Practice Reforms*. Washington, DC: World Bank License: Creative Commons Attribution 3.0 IGO (CC BY 3.0 IGO).

91. Valentina Barca, Madhumitha Hebbar and Alexandre Cote, with Emrys Schoemaker, Susan Enfield, Rebecca Holmes, and Emily Wylde (2021). *Inclusive Information Systems for Social Protection: Intentionally Integrating Gender and Disability*. Social Protection Approaches to COVID-19: Expert Advice (SPACE).

**Spurred by the urgency for social distancing during the COVID-19 pandemic and the need to disburse financial support, social protection systems have quickly shifted towards digital payment systems.** However, the impact and scalability of such efforts has depended on the digital payment infrastructure available. In India, almost all cash transfers in response to COVID-19 were made digitally, directly to beneficiaries' bank accounts, allowing the Government of India to automatically roll out digital payments. In addition, the National Payments Corporation of India is developing a digital voucher scheme (e-RUPI) for social protection schemes that will be accessed through its rapidly expanding Unified Payments Interface system, which will enable beneficiaries to claim certain goods and services from participating providers.<sup>92</sup> In Bangladesh, the existing digital payment system enabled the government to send education supplements through mobile money transfers to beneficiaries.<sup>93</sup> Stronger collaboration with financial and technology partners can enhance digital payment options and link beneficiaries to more financial services.

**Uptake of digital payment systems will depend on an individual's access to devices, digital literacy, financial literacy, use of the banking system, and the overall digital payment infrastructure in their locality.** However, there are inequalities in access to ICT and finance, especially in multi-hazard risk hotspots. ESCAP's LNOB analysis shows that, where data is available, there are significant gaps between groups left furthest behind in using the Internet, having a bank account and owning a mobile phone (figure 2.7). In countries where mobile registration is in the name of a male household member, access to poverty-targeted schemes will be limited for women.

One study demonstrated how limited mobile phone ownership by women limited their registration for emergency cash transfers during the pandemic.<sup>94</sup> On the other hand, online payments present an opportunity to extend financial inclusion to women, enabling a woman to open an account in her name to receive transfers while enhancing her financial literacy and understanding of how to optimize use of the account for household spending.<sup>95</sup>

**When digital payment systems are enabled—with banked beneficiaries, mobile e-wallets, national identification systems—the critical question is whether this effort translates into cash to spend in local markets.** During the COVID-19 pandemic, for example, some people had difficulty accessing their benefits, as local vendors did not accept digital payments and the ability to cash out benefits from banks was restricted due to lockdowns. High transaction costs and charges for withdrawal of benefits also pose a challenge. In terms of accessibility, biometric identification can create complications for persons with disabilities and automated teller machines can pose difficulties for persons with visual impairments.<sup>96, 97, 98</sup> It is important to take into account local realities and the role of cash in local markets, as well as the need for offline solutions and on-the-ground support.

92. Emily Aiken and Tim Ohlenburg (2023) *Novel Digital Data Sources for Social Protection: Opportunities and Challenges*. GIZ.

93. Alan Gelb and Anit Mukherjee (2020). "Digital Technology in Social Assistance Transfers for COVID-19 Relief: Lessons from Selected Cases." CGD Policy Paper 181. Center for Global Development, Washington, DC.

94. UN Women (2020). "Unlocking the lockdown: The gendered effects of COVID-19 on achieving the SDGs in Asia and the Pacific". Available at [https://data.unwomen.org/sites/default/files/documents/COVID19/Unlocking\\_the\\_lockdown\\_UNWomen\\_2020.pdf](https://data.unwomen.org/sites/default/files/documents/COVID19/Unlocking_the_lockdown_UNWomen_2020.pdf)

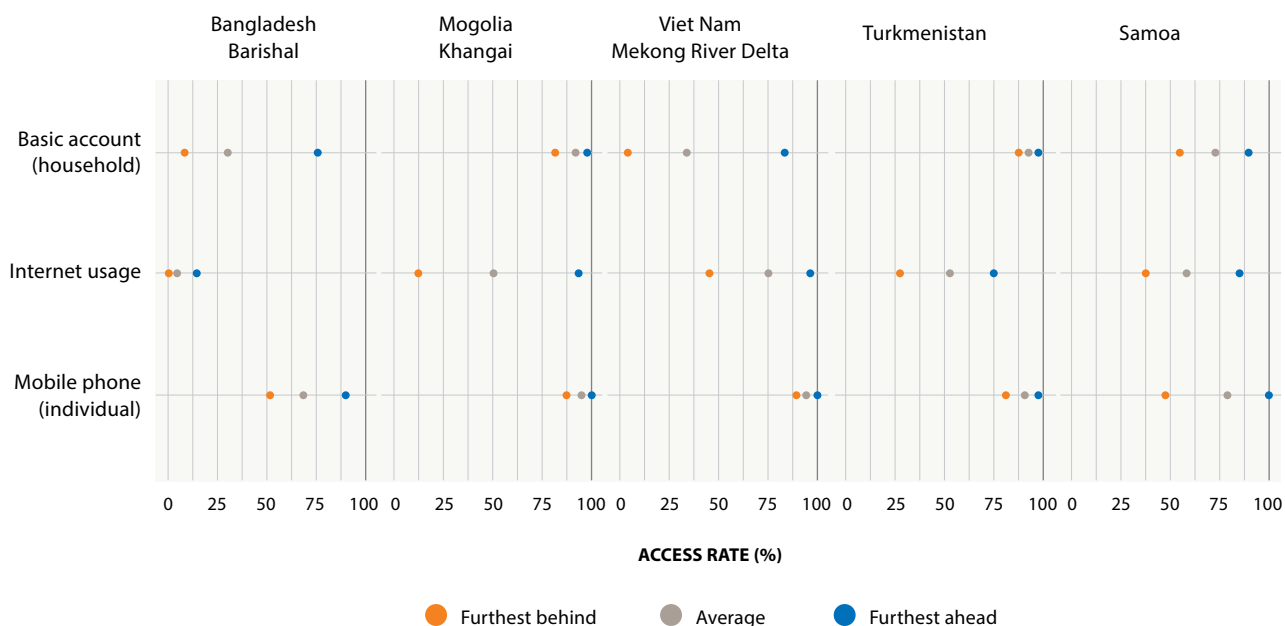
95. Michal Rutkowski, Alfonso Garcia Mora, Greta L. Bull, Boutheina Guerhazi, and Caren Grown (2020). "Responding to crisis with digital payments for social protection: Short-term measures with long-term benefits", March 31, 2020.

96. M.B. Sarwar, S. Diepeveen, and D.B. Moreno (2023). "Cash transfers and digital financial inclusion: Regional evidence from Asia Pacific with a focus on Bangladesh, Cambodia and Nepal". ODI Report, London.

97. Ibid.

98. Alan Gelb and Anit Mukherjee (2020). "Digital Technology in Social Assistance Transfers for COVID-19 Relief: Lessons from Selected Cases." CGD Policy Paper 181. Center for Global Development, Washington, DC.

FIGURE 2.7 Bank account ownership and access to information and communication technology in disaster hotspots across Asia-Pacific



Source: ESCAP LNOB Platform based on latest DHS and/or MICS data accessible at <https://lnob.unescap.org/>.

Note: Financial and digital inclusion indicators are presented for three groups of households: furthest behind (orange), average (gray) and furthest ahead (blue). Since these are positive outcomes where the ideal outcome is 100 per cent access, the furthest ahead (blue) have the highest access rates. When the furthest behind group has 100 per cent access, no one is left behind.

## 2.3.2 Digitalization and the changing world of work

Digitalization is changing the world of work, facilitating creation of whole new models, such as the “gig economy” with its proliferation of temporary and part-time work done by independent contractors and platform work that facilitates the online matching of workers or services with potential employers or clients. Digitalization is impacting the types of jobs in demand, especially for high-skilled work, and the conditions under which, and the way in which, we work. Women especially are concentrated in occupations with higher automation potential.<sup>99</sup> Older persons who have no choice but to continue to work for a living are at increased risk of poverty due to automation. In addition, automation, though unlikely to completely replace low-skilled jobs, has potential to substitute many routine tasks within jobs in both manual and administrative areas.<sup>109, 101</sup>

**Digitalization has given rise to new employment, such as platform work.** Digitalization enables an efficient matching of demand and supply—of labour, goods and services—through platform-based employment, such as ride hailing or delivery services. However, this also presents a challenge to define the employment relationship and classification of platform workers, which has implications for their access to social protection and labour protection.<sup>102</sup>

Ministers of labour and employment have recognized the need for legislation and institutional frameworks to recognize, clarify and extend labour protection for workers in platform work, as demonstrated by the adoption of the G20 Policy Priorities on Adequate and Sustainable Social Protection and Decent Work for Gig and Platform Workers.<sup>103</sup> The ILO Centenary Declaration for the Future of Work also recognizes the urgent need to extend social protection systems and calls for policies and measures that respond to challenges and opportunities emerging from the digital transformation of work, including platform work.<sup>104</sup> In this regard, the Government of India has legislated the definition of gig and platform workers, their social security entitlements, as well as a financing mechanism, under its Code of Social Security (2020).<sup>105</sup> In the Republic of Korea, mandatory unemployment and maternity insurance coverage was extended in 2022 to delivery workers and designated drivers working on platforms, and employment injury insurance was extended in 2023.<sup>106</sup>

**Beyond classifying the employment status of platform workers, governments are adapting delivery mechanisms to enable the registration and payment of benefits to platform workers.** In Indonesia, the government collaborates with the financial sector to facilitate registration and contribution payments for Gojek ride-hailing drivers, drawing contributions directly from their accounts to extend work injury and death benefits coverage. In Malaysia, since 2018, GrabCar drivers must register and contribute to the Social Security Organization of Malaysia, or *Pertubuhan Keselamatan Sosial* (PERKESO), to obtain or renew their public service vehicle licences. Payments can be made via mobile phone apps and the PERKOSO portal.

99. Christina Behrendt, Quynh Anh Nguyen and Uma Rani (2019). “Social protection systems and the future of work: Ensuring social security for digital platform workers”. *International Social Security Review*, Vol. 72, 3/2019.

100. Melanie Arntz, Terry Gregory, and Ulrich Zierahn (2016). “The Risk of Automation for Jobs In OECD Countries: A Comparative Analysis”. *OECD Social, Employment and Migration Working Papers* No. 18.

101. Organisation for Economic Co-operation and Development (OECD) (2016). “Automation and Independent Work in a Digital Economy”. *Policy Brief on The Future of Work*. OECD Publishing, Paris.

102. ILO, ISSA, and OECD (2023). “Providing Adequate and Sustainable Social Protection for Workers in the Gig and Platform Economy”. *Technical Paper Prepared for the 1st Meeting of the G20 Employment Working Group under the Indian Presidency*.

103. The Policy Priorities were adopted at the Meeting of the G20 Ministers of Labour and Employment, Indore, India, on 21 July 2023 and further reinforced through the Meeting Outcome Document and Chair’s Summary. Available at [https://www.g20.in/content/dam/gtwenty/gtwenty\\_new/document/LEMM\\_ODCS.pdf](https://www.g20.in/content/dam/gtwenty/gtwenty_new/document/LEMM_ODCS.pdf).

104. Christina Behrendt, Quynh Anh Nguyen and Uma Rani (2019). “Social protection systems and the future of work: Ensuring social security for digital platform workers”. *International Social Security Review*, Vol. 72, 3/2019. ILO Centenary Declaration for the Future of Work.

105. International Social Security Association (ISSA) (2023). *Platform workers and social protection: International developments*. Available at <https://www1.issa.int/analysis/platform-workers-and-social-protection-international-developments>

106. International Labour Office (ILO) (2024). *Realizing Decent Work in the Platform Economy*. Available at [http://www.ilo.org/ilc/ILCSessions/113/reports/reports-to-the-conference/WCMS\\_909906/lang-en/index.htm](http://www.ilo.org/ilc/ILCSessions/113/reports/reports-to-the-conference/WCMS_909906/lang-en/index.htm)

A payment system using an e-wallet or GrabPay or Quick Response code (QR) is in development. In Singapore, platforms like Grab voluntarily transfer contributions to social security institutions and match contributions through the GrabCar Driver MediSave Match Programme. Payments to the Central Provident Fund Board (CPF) are made via PayNow electronic fund transfer service.<sup>107, 108</sup> From the second half of 2024, CPF contribution rates for platform workers and their companies will progressively rise over five years and the government will fund up to 75 per cent of the increase for lower-income platform workers in the first year, and 50 per cent in the second and third year.<sup>109</sup>

**Internationally and nationally defined standards and regulations and clarity on employment relationships in platform work are required to ensure social security for all platform workers.**<sup>110</sup>

Ad hoc approaches will fall short and leave workers unprotected. For platform workers, the situation is further complicated by the cross-border nature of transactions, underscoring the need for bilateral, regional and international agreements on the recognition of employment contracts and portability of social protection schemes.<sup>111</sup>

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Longer lifespans and advances in technology are a testimony to the remarkable progress that has been made in Asia and the Pacific. However, without policy responses to manage their impact on socioeconomic development, there is a risk of increased vulnerabilities and inequalities. Climate change is an added risk that threatens to destabilize and disrupt livelihoods and well-being. Social protection can act as a bulwark against such risks; however, its capacity to do so will also depend on how robust its systems are to provide multi-pillar and universal protection across the life cycle. Chapter 3 provides an overview of the status of social protection systems and their readiness to meet the challenges of tomorrow.

107. Ibid.

108. ILO, ISSA, and OECD (2023). "Providing Adequate and Sustainable Social Protection for Workers in the Gig and Platform Economy". Technical Paper Prepared for the 1st Meeting of the G20 Employment Working Group under the Indian Presidency.

109. Article published on the website of Central Provident Fund Board, Government of Singapore, "Gig workers in Singapore to get basic protection including insurance and CPF from as early as 2024". Available at <https://www.cpf.gov.sg/member/infocenter/news/media-news/gig-workers-get-basic-protection>.

110. V. De Stefano, I. Durri, C. Stylogiannis, M. Wouters (2021). "Platform work and the employment relationship". ILO Working Paper 27 Geneva, ILO.

111. ILO, ISSA, and OECD (2023). "Providing Adequate and Sustainable Social Protection for Workers in the Gig and Platform Economy". Technical Paper Prepared for the 1st Meeting of the G20 Employment Working Group under the Indian Presidency.



# Chapter 3

## The status of social protection in Asia and the Pacific





## Main Messages

**Slow but steady progress** has been made to extend coverage and achieve SDG target 1.3 on universal social protection.

Despite positive developments across life cycle contingencies, **coverage and adequacy levels remain low.**

**Barriers persist to extend coverage and ensure adequacy of benefits** for persons in vulnerable situations, including children, women, persons with disabilities, informal workers, migrant workers and internally displaced persons.

**Universal, life cycle and multi-pillared social protection systems are needed** to ensure minimum income security for all people and build their resilience. Unless anchored in strong basic foundations, social protection systems will not be able to meet the challenges of the future.

### 3.1 Slow but steady progress

Social protection is a human right enshrined in human rights instruments, including the **Universal Declaration of Human Rights (1948)** and the **International Covenant on Economic, Social and Cultural Rights (1966)**. This right is further reinforced by human rights treaties that stipulate the right of children, persons with disabilities, women and migrant workers to social protection. These human rights instruments anchor social protection as a right that States are obligated to guarantee, and they are to be enjoyed without discrimination. These instruments also recognize the role of social protection in enabling other human rights, such as the right to health, education and development.<sup>112</sup>

**A social protection floor is a nationally defined set of guarantees to ensure basic income security and access to essential health services.** It underpins people's right to social protection, by protecting them from poverty, vulnerability and loss of income due to normal life contingencies throughout their lives—childhood, working age and old age. A social protection floor is a fundamental part of comprehensive social protection system. It ensures that every person has access to at least a basic level of social security. Establishing a social protection floor should be part of a strategy to extend social security at progressively higher levels to as many people as possible, guided by international social security standards.

Asia and the Pacific is making slow but steady progress in efforts to implement nationally appropriate social protection systems and measures for all and by 2030 achieve substantial coverage of the poor and the vulnerable (SDG target 1.3). Comparing the level of coverage between 2016 and 2023 in Asia-Pacific countries with available data, the region has made progress in extending coverage in main contingencies (excluding health) across the life cycle, covering children, persons with disabilities, people of working age and those in old age, in line with the concept of the social protection floor (figure 3.1).<sup>113</sup> Many countries in the region with historical data on SDG indicator 1.3.1, on the proportion of the population covered by at least one social protection cash benefit, have made progress since 2016 in terms of effective coverage for unemployed persons and workers in case of employment injury.<sup>114</sup> However, effective coverage of mothers of newborns has regressed in close to a third of Asia-Pacific countries with data.

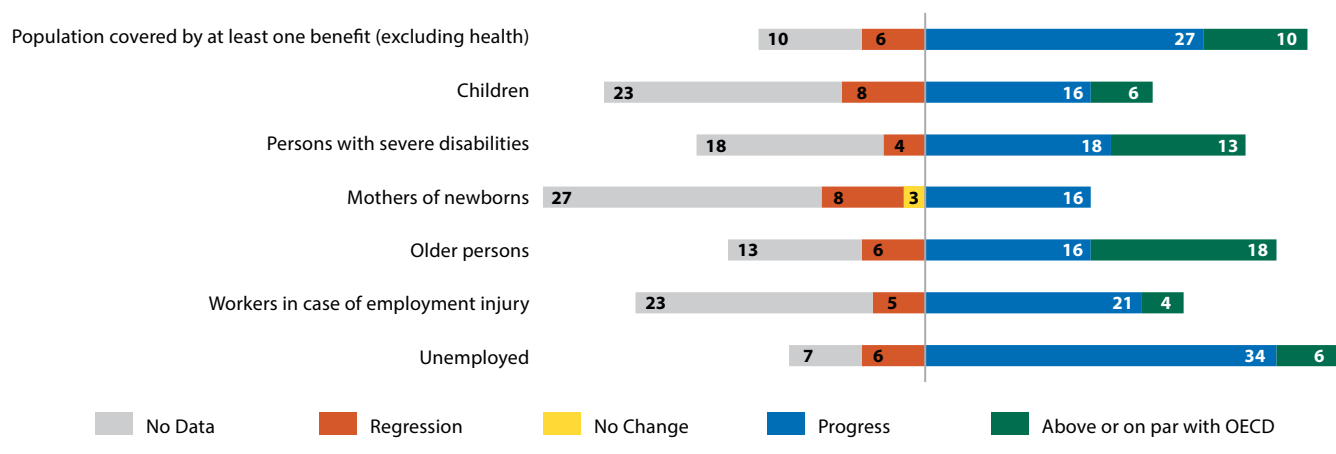
**Over half of the population in Asia and the Pacific has access to at least one social protection benefit, excluding healthcare (figure 3.2a).** Coverage rates are consistently high for countries in East and North-East Asia, achieved through the provision of universal benefits in Mongolia and strong contributory schemes complemented by non-contributory programmes in other countries. High coverage rates in North and Central Asia are in part driven by achievements in Russia and Kazakhstan, which have a mixture of contributory and universal or targeted non-contributory schemes, and Georgia, where older persons have universal coverage through a multi-pillar system.

112. See ILO Social Protection Floors Recommendation, 2012 (No. 202).

113. The unweighted average coverage level for all OECD countries, where social protection systems are generally more comprehensive, is used as a benchmark for high levels of coverage.

114. SDG 1.3.1 measures the ratio of the population receiving cash benefits, excluding healthcare and sickness benefits, under at least one of the contingencies/social protection functions (contributory or non-contributory benefit) or actively contributing to at least one social security scheme to the total population.

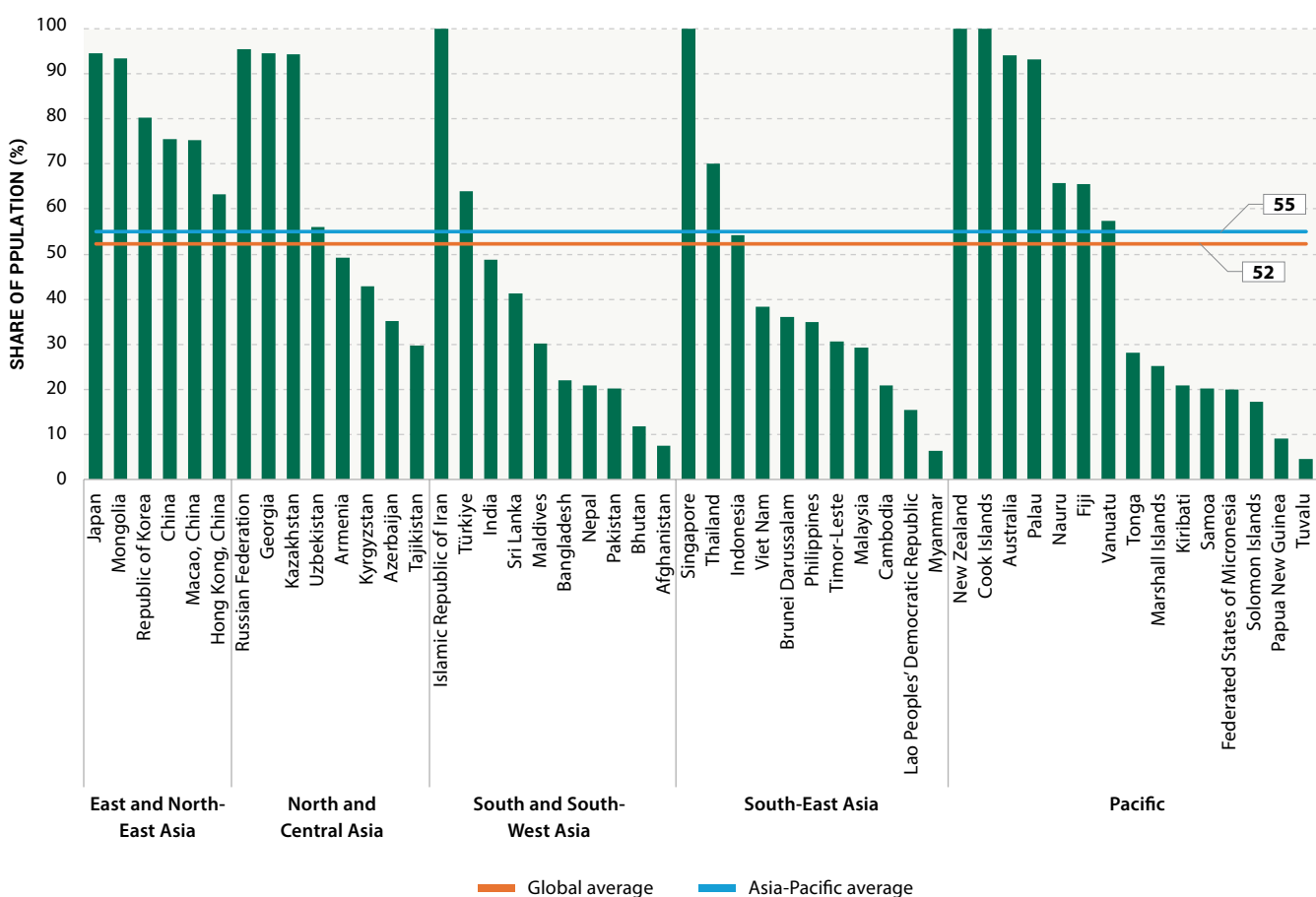
FIGURE 3.1 Number of Asia-Pacific countries progressing towards universal social protection coverage, 2016-2023



Source: ESCAP elaborations based on ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

Note: Change in effective coverage between 2016 and 2023 or latest year available. The OECD average coverage level is used as a benchmark for more robust social protection systems. Countries are **in progress** if the latest coverage level is below the OECD average level but has made positive change in the period (2016-2023). Countries experienced **no change** if the latest coverage level is below the OECD average level and the percentage change in the coverage is less than or equal to five per cent. Countries have **regressed** if the latest coverage level is below the OECD average level and has made negative change of more than five per cent in the period. When data in the year of 2016 were not available, data from the nearest year were compared to that from 2023.

FIGURE 3.2a Proportion of the population covered by at least one social protection benefit (excluding healthcare), latest available year



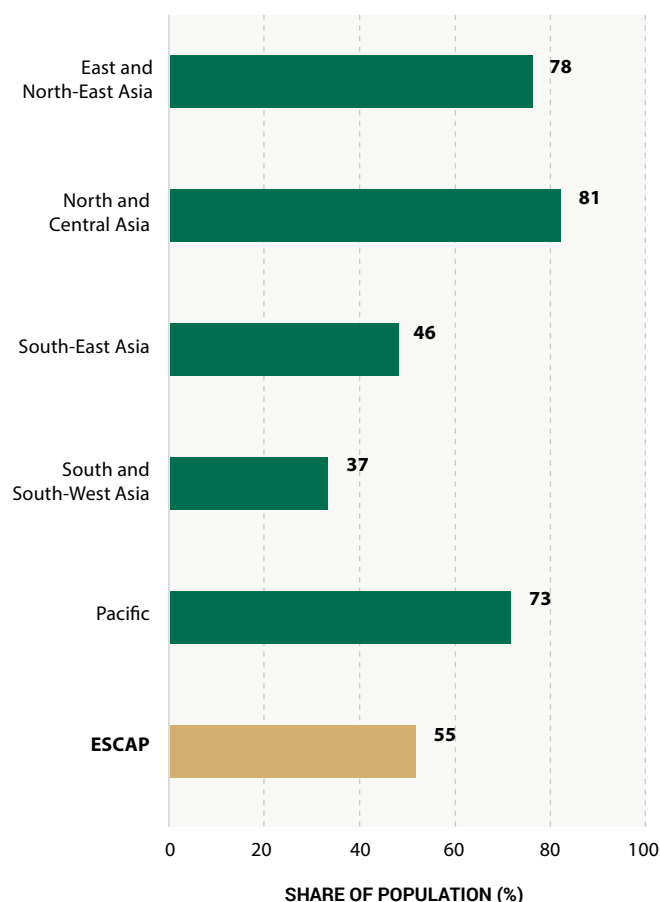
Source: ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

The Pacific also shows strong coverage rates, achieving average coverage rates of 73 per cent of the total population (figure 3.2b). The Cook Islands has one of the most comprehensive social protection systems in the Pacific, with a range of non-contributory programmes including universal non-contributory child benefits.<sup>115</sup> Other Pacific island countries have expanded their social protection schemes over the past two decades, in particular through non-contributory old age pensions.<sup>116</sup> South and South-West Asia and South-East Asia have lower levels of coverage, but with wide variation of coverage and systems among countries. Among the countries with the highest coverage in these subregions, Islamic Republic of Iran and Thailand have comprehensive contributory systems complemented by universal benefits and targeted non-contributory programmes. Notably, Islamic Republic of Iran provides a near-universal basic income to all eligible persons.<sup>117, 118</sup> Türkiye also has an extensive contributory system that is funded by social insurance as well as targeted non-contributory programmes. The social protection system in Singapore comprises a mixture of provident funds, employer-liability schemes, contributory social insurance schemes and poverty-targeted non-contributory programmes.

Old age pension schemes have the highest levels of coverage, followed by schemes for mothers with newborns (figure 3.3). However, even when people can access a benefit through a non-contributory scheme, benefit levels tend to be low. Some 30.5 per cent of workers are covered by injury schemes, but unemployment schemes have the lowest coverage of all contingencies. Only one in five children are covered and just one in three persons with a disability has access to a disability benefit. Overall, only 35.9 per cent of vulnerable persons have access to any form of income security. Various factors contribute to people’s exclusion from social protection schemes, including eligibility criteria, methodologies used to target beneficiaries, administrative and implementation constraints, and weak enforcement measures. Social protection systems also remain

under-resourced and insufficient to help people absorb disruptions to their livelihoods and income. Investments in social protection in Asia and the Pacific continue to be low at 8.2 per cent of GDP and substantially lag behind global and OECD levels of public expenditure which stand at 12.9 per cent and 16.4 per cent, respectively.<sup>119</sup>

FIGURE 3.2b Share of population covered by at least one social protection benefit (excluding healthcare), by subregion, latest available year



115. Andrea Rossi and Ruben Villanueva (Eds.) (2023). *Social Protection in East Asia and the Pacific: From Evidence to Action for Children*. UNICEF, Bangkok.

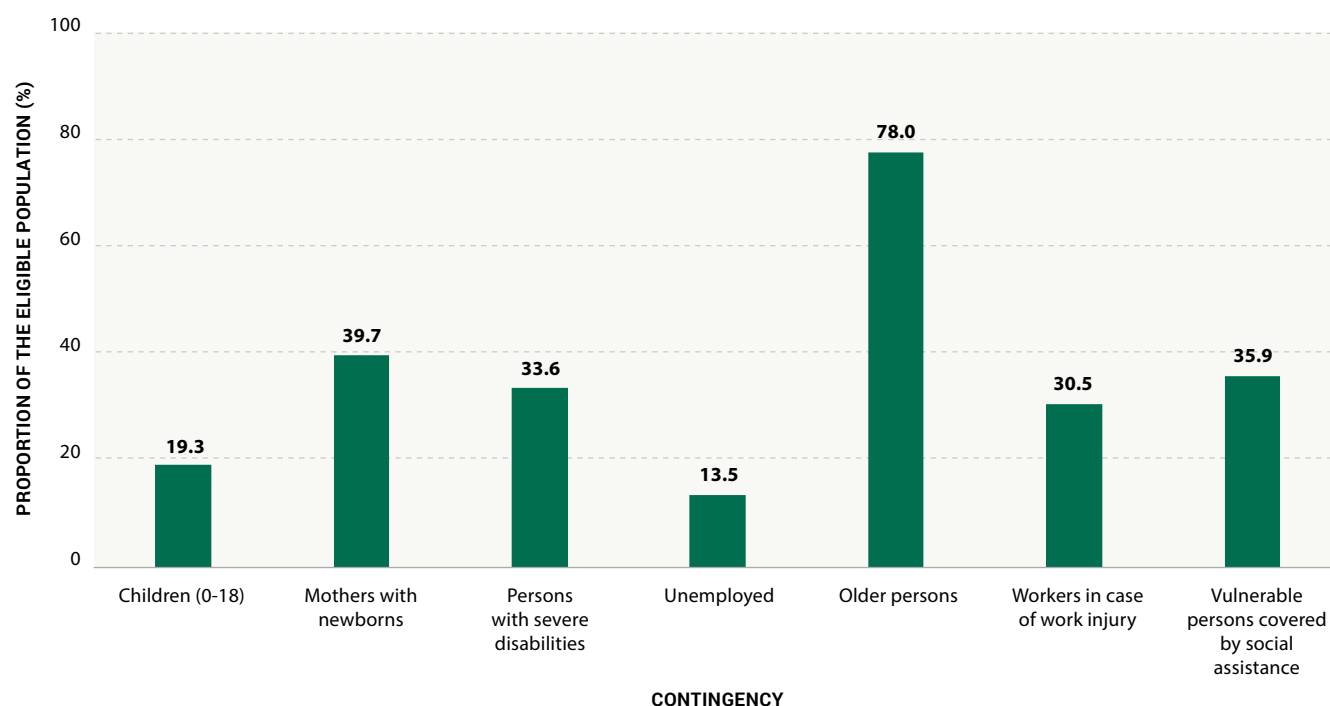
116. Sinta Satriana and Juliet Attenborough. "Old age pensions in the Pacific: benefits for women". Blog released on 2 May 2023. Available at <https://devpolicy.org/old-age-pensions-in-the-pacific-benefits-for-women-20230502/>

117. Amirhosein Rahbari. "The Golden Age of the Universal Basic Income in Iran". Blog released on 25 October 2023. Available at <https://socialprotection.org/discover/blog/golden-age-universal-basic-income-iran>

118. Mehdi Haji Hosseini and Charlotte Bilo (2022). *Social protection in Iran: Recent advances and challenges ahead for a more child-sensitive system*. International Policy Centre for Inclusive Growth.

119. ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

FIGURE 3.3 Proportion of the population covered by at least one social protection benefit (excluding healthcare) by contingency, latest available year



Source: ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

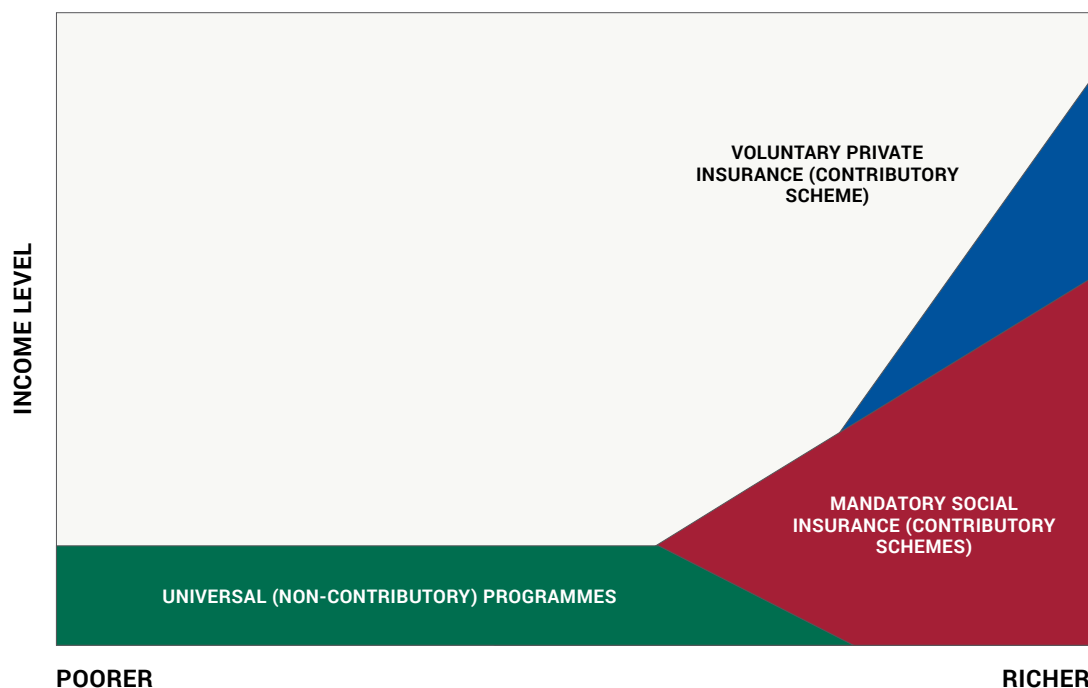
## 3.2 Life cycle contingencies

**Ensuring access to social protection for children or if you have a disability, fall sick, lose a job, or become old ensures comprehensive protection for women, men, girls and boys throughout their lives.** This life cycle approach to social protection integrates each scheme as a vital component of a universal system designed to address all needs, risks and contingencies across the lifespan. It is achieved most effectively through a combination of non-contributory (often financed through general tax revenues) and contributory (financed through direct contributions from employees and employers

and sometimes government) schemes. In high- and middle-income countries, non-contributory schemes generally include child, maternity, disability and old-age benefits, which are complemented by a variety of contributory schemes for working-age adults, such as unemployment, parental and sickness benefits, work injury compensation and pensions. As one example, old-age pension systems can ensure that those who were unable to work, or worked in the informal sector, have access to a minimum non-contributory pension once they reach old age, while workers in the formal sector who contribute a portion of their income to a social insurance pension scheme can receive a higher pension benefit (linked to their contributions) once they retire (figure 3.4).<sup>120</sup>

120. United Nations Economic and Social Commission for Asia and the Pacific and Development Pathways (2022). *Steps to Inclusive Social Protection Systems*. ESCAP, Bangkok.

FIGURE 3.4 A mix of pension schemes, through non-contributory programmes that provide minimum income security for the majority, complemented by contributory pension schemes that provide higher levels of pensions for those who can afford to pay into schemes, can ensure everyone has access to a pension



Source: Development Pathways Depiction. ESCAP and Development Pathways(2022). Steps to Inclusive Social Protection Systems.

**Access to income security throughout the life cycle supports women’s autonomy and promotes gender equality.** Cash benefits and in-kind support can help women gain a sense of financial autonomy and promote changes in gender norms and attitudes.<sup>121</sup> Social protection schemes reduce gender-based violence.<sup>122</sup> Extending access to contributory schemes can give women even greater income security and support their labour market participation or reentry after career breaks. Social protection also helps ease care-giving responsibilities and thereby promotes women’s autonomy and gender equality (box 3.1). However, social protection systems

often do not account for gender. A recent HelpAge International report highlights how older women are often reliant on male intermediaries or third parties to access information about enrolment procedures, which can result in their exclusion from schemes or lack of control over resources gained through the schemes.<sup>123</sup> For women to be included effectively, design and implementation of social protection systems must take into account gender across life cycle contingencies. Gender-responsive social protection systems expand coverage for women and reap societal gains through equal access to opportunity.

121. Maja Gavrilovic, Hajnalka Petrics and Mari Kangasniemi. (2023). *Changing rural women’s lives through gender transformative social protection: a paper on gender transformative social protection concepts, evidence and practice in the context of food security and nutrition*. Food and Agriculture Organization of the United Nations, Rome.

122. Ioana Botea, Aline Coudouel, Alessandra Heinemann and Stephanie Kuttner (2021). *Safety First: How to Leverage Social Safety Nets to Prevent Gender Based Violence*. World Bank, Washington, DC.

123. HelpAge International (2024). *Advancing gender equality through social protection in an ageing world: Older women’s experiences from Bangladesh, Malawi and Tanzania*.

### BOX 3.1 Care, domestic work and social protection

Women often pay a motherhood penalty, with a lower proportion of women with young children under age of 6 employed than men with young children. This reflects the disproportionate responsibility that women bear in providing care. Most women in fact remain outside the labour force. Care and domestic work are the primary reason cited by almost one in two women for being outside the labour force in Asia and the Pacific, where women perform more than four times more care work than men.<sup>124</sup> The demand for care work, specifically long-term care for older persons, is only projected to increase.<sup>125</sup> The social norms that mediate the division of labour in the home, are likely to translate into increased care work for women within families.<sup>126</sup>

Income supplements, cash-for-care arrangements and tax benefits can support those providing care to children, persons with disabilities or elderly dependents.<sup>127</sup> A benefit supplement can be paid on top of disability benefits to provide, in effect, minimum income security for caregivers, particularly when constant care is required. In Kyrgyzstan and Lao People's Democratic Republic, a "constant-attendant supplement" is paid on top of a disability benefit if constant attention is required. Australia, Cook Islands, Malaysia, Mongolia, New Zealand and Viet Nam are among the other ESCAP member States and associated members providing income support for caregivers of persons with disabilities. In addition, dependent supplements can be paid to persons with disabilities who have family responsibilities, such as in the Philippines where a person with a disability can receive a supplement for up to five of their unmarried and unemployed children below age 21.<sup>128, 129</sup>

Social protection can also ease care responsibilities for women and foster more balanced responsibilities between women and men. Cash transfers can help households invest in labour and time-saving goods to reduce the time spent on care work.<sup>131</sup> Longer paid paternity leave can encourage the redistribution of childcare responsibilities. However, non-contributory schemes tend to target mothers, rather than fathers, exposing them to a compliance cost and increasing their care burden. It is important to balance responsibilities between both parents, such as by reducing the burden of conditionalities on women, promoting shared parental leave or providing childcare.<sup>131</sup> Conscious efforts are thus required to ensure that social protection systems identify and promote these linkages between social protection, care work and gender equality.

124. International Labour Office (2018). *Care work and care jobs for the future of decent work*.

125. International Labour Office (2022). *Care at work: Investing in care leave and services for a more gender equal world of work*.

126. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *COVID-19 and the Unpaid Care Economy in Asia and the Pacific*. ESCAP, Bangkok.

127. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *How to Invest in the Care Economy: A Primer*. ESCAP, Bangkok.

128. Andrea Rossi and Ruben Villanueva (Eds.) (2023). *Social Protection in East Asia and the Pacific: From Evidence to Action for Children*. UNICEF, Bangkok.

129. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *A Three-Decade Journey Towards Inclusion: Assessing the State Of Disability-Inclusive Development In Asia and The Pacific*. ESCAP, Bangkok.

130. E. Camilletti, Z Nesbitt-Ahmed and R. Subrahmanian (2022). "Promoting Gender-Transformative Change through Social Protection: An analytical approach". UNICEF Office of Research - Innocenti, Florence.

131. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *How to Design Child Benefits*. ESCAP, Bangkok.

### 3.2.1 Social protection for children and families

**With one in five children having access to a social protection scheme, children have among the lowest benefit coverage rates in the region (figure 3.5).**

Children are inherently vulnerable and dependent on adults for their well-being. Social protection for children is not merely about alleviating the financial burden on parents but about fulfilling a child's right to a safe, healthy, and nurturing environment. There is a range of child and family schemes in place in the region meant to ensure income security and the well-being of children, such as through cash or in-kind benefits. However, these schemes have limited scope and availability. Social protection for children is provided through three main types of schemes: contributory social insurance schemes, non-contributory benefits for children, and non-contributory benefits for households. Contributory schemes can include a family benefit for contributing members, such as in Thailand. Non-contributory programmes typically provide benefits specifically for a child, based on age, income status of the household, geographic location or other characteristic. Non-contributory household programmes target households in vulnerable situations, including those with children, such as the recently launched Family Package Programme in Cambodia. Most non-contributory schemes provide poverty-targeted cash or in-kind benefits with restricted reach. Age eligibility also varies widely, with some countries covering only the early years and gradually expanding the age cohort, while other countries cover children until age 18, such as Indonesia, Mongolia and the Philippines.

**On average, one in two children lives on less than \$6.85 a day in Asia and the Pacific.**<sup>132</sup> According to UNICEF, child poverty in East Asia and the Pacific increased for the first time in two decades following the COVID-19 pandemic.<sup>133</sup> Childhood poverty has detrimental effects on nutrition, health, shelter,

education, as well as through stigma and effects on psychosocial well-being. Ensuring income security for children is vital for their physical, cognitive and psychosocial development, which influence their future development. Not ensuring a child's well-being is costly and difficult to address later in life.<sup>134</sup> Conversely, providing robust social protection for children has intergenerational benefits. Well-supported children are more likely to become well-adjusted adults who contribute positively to society and the economy. Failing to provide adequate support can perpetuate cycles of poverty and disadvantage. There is an urgent need to act. The window of demographic opportunity is closing. Children account for 22.4 per cent of the total population in Asia and the Pacific and up to 26.5 per cent of the total population in South and South-West Asia.<sup>135</sup> Investing in their healthy development first and foremost upholds the rights of the child. It is also an investment in the future workforce and the region's development.

**Food is a core feature of many social protection systems, including through school-based programmes, in-kind support and food fortification.**

As an example, India's Public Distribution System (PDS), implemented in conjunction with other in-kind social protection programmes, reaches over a billion people. In Cambodia, India, Kyrgyzstan, Nepal, Lao People's Democratic Republic, Sri Lanka, and Tajikistan, school meals are recognized as critical social safety net programmes and governments are seeking ways to transition national programmes to universal coverage. Recognizing the long-term educational and nutritional benefits of school meals, countries such as Cambodia and Indonesia are moving towards universal, government-managed school feeding programmes. Bhutan, India and the Philippines have achieved full national ownership of these programmes.<sup>136</sup>

132. ESCAP calculations based on World Bank, UNICEF, (2023). "Global Trends in Child Monetary Poverty According to International Poverty Lines" (accessed on 17 January 2024).

133. Andrea Rossi and Ruben Villanueva (Eds.) (2023). *Social Protection in East Asia and the Pacific: From Evidence to Action for Children*. UNICEF, Bangkok.

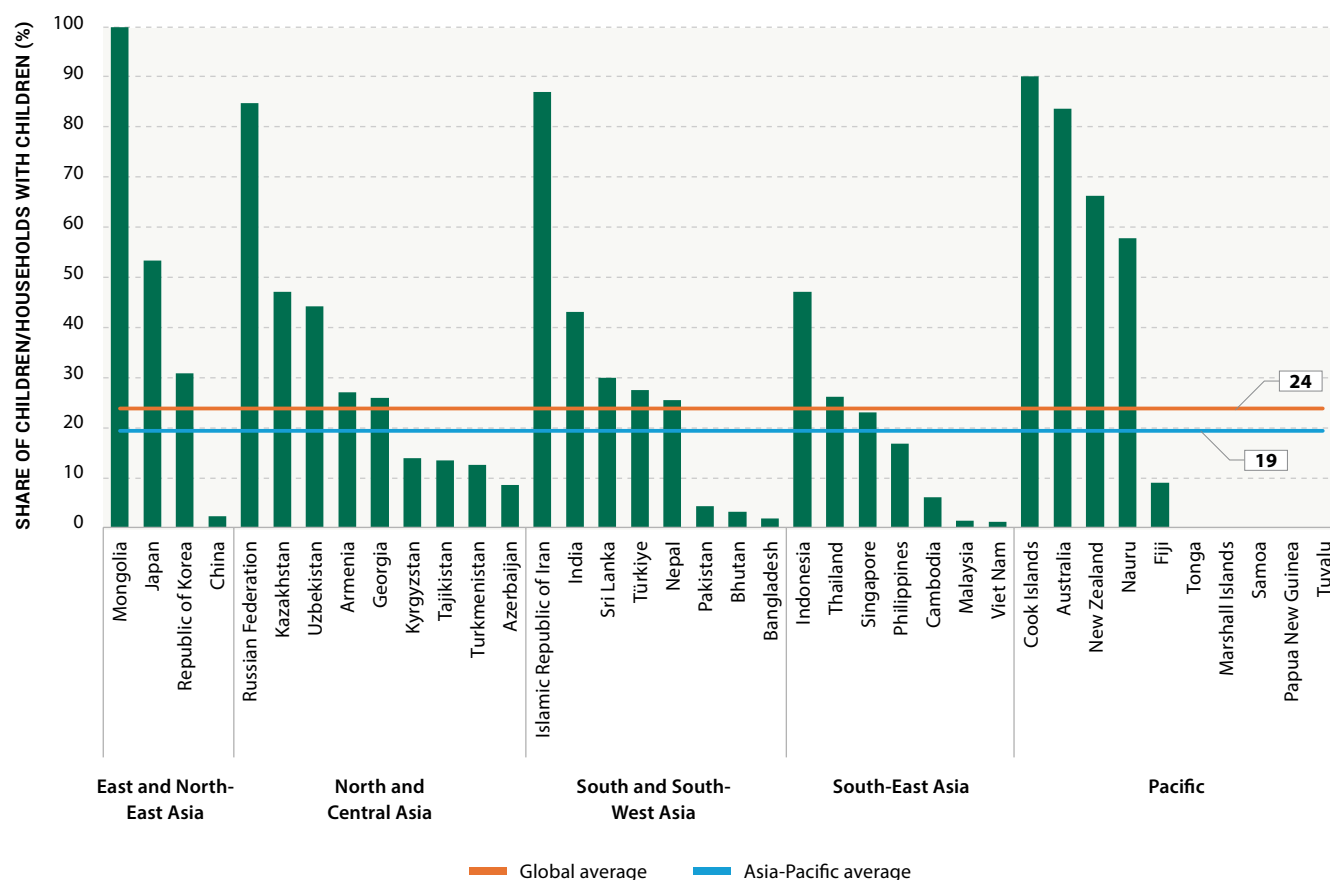
134. M. Sanfilippo, C. de Neubourg and B. Martorano (2012). "The Impact of Social Protection on Children: A review of the literature". Working Paper 2012-06. UNICEF Office of Research, Florence.

135. United Nations Economic and Social Commission for Asia and the Pacific (2023). *ESCAP Population Datasheet 2023*. ESCAP, Bangkok.

136. World Food Programme (WFP) (2021). *A chance for every schoolchild – Asia and Pacific Regional Bureau Implementation Plan 2021–2025*.



FIGURE 3.5 Proportion of children aged 0 to 18 receiving child and family benefit, latest available year



Source: ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

**Poverty-targeted programmes often fail to reach their intended beneficiaries and generate high exclusion errors.**<sup>137</sup> Various income tests or other means-tests are used to identify eligible populations. Mongolia’s Child Money Programme until recently used affluence testing to provide benefits to 91 per cent of children. Countries such as Thailand include assessments of household income to identify eligible lower income households, while other countries use proxy means testing.<sup>138</sup> ESCAP’s Social Protection Online Tool (SPOT) Simulator demonstrates that poverty-targeting a child benefit by applying a Proxy Means Test results in high exclusion errors (box 3.2).<sup>139</sup>

137. Stephen Kidd and Diloá Athias (2020). *Hit and Miss: An Assessment of Targeting Effectiveness in Social Protection with Additional Analysis*. Development Pathways and Church of Sweden.

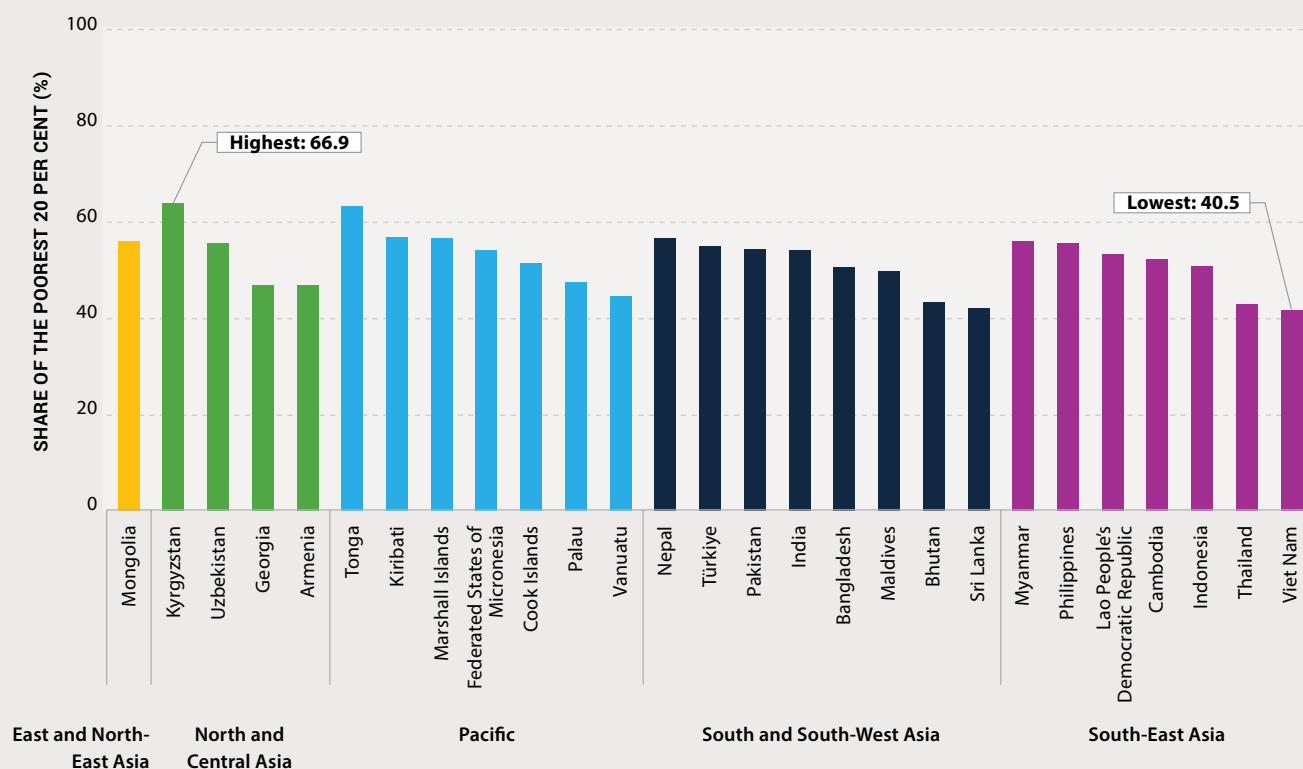
138. Ibid.

139. More detailed methodology of the simulation of proxy-means testing is available at <https://spot.unescap.org/methodology-app>

### BOX 3.2 Shortfalls of poverty targeting

Poverty-targeting remains the preferred eligibility criteria for most non-contributory schemes. Countries use “means testing” to direct their limited funds to specific subgroups, most often through a “proxy means test” to identify lower-income households. However, due to low-quality and outdated income data or registry errors, as well as the dynamic nature of poverty, proxy means testing results in high exclusion errors. In other words, intended beneficiaries are excluded. ESCAP Simulations estimate that up to 67 per cent of households would be wrongly excluded from a child benefit scheme targeting the poorest 20 per cent of households (figure 3.6).

FIGURE 3.6 Exclusion errors in eligible households, under simulated proxy means tested child benefits for children aged 0-18 years, targeting the poorest 20 per cent of households



Source: ESCAP elaboration based on ESCAP SPOT Simulator accessed in March 2024 via <https://spot.unescap.org/simulator>.

Note: Exclusion error is calculated as a share of household members in the targeted income group who would not receive a social protection benefit due to imperfect targeting using household-level data from 27 countries in Asia and the Pacific as of March 2024.

**Efforts are being made to expand universal child benefits, showcasing various pathways to coverage.**

These include quasi-universal unconditional child benefits (Republic of Korea and Nepal), universal benefits (Mongolia) and a multi-pillared approach that combines both contributory and non-contributory systems. Japan is one of the few countries that has achieved near universal coverage through contributory and non-contributory means-tested child benefit schemes.<sup>140</sup> Few countries offer contributory or non-contributory child benefits that are grounded in legislation. Of 46 Asian and Pacific countries reviewed, only 12 have statutory schemes for children.<sup>141</sup>

**Universal child benefits uphold the rights of the child and insert cash into households.**

A universal child benefit ensures that every child is assured their right to minimum income security. It also extends support to most households, as evidenced during the COVID-19 pandemic when child benefits were an effective conduit for emergency relief to a broad spectrum of the population. ESCAP simulations reveal that a universal child benefit of 4 per cent of GDP per capita per month would increase consumption for the poorest 10 per cent of the population by, on average, 33.7 per cent in 27 countries. Despite demonstrable potential gains, social protection systems continue to neglect and exclude most children and benefit levels remain very low. Beyond cash and in-kind transfers, to address the comprehensive and continuous needs of children, effective social protection policies for children need to be holistic, continuous, and integrated with other services like education and healthcare.

## 3.2.2 Social protection for the working age population

### 3.2.2.1 Disability benefits

**Despite their higher living costs and probability of living in poverty, just one in three persons with a severe disability has access to a social protection benefit in Asia and the Pacific (figure 3.7).**

Persons with disabilities are consistently less likely to be employed than persons without disabilities. Among the 21 countries with data, the average employment-to-population ratio was 24.3 per cent for persons with disabilities compared to 62.1 per cent for persons without disabilities. The employment-to-population ratio was lowest for women with disabilities.<sup>142</sup> Employed persons with disabilities are also more likely to be in informal work than persons without disabilities, indicating their more precarious livelihoods.<sup>143</sup> Furthermore, persons with disabilities face additional costs of living, both direct, such as expenses for assistive devices, and indirect, such as fewer employment opportunities and loss of earnings for family members who are caregivers.<sup>144</sup> Social protection reduces these risks and costs and supports disabled persons' integration into the labour market. A twin-track approach, of mainstream social protection with disability-specific benefits, can provide income security and cover the additional costs faced by persons with disabilities.<sup>145</sup> These can be provided through a mix of contributory and non-contributory schemes. However, disabled persons are often excluded from receiving any benefit.

140. ILO and UNICEF (2023). *More than a billion reasons: The urgent need to build universal social protection for children*. Second ILO–UNICEF Joint Report. Social Protection for Children. Geneva and New York.

141. Andrea Rossi and Ruben Villanueva (Eds.) (2023). *Social Protection in East Asia and the Pacific: From Evidence to Action for Children*. UNICEF, Bangkok.

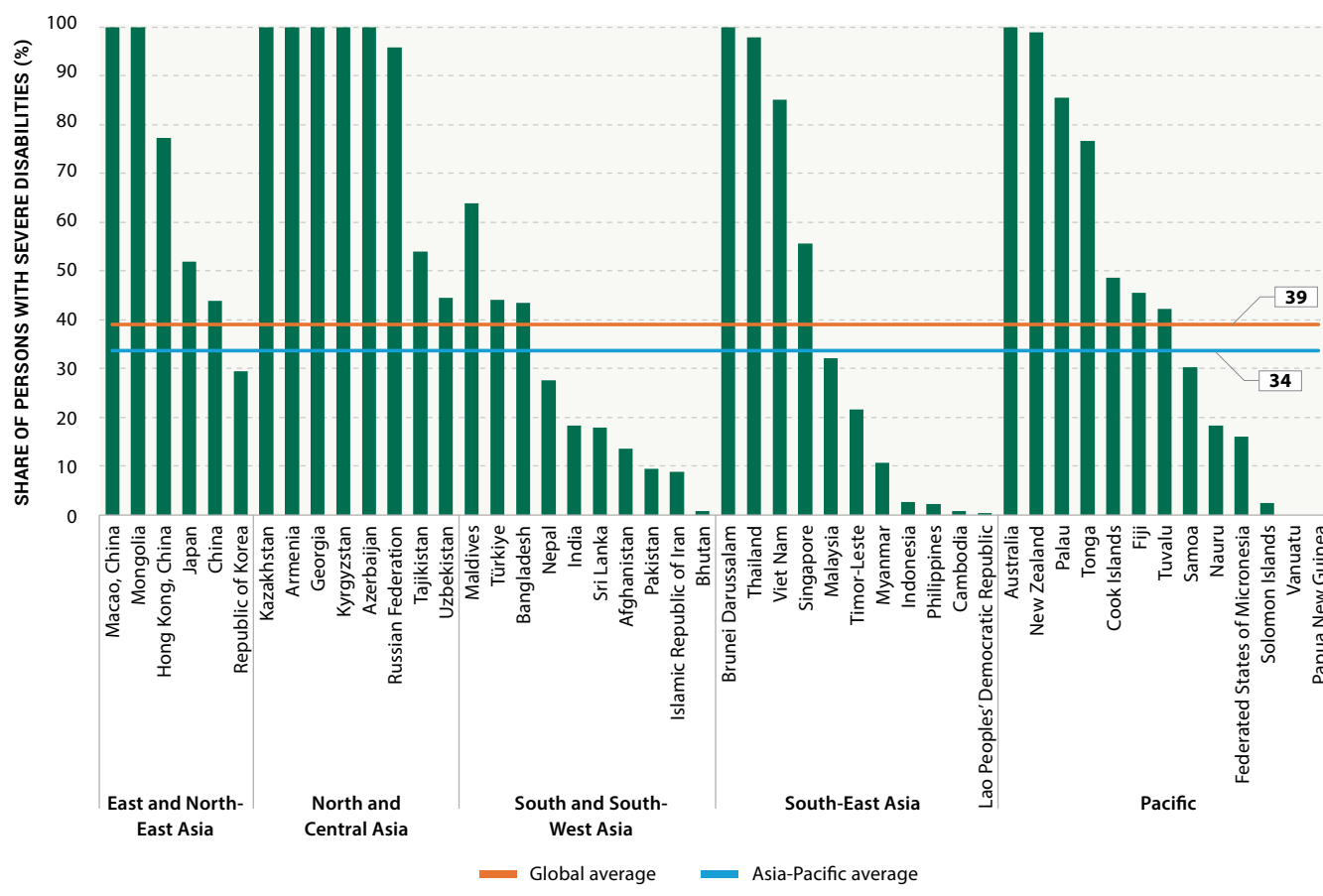
142. The employment-to-population ratio was 17 per cent for women with disabilities compared to 31.3 per cent for men with disabilities, 50 per cent for women without disabilities and 74.7 per cent for men without disabilities. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *A Three-Decade Journey towards Inclusion: Assessing the State of Disability-Inclusive Development in Asia and the Pacific*.

143. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2021). *Disability at a Glance 2021: The Shaping of Disability-Inclusive Employment in Asia and the Pacific*. ESCAP, Bangkok.

144. Alexandre Côte (2021). "Disability inclusion and social protection". Handbook on Social Protection Systems, Esther Schüring and Markus Loewe, eds.

145. In recognition of this additional need for persons with disabilities, the "Joint Statement: Towards Inclusive Social Protection System Supporting Full and Effective Participation of Persons with Disabilities" stressed that disability-specific benefits be compatible with other benefits. ILO (2024). *Disability Schemes and Programmes around the World: Design and Compliance with International Social Security Standards*. Available at <https://www.social-protection.org/gimi/Media.action?id=19403>.

FIGURE 3.7 Share of persons with severe disabilities receiving a disability cash benefit as a proportion of total number of persons with disabilities, latest year available



Source: ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

**Eligibility requirements and disability assessments hamper access to schemes.** Complex disability assessments, narrow definitions of disability, physical barriers to assessment centres, and means testing, can cause persons with disabilities to remain unidentified or unregistered for disability benefits. Some countries base eligibility on level of disability and the support needed for daily functions or the capacity of the person to work. In many cases, the “incapacity to work” criterion results in loss of benefits upon employment. In Georgia, almost all persons assessed to have a disability receive a universal disability benefit, regardless

of their capacity to work or income level. In some countries, such as Fiji, Kiribati and Türkiye, disability allowances are compatible with work income, thus support labour market participation.<sup>146, 147, 148</sup> Ideally, disability benefits should ensure income security, enabling a decent standard of living and autonomy.<sup>149</sup>

**Non-contributory benefit levels tend to be low.** The global average non-contributory benefit level is about 14 per cent of per capita GDP, and the OECD level is around 23 per cent.<sup>150</sup> Several countries in the region are above the global average, including

146. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). *A Three-Decade Journey Towards Inclusion: Assessing the State Of Disability-Inclusive Development In Asia And The Pacific*. ESCAP, Bangkok.

147. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), Ministry of Family and Social Services and the UN Resident Coordinator’s Office, Türkiye (2024). *Readiness to Implement Action Plan to Strengthen Regional Cooperation on Social Protection: Türkiye*. ESCAP, Bangkok.

148. Charles Knox-Vydmanov and Alexandre Cote, “The path towards inclusive social protection for people with disabilities in the Pacific”. Blog Post, 17 October 2023. Available at <https://devpolicy.org/the-path-towards-inclusive-social-protection-in-the-pacific-20231017/>

149. International Labour Office (ILO) (2024). *Disability schemes and programmes around the world: Design and compliance with international social security standard*. International Labour Office, Geneva.

150. The global and OECD average benefit level are based on estimates from the ESCAP SPOT Simulator available at <https://spot.unescap.org/simulator> (accessed in July 2024).

Australia, Georgia, Kiribati, New Zealand, Tajikistan, Türkiye and Uzbekistan, but most fall below. The Committee on the Rights of Persons with Disabilities recommends that benefit levels be calculated on the basis of the personal characteristics, circumstances and needs of persons with disabilities.<sup>151</sup> Non-contributory benefits should thus provide a minimum income guarantee for those who cannot work and support the additional living costs for persons with disabilities by scaling benefits to the type and severity of disability.<sup>152</sup> Some countries do account for severity of disability, such as Armenia, Australia, Azerbaijan, Cambodia, Georgia, Kiribati, Nepal, Palau, Tajikistan, Tonga, Tuvalu, Uzbekistan and Viet Nam.

**Challenges faced by persons with disabilities are compounded by structural barriers, such as lack of inclusive education and vocational training,<sup>153</sup> and their vulnerabilities are increased when disability is intersected by other factors, such as old age or gender. Without concerted policy efforts, persons with disabilities might also face increased risk from climate change related shocks, population ageing or digitalization. Minimum income security for persons with disabilities, through disability-specific schemes and inclusion in mainstream social protection schemes, is fundamental to their full and effective inclusion in society.**

### 3.2.2.2 Maternity and paternity benefits and benefits related to childbirth

**Despite statutory paid maternity leave in 41 countries in Asia and the Pacific, about 60 per cent of mothers with newborns go without benefits (figure 3.8).** Women have a right to maternity protection. Maternity benefits are critical to ensuring that right and instrumental to the well-being of mother and infant.<sup>154</sup> Paid maternity leave for working mothers helps offset temporary loss of income.<sup>155</sup> In addition to this, the ILO Social Protection Floor recommends that all persons who are unable to earn sufficient income due to maternity be guaranteed a minimum income. Cash benefits should be provided to all mothers of newborns and ensure their access to an adequate standard of living.<sup>156</sup>

Maternity benefits tend to be in the form of paid maternity leave for working women through mandatory contributory schemes. Women have difficulty accessing these schemes, which is one reason for low maternity coverage rates. Some 62 per cent of female workers of reproductive age in Asia and the Pacific are in informal employment with no access to contributory schemes. Even women in the formal sector often do not meet the criteria for contributory schemes, for example because of insufficient number of years contributing, perhaps due to career breaks to undertake care duties.<sup>157</sup> Maternity leave models where benefits are paid by the employer can also discriminate against women, as employers may be reluctant to hire, retain or promote women.<sup>158</sup> Most maternity leave benefits in the region are funded through social insurance models (contributory), but around 15 countries rely on employers to provide maternity benefits.

151. Catalina Devandas Aguilar (2017). "Social protection and persons with disabilities". *International Social Security Review*, John Wiley & Sons, vol. 70(4), pages 45-65, October 2017.

152. Stephen Kidd et al. (2019). "Leaving No-one Behind: Building Inclusive Social Protection Systems for Persons with Disabilities". *Development Pathways Working Paper*: February 2019.

153. International Labour Office (2024). *Disability Schemes and Programmes around the World: Design and Compliance with International Social Security Standards*. ILO, Geneva.

154. World Health Organization (WHO). "Maternity protection: Compliance with international labour standards". Available at <https://www.who.int/data/nutrition/nlis/info/maternity-protection-compliance-with-international-labour-standards>

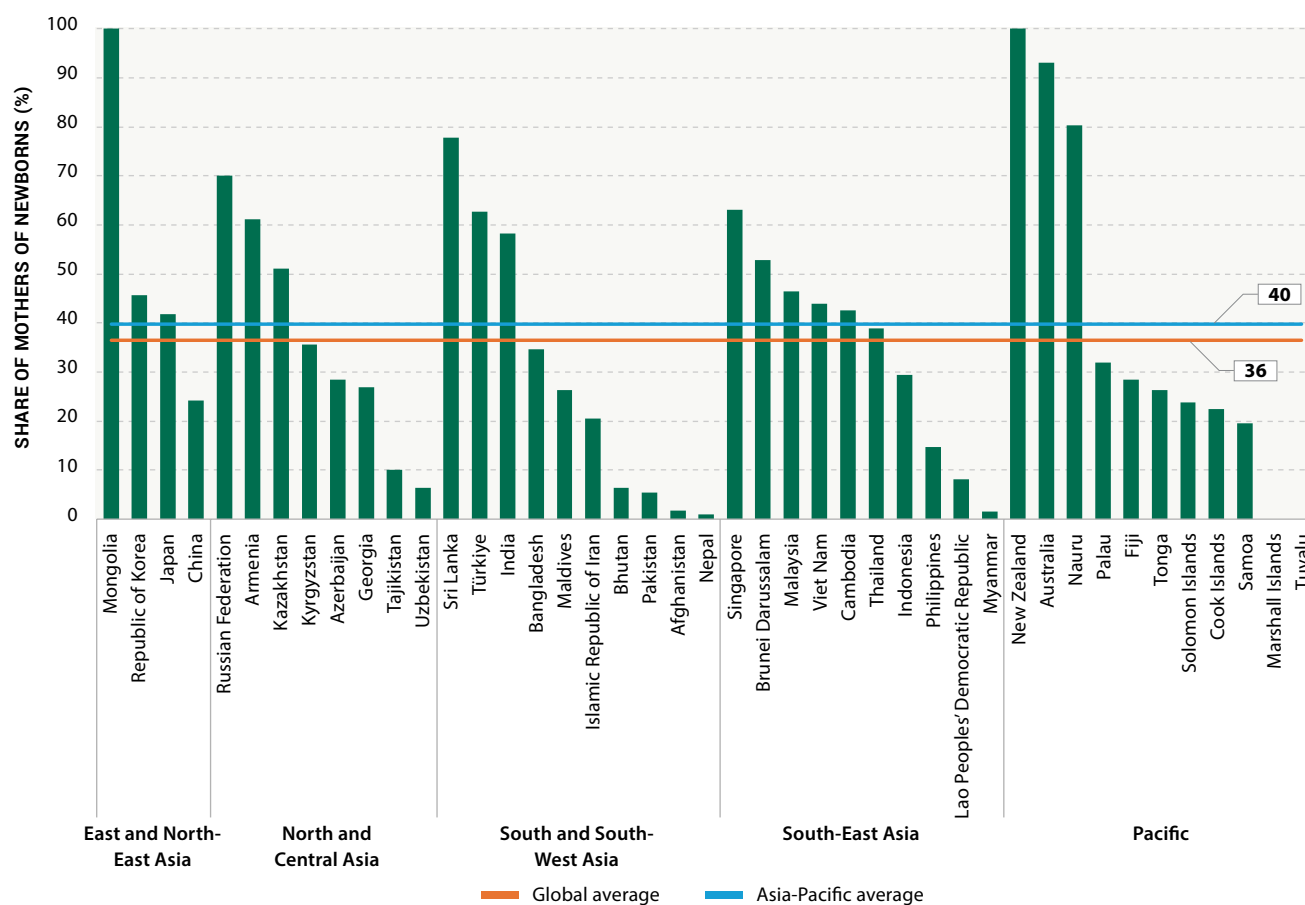
155. As outlined in the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102).

156. Maternity protection is a human right enshrined in Article 25 of the Universal Declaration of Human Rights as well as the International Covenant on Economic, Social and Cultural Rights (1966) and other international human rights treaties and labour conventions and recommendations. According to the ILO World Social Protection Report 2020-2022, Maternity protection comprises income security, maternal healthcare, maternity leave, breastfeeding arrangements, employment protection and childcare solutions after return to work". International Labour Office (2022). *World Social Protection Report 2020-22: Social Protection at the Crossroads – in Pursuit of a Better Future*. ILO, Geneva.

157. This, in part, is due to their lower labour force participation rates at 48.4 per cent compared to 71.4 per cent for men (ESCAP elaborations based on ILOSTAT accessed in April 2024). Women generally have more interruptions in their careers, caused by having to provide unpaid care and attend to their household's domestic work for example, and are concentrated in vulnerable and precarious forms of employment with limited or no access to social protection. As a result, women frequently do not meet eligibility requirements, such as minimum contributory durations.

158. ESCAP-ILO (2022). *How to Design Paid Maternity and Paternity Leave Policies*. ESCAP, Bangkok.

FIGURE 3.8 Proportion of mothers of newborns receiving maternity benefit, latest year available



Source: ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

**Most women of working age fall outside the scope of existing social protection schemes.** Over 60 per cent of women of reproductive age remain outside the workforce and thus do not qualify for work-related contributory maternity benefits.<sup>159</sup> However, only a minority of schemes in the region are non-contributory, and these tend to be lump-sum maternity or birth grants, leaving a majority of mothers without access to income security, on a regular basis, during maternity. In Armenia, a non-contributory lump-sum payment is made to unemployed mothers. Poverty-targeted lump-sum payments are made to mothers of newborns in Cambodia, India and New Zealand.<sup>160</sup> Non-contributory maternity benefits can provide a flat

rate benefit to complement existing contributory schemes and ensure more comprehensive coverage of women. Another model is used in Australia where the government funds employment-related maternity benefits.<sup>161</sup>

**For working mothers, duration of leave is important, to allow time for mothers to recover from childbirth, bond with their child and establish feeding routines, including breastfeeding.**<sup>162</sup> Although 24 countries meet the minimum 14-week paid maternity leave duration,<sup>163</sup> just 14 countries provide at least 18 weeks.<sup>164</sup> Some countries have expanded maternity leave. Viet Nam amended its Labour Code to extend paid maternity leave from

159. ESCAP elaboration based on ILOSTAT database. Although World Health Organization defines women's reproductive age to be 15 to 49 years, percentage of women aged between 15 and 44 and out of the workforce was calculated in this report due to limited availability of disaggregated data.

160. ISSA Country Profiles. Available at <https://www.issa.int/> (accessed on 1 April 2024).

161. Laura Addati (2015). "Extending maternity protection to all women: Trends, challenges and opportunities". *International Social Security Review*. Volume 68, Issue 1, 27 March 2015.

162. World Health Organization (WHO). *Maternity protection: Compliance with international labour standards*. Available at <https://www.who.int/data/nutrition/nlis/info/maternity-protection-compliance-with-international-labour-standards>

163. As stipulated by the ILO Maternity Protection Convention, 2000 (No. 183).

164. As recommended in ILO Maternity Protection Recommendation, 2000 (No. 191).

four to six months and allocate public funds to cover the cost, and thus reduce the risk that this increased duration would result in discrimination in recruitment.<sup>165</sup> Publicly financed maternity benefits have been associated with a higher share of women workers in companies.<sup>166</sup>

**Measures to encourage shared parental responsibilities and paternity leave are important for fathers and help redistribute care responsibilities.** Research indicates that when fathers avail of paternity leave, it enhances their engagement in caregiving responsibilities and fosters more participation of mothers in the workforce.<sup>167</sup> Paid paternity leave is slowly becoming available in more countries, but uptake is lagging. At least 22 countries offer some form of paternity leave; nine of these countries allow for a duration of under seven days and very few allow paternity leave beyond two weeks. Japan recently introduced paid paternity leave of up to four weeks within eight weeks of the birth of the child (one of the most generous paternity leave provisions among OECD countries). However, uptake remains low. Paternity leave has been shown to enhance the father–child relationship, reduce violence against one’s spouse, as well as lower the risk of death and increase life satisfaction of fathers.<sup>168</sup> Workplace stigma and lack of supportive organizational cultures and incentives contribute to men’s reluctance to avail of paternity leave.<sup>169</sup>

As populations age, there will be added pressure on working-age people, especially parents balancing care responsibilities for young and old persons. Paid maternity, paternity and parental leave are critical for parents to maintain their well-being and that of their children while balancing work and family responsibilities. All mothers should receive maternity benefits, regardless of whether they are employed. Extension of non-contributory universal maternity benefits is one way to achieve this. Current gaps mean most women of working age are unprotected and more at risk during childbearing years. This heightens their vulnerability to shocks and livelihood disruptions.

### 3.2.2.3 Employment-related benefits

**Unemployment protection covers only a small fraction of workers in the region.** Around 13.5 per cent of those who are unemployed receive support. South and South-West Asia, at less than 1 per cent, and South-East Asia, at 10.6 per cent, have the lowest levels of coverage (figure 3.9). Alarming, 28 countries in Asia and the Pacific have no effective unemployment coverage, most of them in South and South-West Asia, South-East Asia, and the Pacific.<sup>170</sup>

165. UNICEF-WHO (2023). “Global Breastfeeding Scorecard 2023”. Available at <https://www.unicef.org/media/150586/file/Global%20breastfeeding%20scorecard%202023.pdf>

166. Mohammad Amin and Asif Mohammed Islam (2022). “The Impact of Paid Maternity Leave on Women’s Employment: Evidence Using Firm-Level Survey Data from Developing Countries”. Policy Research Working Paper Series 10188. World Bank.

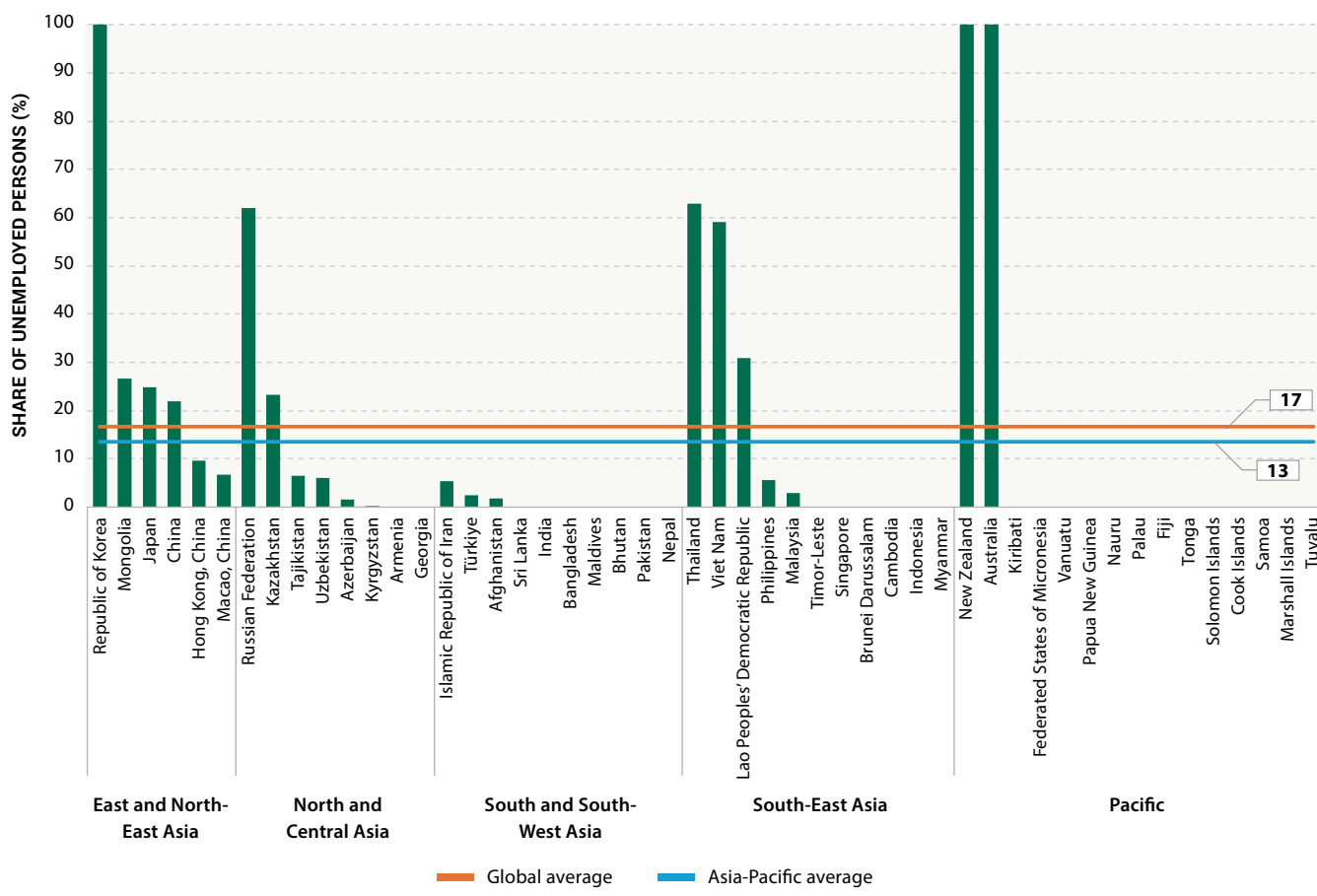
167. Rege and Solli (2013) and Farrell and Greig (2017) in ILO, “Care at Work”, *Care at Work: Investing in Care Leave and Services for a More Gender Equal World of Work*. International Labour Organization, March 7, 2022.

168. Jon Pizarro and Leire Gartzia (2023). “Paternity leave: A systematic review and directions for research”. *Human Resource Management Review* 34 (2024).

169. Marian Baird, Elizabeth Hill, Lisa Gulesserian (2019). *Expanding paternity leave in Southeast Asia*. East Asia Forum.

170. International Labour Office. *World Social Protection Report 2020–22: Regional Companion Report for Asia and the Pacific*. ILO, Geneva.

FIGURE 3.9 Proportion of recipients of unemployment cash benefits in Asia and the Pacific by ESCAP member States and associated members, latest available data



Source: ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

**Unemployment protection is provided primarily through contributory programmes or severance payments in most countries.** A few Pacific countries (Fiji, Kiribati, Papua New Guinea and Solomon Islands) allow provident fund members to withdraw a one-time grant in the event of unemployment. This practice is at the expense of pension benefit levels in the long-term. Severance (separation) payments and provident funds are usually one-off payments, unlike social insurance which provides temporary and partial income replacement guaranteed for a specific duration. Receipt of a severance payment is often not predictable or guaranteed as it depends on the contractual agreement, the ability

of an employer to pay, and the ability of workers to enforce such payments.<sup>171, 172, 173</sup> Some ESCAP member States and associated members Australia, New Zealand and the Russian Federation, also offer non-contributory unemployment benefits, while others provide targeted non-contributory benefits, although often low and insufficient to meet needs. Public works programmes, such as India’s Mahatma Gandhi National Rural Employment Guarantee Act, which secures up to 100 days of work annually for every requesting rural household, also offer some form of unemployment protection. However, public works initiatives are usually temporary, one-time measures and their impact and scope are minimal.<sup>174</sup>

171. Antonia Asenjo, and Clemente Pignatti. (2019). “Unemployment Insurance Schemes around the World: Evidence and Policy Options”, Research Department Working Paper No. 49. ILO. Available at [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms\\_723778.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_723778.pdf).

172. Arvo Kuddo, David A. Robalino, and Michael Weber (2015). *Balancing Regulations to Promote Jobs: From Employment Contracts to Unemployment Benefits*. World Bank. Available at <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/636721468187738877/balancing-regulations-to-promote-jobs-from-employment-contracts-to-unemployment-benefits>.

173. Céline Peyron Bista, and John Carter (2017). *Unemployment Protection: A Good Practices Guide and Training Package – Experiences from ASEAN*. ILO Regional Office for Asia and the Pacific, Bangkok. Available at [http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_571465.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_571465.pdf).

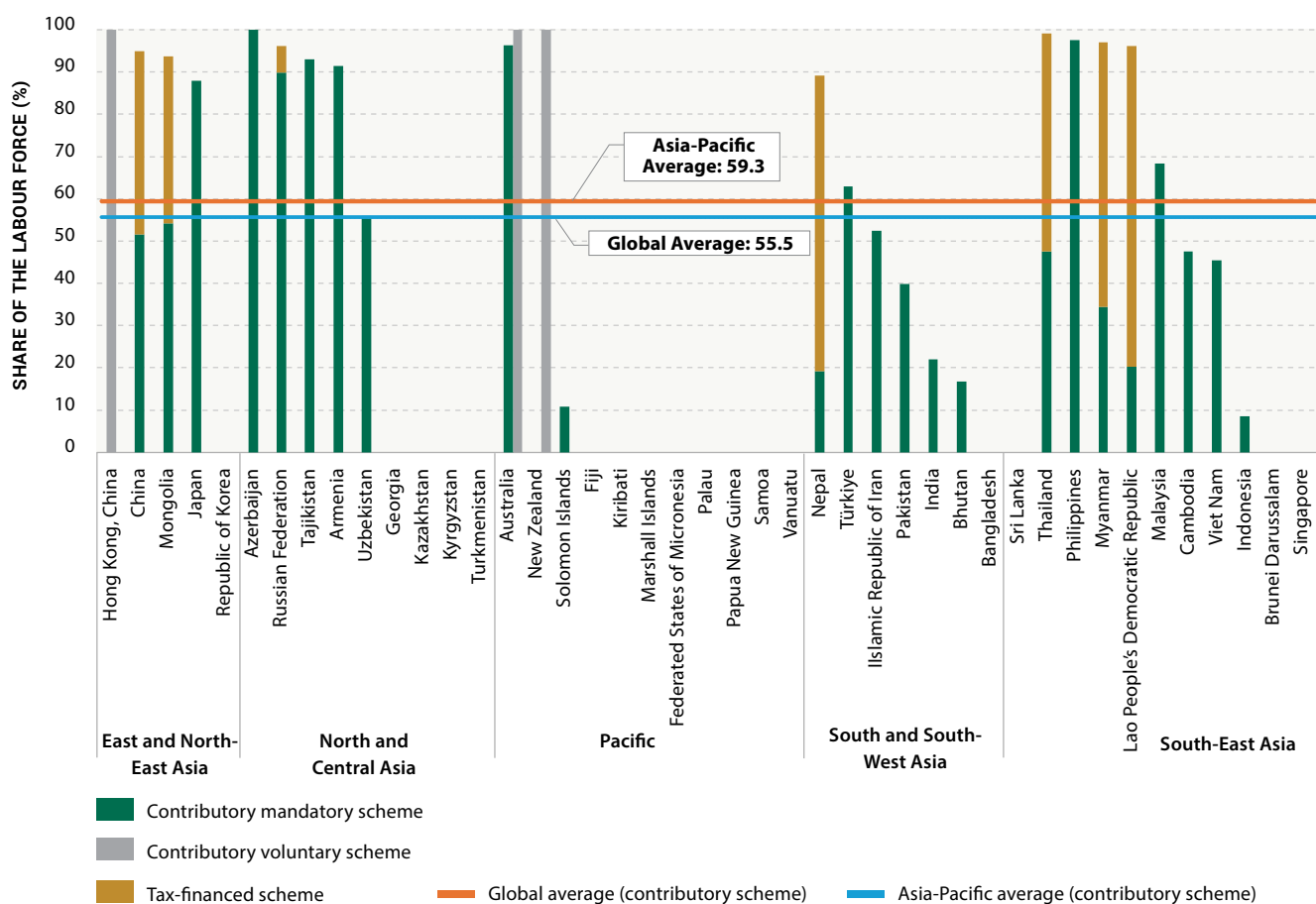
174. C.J. Heinrich, P.R.Mueser, K.R. Troske, et al (2013). “Do Public Employment and Training Programs Work?” *IZA J Labor Econ* 2, 6.



Social insurance is seen as a more robust form of support compared with one-off payments. It guarantees a partial and temporary income replacement in the form of periodic payments and better distributes risks and contributions between workers and employers. Moreover, social insurance is usually coupled with re-employment and public employment support (e.g. job-search counselling and reskilling/upskilling support), and thus actively supports people during life and work transitions.<sup>175</sup> Indonesia, Malaysia and the Philippines have recently launched new unemployment insurance programmes, with Cambodia and Myanmar exploring similar initiatives.<sup>176</sup> However, the prevalence of informal employment limits the reach of these protections across the region.

Sickness benefits are crucial for income security during times of illness, yet less than two in three people in the labour force in Asia and the Pacific are legally entitled to sickness protection through any contributory scheme (figure 3.10). The primary purpose of sickness benefits is to offer income security to those temporarily unable to work due to health issues.<sup>177</sup> Sickness benefits are typically distributed through contributory schemes or employer liability programmes. Employer liability models generally cover only a limited number of sick days annually. For instance, Bhutan and Singapore provide coverage for 5 and 14 days, respectively, with Singapore extending this to 60 days for hospitalizations.<sup>178</sup> In contrast, social insurance models frequently offer up to six months of benefits. A few ESCAP member States and associated members, such as Australia and New Zealand, offer non-contributory sickness benefit schemes.

FIGURE 3.10 Legal coverage for sickness protection in Asia-Pacific region, percentage of labour force aged 15+ years, 2023 or latest available year



Source: ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

175. I. Tsuruga (2020). *Exploring policy options for an employment insurance scheme in Indonesia*. ILO, Jakarta.

176. M. Bedard, J. Carter, and I. Tsuruga (2020). *International practices of income protection for unemployed persons: Implications for Indonesia*. ILO, Jakarta.

177. International Labour Organization (ILO) (2020). "Sickness benefits: an Introduction". ILO Brief: Social Protection Spotlight. International Labour Organization, Geneva, May 2020.

178. International Social Security Association and the United States Security Administration (2018). *Social Security Programs Throughout the World: Asia and the Pacific*. Washington, DC.

**More than two thirds of workers in the region are unprotected in the event of work-related injury.**<sup>179</sup>

Figure 3.11 shows important disparities in work injury coverage. Some countries, such as New Zealand, Brunei Darussalam, Singapore and Japan, have coverage ranging from 80 to 100 per cent, whereas half the countries in South and South-West Asia have coverage near or below 10 per cent.

**Most countries in Asia and the Pacific provide employment injury protection, mainly through employment injury insurance or employer liability schemes.**

Employment injury insurance schemes provide periodic benefit payments and are based on key social security principles of collective financing and risk pooling. They also contain elements of solidarity and redistribution. Employer liability schemes tend to provide only lump-sum payments. All liability lies with the employer, concentrating risk in certain industries and making it more expensive to provide adequate coverage in certain high-risk sectors. Employers can either cover the risk of injury and death themselves or contract private insurance. Reliance on private insurance has limitations. Private insurance companies focus on the most profitable consumers and tend to neglect workers in industries with higher occupational risks. Private insurance policies might include several exclusions of coverage. Investigations to determine qualification for benefits might also be cumbersome, long and costly for workers, involving litigation in some cases, which can cause delays in obtaining treatment and benefits. Moreover, private insurers tend to avoid offering long-term periodic payments for earnings compensation, and generally do not offer benefits indexed to inflation or general

rehabilitation benefits. If risk is covered by the employer, larger accidents can lead to the employer's bankruptcy and failure to cover payments for injured workers. Many countries have replaced employer liability with social insurance, applying the concept of no-fault, collective financing and sharing of liability.<sup>180</sup> Indonesia, Islamic Republic of Iran, Japan, Malaysia, the Philippines, the Republic of Korea and Thailand, have gradually expanded the coverage of social insurance schemes for employment injury.<sup>181</sup> Cambodia, for instance, introduced an employee injury insurance programme in November 2008. Since then, coverage has expanded substantially and now covers 12,513 enterprises and approximately 1.63 million workers, encompassing around 18 per cent of the country's total labour force.<sup>182, 183</sup>

**Social protection remains out of reach for 1.3 billion informal workers.**

Levels of informal employment are particularly high in South and South-West Asia and South-East Asia, where levels of female informal employment are also higher (figure 3.12). The agriculture sector has the highest number of informal workers across all ESCAP subregions. The number is particularly high in South and South-West Asia where 95 per cent of workers in the sector are informal workers. The construction sector ranks a close second in the region, except in countries of East and North-East Asia.<sup>184</sup> Informal work, including that of older people, is prevalent in efforts to protect, manage and restore ecosystems (nature-based solutions). Although the work contributes to climate change mitigation and adaptation, these jobs fall short of decent work standards.<sup>185</sup>

179. International Labour Office (ILO) (2021). *World Social Protection Report 2020–22: Regional Companion Report for Asia and the Pacific*. ILO, Geneva.

180. "No fault" refers to employers taking on the collective responsibility to finance (as in collective financing) a workers' compensation plan against the risk of work injury and in return they cannot be individually sued by the worker to obtain compensation for the injury or the disease. Employers therefore share the financing burden and the liability, and thus create economies of scale.

181. International Labour Office (ILO) (2021). *Essentials for a successful employment injury insurance system*. ILO, Geneva.

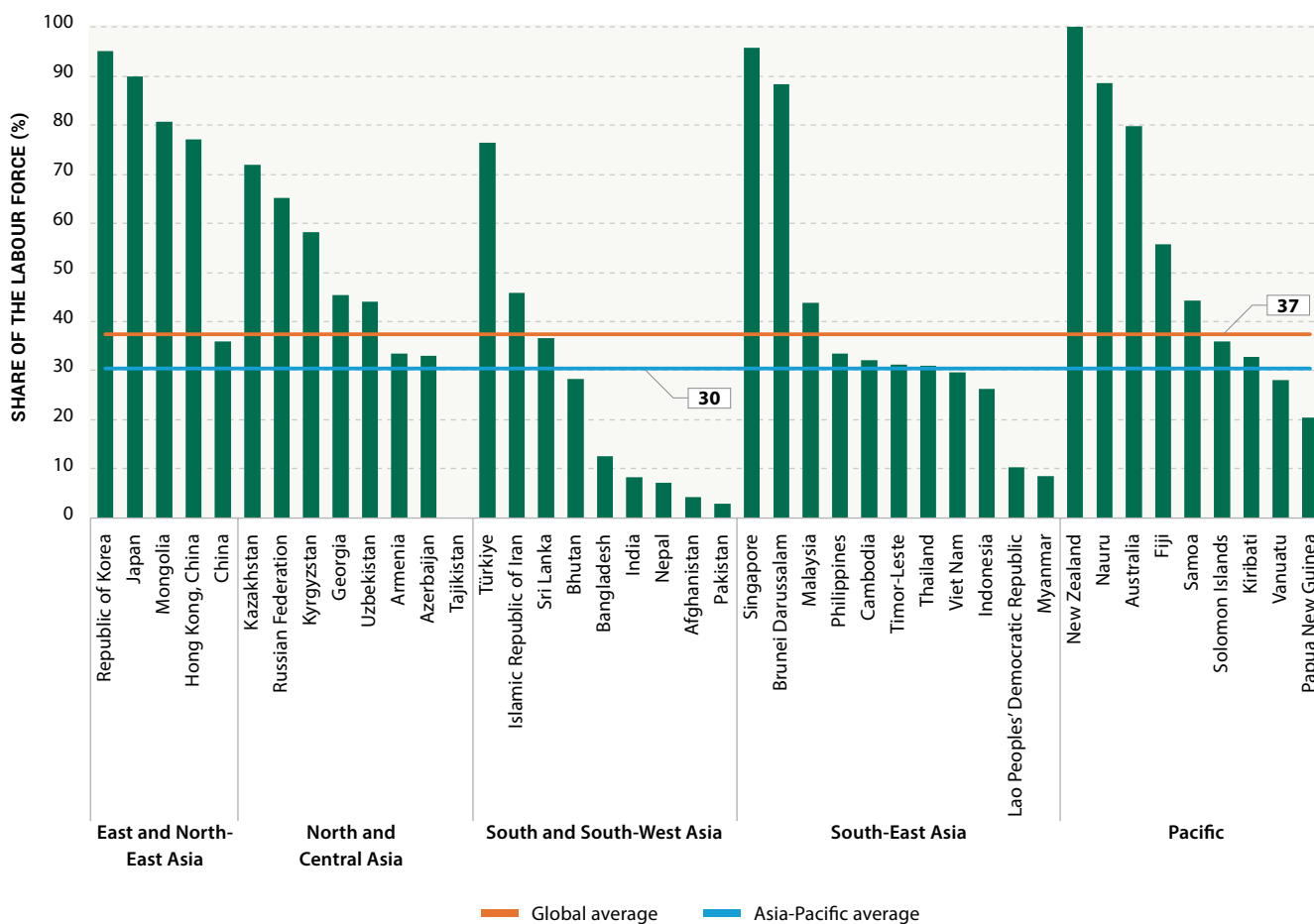
182. International Labour Office (ILO) (2022). *International practices in employment injury insurance for workers in digital platform employment*. ILO, Geneva.

183. International Labour Office (ILO) (2022). *World Social Protection Report 2020-22: Social Protection at the crossroads – in pursuit of a better future*. ILO, Geneva.

184. ESCAP calculations based on ILOSTAT, "SDG indicator 8.3.1 - Proportion of informal employment in total employment by sex and sector (%) | Annual", ILOSTAT. Available at <https://ilostat.ilo.org/topics/informality/#> (accessed on 2 April 2024).

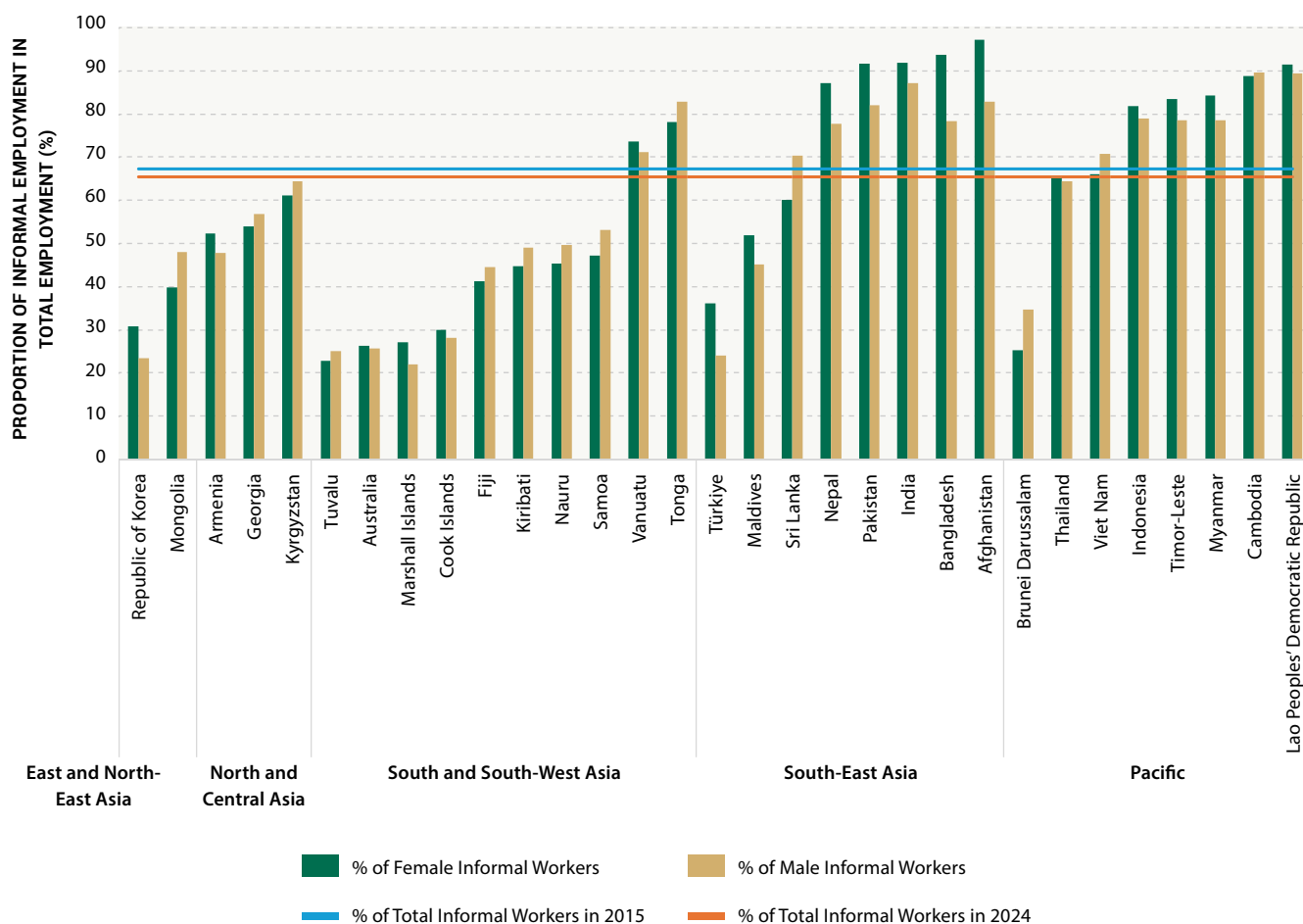
185. HelpAge International (2024). *Enhancing decent work among older people engaged in nature-based solutions in Indonesia*.

FIGURE 3.11 Proportion of workers protected by employment injury insurance in Asia-Pacific region by ESCAP member States and associated members, latest year available



Source: ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

FIGURE 3.12 Proportion of informal employment in total employment by sex, latest available year

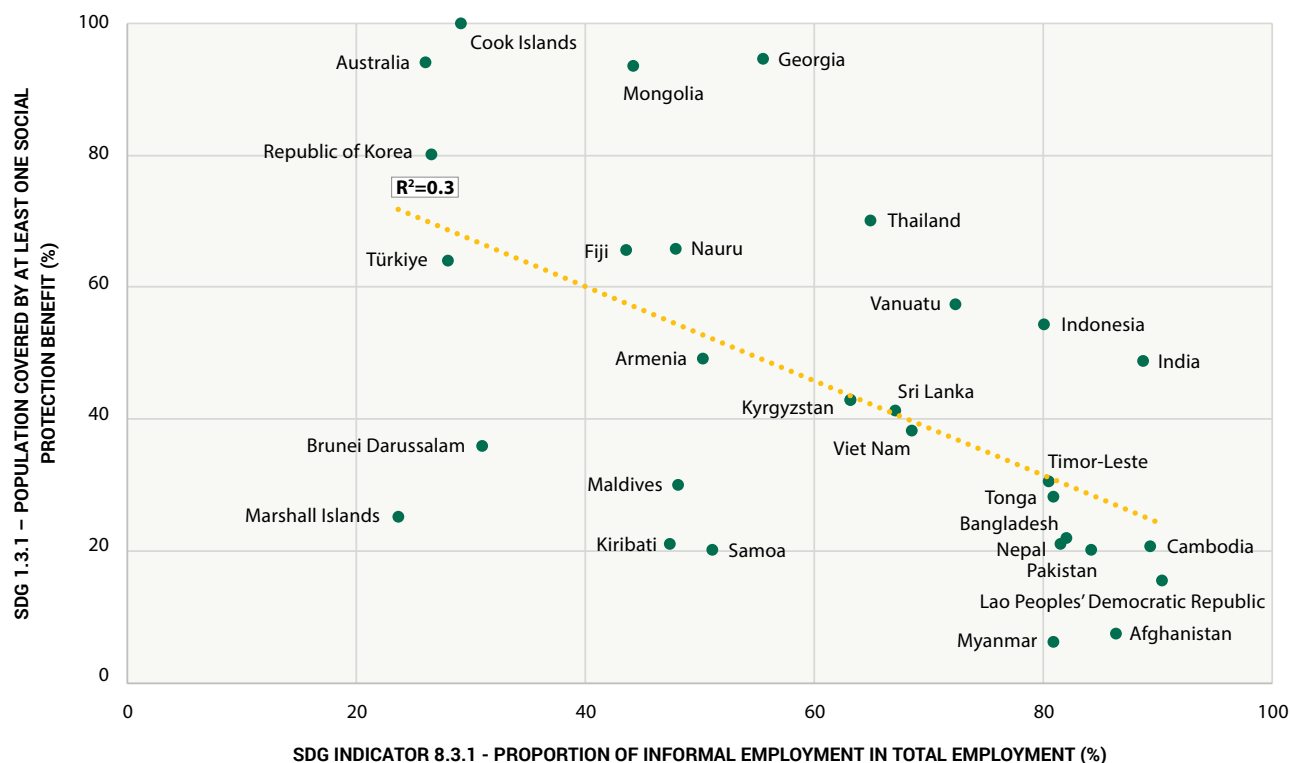


Source: ILO, "Statistics on the Informal Economy", ILOSTAT database. Available at <https://ilostat.ilo.org/topics/informality/> (accessed on 11 March 2024).

**Lack of social protection coverage is both a cause and consequence of informality.** Workers are often excluded from social security coverage due to their employment status. Examples include self-employed, own-account or contributing family workers, or workers whose work arrangements do not meet minimum duration or hours of employment, such as day-labourers and some part-time or temporary workers. Certain types of work are more likely to be informal, such as agricultural, domestic or care, home-based or platform work. Even as wage-earning employees, workers might not be covered in, for example, unregistered micro-, small and medium-sized enterprises (MSMEs).<sup>186</sup> Countries with higher informality tend to have lower social protection coverage (figure 3.13).

186. International Labour Office (ILO) (2023). *Women and Men in the Informal Economy: A Statistical Update*. ILO, Geneva. International Labour Organization (ILO) (2021). *Extending Social Security to Workers in the Informal Economy: Lessons from International Experience*. Available at <https://www.social-protection.org/gimi/Media.action?id=16990>.

FIGURE 3.13 Social protection coverage (SDG 1.3.1) and proportion of informal employment (SDG 8.3.1) in Asia-Pacific region, latest available year



Source: ESCAP elaboration using data from ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

**Different categories of workers face different barriers in accessing social protection.** Social security legislation often excludes certain categories of workers, for example the self-employed or those working on short contracts, workers in small or microenterprises or agricultural, seasonal or paid domestic or home-based workers. Domestic workers, for example, often lack an official employment contract, making monitoring and compliance enforcement difficult.<sup>187, 188</sup> Home workers often have an unclear employment status as they supply goods or services to a business but are not classified as employees, but rather as self-employed or own-account workers. As well, they may not qualify for contributory schemes due to their irregular and insecure incomes.

**Governments have tried to extend coverage of contributory schemes through voluntary membership for informal workers, but uptake has often been very low.**<sup>189, 190</sup> Extending social protection to informal workers will require tailored measures that take into account legal status and barriers, needs and incentives, and facilitate workers' transition from the informal to the formal economy. A multi-pillar system providing universal non-contributory coverage would ensure a minimum income guarantee for lower income workers and could be complemented through gradual extension of contributory schemes for workers who can afford to pay.

187. International Labour Organization (ILO) (2021). "Extending Social Security to Domestic Workers: Lessons from International Experience". ILO Brief: Social Protection Spotlight, June 2021.

188. International Labour Office (ILO) (2022). *Making the Right to Social Security a Reality for Domestic Workers: A Global Review of Policy Trends, Statistics and Extension Strategies*. ILO, Geneva.

189. International Labour Office (2021). *Extending social security to workers in the informal economy: Lessons from international experience*. ILO, Geneva.

190. Quynh Anh Nguyen, Andi Sanusi, Ippei Tsuruga and Nuno Meira Simoes Da Cunha (2019). *How to extend social protection to workers in informal employment in the ASEAN region*. ILO, Bangkok.

**Asia and the Pacific hosts the second largest international migrant stock globally, but many migrants are excluded from social security systems.** The region hosts 66.6 million international migrants, comprising 24 per cent of the global international migrant stock, second only to Europe.<sup>191</sup> North and Central Asia hosts the largest number of international migrants, at 19.9 million, closely followed by South and South-West Asia, at 17 million, together accounting for almost 56 per cent of the total migrant stock in Asia and the Pacific. For many international migrant workers, even though their typical work often carries a higher risk of occupational injuries (e.g. agriculture, construction, fishing and mining), restrictive legislation and lack of enforcement leave them unprotected.<sup>192</sup> National legislation may explicitly exclude foreigners, temporary migrants and migrants with specific permits from participation in social protection schemes. Domestic workers, self-

employed or agricultural workers may be legally excluded from social protection. In addition, lack of knowledge and awareness of migrants' rights, complex and time-consuming administrative processes and limited contributory capacity might prevent migrants from accessing social protection. As well, few social security agreements are in place for migrant workers in South-East Asia, where the migration stock has increased nearly fourfold since 1990 (table 3.1). Countries in South and South-West Asia have just 27 agreements in place relating to international migrant workers, largely driven by India, which has an agreement in place with 18 countries. It is notable that many countries in Asia and the Pacific do not have an agreement with the countries of origin from which they receive most of their international migrant workers. In South and South-West Asia and South-East Asia, less than one per cent of migrants are protected as there is no social security agreement between the countries of destination and countries of origin (figure 3.14).

**TABLE 3.1 Number of partner countries with international social security agreements by subregion, latest available year**

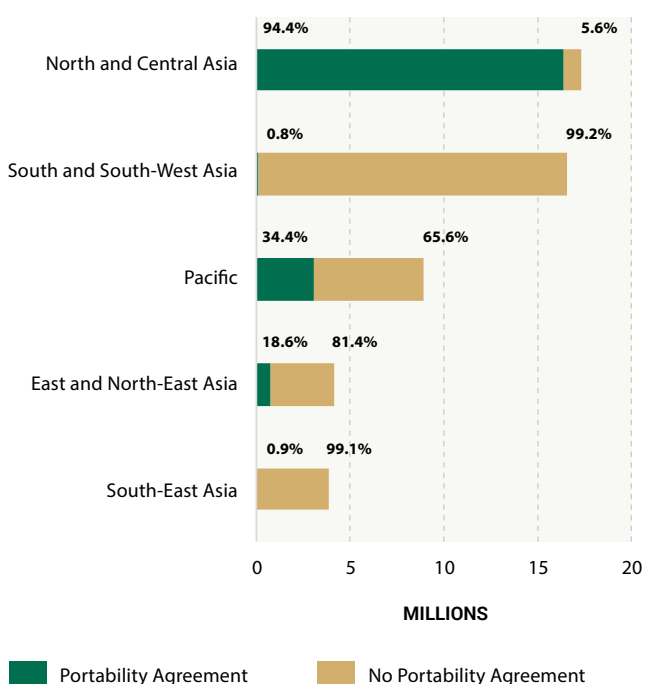
Region	Number of partner countries in Asia-Pacific region	Number of partner countries outside Asia-Pacific region	Number of total partner countries
East and North-East Asia	12	45	57
South-East Asia	1	15	16
Pacific	10	36	46
North and Central Asia	59	39	98
South and South-West Asia	10	17	27
<b>Asia and the Pacific</b>	<b>92</b>	<b>152</b>	<b>244</b>

Source: International Social Security Association (ISSA), "International Agreements", International agreements database (forthcoming).

191. ESCAP elaboration based on United Nations Department of Economic and Social Affairs, Population Division (2020). *International Migrant Stock 2020*.

192. International Labour Office (ILO) (2021). *Extending social protection to migrant workers, refugees and their families: A guide for policymakers and practitioners*. ILO, Geneva.

FIGURE 3.14 Share of international migrants covered by social security agreements by subregion, latest available year



Source: ESCAP elaboration based on United Nations Department of Economic and Social Affairs, Population Division (2020). International Migrant Stock 2020 and International Social Security Association (ISSA), "International Agreements", International agreements database (forthcoming). The figure is based on 24 countries in Asia and the Pacific where data on both the migrant stock and international agreements are available.

**In Asia and the Pacific, at least 30 million migrants are not protected by any social security agreement.** This is likely a considerable underestimation of the actual number of migrants unprotected as these agreements most often do not cover informal workers. Therefore, even where social security agreements exist, migrants working in the informal economy and those who are undocumented would not necessarily be covered under these social security agreements. Making non-contributory programmes available to these migrant groups unilaterally will therefore continue to play an important role.

**Refugees and people in refugee-like situations often encounter distinct challenges in securing social protection due to their often provisional or temporary legal status, uncertain duration of stay, limited history of contribution, lack of social protection from their countries of origin and restricted or no access to formal employment.** When there is a large influx of refugees, the strain on existing socioeconomic resources often leads to tensions with the communities hosting them. The number of refugees, internally displaced persons (IDPs) and stateless people has doubled since 2013 to around 20.9 million people across Asia and the Pacific, with more than half hosted in Islamic Republic of Iran (3.4 million), Türkiye (3.4 million), Afghanistan (3.3 million) and Myanmar (2.5 million). The region is hosting more than half of the world's refugees, IDPs and stateless people.<sup>193</sup> Climate change and displacement of people are connected. An increasing number of people are being forced to flee their homes due to natural disasters, droughts and other weather events.<sup>194</sup> Pacific islanders are especially affected, with 50,000 people being displaced every year due to climate and disaster related events.<sup>195</sup>

**Climate change will exacerbate environmental challenges, disrupt livelihoods and likely increase the number of migrant workers.**<sup>196</sup> Faced with growing migration across the region and movements between Asia and the Pacific and the rest of the world, countries in the region need to ensure the rights of migrants and refugees to social protection. Integrating migrant workers into national social protection responses based on the principles of equality of treatment and non-discrimination played an important role in mitigating the effects of COVID-19 and supported a swifter recovery.<sup>197</sup> Recent global agreements, such as the ILO Resolution concerning fair and effective labour migration governance (2017), the Global Compact for Safe, Orderly and Regular Migration (2018) and the Global Compact on Refugees (2018), emphasize the significance of social protection for migrant workers, advocating for improved access to, and transferability of, services.

193. United Nations High Commissioner for Refugees (UNHCR) (2024). "Refugee Data Finder". Available at: [unhcr.org/refugee-statistics/download/](https://www.unhcr.org/refugee-statistics/download/) (accessed on 26 July 2024).

194. Farrell B. (2009). "Stories: Pacific islanders face the reality of climate change . . . and of relocation". UNHCR, Geneva. Available at: <https://www.unhcr.org/news/stories/pacific-islanders-face-reality-climate-change-and-relocation>.

195. International Organization for Migration (IOM) (2023). "Pacific Islands Countries Lauded for Endorsing Regional Framework on Climate Mobility". Available at: [Pacific Islands Countries Lauded for Endorsing Regional Framework | Environmental Migration Portal \(iom.int\)](https://www.iom.int/news/pacific-islands-countries-lauded-for-endorsing-regional-framework-on-climate-mobility)

196. Intergovernmental Panel on Climate Change (IPCC) (2022). Climate Change 2022: Impacts, Adaptation and Vulnerability. Working Group II Contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.

197. International Labour Office and International Social Security Association (ISSA), "Social Protection for migrant workers: A necessary response to the COVID-19 Crisis." ILO Brief: Social Protection Spotlight.

### 3.2.3 Social protection for older persons

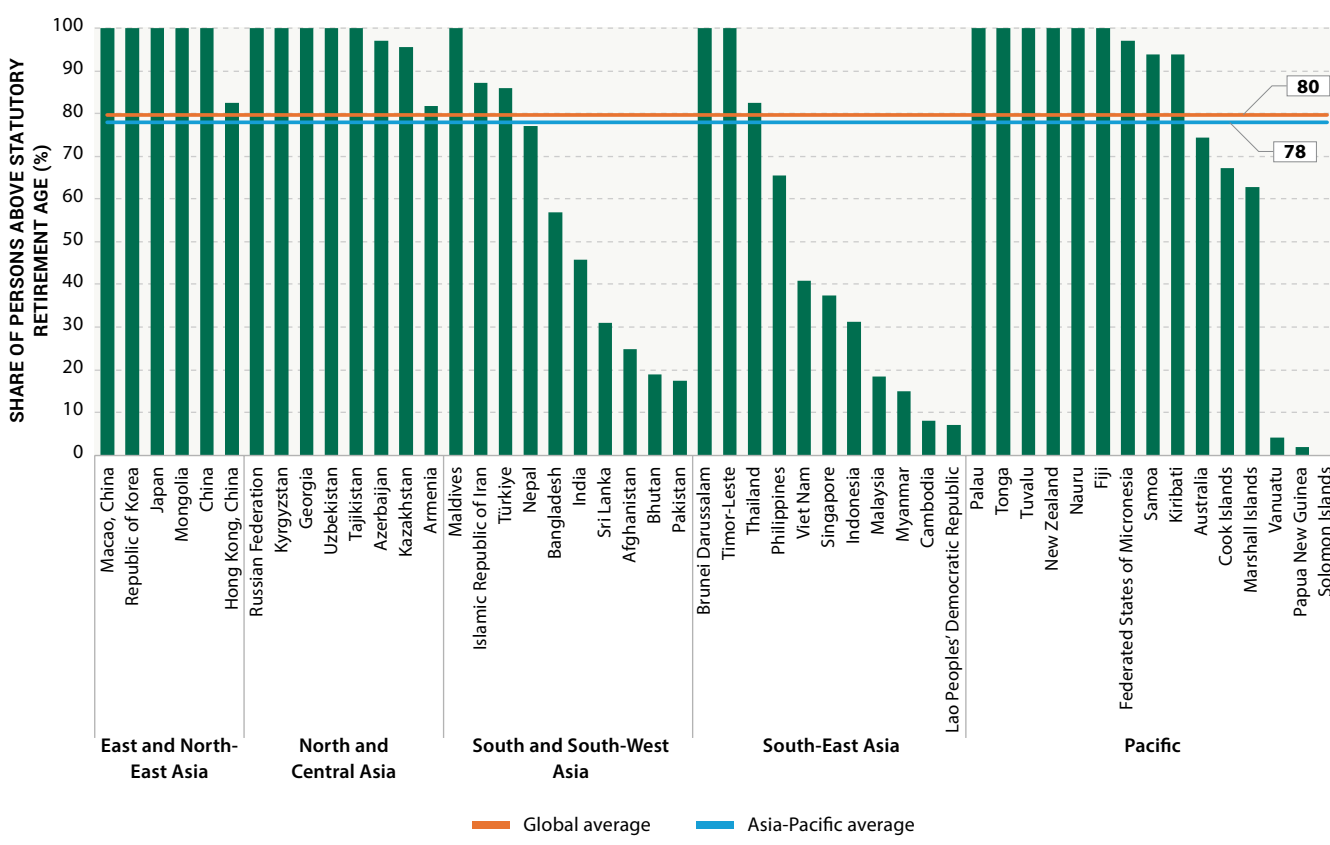
Pension benefits are the most common type of social protection benefit in old age across the region, with 78 per cent of women and men having access to old-age pensions or similar benefits (figure 3.15). Yet, coverage is uneven.<sup>198</sup> There is also a marked contrast in coverage rates between South-East Asia and South and South-West Asia (with 45.6 per cent and 49.2 per cent coverage, respectively) compared to the Pacific, East and North-East Asia and North and Central Asia (with 74.4 per cent, 98.8 per cent and 99.2 per cent coverage, respectively).

This variance is primarily due to differences in government spending on elderly social protection, with South-East Asia and South and South-West Asia dedicating about 1.5 per cent and 2.8 per cent

of GDP, respectively, versus 7.4 per cent and 6.4 per cent in North and Central Asia and East and North-East Asia, respectively.<sup>199</sup>

Despite success stories in extending coverage, pension schemes often fail to provide income security in old age due to inadequate benefit levels. Most countries in Asia and the Pacific rely heavily on social pensions that provide pension benefits corresponding to less than 10 per cent of per capita GDP. In many countries, benefit levels are below the \$2.15 per day international poverty line.<sup>200</sup> Although exceptions exist, such as the social pension in Nepal and New Zealand which both provides benefit levels of around 30 per cent of per capita GDP for people aged 65 and above, poverty in old age is prevalent across the region. Many people in old age either must continue working or seek support from family members.

FIGURE 3.15 Proportion of the population above statutory retirement age receiving a pension, by ESCAP member States and associated members, latest year available



Source: ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

198. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and International Labour Office (ILO) (2021). *The Protection We Want: Social Outlook for Asia and the Pacific*. ESCAP, Bangkok.

199. ILO World Social Protection Database 2024 (forthcoming).

200. HelpAge International. "International Social Pension Database". Available at <http://www.pension-watch.net/social-pensions-database/social-pensions-database/>



**Pension programme design can widen disparities, with defined contribution schemes putting low wage earners and people with interrupted careers at a disadvantage.**

While pensions in defined benefit schemes are based on previous earnings and work years, there are also elements of redistribution and solidarity among its members, with set minimum levels of benefit in place to protect those with lower entitlements and contribution years. In defined contribution systems, on the other hand, pensions are determined by the total savings in an individual's account and the respective investment returns, linking benefits directly to contributions. This can lead to smaller pensions for those with interrupted careers (e.g. due to sickness, care responsibilities, limited access to formal employment), shorter contribution time and lower wages, especially for women.

**If current low benefit levels and women's exclusion from pension coverage continue, a large proportion of women will be at risk of vulnerability in old age.**

Women in old age are particularly exposed to poverty, but they have lower levels of coverage and lower benefits.<sup>201</sup> Lack of access to pensions is a key driver of poverty. In one-person households, older women face a 27 per cent higher risk of living below the national poverty line compared to their male counterparts in the same household type.<sup>202</sup> Older persons residing in single-person households, lacking direct support from other active household members (typically their children), are in greater need of social protection. Gender-responsive pension schemes can help avoid making inequality between men and women in old age worse.

**Age impacts pensions for women.** Women are living longer than men, requiring longer periods of pension coverage. Defined contribution schemes that take this into account by using sex specific mortality tables pay out lower benefits each month to cover women's longer life span after retirement, regardless of the income earned. Even if a woman

had the same work trajectory and income as a man, her pension benefits would be lower because they would be spread out over a longer average timeframe. With their longer life expectancies, women are often outliving their spouses. Widowhood can mean hardship for women where they have been dependent on an income-earning spouse or the spouse's pension. In 17 countries in Asia and the Pacific the statutory pension age for women is lower than for men, thereby limiting the period in which women can contribute to a pension.<sup>203</sup>

**Multi-pillared pension systems have the potential to address many of the challenges faced by men and women in old age in Asia and the Pacific.**

Multi-pillared pension systems comprise three main types of schemes—non-contributory, mandatory contributory and voluntary.<sup>204</sup> The non-contributory (social pension) pillar provides a basic income to all elderly individuals to alleviate poverty. This pillar can be universal or pension tested<sup>205</sup> for instance and is particularly important in countries with high levels of informality and low contributory coverage. The mandatory contributory pillar has benefits based on earnings to provide a reasonable replacement income and should comply with key international social security principles.<sup>206</sup> This pillar can significantly contribute to enhancing the adequacy of benefits. Countries with low contributory coverage in the region need to strengthen incentive and enforcement mechanisms, while also considering people's capacity to contribute. The voluntary pillar can further enhance retirement income for those individuals with capacity to save. The multi-pillared system aims to ensure universal coverage, financial sustainability, and adequacy of benefits.

201. HelpAge International (2004). "Advancing gender equality through social protection in an ageing world: a call for action". Advocacy brief, March 2024.

202. ESCAP elaboration based on household expenditure survey data from 27 ESCAP member States.

203. In 17 of 43 countries for which data is available, the statutory pension age for women is lower than for men by between 1 and 5 years. ESCAP elaborations based on ISSA Country Profiles. Available at <https://www.issa.int/> (accessed in April 2024) and ESCAP, Ministry of Labour and Social Protection of Mongolia (2023). *Readiness to Implement Action Plan to Strengthen Regional Cooperation on Social Protection: Mongolia*.

204. ILO defines multi-pillar pension model as a system that combines "a set of social protection instruments, each of which plays one or more functions, to guarantee the whole range of objectives of a national pension system" in the policy brief "The ILO Multi-Pillar pension model: Building equitable and sustainable pension systems" (2018).

205. Pension tested schemes provide non-contributory pension benefits to those that do not already receive pension benefits from other sources (e.g. from social insurance).

206. Such as the ILO Social Security (Minimum Standards) Convention, 1952 (C102) and ILO Social Protection Floors Recommendation, 2012 (R202).

### 3.3 Active labour market policies

**Active labour market policies (ALMPs) involve upskilling or reskilling the labour force, including informal workers, to facilitate workers' access to decent employment, including social protection.** Data show that ALMPs have been heavily used by countries during the COVID-19 pandemic, which may have increased average spending on ALMPs.<sup>207</sup> Globally, over 20 per cent of reforms to social protection and employment policies between March 2020 and January 2022 were related to ALMPs. In Asia and the Pacific, ALMPs have a long history, especially in the context of limited unemployment insurance, dating back to the 1980s.<sup>208</sup> Nevertheless, despite their potential positive impact,<sup>209</sup> the regional average annual spending on ALMPs has been very low at 0.2 per cent of GDP.<sup>210</sup> More than 85 per cent of countries in Asia and the Pacific have public employment services. They maintain vacancy databases, offer job counselling or placement, provide training or internship programmes and mobility support. However, less than two thirds of countries have national skills funds and less than half provide incentives for training.<sup>211</sup>

**There is overall a strong positive correlation between ALMPs and labour market outcomes, including productivity growth, especially in low and lower-middle income countries.** Evidence from Nepal reveals that vocational training can lead to a 10 per cent increase in non-farm employment and increased monthly earnings mostly driven by women starting self-employment, which indirectly allows women to circumvent restrictive social norms. In Pakistan, vocational training is associated with increased employment, earnings and start-ups for Afghan refugees. Economic liberty in this case is gained through skill upgrading (upskilling).<sup>212</sup>

**Coordinating social protection systems and ALMPs is critical to maximize potential social impacts from these policies while supporting the movement of workers into labour markets.** The link between social protection and ALMPs has become even more pertinent due to labour market disruptions in the context of climate change and energy transition, demographic shifts and rapid emergence of digital technologies.

207. Hulya Ulku and Dorina Georgieva (2022). "Unemployment Benefits, Active Labor Market Policies, and Labor Market Outcomes: Evidence from New Global Data". Policy Research Working Paper, 10027. World Bank, Washington, DC.

208. Mathilde Maitrot and Miguel Niño-Zarazúa (2017). "Poverty and Wellbeing Impacts of Microfinance: What do we know?". WIDER Working Paper No. 190/2017. UNU-WIDER.

209. Clemente Pignatti and Eva Van Belle (2021). "Better together: Active and passive labor market policies in developed and developing economies". IZA Journal of Development and Migration, 12(1).

210. Miguel Nino-Zarazua and Nina Torm (2022). "Active Labour Market Policies: A Review of the Literature". ESCAP, Social Development Division Working Paper, June, 2022. Bangkok.

211. Hulya Ulku and Dorina Georgieva (2022). "Unemployment Benefits, Active Labor Market Policies, and Labor Market Outcomes: Evidence from New Global Data". Policy Research Working Paper 10027. World Bank, Washington D.C.

212. Miguel Nino-Zarazua and Nina Torm (2022). "Active Labour Market Policies: A Review of the Literature". ESCAP, Social Development Division Working Paper, June, 2022. Bangkok.

## 3.4 Social health protection

**About two thirds of people in Asia and the Pacific are covered by a social health scheme.**<sup>213</sup> Social health protection refers to public or mandated private measures to ensure effective access to medical care without incurring financial hardship and to provide income replacement in case of illness.<sup>214</sup> In the context of medical care, social health protection entails three dimensions: population coverage, service coverage and financial protection. Although progress has been achieved in social health protection coverage, significant gaps remain. Effective population coverage is lowest in South and South-West Asia, with less than a quarter of the population protected.<sup>215</sup> Higher coverage levels are being achieved not only by high-income countries but also by middle-income countries, including China, the Russian Federation, Sri Lanka, Thailand and Türkiye, which have achieved an effective health coverage level above 98 per cent.<sup>216</sup> Other countries have made progress in expanding legal and effective health coverage.<sup>217</sup> The Philippines, for example, enacted its Universal Health Care Act in 2019, reaching 100 per cent in legal coverage and 90.4 per cent in effective coverage.<sup>218, 219</sup> In 2023, Nepal extended its contributory social security scheme to migrant workers, self-employed and informal sector workers, providing health coverage among other benefits.<sup>220</sup>

**Despite progress in extending population coverage of social health protection, the region is off track in achieving universal health coverage (UHC) and significant challenges remain to realize the goals of social health protection.**<sup>221</sup> The UHC Service Coverage Index (SDG Indicator 3.8.1) measures effective access and utilization of a set of essential health services, with a scale from 0 to 100. The regional average stood at 69 in 2021, ranging between 30 for Papua New Guinea and 89 for the Republic of Korea. At the subregional level, the index value is lowest for South and South-West Asia and highest for East and North-East Asia (figure 3.16). More than half of the countries with an index value below 60 are in the Pacific. Progress in improving UHC in the region has slowed. The index value has increased by just 5 percentage points since 2015 and stagnated between 2019 and 2021.

**Out-of-pocket health spending is a burden in Asia and the Pacific, where in 14 out of 30 countries more than 10 per cent of the population incurs catastrophic health expenses.** Social health protection should protect against out-of-pocket (OOP) health spending. This financial protection aspect is highlighted in SDG 3.8.2. Families required to spend over 10 per cent of their household income on health face substantial financial risk, which can be considered catastrophic.<sup>222</sup> Most of the countries with high incidence of catastrophic OOP expenditure are in South and South-West Asia and East and North-East Asia.<sup>223</sup> In Afghanistan and Georgia, over 25 per cent of the population is affected by catastrophic health spending. For low-income households, even small amounts of OOP health spending can be a huge burden.

213. International Labour Office (ILO) (2021). *World Social Protection Report 2020–22: Social Protection at the Crossroads – in Pursuit of a Better Future*.

214. International Labour Office (ILO) (2020). "Towards Universal Health Coverage: Social Health Protection Principles". ILO Brief: Social Protection Spotlight, January 2020.

215. International Labour Office (ILO) (2021). *World Social Protection Report 2020–22: Social Protection at the Crossroads – in Pursuit of a Better Future*.

216. Based on country profiles from ILO World Social Protection Data Dashboards (accessed on 21 February 2024).

217. Legal coverage for social health protection refers to population with legal entitlements, and effective coverage rate refers to population affiliated with a social health protection scheme.

218. World Health Organization, "UHC Act in the Philippines: a new dawn for health care", 14 March 2019. Available at <https://www.who.int/philippines/news/feature-stories/detail/uhc-act-in-the-philippines-a-new-dawn-for-health-care>.

219. Effective coverage rate from ILO World Social Protection Data Dashboards (accessed on 18 June 2024).

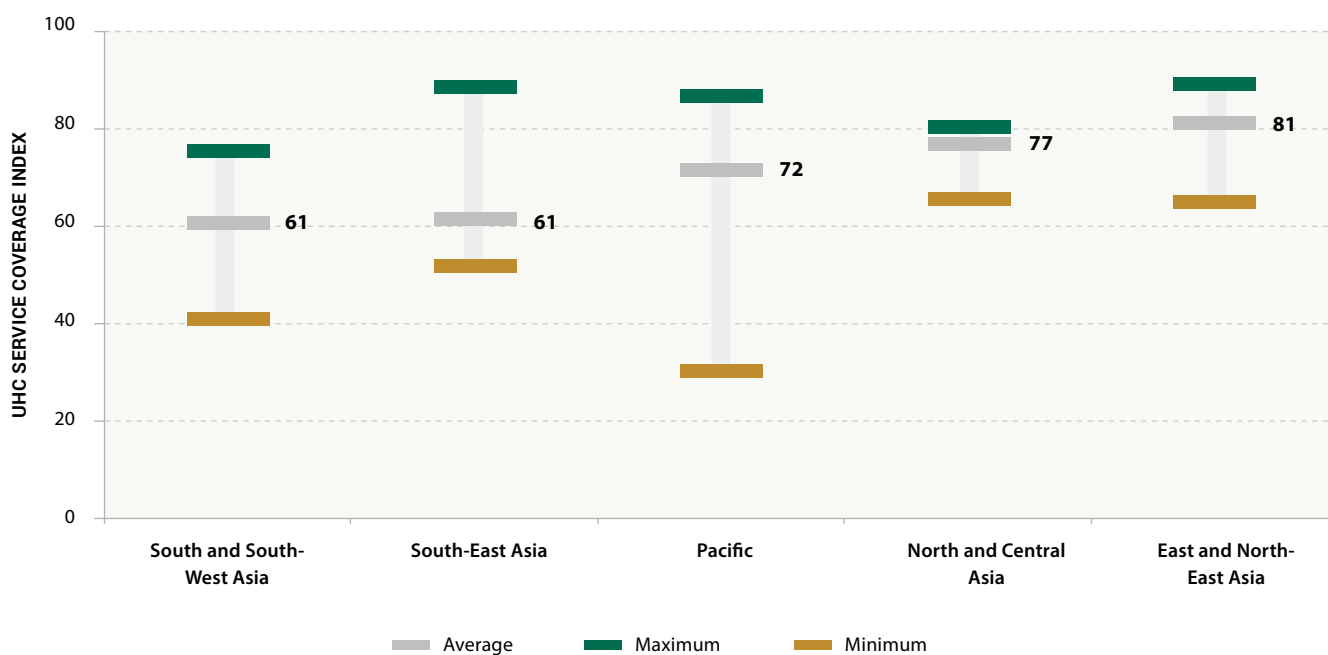
220. The Kathmandu Post, "Social security extended to migrants, informal workers and self-employed", 22 December 2022. Available at <https://kathmandupost.com/money/2022/12/22/social-security-extended-to-migrants-informal-workers-and-self-employed>

221. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2024). *Asia and the Pacific SDG Progress Report 2024: showcasing transformative actions*.

222. The incidence of catastrophic health expenditures is defined as the share of the population with household expenditures on health exceeding 10% and 25% of total household expenditure or income. This indicator with two thresholds is used for monitoring SDG 3.8.2.

223. ESCAP elaboration using latest available data between 2015 and 2021 from WHO Global Health Observatory (accessed on 6 February 2024).

FIGURE 3.16 Range of Universal Health Coverage (UHC) Service Coverage Index for Asia-Pacific countries, by subregion, 2021



Source: ESCAP elaboration using data from WHO, “Global Health Observatory”. Available at <https://www.who.int/data/gho>

Note: UHC Service Coverage Index is reported on a unitless scale of 0 to 100, with a higher score meaning better coverage. It is computed by averaging 14 tracer indicators covering essential health services in four categories: reproductive, maternal, newborn and child health; infectious diseases; non-communicable diseases; and service capacity and access. Subregional averages are weighted by population estimates from UN DESA World Population Prospects 2022.

**Countries in the region show considerable heterogeneity in their scope of services and cost coverage under public schemes.**<sup>224</sup> Adequate social health protection should cover a comprehensive range of preventative, curative and rehabilitative services and necessary pharmaceuticals, and provide sufficient cost coverage to avoid the risk of financial hardship due to paying for healthcare.<sup>225</sup> When a service is not covered by a scheme and/or when a scheme imposes high user fees or cost-sharing payments, beneficiaries need to bear the full cost or a large share of the cost, increasing financial risk or discouraging care seeking. Many health benefit packages in Asia and the Pacific exclude certain sexual and reproductive health services

and focus on curative care rather than preventative care, leaving significant gaps and inequalities in accessing these essential services.<sup>226, 227</sup> Including comprehensive sexual and reproductive health services is cost-effective and critical to realizing sexual and reproductive health and rights.<sup>228</sup>

**Health services must be available, accessible, acceptable and of good quality, especially for groups in vulnerable situations.**<sup>229</sup> Survey data show that between 9 and 67 per cent of women in Asia-Pacific countries face access barriers related to physical distance to health facilities, which is particularly prominent in rural areas.<sup>239</sup> Over 30 per cent of women in India, Maldives and Timor-Leste

224. International Labour Office (2021). *Extending social health protection: Accelerating progress towards Universal Health Coverage in Asia and the Pacific*.

225. International Labour Organization (ILO). “Medical Care and Sickness Benefits Convention, 1969 (No. 130)”.

226. United Nations Population Fund (UNPFA) (2018). “Making universal health coverage work for women and young people”. Policy brief.

227. TK Sundari Ravindran and Veloshnee Govender. “Sexual and reproductive health services in universal health coverage: a review of recent evidence from low-and middle-income countries”. *Sexual and reproductive health matters* 28.2 (2020): 1779632.

228. United Nations Population Fund (UNPFA) (2019). “Sexual and Reproductive Health and Rights: An Essential Element of Universal Health Coverage”. Background document for the Nairobi summit on ICPD25 – Accelerating the promise. Available at <https://www.unpfa.org/featured-publication/sexual-and-reproductive-health-and-rights-essential-element-universal-health>

229. The ILO Social Protection Floors Recommendation, 2012 (No. 202) stipulates that essential healthcare should meet the criteria of availability, accessibility, acceptability and quality.

230. ESCAP analysis based on most recent data for 14 Asia-Pacific countries from the DHS Program STATcompiler. Available at <http://www.statcompiler.com/> (accessed on 9 February 2024). In the survey, women aged 15-49 were asked about problems in accessing healthcare.

are concerned about the availability of female health service providers.<sup>231</sup> These examples highlight the uneven geographic distribution of healthcare resources, the gender dimension of healthcare and the need for healthcare services that reflect cultural norms to enhance the acceptability and accessibility of services.

**Social health protection schemes face growing challenges due to factors such as increasing chronic disease burden, cost of new drugs and treatments, and societal expectations around healthcare, threatening the financial sustainability and capacity of schemes to meet people’s needs.** Design features of social health protection systems, especially the approach taken towards paying and contracting providers, influence healthcare utilization and delivery, and ultimately, healthcare outcomes. Better designed payment methods and contractual mechanisms have the potential to improve the quality of healthcare and efficiency of health spending.<sup>232</sup> To accelerate progress towards UHC, countries need to invest in expanding their social health protection schemes and focus more on the provision or purchase of healthcare to promote disease prevention and good health.

### 3.5 Getting the basics right: Fostering robust social protection systems

Despite steady progress, gaps in coverage and adequacy mean that people, especially those who are marginalized, remain vulnerable to life cycle and other contingencies. Women, children, persons with disabilities, informal workers, migrants, refugees and temporarily displaced persons continue to be excluded from many social protection schemes, heightening their already vulnerable situations. Universal, life cycle and multi-pillared social protection systems are needed to ensure minimum income security for all people and build their resilience. The speed of change brought by the emerging megatrends adds urgency to the task of closing gaps in coverage.

FIGURE 3.17 Overview of 12 national action points outlined in Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific



Source: ESCAP Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific (2020).

231. Ibid.

232. World Health Organization (WHO) (2010). *The world health report: health systems financing: the path to universal coverage*.

**There is a need to ground social protection systems in clear legislative and regulatory frameworks.**

The right to social protection for all should be enshrined in national constitutions accompanied by national legal frameworks that provide a clear institutional structure for social protection schemes, including governance and describing the obligations of all involved actors. A clear vision should also be outlined for social protection that describes medium- and longer-term ambitions and that upholds the right to social protection for all. Although several countries have established a social protection framework (Cambodia, Lao People's Democratic Republic, Maldives, Mongolia, Nepal, Samoa and Timor-Leste), many countries still lack an official definition of social protection and a social protection policy or framework. A unified policy framework is critical to coordinate and drive social protection enhancements. With a shared understanding of the impacts of social protection and what is to be achieved, governments can better assess the measures in place and agree on a way forward.

**Social protection systems benefit from simplified institutional arrangements with clear lines of administrative responsibility, as well as from social dialogue and engagement with trade unions and other stakeholder groups.** Social protection schemes and programmes tend to be fragmented across multiple ministries—labour, social security, social affairs, education, health, industry, agriculture, trade and finance—and entities at the national and municipal levels. Some governments have streamlined these schemes under one coordinating mechanism, such as in Cambodia and Mongolia. However, in many countries a lack of coordination persists across line ministries and between national and provincial governments, leading to coverage gaps and potential duplication of schemes. Social dialogue and stakeholder engagement in these processes can help ensure that needs are addressed.

**Multi-pillared social protection systems that blend contributory and non-contributory schemes and programmes can reach the many diverse groups left furthest behind.** For contributory schemes, this entails reviewing the design of schemes to ensure they take into account different employment trajectories and life circumstances of

people excluded from social protection, especially women, and identifying incentive structures that promote uptake without discouraging workforce participation. Universal non-contributory schemes across key life cycle contingencies are an effective way to ensure access of all individuals, including those in vulnerable situations, to minimum income security.

**Sustainable public funding in social protection systems is required to ensure adequate living standards.** This can be within reach. The ESCAP SPOT Simulator has demonstrated that introducing universal child, disability, maternity and old-age benefits at global average benefit levels would reduce poverty and inequality and boost consumption, all at an investment of around 2.4 to 4.8 per cent of GDP per year.<sup>233</sup>

**Efficient and effective registration, payment and monitoring systems are instrumental.** Clear communications, accessible and transparent registration processes, regular and predictable payments, and formal and independent appeals and complaints mechanisms can ensure that benefits are distributed to the right people when they need them, thereby also enhancing trust in government. Engagement with stakeholders and regular consultative processes is vital to ensure transparency, as are mechanisms to gain regular feedback on the relevance and effectiveness of measures. National targets, on coverage for example, should be set as benchmarks against which to track and monitor progress. Implementation plans and strategies for meeting these targets should be key elements in national social and economic development strategies and plans, such as National Action Plans. Digital management information systems are equally critical to automate enrollment, payment and monitoring processes, and to build linkages across the social protection system as well as with national administrative or other databases.

**As policymakers and practitioners realign social protection systems to meet new vulnerabilities and risks, it is vital that any new solutions be grounded in core social protection systems.** A solid social protection floor is required to guarantee income security for individuals when their livelihoods are disrupted. Strong social protection systems should ensure coverage, adequacy and inclusion. Unless

233. The combined cost of providing a universal non-contributory child benefit, disability benefit, maternity benefit and old-age benefit would range from a minimum 2.4 per cent of GDP in Bhutan to a maximum 4.8 per cent of GDP in Sri Lanka. On average, the combined cost of these schemes would be 3.3 per cent of GDP in 27 countries in the region. "ESCAP SPOT Simulator". Available at <https://spot.unescap.org/simulator> (accessed in May 2024).

coverage is comprehensive, people will remain vulnerable to poverty. Unless benefits are adequate, people will suffer an inadequate standard of living. Unless benefits are designed to be inclusive, the most vulnerable and marginalized will miss out. Comprehensive, rights-based, gender-sensitive and disability-inclusive social protection frameworks are needed to ensure everyone is protected.

**Income security is not enough given the multidimensional nature of vulnerabilities.** To make social protection truly transformative, governments and their development partners need to complement cash transfers with development interventions to increase impact and foster resilience and empowerment. Frontline social care workers will need to identify vulnerabilities, link people to eligible and relevant programmes, and provide services to those left furthest behind. Their work will be critical.

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**The Action Plan to Strengthen Regional Cooperation on Social Protection<sup>234</sup> underscores critical steps to achieve coverage, adequacy and inclusion.** Amid challenges emanating from megatrends, focus should remain on building multi-pillared social protection systems and achieving incremental expansion of the social protection “floor” through contributory and non-contributory schemes. As new forms of vulnerability arise, for example due to climate change, more analysis will be needed to enable the rapid identification of vulnerabilities, at-risk populations and appropriate social protection responses. This will also require collaboration with a variety of stakeholders and more joined-up solutions across sectors. With prioritization and investment in social protection systems, there is still time to prepare countries to better address the challenges and opportunities associated with megatrends and ensure a just transition to a net-zero emissions future. The following chapter presents potential scenarios for the region depending on whether the status quo is maintained, incremental change is introduced, progressive change is pursued or radical change is achieved.

234. The Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific was endorsed by the sixth session of the Committee on Social Development on 20 October 2020 (ESCAP/CSD/2020/3).

# Chapter 4

## Future proofing social protection





## Main Messages

**With inputs from experts and stakeholders adopting a futures-thinking approach using a “foresight methodology”, this chapter presents four possible future scenarios of social protection systems in Asia and the Pacific by 2040, contingent on whether (i) the status quo is maintained, (ii) incremental change is introduced, (iii) progressive change is pursued or (iv) radical change is achieved.**

**The preferred scenario based on progressive change describes a future with agile and modern social protection systems that withstand and adapt to risks and vulnerabilities.** They work in harmony with technological innovations to deliver more sustainable solutions for a carbon neutral future. Despite potential storms ahead, confident in their resilience, people look to a brighter future.

**To achieve the preferred future, legislative and policy frameworks will be needed that deliver well-designed contributory and non-contributory schemes together with supportive institutional mechanisms and financing.** Drawing on existing good practices and research, governments, regional bodies and stakeholders should identify actions and adapt them to create comprehensive systems that fit national circumstances. Widely held national consultations would facilitate identification, sequencing and coordination of necessary actions and make clear the roles and responsibilities of all stakeholders.

## 4.1 Planning for the future: identifying a preferred scenario for social protection

This chapter adopts a forward-looking approach using a strategic foresight methodology (box 4.1) inspired by the United Nations 2.0 Quintet of Change.<sup>235</sup> Strategic foresight is a practical application of futures thinking<sup>236</sup> with an aim to describe and develop a vision for 20 to 50 years into the future.<sup>237</sup> Encouraging out-of-the box thinking, it is an ideal tool for future proofing social protection in Asia and the Pacific.

By identifying emerging trends and articulating scenarios, the tool helps policymakers mitigate a variety of future risks—by seeking today the solutions for problems of tomorrow. The approach is intended to be neither prescriptive nor predictive. Instead, it allows users to analyze complex issues and encourages transformative thinking in a participatory and inclusive manner. Developing alternative scenarios through a participatory process can help identify a preferred future, independent of how likely it is to occur, and foster creative mindsets to identify and sequence required actions.

The chapter presents four possible futures of social protection systems in Asia and the Pacific by 2040, contingent on whether (i) the status quo is maintained, (ii) incremental change is introduced, (iii) progressive change is pursued or (iv) radical change is achieved. The scenarios were developed in consultation with experts taking into account three global megatrends viewed as important for social protection systems: climate change, demographic shifts, including population ageing, and the advancement of digital technologies. Each of these scenarios has an associated visual that was generated by artificial intelligence (AI) following the guidance and review of the experts who developed the respective scenarios. The visualizations of the alternative futures are based on a metaphor—social protection system as transportation. They aim to capture the essence of future scenarios by imagining how social protection systems would look in 2040 if they were a type of vehicle.

The chapter concludes with a set of actions for various actors, including governments, regional development partners and other stakeholders, to implement between 2024 and 2040 to attain the preferred future described in the progressive change scenario. In this context, promising initiatives from the region are showcased to help countries tailor actions to achieve universal social protection.

235. United Nations (2023). “UN 2.0: Forward-thinking culture and cutting-edge skills for better United Nations system impact”. Our Common Agenda Policy Brief 11.

236. Inayatullah, Sohail (2013). “There’s a Future: Visions for a Better World”. *Futures studies: theories and methods*. Madrid: BBVA, pp. 36–66.

237. Asian Development Bank (ADB) (2020). *Futures thinking in Asia and the Pacific: Why foresight matters for policy makers?* Asian Development Bank, Manila.

### BOX 4.1 Strategic foresight for future proofing social protection

The alternative future scenarios described in this chapter were developed at an Expert Group Meeting (EGM) titled “Social Outlook for Asia and the Pacific 2024: Future Proofing Social Protection” organized by ESCAP on 21 and 22 November 2023 using strategic foresight tools. The objective was to identify and deliberate on critical issues that will impact social protection systems by 2040 given the rapid transitions taking place amid global complex shocks and megatrends. The EGM brought together 30 policymakers and practitioners from fields including climate change, demography and digital technology, representing governments, non-governmental organizations, academia, the private sector and United Nations entities.

After reviewing and discussing key paths of influence between climate change, demographic shifts and digitalization on one hand and social protection on the other, the participants used causal-layered analysis<sup>238</sup> (CLA), to create alternative future scenarios for social protection systems. Participants were divided into groups representing four scenarios: (i) status-quo, (ii) incremental change, (iii) progressive change and (iv) radical change. They used CLA to assess each future scenario and discussed systemic causes of problems in each scenario along with the worldviews and myths that drive each scenario. The final step was to convert the underlying negative myth driving each scenario into a positive one and then brainstorm about the implications of this positive spin on worldviews, systemic issues and the “current situation” in an alternative and better future.

To help navigate the CLA exercise, participants were asked to imagine social protection systems as a vehicle, perhaps a ship sailing in unknown waters and unpredictable weather. Each group developed and presented one of the assigned scenarios. Aspects of the scenarios were elaborated in plenary. To help the participants express their narratives, the EGM facilitator generated visualizations using the AI application ChatGPT 4.0. The visualizations were created in an iterative process through dialogue between group members to ensure they captured the essence of the scenarios. Each group presented its scenario and a consensus was reached that the progressive change scenario represented the preferred future that member States in Asia and the Pacific should strive for.

Following the CLA exercise, experts joined in a backcasting exercise,<sup>239</sup> focusing on the desired future captured in the “progressive change” scenario. Participants worked backwards and suggested actions that would need to be taken between 2023 and 2040 to make real the preferred future scenario. The backcasting actions were further refined by participants in a second EGM held on 13–15 June 2024. ESCAP is grateful to all participants for their meaningful and insightful inputs. For more details on the EGMs, please see the event page here <https://www.unescap.org/events/2024/review-social-outlook-asia-and-pacific-future-proofing-social-protection>

238. Causal-layered analysis (CLA) is a theory and method used in futures research created by Sohail Inayatullah. For more information see Inayatullah, Sohail (2013). *Future Studies: Theories and Methods*. World Future Studies Federation.

239. Backcasting is a planning method used in strategic foresight literature and practice whereby a desirably future is first defined and then policies and programmes that are needed to connect the desirable future to present is identified.

## 4.2 Four alternative scenarios for the future of social protection

### Scenario 1: Maintaining the status quo Bold visions – Weak actions



FIGURE 4.1  
**Bold Visions – Weak Actions**

The social protection system envisaged in this scenario is the result of bold visions but bleak actions. The system in 2040 resembles an overloaded bus that, despite its ambitions and knowledge that it needs wings to survive the danger ahead, is heading toward the cliff edge at full speed. The bus is not equipped with the resources or capacity to mitigate the danger that has been on the horizon but is now imminent. It has been running on unsustainable fuel for too long, which has damaged its engine and its old brake pads make it difficult to stop in time.

**Note:** Image generated by Professor Ora-Orn Poocharoen on 22 November 2023 using ChatGPT 4.0 based on written input provided by participants in the Expert Group Meeting titled “Social Outlook for Asia and the Pacific 2024: Future Proofing Social Protection” held on 21 and 22 November 2023. Participants took part in causal-layered analysis as part of a strategic foresight exercise to develop Scenario 1: Social protection systems in Asia and the Pacific by 2040 if the status quo is maintained.

#### **Social protection policy landscape lacking reform and action**

While many countries have national action plans in line with the post-2030 agenda for sustainable development, including on social protection, implementation plans are unsupported by appropriate budgets and thus unable to move countries toward their nationally set targets.

Continuing legal ambiguity on the status of workers in informal, vulnerable and non-standard forms of work has meant workers remain vulnerable and lack protection in 2040.

### Growing inadequacy and exclusion in social protection schemes

As in 2024, 45 per cent of the population in Asia and the Pacific in 2040 lacks access to any social protection scheme. People in vulnerable situations continue to be excluded and lack income security when faced with a risk related to life cycle contingencies or covariate shocks. The social fabric of the region is under extreme pressure in 2040 due to deepening poverty and widening inequalities, with climate induced conflicts brewing, threatening peace and stability at the national and regional levels.

The share of persons aged 60 and above reached around 31 per cent of the total population in 2040,<sup>240</sup> but many, especially women, still lack access to an adequate pension that would lift them out of poverty. Decent jobs are a luxury for the minority. Most workers, many of whom are women, are in informal and vulnerable employment, especially in agriculture and the service sector, with no access to social protection. Frequent heat waves, droughts and flooding have made employment in these sectors extremely precarious.

The share of households whose indebtedness grows in response to unexpected catastrophic health expenditures is growing, because climate change impacts have led to recurring pandemics, heat waves, and the proliferation of new diseases. Total healthcare expenditures as a percentage of GDP increased by 60 per cent from 2020 to 2040.<sup>241</sup> Out-of-pocket health expenditures have pushed many into poverty, especially older persons who lack access to long-term and home-based care. The responsibility for care continues to fall on women and exacerbates their time poverty.

Digital technologies, such as AI, 3D printing and Internet-of-Things (i.e. physical objects linked by sensors and software) have increased productivity in a variety of sectors, but the majority of the working-age population fails to avail of these benefits due to inequalities in access to quality education and ICT. Despite the substantial growth of digitally enabled platform business models, now representing 70 per cent of new value created,<sup>242</sup> most workers in 2040 lack access to social protection.

### Weak institutional mechanisms stymie action

The profound changes in the riskscape of Asia and the Pacific by 2040 are unmatched by the prevailing institutional setup that governs social protection policies. Institutions are uncoordinated and underresourced, unable to conduct the rigorous monitoring and evaluation and meaningful stakeholder engagement required to ensure more robust design and delivery of social protection systems. With no clearly defined entity leading social protection, fragmentation, duplication and inefficiencies are rampant.

Availability of high quality and regularly collected data is still lacking and many countries do not undertake regular household surveys or impact evaluations of schemes. The lack of readily available and interoperable data on households and their vulnerabilities hampers the capacity of shock-responsive systems to identify and respond to needs in a timely manner. Big gaps continue to exist in access to, use of and skills in ICT by gender, age and location and this limits success of early warning systems to alert and prepare people and communities in disaster hotspots.

While rapid digital advancements in the region were made between 2024 and 2040, the lack of progress towards interministerial coordination has limited the capacity of governments to automate processes. Registration and payment processes are cumbersome, laying a high administrative burden on systems and their beneficiaries.

Success in efforts against climate change has been limited and slow-onset climate events have forced thousands of people to migrate or relocate within their countries. Climate change induced disasters are the norm in 2040, leading to food insecurity and water scarcity. International commitments and national policies are placing greater focus on adaptation and mitigation measures, but the critical role of social protection to build resilience continues to be overlooked. A common framework has yet to be developed in coordination with different actors, including those working on environmental protection and disaster risk reduction. To avoid the worst poverty impacts, countries frequently resort to ad-hoc measures thus burdening state budgets.

240. Simple linear projection based on ESCAP population data sheet 2023 available at <https://www.unescap.org/kp/2023/escap-population-data-sheet-2023>.

241. Daniel Howdon, and Selsah S. Pasali (2022). "The impact of ageing on accessibility, affordability and availability of healthcare services in Asia and the Pacific". Social Development Division Working Paper ESCAP/6-WP/50, June 2022. ESCAP, Bangkok.

242. This estimate is highlighted in the concept note of an event titled "Advancing an inclusive digital economy: opportunities for the Global Digital Compact?" which was organized by UNCTAD and the Office of the UN Secretary-General's Envoy on Technology on 7 March 2024 in New York.

### Growing financing gap sinks goal of social protection for all

Investment in social protection has remained unchanged since 2024. Fiscal and social security institutions have failed to identify and increase fiscal space for social protection. Tax-to-GDP ratios remain low across the region and contributory social protection schemes have not been successfully extended. With high reliance on tax revenue, predominantly from value-add tax, tax systems tend to be regressive, with limited benefits from redistribution. High levels of debt in many

countries limit options to increase borrowing or the allocation of additional funding to social protection. Illicit financial flows continue to undermine public revenue in 2040 and new sources of climate finance have not been channeled to social protection.

### Scenario 2: Incremental change is introduced Keeping Afloat?



FIGURE 4.2  
Keeping Afloat?

This scenario represents incremental improvements in social protection systems across Asia and the Pacific by 2040. This scenario likens social protection systems to a search and rescue boat which, although offers some protection and continually receives additional pieces, struggles to do its job during extreme disasters. The metaphor exemplifies that governments' commitment to building comprehensive, rights-based, inclusive and adequate social protection systems based on international social security principles has not materialized in many countries across the region.

**Note:** Image generated by Professor Ora-Orn Poocharoen on 22 November 2023 using ChatGPT 4.0 based on written input provided by participants to the Expert Group Meeting titled "Social Outlook for Asia and the Pacific 2024: Future Proofing Social Protection" on 21 and 22 November 2023 who took part in causal-layered analysis as part of a strategic foresight exercise to develop Scenario 2: Social protection systems in Asia and the Pacific by 2040 if incremental change is introduced.

### Minor improvements in policy landscape

Regulatory and legal frameworks have been somewhat improved over time, but their implementation often lags behind, with limited oversight and enforcement. Coverage levels across Asia and the Pacific have only slightly improved and large coverage gaps persist, with only 60 per cent of the region being protected by at least one social protection scheme, up from 55 per cent in 2024.

### Slow extension of coverage and inadequate benefit levels

Minor improvements in coverage levels have been achieved through the extension of non-contributory programmes. However, benefit levels remain inadequate in non-contributory programmes in 2040. Likewise, the ability of these programmes to target poverty is lacking, which results in high levels of exclusion among eligible beneficiaries.

Contributory schemes continue to cover a small fraction of the population and not all meet minimum international social security standards. Some pension schemes are still not based on principles of redistribution, solidarity, risk pooling or collective financing.<sup>243</sup> Unemployment insurance, employment injury insurance and maternity cash benefit schemes are not widespread in 2040.

While several initiatives have extended social protection benefits to informal workers, mainly through non-contributory type programmes, most workers have limited or no social protection coverage in 2040. With the emergence of digital technologies without adequate regulation, many workers in the formal sector have moved to the gig economy or platform work, operating at times outside the formal labour market and without social security coverage.

Among older persons, while coverage levels are relatively high across most countries, benefit levels are often low and inadequate. With increased demand for long-term care due to ageing, some countries have made progress in developing this sector and have piloted some schemes. However, coverage remains low and financial protection is limited. As a result, many people in old age must continue to work or rely on the goodwill of family members to support them after retirement. Women have higher poverty rates in old age, as their

pensions remain significantly lower due to gender bias in contributory pension schemes.

### Weak integration of institutional mechanisms

The institutional landscape remains weak, fragmented, inadequately coordinated and inefficient in some countries in 2040. Inadequate infrastructure, lack of skilled personnel, and outdated management, monitoring and evaluation systems continue to hamper the implementation of social protection strategies and plans. This is especially concerning as climate events exacerbate existing life cycle contingencies and hamper delivery of schemes. While social protection programmes try to support climate change mitigation and adaptation policies, their capacity is limited, as they are rarely adapted to the specific circumstances and measures, with climate and social protection policies often developed in isolation.

Migration has increased in the region, yet most countries have no or very limited social security agreements in place that could facilitate the portability of social security rights and entitlements across the region in 2040.<sup>244</sup> Some countries extend social protection to migrant workers unilaterally, but most countries offer limited protection.

On the positive side, with the help of AI, digital registries and digital payment and contribution collection systems, the administration of social security schemes, management of payments and contribution collection processes, and the delivery of services have been improved. However, exclusion of beneficiaries and unintended errors in the management of schemes persist in 2040 due to challenges faced in regular collection and analysis of high quality administrative and survey data.

### Financing gap remains but there is light at the end of the tunnel

While some countries continue to struggle to increase fiscal space in 2040, others have been able to find funding for social protection. This has been achieved mostly through the expansion of contributory schemes and a slightly improved Tax-to-GDP ratio. Yet, limited coordination and capacity of tax and social security institutions result in limited mobilization of additional revenue for social protection.

243. See ILO Recommendation R202 (2012), available at [https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:R202](https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R202)

244. International Organization for Migration (IOM) (2023). "Labour Migration in Asia: What Does the Future Hold?". IOM, Geneva. Available at: [https://roasiapacific.iom.int/sites/g/files/tmzbdl671/files/documents/2023-07/iom\\_labour-migration-in-asia\\_what-does-the-future-hold.pdf](https://roasiapacific.iom.int/sites/g/files/tmzbdl671/files/documents/2023-07/iom_labour-migration-in-asia_what-does-the-future-hold.pdf).

## Scenario 3: Progressive change is pursued

### Protected space



FIGURE 4.3  
**Protected Space**

This scenario represents progressive achievements in social protection systems across Asia and the Pacific by 2040. Modern, smart and versatile, social protection systems carry and safeguard both the people and the planet. Like a ship shaped to adapt to different seas, social protection systems weather different risks and vulnerabilities. They work in harmony with technological innovations to deliver more sustainable solutions for a carbon neutral future. Supported by sturdy social protection systems, people look towards a brighter and more hopeful future, confident in their resilience to withstand any storms ahead.

**Note:** Image generated by Professor Ora-Orn Poocharoen on 22 November 2023 using ChatGPT 4.0 based on written input provided by participants to the Expert Group Meeting titled “Social Outlook for Asia and the Pacific 2024: Future Proofing Social Protection” on 21 and 22 November 2023 who took part in a causal-layered analysis as part of strategic foresight exercise to develop Scenario 3: Social protection systems in Asia and the Pacific by 2040 if progressive change is pursued.



### **Strong legislative and policy frameworks enable strong systems**

Most countries in the region by 2040 have adopted new or revised national legal and policy frameworks and put in place comprehensive plans and strategies on social protection with a view to extending coverage to all. Labour legislation has been adapted to define and expand mandatory contributory schemes for informal and non-standard forms of employment, resulting in a gradual increase in contributory coverage as well as adequacy of benefits. Non-contributory benefits, in particular quasi-universal ones, a majority of which are now anchored in legislation, have been extended to provide more stable and regular basic income security for most people during key life cycle contingencies and have helped to eradicate extreme poverty in many countries and reduce moderate poverty levels significantly.

### **Inclusive design enables greater coverage and adequacy**

Contributory schemes have a more prominent role in social protection systems in 2040. They are designed to be inclusive for all types of workers and more gender-responsive. Women's access and benefit levels are almost on par with those of men. Increased protection is provided to caregivers and a greater balance of care responsibilities is seen between women and men. Most countries in 2040 are providing universal non-contributory maternity benefits. Almost all countries have adopted the WHO International Classification of Functioning, Disability and Health, which has led to disability assessments based on social and human rights models that better account for the barriers faced by persons with disabilities and which impact the realization of their rights.

Around 35 countries have transitioned to an aged population and thanks to the early transition measures taken, basic income security in 2040 is guaranteed for most older persons, both women and men.<sup>245</sup> With improved adequacy, old age pensions have become a major source of income for most older persons, and these pensions are designed to be compatible with employment for those who opt to continue working. However, lingering gender inequalities have meant that, although more women are accessing contributory pensions, a sizeable number of women still only have access to non-

contributory pensions at lower benefit levels. Having introduced and gradually expanded quasi-universal child benefits, many countries are achieving almost universal coverage for children.

With close to universal coverage and improved healthcare benefits, out-of-pocket payments have decreased significantly, and the continuum of essential health services has become widely available, also for marginalized and remote communities. Likewise, appropriate health and social protection policies have improved the availability and affordability of long-term care services, relieving family members of such duties.

### **Investment in institutions helps social protections systems to deliver better**

Significant investments have been made to develop the capacity of human resources and increase the financial resources available to social protection institutions in 2040. Most countries in 2040 have a mechanism to enable coordination of social protection across line ministries and with provincial institutions, as well as to monitor implementation and drive continual improvement. Strong institutions are further supported by increased participation of key beneficiary groups and stakeholders in the governance and administration of social protection schemes and programmes. This was facilitated through established social dialogue frameworks and transparent and accountable redressal and grievance mechanisms.

Individuals in nearly all countries in the region are provided a unique e-government identifier at birth, which serves as their access key to social protection throughout their life. Online single-window social protection interfaces, available across multiple devices, allow people to register and follow up on schemes in which they are enrolled. Frontline social workers help to identify individuals in marginal situations and bridge them to schemes and programmes. In 2040, e-government is enabling more transparent and accountable forms of governance. Effective communication strategies have helped foster a good understanding within government as well as by the public of the benefit structures available and processes involved. All of this, together with automated and transparent payment systems that have enabled efficient and effective delivery of payments, has helped build trust in public institutions.

245. By 2040, persons over age 65 years are projected to account for at least 14 per cent of the population in 34 countries. United Nations, Department of Economic and Social Affairs, Population Division (2022). *World Population Prospects 2022*.

Built on strong data privacy protocols, databases and management information systems are interoperable across line ministries at the national, state and municipal levels and enhance coordination, minimize duplication of processes, and help monitor and evaluate the implementation of social protection policies. Social protection systems are entering into partnerships with digital platforms to automatically enroll platform workers, through digital platforms that are linked with tax authorities and social security institutions. Remedial action is taken regularly to ensure that no one is left behind.

Social protection agencies in 2040 work seamlessly with ministries of environment and climate change commissions to build climate resilience and support mitigation and adaptation measures. Social protection schemes have successfully cushioned the transition towards carbon neutrality for many affected population groups, including through unemployment benefits and reskilling programmes and extending existing benefits during climate related shocks. Social protection, in combination with public works programmes that facilitate decent work and payment for ecosystem services, has also been instrumental in supporting climate change adaptation policies, contributing to expansion in the adaptive capacity of communities.

An increasing number of countries sending and receiving international migrants are establishing bilateral and multilateral social security agreements with countries in the region and beyond, enabling the portability of social security entitlements and rights across borders for a larger share of migrant workers. Regional initiatives, such as the ASEAN Declaration on Portability of Social Security Benefits for Migrant Workers in ASEAN, are being actively implemented to support these efforts.

### Social protection is viewed as an investment

Many ministries of finance in 2040 see social protection as an investment that can reap positive socioeconomic returns with significant multiplier effects. Tax-to-GDP ratios have increased over time, from an average of 16 per cent in 2023 to around 33.5 per cent in 2040, similar to OECD levels.<sup>246</sup> This has been achieved partly through better enforcement and compliance mechanisms and by increasing the efficiency and effectiveness of tax authorities. Policymakers also place greater emphasis on combatting illicit financial flows, including by introducing fully digital trade facilitation. This has helped the region increase tax revenue by more than USD 200 billion per year.<sup>247</sup> Fiscal space is also increased by capitalizing on synergies between climate change and disaster risk financing and social protection financing frameworks and instruments. Altogether, the region commits an average public expenditure of 14 per cent of GDP to social protection systems annually by 2040.<sup>248</sup>

246. The average Tax-to-GDP ratio for OECD countries in the latest available years was 20.6 per cent, which is set as the benchmark to achieve for Asia-Pacific countries by 2040. The OECD average is used as a benchmark for investments to achieve more robust and comprehensive social protection systems.

The Tax-to-GDP ratios are based on ESCAP elaboration based on World Development Indicators, The World Bank Group. Data accessed in March 2024.

247. Y. Duval, C. Utoktham, and A. Kravchenko (2018). "Impact of implementation of digital trade facilitation on trade costs". ARTNeT Working Paper Series (No. 174).

248. The OECD average public expenditure on social protection was 14.6 per cent according to ILO latest available year, as of April 2024. "ILOStat, Public expenditure, excluding health (per cent of GDP), by subregion, latest available year." The OECD average is used as a benchmark for investments to achieve more robust and comprehensive social protection systems.

## Scenario 4: Radical change is achieved

### Portal for all



FIGURE 4.4  
**Portal for all**

This scenario represents a radical future of social protection systems across Asia and the Pacific by 2040. Social protection benefits appear seamlessly throughout the life cycle as needed, like a portal that can appear anywhere to transport you to the destination of your choice. Social protection systems carefully harness technology and human-centric design to tailor schemes and programmes that are accessible for all persons of all ages. The Asia-Pacific region is thriving, green and healthy, and people are certain of their security.

**Note:** Image generated by Professor Ora-Orn Poocharoen on 22 November 2023 using ChatGPT 4.0 based on written input provided by participants to the Expert Group Meeting titled "Social Outlook for Asia and the Pacific 2024: Future Proofing Social Protection" on 21-22 November 2023 who took part in causal-layered analysis as part of a strategic foresight exercise to develop Scenario 4: Social protection systems in Asia and the Pacific by 2040 if radical change is achieved.

#### **Participatory, transparent and accountable laws and policies are a foundation for transformational social protection systems**

Social protection legislation and policy are drafted in an inclusive and clear way, with a view to reaching everyone and leaving no one behind. In addition, clear interministerial agreements are in place in 2040 to guide collaboration between line ministries and local governments and ensure the smooth and coordinated administration and operation of social protection schemes and programmes.

#### **Automatic and universal social protection for all**

Thanks to the successful adoption and implementation of a regional agreement on transboundary social protection measures, benefits can be disbursed anywhere in Asia and the Pacific. Benefits are paid out in a way that is chosen by, and convenient for, each individual. The amount provided is automatically adapted to the specific situation of a person and their economic circumstances with minimal intervention by the individual. Blockchain technology in 2040 ensures transparency and prevents misuse.

Social protection is available to all and facilitated by universal national identification numbers issued automatically at birth. Representatives from diverse stakeholder groups participate in decision-making processes to ensure inclusivity and accountability. With the security of knowing that their basic needs are met, individuals are dedicating their efforts to advancing their ambitions and communities.

Smart sensors and predictive models help anticipate and respond to climate emergencies and therefore lessen the burden of such events on households, while decentralized networks enable rapid deployment of resources and coordination among stakeholders. The integration of social protection with climate change mitigation and adaptation measures has facilitated a just and equitable transition out of fossil fuels and into green jobs. Payment for ecosystem services is contributing to income security while securing biodiversity, reforestation and sustainable forms of production.

Universal health coverage has been achieved in most countries in 2040. Healthcare is no longer reactive but predictive.

#### **Streamlined institutions and tailored social protection schemes**

Social protection systems have evolved into a highly personalized and interconnected network of support, tailored to individuals' circumstances and life events, and is provided regardless of age, gender or other personal characteristics. Highly advanced management information systems (MIS) use AI to enable quick analysis and decision making. AI algorithms analyze vast amounts of live or frequently available data, including health records, employment history, financial transactions, and citizen-generated and crowdsourced data to anticipate needs and provide proactive assistance. Technical safeguards, ethical guidelines and regular human oversight are in place to ensure data privacy and the robustness, safety and inclusiveness of AI systems. Social protection ministries in 2040, renowned for their sophisticated lean administrative structures, leverage both cutting-edge MIS and highly trained personnel. Partnerships with private online financial service providers enable benefits to be disbursed through a wider range of channels and provide people's access to a wider portfolio of financial products and services.

#### **Robust funding base available for social protection**

A robust funding base is available for contributory schemes in 2040 as almost the entire workforce is contributing to social security schemes. Universal civil registration and vital statistics and digitalized data have enabled more transparent collection, monitoring and enforcement of taxation, which has increased the resource base for non-contributory schemes. A global fund for social protection as well as climate funds provide additional resources to support countries in piloting and scaling up new schemes and responding to emerging challenges.

### **4.3 Choosing a Future: Backcasting for Scenario 3**

Backcasting is an innovative tool that complements a strategic foresight exercise once a desired future is chosen. It provides a framework for sequential thinking, in this case working back from the desired future in 2040 to 2024. After identifying the key areas of action that governments need to take, policymakers can sequence these actions taking into account the constraints they face or are likely to face on the path to 2040.

The backcasting exercise focused on the third scenario because it is ambitious and attainable, and also has a good likelihood of being attained by 2040, as long as there is political will to implement targeted and tailored actions in coordination with domestic and international stakeholders. These actions are presented (table 4.1) in four broad action areas: (i) legislative and policy framework, (ii) design features of social protection schemes, (iii) institutional mechanisms for implementation and (iv) financing.

The inputs of experts who participated in the strategic foresight exercise in November 2023 form the starting point for the backcasting in table 4.1, which was developed further through research, consultations and peer review, and subsequently further refined and validated in an Expert Group meeting organized from 13 to 15 June 2024.

While the exercise brought together many experts from across Asia and the Pacific, it should not be considered as representative of all sectors or views. Actions are identified for national governments, regional bodies and stakeholders, such as civil society, trade unions or the private sector. Three phases of implementation are described to identify different stages of action to achieve the progressive scenario. This allows countries at different stages in the development of social protection systems to identify relevant phases of action and the progressive actions that could be taken. A time frame for each phase is suggested, around 5 years; for example, countries beginning in the first Phase would have a tentative time frame from 2024 to 2030, for Phase II from 2031 to 2035 and for Phase III from 2036 to 2040. Examples of government initiatives to implement some of the identified actions are shared. Countries can consider these as they work to identify and tailor measures to fit their context.

The actions outlined are by no means comprehensive or specific to any one country. Ideally, each member State would adapt the actions to its own specific circumstances through national consultations to identify, sequence and coordinate action, map roles and ensure buy-in from all stakeholders. The actions should also be seen as a work-in-progress that are regularly monitored, evaluated and revised accordingly.

TABLE 4.1 Actions needed for “Protected Space” by 2040

**Action area 1: Legislative and policy framework**

Government	
<b>Phase I</b>	<ul style="list-style-type: none"> <li>• Ratify/adopt ILO conventions and recommendations related to social protection and decent work, including on the informal economy.</li> <li>• Establish legislative framework on social protection that outlines the right to social protection for all and a clear institutional mandate for a national coordination mechanism, interministerial coordination, and clarifies roles and responsibilities for all entities, including at the national and provincial levels.</li> <li>• Ensure gender and disability are mainstreamed into legislative and policy frameworks that outline clear roles and responsibilities for entities to implement strategies that enable equal access to social protection.</li> <li>• Develop national social protection plans to achieve universal social protection, which outline concrete and innovative actions, shifting away from poverty-targeted approaches and resources and include a monitoring and evaluation mechanism.</li> <li>• Adapt social protection policy plans and strategies to integrate climate considerations. Identify social protection entry points in the next round of Nationally Determined Contributions (NDC) in 2025 and integrate social protection in key national climate change strategies, such as NDCs, National Adaptation Plans or long-term strategies to reduce emissions.</li> </ul>

Government	
<b>Phase I</b>	<ul style="list-style-type: none"> <li>• Establish at the national level, just transition committees/funds to support transition leveraging social protection policies.</li> <li>• Clarify and legally recognize different forms of work, including non-standard forms of work such as temporary or casual work, gig work, care work and home-based work, with a view to extending social protection to informal workers.</li> <li>• Draft and negotiate bilateral and multilateral social security agreements, to support portability of benefits, with countries receiving the largest share of migrant workers.</li> <li>• Extend social protection to migrant workers (e.g. those working in informal economy or undocumented migrants) unilaterally.</li> <li>• Establish legislation to provide a mandate to National Statistical Offices to collect sex, age and disability disaggregated data from various sources, including administrative data, as well as coordinate data sharing with social protection and relevant line ministries.</li> <li>• Develop plan to roll out digital national identification system and develop legislative frameworks for the digitalization of social protection systems; include measures to safeguard payments and savings in these frameworks.</li> </ul>
<b>Phase II</b>	<ul style="list-style-type: none"> <li>• Review implementation of newly introduced or existing legal measures under Phase I.</li> <li>• Broaden legal coverage of excluded groups identified in the above review.</li> <li>• Identify and implement incentive and enforcement mechanisms.</li> <li>• Conduct regular training and capacity development on the legal and policy framework for all implementing officers, including enforcement and frontline government officers.</li> <li>• Enhance the legal and policy framework to strengthen coordination between entities responsible for contributory schemes and non-contributory schemes towards a blended multi-pillar system.</li> <li>• Adopt and implement bilateral national agreements to support portability of migrant workers' benefits with countries receiving the largest share of migrant workers from sending country.</li> <li>• Extend contributory and non-contributory schemes to migrant workers and refugees.</li> <li>• Review and update the legislative framework to integrate microinsurance, disaster risk reduction and other mechanisms into the formal social protection system.</li> <li>• Ensure the fundamental rights of all workers to decent work, including those workers in vulnerable situations such as informal workers, platform workers and persons with disabilities, and create an enabling environment for the full recognition of freedom of association and collective bargaining at all levels to enable them to enjoy social protection by law, policy and practice.</li> </ul>
<b>Phase III</b>	<ul style="list-style-type: none"> <li>• Review implementation of newly introduced or existing legal measures under Phase II and adjust the legislative and policy framework accordingly.</li> <li>• Provide legal coverage for life cycle and climate related contingencies for all.</li> <li>• In addition to regular capacity development for government officials, conduct regular awareness raising for stakeholders and the public about the legal and policy framework and rights of individuals.</li> <li>• Review and enforce bilateral agreements to adjust and strengthen portability arrangements for migrant workers as needed.</li> <li>• Adopt legal measures to integrate microinsurance, disaster risk reduction and other mechanisms into the formal social protection system.</li> <li>• Promote environmental and occupational health and safety at work through dynamic Occupational Safety and Health Committees at the national and regional levels.</li> <li>• Institutionalize just transition laws, policies and programmes based on the ILO just transition guidelines to ensure social protection is integrated into transition plans in response to by climate change, AI and future trends.</li> </ul>

Regional Bodies	
<b>Phase I-III</b>	<ul style="list-style-type: none"> <li>• Conduct analysis to enhance understanding of the required legal reforms, including the supporting strategies to integrate climate change considerations into national social protection strategies and plans.</li> <li>• Review policy coherence of regional and subregional social protection frameworks.</li> <li>• Build knowledge on the benefits of digital technologies to support and facilitate the effective roll out and operation of social protection schemes and programmes.</li> <li>• Build awareness about the need to develop universal social protection and social protection systems that are responsive to future challenges, including climate change, population ageing and digitalization.</li> <li>• Support consensus building among different stakeholders, including international organizations, by organizing regional events on social protection and related topics at high level intergovernmental events such as the Conference of the Parties to the UN Framework Convention on Climate Change or ESCAP intergovernmental committee sessions.</li> <li>• Support and facilitate technical capacity-building measures at the national and regional level, facilitating discussion and exchange among different stakeholders.</li> <li>• Facilitate regional dialogue on Occupational Safety and Health (OSH), such as through OSH committees at the company level and at the national and regional levels, and involving trade unions.</li> </ul>
Stakeholders	
<b>Phase I-III</b>	<ul style="list-style-type: none"> <li>• Conduct analysis to enhance understanding of gaps in legislative and policy frameworks to address the needs of groups in vulnerable situations.</li> <li>• Consolidate common positions to advocate for legislative and policy frameworks and measures and revisions to ensure more inclusive and adequate social protection for all.</li> <li>• Conduct awareness raising activities among groups on their rights and entitlements vis-à-vis social protection.</li> <li>• Participate, where possible, in formulation and drafting of national legislation and policy frameworks to ensure the needs of groups in vulnerable situations are addressed.</li> <li>• Advocate for government to roll out interim products or services that can “patch” gaps in social protection until such time policy framework can be implemented or changed.</li> <li>• Mobilize digital platforms to innovate community-led solutions, such as platforms that provide early warning and real time instructions and that are organized and led by community leaders, or by creating stakeholder-developed digital community hubs to support older persons.</li> </ul>

**Examples of government actions taken to implement the above include:**

**Ground social protection reform in legislation.**

**Cambodia** embarked on this process with its National Social Protection Policy Framework (NSPPF 2016-2025), which was further institutionalized through the Law on Social Security Schemes (2019) and the Law on the National Social Security Fund (2020) which established the National Social Protection Council and its General Secretariat.<sup>249</sup>

**Indonesia’s** contributory pension scheme currently covers only formal sector employees from medium and large-scale enterprises, the country has legislated to extend its defined contribution pension scheme to cover all employees by 2029.<sup>250</sup>

249. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2023). *Readiness to Implement the Action Plan to Strengthen Regional Cooperation on Social Protection: Cambodia*. ESCAP, Bangkok.  
 250. ILO (2021). “Extension strategy of pension in Indonesia”. Available at Social protection in Indonesia (social-protection.org).

The **Philippines** is an example of a country that has recognized the importance of institutionalizing its non-contributory family benefit. The country enacted into law in 2019 its largest conditional poverty-targeted family benefit scheme, Pantawid Pamilyang Pilipino Program (4Ps).<sup>251</sup>

**Review and address legal barriers or threshold requirements for different categories of informal workers.**

The **Philippines** extended legal coverage to domestic workers through its Domestic Workers Act (2013).<sup>252</sup>

In **Cambodia**, to extend eligibility to more workers, the National Social Security Fund reduced the minimum threshold for membership to all enterprises employing one worker or more.<sup>253</sup>

**Action area 2: Building universal, life cycle and multi-pillar social protection systems**

Government	
<b>Phase I</b>	<ul style="list-style-type: none"> <li>• Improve the design of social protection schemes and programmes to take into account the needs and challenges faced by groups in vulnerable situations with a view to extending coverage and ensuring inclusivity.</li> <li>• Conduct a regular accessibility assessment of the social protection system and implement measures to ensure more accessible registration, delivery and payment, grievance and redressal processes.</li> <li>• Design, introduce or reform existing non-contributory schemes with a view to extending coverage, reducing administrative workload and increasing effectiveness.</li> <li>• Conduct regular reviews of eligibility criteria for existing and new schemes with a view to reaching excluded populations.</li> <li>• For poverty-targeted programmes, retain information of beneficiaries who have recently graduated from poverty targeted programmes but may be vulnerable to falling back into poverty.</li> <li>• While recognizing the need to gradually expand contributory schemes and formalization, ensure workers' access to social protection through non-contributory benefits and examine options to extend universal non-contributory benefits.</li> <li>• Design and introduce new or reform existing contributory schemes with a view to extending coverage and improving the adequacy of social protection systems/schemes.</li> <li>• Extend social protection for informal workers by encouraging their participation in contributory savings schemes through government incentives and gradually building up their access to saving mechanisms and financial savings services.</li> <li>• Conduct regular reviews of social protection programmes and actuarial assessments of contributory schemes with a view to ensuring the financial sustainability of social protection schemes/programmes and adequate benefit levels (e.g. indexation) and broad coverage.</li> <li>• Conduct further research on ways to make contributory systems more climate-responsive and better identify and assess climate-related risks and appropriate mechanisms to trigger benefits.</li> <li>• Strengthen solidarity, collective financing and risk pooling elements within social protection system based on key social security principles.</li> </ul>

251. Republic Act No. 11310, Government of the Philippines Institutionalized the Pantawid Pamilyang Pilipino Program (4Ps). Philippine Law and Jurisprudence Databank. The LawPhil Project, Arellano Law Foundation. Available at [https://lawphil.net/statutes/repacts/ra2019/ra\\_11310\\_2019.html](https://lawphil.net/statutes/repacts/ra2019/ra_11310_2019.html)

252. Quynh Anh Nguyen and Nuno Meira Simoes da Cunha (2019). *Extension of social security to workers in informal employment in the ASEAN region*. ILO, Bangkok.

253. Ibid.



<b>Government</b>	
<b>Phase I</b>	<ul style="list-style-type: none"> <li>• Design pension schemes and benefits to close coverage gaps and prepare for population ageing.</li> <li>• Adapt contributory and non-contributory schemes and programmes to take into account new forms of risk as well as increased probability of contingencies due to, for example, climate change, and support and complement climate change policies.</li> <li>• Disseminate information in accessible formats for persons with visual, hearing and cognitive difficulties, such as by making use of sign-language, Braille and easy-to-read formats, and make physical registration and payment points accessible for persons with mobility difficulties.</li> <li>• Conduct disability assessments in an accessible manner to reduce costs, including travel costs, and administrative burden on the applicant.</li> <li>• Building on existing community structures and resources, design community engagement measures to strengthen social capital and collective action, especially for people subject to multiple vulnerabilities. Community-based social protection programmes, skills training and decent work programmes can promote such an approach.</li> <li>• Enhance outreach to targeted populations, to provide information on programmes and raise awareness of the benefits of social protection to individuals, families and communities.</li> <li>• Improve compliance regarding payment of contributions for all types of contributory schemes, including voluntary and subsidized ones.</li> </ul>
<b>Phase II</b>	<ul style="list-style-type: none"> <li>• Continue regular reviews and assessments of contributory and non-contributory schemes and programmes.</li> <li>• Phase out employer liability schemes and replace them with social insurance based on international social security principles.</li> <li>• Conduct an evaluation of the willingness to pay contributions, in a 5-year time frame, among different income groups, as well as evaluations of the intended and unintended impact of contributory schemes, to identify the viability of such schemes and key barriers to their successful introduction.</li> <li>• Assess the needs and circumstances of difficult-to-cover groups to more effectively provide benefits and services tailored to their situation.</li> </ul>
<b>Phase III</b>	<ul style="list-style-type: none"> <li>• Establish comprehensive systems, consisting of a mix of contributory and non-contributory schemes and programmes, protecting people against life cycle contingencies and new forms of risks (e.g. climate related).</li> </ul>
<b>Regional Bodies</b>	
<b>Phase I-III</b>	<ul style="list-style-type: none"> <li>• Support countries in analyzing scheme and programme design, with a view to strengthening alignment with key international social security standards and in support of building comprehensive and inclusive social protection systems.</li> <li>• Support building awareness and consensus around key social protection issues, also in the context of megatrends (e.g. climate change, demographic transition, digitalization).</li> <li>• Support technical capacity-building at the national and regional levels on key issues around social protection scheme and programme design.</li> <li>• Facilitate discussion and exchange among different stakeholders.</li> </ul>

Stakeholders	
<b>Phase I-III</b>	<ul style="list-style-type: none"> <li>• Conduct studies to identify critical barriers hindering vulnerable groups from accessing social protection schemes and benefits.</li> <li>• Participate, where possible, in the design of social protection schemes and programmes to ensure they reach those left furthest behind.</li> <li>• Establish social dialogue mechanisms to continue engaging with governments on the design of contributory and non-contributory schemes in an inclusive manner that involves groups in vulnerable situations, such as women, older persons, persons with disabilities and informal workers.</li> <li>• Discuss, consult and negotiate with workers' representatives on technological changes in the workplace.</li> <li>• Enhance the awareness of individuals and communities regarding available benefits and enhance people's capacity to enroll in programmes and receive benefits.</li> <li>• Engage with the private sector to encourage participation of employers and employees in contributory schemes.</li> </ul>

### **Examples of government actions taken to implement the above include:**

#### **Extend universal coverage through unconditional universal benefits.**

**The Cook Islands** has one of the most extensive social protection systems in the Pacific. Monthly benefits institutionalized through the Welfare Act in 1989 initially went to children aged 0-6 years. The benefit has been extended to all children aged 0-16 years.<sup>254, 255</sup> The existing benefit level has a poverty alleviating effect, reducing poverty by up to 43 per cent at the International Poverty Line of PPP% 6.85 and by 21 per cent at the national poverty line.<sup>256</sup>

**Georgia** has a multi-pillared old age benefit system that currently consists of several pillars. Pillar 1 is financed by a flat-rate tax. Pillar 2 is a contribution-funded pension and Pillar 3 consists of private contributory pensions. Georgia's universal pension system has been recognized for its universal outreach, effective targeting, and well-organized administration. The universal social pension provides a basic income security "floor" helping to prevent older persons from falling into poverty. Since almost 60 per cent of households have at least one pensioner, the universal pension has wide reach and the scheme acts as an important buffer against poverty.<sup>257</sup>

**Nepal** has been incrementally expanding the age eligibility for its old-age allowance. In 2008, it expanded the allowance to everyone aged 70 years and above and has since decreased age eligibility to 68 years with the eligibility age being 60 years of age for Dalits and residents of the Karnali zone.<sup>258</sup>

**Mongolia's** Child Money Programme has seen several configurations and shifted back and forth between being universal and poverty-targeted, and most recently is shifting between an affluence tested programme aimed at 91 per cent of all children and universal coverage. Its high level of coverage made it a core pillar for emergency relief measures in response to the COVID-19 pandemic and the subsequent inflation crisis.<sup>259</sup>

254. Australian Aid, Partnerships for Social Protection, "Social Protection in the Cook Islands". Available at <https://www.p4sp.org/social-protection-in-the-region/cook-islands/>

255. Andrea Rossi and Ruben Villanueva (Eds.) (2023). *Social Protection in East Asia and the Pacific: From Evidence to Action for Children*. UNICEF, Bangkok.

256. ESCAP calculations based on the ESCAP SPOT Social Protection Simulator. Available at <https://spot.unescap.org/simulator> (accessed on 19 January 2024).

257. United Nations Economic and Social Commission for Asia and the Pacific, Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs, United Nations Resident Coordinator's Office Georgia (2023). *Readiness to Implement Action Plan to Strengthen Regional Cooperation on Social Protection: Georgia*.

258. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (forthcoming). *Readiness to Implement Action Plan to Strengthen Regional Cooperation on Social Protection: Nepal*. ESCAP, Bangkok

259. United Nations Economic and Social Commission for Asia and the Pacific, Ministry of Labour and Social Protection, Mongolia. *Readiness to Implement Action Plan to Strengthen Regional Cooperation on Social Protection: Mongolia* (2023). ESCAP, Bangkok.

**Viet Nam** introduced benefit-tested social pensions in 2004 covering people above the age of 79 and provides means-tested benefits from the age of 60.<sup>260</sup>

**Introduce and expand unconditional non-contributory child benefits, including by providing benefits for a specific age cohort or other characteristic and gradually expanding access to a wider cohort towards universal coverage.**

**Thailand** introduced its Child Grant Support scheme for low-income households in 2015, and based on research and evidence of its positive impact expanded it to all low-income households with children aged 0-3 years while also increasing the benefit level from 300 to 600 THB monthly in 2016. Based on further evidence, the scheme was extended to cover all children aged 0-6 years in low-income households in 2019 and used as a channel to deliver COVID-19 assistance in 2020.<sup>261</sup>

**Nepal** covers 46 per cent of its child population under the age of 5 years, in part through its quasi-universal Child Grant covering all children aged 0-4 years belonging to the Dalit Caste and children in specified geographic regions. Local governments are also launching initiatives at the subnational level.<sup>262</sup>

**The Republic of Korea** introduced a quasi-universal monthly child allowance in 2018 covering the ninth quintile of families, assessed through a means test, with children under 6 years of age. The allowance was expanded to be provided to all children under 6 years of age from April 2019, and from April 2022 was extended to all children under 8 years of age.<sup>263</sup>

In August 2018, the state of **Bihar, India**, launched a state-wide universal cash transfer programme for girls aged 0-21 years, the Mukhyamantri Kanya Utthan Yojana (Chief Minister's Girl Child Upliftment Cash Transfer) to combat systemic discrimination and gender inequality.<sup>264</sup>

### **Extend contributory schemes.**

**Viet Nam** has made progress in extending coverage of their pension scheme for private sector workers, with the number of people contributing to the social insurance system having increased from around 23 per cent of the working labour force in 2015 to 38 per cent in 2022.<sup>265</sup>

While **Indonesia's** contributory pension scheme covers only formal sector employees from medium and large-scale enterprises, the government has legislated to extend its defined contribution pension scheme to cover all employees by 2029.<sup>266</sup>

In 2022, **Cambodia** launched its first contributory pension scheme for private sector workers under its National Social Security Fund, currently providing benefits to 9 per cent of people above 55 years of age.<sup>267</sup>

260. Pension Watch Database: Viet Nam | Country profiles | Pension watch (pension-watch.net)

261. Andrea Rossi and Ruben Villanueva (Eds.) (2023). *Social Protection in East Asia and the Pacific: From Evidence to Action for Children*. UNICEF, Bangkok.

262. UNICEF (2023). *Coverage of Social Security Allowance in Nepal* (a further analysis of MICS 2019 Nepal). Available at <https://www.unicef.org/nepal/media/17516/file/SSA%20Summary%20Report.pdf>

263. Korean Institute of Child Care and Education. "The Change in the Cash Benefit System for Families with Infants according to the Introduction of Parental Benefits in Korea". Policy Brief, November 2022, Issue 4.

264. International Labour Office (ILO) and United Nations Children's Fund (UNICEF) (2019). *Towards universal social protection for children: Achieving SDG 1.3*. ILO-UNICEF Joint Report on Social Protection for Children.

265. International Labour Office (2023). *Multi-tier pensions in Viet Nam: Features and Options*.

266. Ippei Tsuruga (2021). "Extension strategy of pension in Indonesia". Powerpoint Presentation delivered on 30 June 2021. International Labour Organization. Available at <https://www.social-protection.org/gimi/Media.action?id=18531>

267. International Labour Office (2023). *100 years of social protection: The road to universal social protection systems and floors Volume II: 52 country studies*. ILO, Geneva.

### Adopt a multi-pillared approach that combines both contributory and non-contributory systems.

**Japan** has achieved near universal coverage through its contributory and non-contributory means-tested child benefit schemes.<sup>268</sup>

**Georgia** introduced a mandatory defined contribution funded pension scheme in 2018, complementing its universal state-funded old age pension scheme, reflecting a move towards creating a more sustainable, multi-pillared pension system.<sup>269</sup>

### Extend non-contributory maternity benefits to mothers and incentivize uptake of paternity leave.

**Armenia** pays non-employed pregnant mothers a maternity allowance, financed from general tax revenues, for the same leave period as enjoyed by employed workers, albeit at a lower rate.<sup>270</sup>

**Mongolia** provides a monthly non-contributory cash benefit of MNT 50,000 to mothers taking care of their children under 3 years of age.<sup>271</sup>

The **Republic of Korea** introduced a “father’s parental leave bonus” covering 100 per cent of the normal salary, up from the previous 80 per cent.<sup>272</sup>

### Leverage digital technology and improve disability assessments to enhance access to programmes for persons with disabilities.

**Azerbaijan** created an electronic disability assessment system that not only enhanced accessibility for applicants but also improved objectivity and transparency in the assessment process.<sup>273</sup>

**Georgia** has made efforts recently to transition its disability assessment from a medical mode to bio-psycho-social assessment methodology.<sup>274</sup>

**Uzbekistan’s** Single Registry of Social Protection, established in 2019, has improved efficiency in administering disability benefits.<sup>275</sup>

268. United Nations Economic and Social Commission for Asia and the Pacific (2022). *How to Design Child Benefits*. ESCAP, Bangkok.

269. United Nations Economic and Social Commission for Asia and the Pacific, Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs, UN Resident Coordinator’s Office Georgia (2023). *Readiness to Implement Action Plan to Strengthen Regional Cooperation on Social Protection: Georgia*. ESCAP, Bangkok.

270. United Nations Economic and Social Commission for Asia and the Pacific and International Labour Office (2022). “Ensuring the right to maternity leave and maternity cash benefits in Asia and the Pacific”. ESCAP, SDD Policy Paper 2022/07.

271. United Nations Economic and Social Commission for Asia and the Pacific, Ministry of Labour and Social Protection, Mongolia and Resident Coordinator’s Office, Mongolia (2023). *Readiness to Implement the Action Plan to Strengthen Regional Cooperation on Social Protection: Mongolia*.

272. United Nations Economic and Social Commission for Asia and the Pacific and International Labour Office (2022). “Ensuring the right to maternity leave and maternity cash benefits in Asia and the Pacific”. ESCAP, SDD Policy Paper 2022/07.

273. United Nations Economic and Social Commission for Asia and the Pacific (2022). *A Three-Decade Journey Towards Inclusion: Assessing the State of Disability-Inclusive Development in Asia and the Pacific*. ESCAP, Bangkok.

274. United Nations Economic and Social Commission for Asia and the Pacific, Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs, UN RCO Georgia (2023). *Readiness to Implement Action Plan to Strengthen Regional Cooperation on Social Protection: Georgia*. ESCAP, Bangkok.

275. United Nations Economic and Social Commission for Asia and the Pacific (2022). *A Three-Decade Journey Towards Inclusion: Assessing the State of Disability-Inclusive Development in Asia and the Pacific*. ESCAP, Bangkok.

### Extend social protection to different categories of workers.

**China** introduced schemes for construction workers that has extended coverage to over 40 million workers.<sup>276</sup>

**India** has welfare schemes, including group insurance and medical benefits, that are financed by national-level Welfare Boards in sectors that have high levels of informality, such as mining, film and cinema, bidi manufacture and construction. The funds are mainly financed through a “cess tax”<sup>277</sup> levied on manufactured products or on consumption. At the provincial level, India has extended social security schemes to informal workers through its sectoral Welfare Boards.<sup>278</sup> India has also legislated the definition of gig and platform workers, their social security entitlements, as well as a financing mechanism, under its Code of Social Security (2020).<sup>279</sup>

In **Indonesia, Malaysia and Singapore**, national social security agencies have collaborated with the online ride hailing platforms to extend social protection to their drivers.<sup>280</sup>

**Türkiye** reduced informal employment from 34 per cent in 2004 to 17 per cent in 2023 in non-agriculture sectors through social protection reforms, increasing registered employment and economic growth. It has achieved this in part by providing incentives for employers to register employment, as well as by strengthening enforcement measures, primarily in the industrial sector. Procedures around employer obligations were simplified, premium incentives for employers implemented and information campaigns conducted. Cooperation protocols and data sharing between public institutions and organizations have helped identify and prevent unregistered employment through cross-auditing. Compliance and monitoring measures were also strengthened. For example, the number of local social security inspectors of the Social Security Institution was increased from 500 in 2003 to 2,500 in 2023 and the working conditions of local social security inspectors have been improved.<sup>281</sup>

**Viet Nam**’s revised social security system mandates that international migrant workers join its national insurance scheme, granting them access to various benefits, including old-age, disability and maternity coverage, previously limited to Vietnamese citizens. Workers who do not meet the qualifying conditions (e.g. 20 years of contribution) or who permanently leave Viet Nam, can opt for a lump-sum payment.<sup>282</sup>

276. International Social Security Association (ISSA) (2018). *Tongzhou Programme: The Same-Boat Programme for the Chinese Work Injury Insurance – Good practices in social security database*. ISSA, Geneva.

277. A cess tax is a tax levied for a specific purpose, such as to promote social services.

278. Poornima Chikarmane and Lakshmi Narayanan (2023). “I Will Not Auction My Back! Lessons from Maharashtra’s Welfare Boards in Financing Social Protection for Informal Workers”. WIEGO Resource Document No. 37.

279. International Social Security Association (ISSA) (2023). “Platform workers and social protection: International developments”. Published on 6 June 2023. Available at <https://www1.issa.int/analysis/platform-workers-and-social-protection-international-developments>

280. International Labour Organization, International Social Security Association, Organisation for Economic Cooperation and Development. (2023). “Providing adequate and sustainable social protection for workers in the gig and platform economy”. Technical paper prepared for the 1st meeting of the Employment Working Group under the Indian Presidency.

281. United Nations Economic and Social Commission for Asia and the Pacific, Ministry of Family and Social Services and the UN Resident Coordinator’s Office, Türkiye (2024). *Readiness to Implement Action Plan to Strengthen Regional Cooperation on Social Protection: Türkiye*. ESCAP, Bangkok.

282. International Labour Office (2021). *Extending social protection to migrant workers, refugees and their families: A guide for policymakers and practitioners*. ILO, Geneva.

### Action area 3: Institutional mechanisms

Government	
<b>Phase I</b>	<ul style="list-style-type: none"> <li>• Establish a national coordination mechanism engaging social protection right holders to coordinate, monitor and lead implementation of the social protection system, and to make necessary reforms and outline roles, responsibilities and processes across line ministries.</li> <li>• Ensure transparent and accessible redressal mechanisms, with particular focus on excluded individuals or those raising concerns over errors in the digitalized administration of benefits.</li> <li>• Conduct regular evaluations of schemes and build evidence relating to impact, including by addressing the gender dimension and different social groups.</li> <li>• Establish a clear communications strategy on social protection to disseminate information on availability of and eligibility for schemes through multiple and accessible formats.</li> <li>• Standardize social registries to enable interoperability with social protection and other administrative databases, leveraging data sharing agreements and implementing the SPIAC-B Implementation Guide on Good Practices for Ensuring Data Protection and Privacy in Social Protection Systems.</li> <li>• Introduce digital payments linked to multiple devices, such as mobile phones.</li> <li>• Establish inclusive stakeholder engagement mechanisms, including through social dialogue for all stakeholders at national and subnational levels to identify priorities and concerns of all groups and where possible leveraging digital technologies.</li> <li>• Train frontline workers to use and facilitate access to digital systems.</li> <li>• Conduct tripartite dialogue between government, employer’s organizations and worker’s organizations on potential just-transition measures.</li> <li>• Build knowledge and awareness about climate change and social protection, and advocate for stronger linkages between social protection schemes and climate change mitigation and adaptation measures.</li> <li>• Expand bank accounts for unbanked populations to facilitate payments.</li> <li>• Conduct digital and financial literacy campaigns for groups in vulnerable situations, especially for poor, women, older persons and all people in vulnerable situations, who are less likely to be able to use the financial technology in a safe way.</li> <li>• Identify ways to strengthen linkages of social protection to different kinds of social services that can complement social protection systems, such as care and support services, education, health, nutrition and employment, to reinforce development outcomes.</li> <li>• Expand digital infrastructure to make digital devices accessible to everyone.</li> </ul>
<b>Phase II</b>	<ul style="list-style-type: none"> <li>• Continue to review institutional mechanisms with a view to reducing fragmentation, consolidating schemes, and improving coordination between the different contributory and non-contributory schemes and programmes at national and provincial levels.</li> <li>• Regularly review the implementation of coordination mechanisms.</li> <li>• Conduct regular capacity-building for a) government officials to ensure up-to-date understanding of roles and responsibilities and processes and b) national statistical offices on collection, management and use of different sources of data, including crowdsourced data.</li> <li>• Conduct annual household income and expenditure surveys or conduct other surveys and make use of regular census data.</li> <li>• Conduct specialized surveys, led by national statistical offices in relation to climate change and ageing and collect data disaggregated by age, sex and disability.</li> </ul>

<b>Government</b>	
<b>Phase II</b>	<ul style="list-style-type: none"> <li>• Roll out blockchain or other technology to ensure quick, safe and reliable delivery of benefits.</li> <li>• Introduce social protection in school curricula and through e-learning platforms and promote knowledge and awareness of individuals' fundamental rights to social protection.</li> </ul>
<b>Phase III</b>	<ul style="list-style-type: none"> <li>• Leverage digital solutions to collect high-frequency big data, respecting privacy and security requirements, and monitor and evaluate policy impact on an ongoing basis.</li> <li>• Monitor and evaluate implementation of fully automated social protection systems to ensure compliance with data privacy protocols, check internal bias in AI and data management and identify and address possible exclusion errors.</li> <li>• Further consolidate partnerships with private sector entities to ensure seamless delivery of social protection, harnessing existing digital platforms and infrastructure as well as financial services.</li> </ul>
<b>Regional Bodies</b>	
<b>Phase I-III</b>	<ul style="list-style-type: none"> <li>• Establish a community of practice on effective and inclusive social protection.</li> <li>• Conduct public communication campaigns on social protection as an effective tool to build resilience, especially in the view of megatrends and build advocacy for action on these.</li> <li>• Conduct regional dialogue on social protection between governments and trade unions and civil society organizations (CSOs) through the Asia Pacific Regional CSO Engagement Mechanism, coinciding with the annual Asia-Pacific Forum on Sustainable Development and its subregional forums.</li> <li>• Institutionalize trade union representation within regional bodies, building on examples such as Association of Southeast Asian Nations–Trades Union Congress or Asia-Pacific Economic Cooperation–Trades Union Congress.</li> <li>• Conduct region-wide analysis of ways to strengthen linkages of social protection to different kinds of social services that can complement social protection systems, such as care and support services, education, health, nutrition and employment, to reinforce development outcomes.</li> <li>• Strengthen regional knowledge platforms and centres of excellence to exchange knowledge and experience both within and beyond the region, as well as with different stakeholders and other sectors, such as health and education.</li> </ul>
<b>Stakeholders</b>	
<b>Phase I-III</b>	<ul style="list-style-type: none"> <li>• Participate in stakeholder engagement exercises/events to ensure that voices are heard and needs of those left furthest behind are addressed in more inclusive social protection systems.</li> <li>• Develop, strengthen and expand innovative community-based models, such as older people's associations to raise awareness, build capacity and channel the voices of groups in vulnerable situations.</li> <li>• Establish a community of practice on effective and inclusive social protection.</li> <li>• Build knowledge and capacity of groups in vulnerable situations regarding digital technologies, including with regards to digitalized social protection systems.</li> <li>• Build knowledge and awareness about migration; especially by trade unions to identify and reach out to migrant workers on their eligibility for schemes and portability of entitlements.</li> </ul>

Stakeholders	
<b>Phase I-III</b>	<ul style="list-style-type: none"> <li>Conduct regional mapping on the role of stakeholders, such as private sector, civil society and development partners, in strengthening social protection systems as well as in contributing to regional knowledge hubs or centres of excellence for social protection with a view to strengthening collaboration, knowledge sharing and capacity development.</li> </ul>

**Examples of government actions taken to implement the above include:**

**Improving coordination and registration mechanisms.**

**Maldives** recently developed a National Social Protection Framework (NSPF) that for the first time outlined a common definition of social protection, clearly distinguishing it from other services such as active labour market policies and social services. Stating its commitment to a multi-pillared social protection system, the NSPF is an important document pointing towards strengthened coordination mechanisms and introduction of new social security schemes.<sup>283</sup>

**Pakistan's** National Database and Registration Authority (NADRA) established the Inclusive Registration Department in a concerted effort to reach unregistered individuals, particularly women, minorities and transgender persons. It established 18 female-only NADRA centres and deployed 262 mobile registration vans to serve people living in remote areas and those people unable to travel. The gender gap in registration subsequently fell by 40 per cent in targeted districts.<sup>284, 285</sup>

The **Philippines** established a clear vision for social protection with strong coordination mechanisms. The Social Development Committee–Sub-Committee on Social Protection, chaired by the Department for Social Welfare together with vice-chairs from the National Economic Development Agency and the Department of the Interior and Local Government, coordinates with multiple line ministries (one of the recent newcomers being the Climate Change Commission) and consults with civil society organizations.<sup>286</sup> In addition, integrated and cross sectoral programing will be needed to reinforce development outcomes. Social protection systems should work collaboratively with other sectors, such as urban development, water and sanitation, agriculture and transport, to develop complementary and cross sectoral outcomes. One example is the Philippines Davao Public Transport Modernization Project led by the Asian Development Bank.<sup>287, 288</sup>

**Türkiye** stands out for its e-government transformation of its contributory and non-contributory systems. Through its online interoperable information system, the Integrated Social Assistance Information System, registration processes were reduced to 1-2 minutes, from the previous 15-20 days where applicants had to obtain 17 different documents from 12 different public institutions. In parallel, the contributory system was automated to allow the Social Security Institution to collect all information about a member in one document through a centralized e-declaration system, which is shared with the Revenue Administration. This has not only reduced time and resources in administering data but has also increased awareness among members about their entitlements and eligibility for benefits. Currently, these services are among the most used in the e-government system.<sup>289</sup>

283. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), Ministry of Gender, Family and Social Services and United Nations Resident Coordinator's Office, Maldives (2023). *Readiness to Implement Action Plan to Strengthen Regional Cooperation: Maldives*. ESCAP, Bangkok.

284. Lucia Hanmer and Marina Elefante (2019). *Achieving Universal to ID: Gender-based Legal Barriers Against Women and Good Practice Reforms*. World Bank, Washington, DC.

285. Daniel Tost. "Pakistan to launch digital ID wallet this year", 8 March 2022. Global Government Fintech.

286. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2023). *Readiness to Implement Action Plan to Strengthen Regional Cooperation: Philippines*. ESCAP, Bangkok.

287. Asian Development Bank (2022). "Philippines: Davao Public Transport Modernization Project". Available at <https://www.adb.org/sites/default/files/linked-documents/45296-006-ld-02.pdf>.

288. Asian Development Bank (2022). *Social Protection Directional Guide 2022–2030: Toward Inclusive and Resilient Social Protection*.

289. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), Ministry of Family and Social Services and the United Nations Resident Coordinator's Office, Türkiye. (2024). *Readiness to Implement Action Plan to Strengthen Regional Cooperation on Social Protection: Türkiye*. ESCAP, Bangkok.



### Roll-out digital payment systems.

In **Bangladesh**, digital payment of individuals ahead of disasters has resulted in better childhood food security, more efficient and successful evacuations, and has helped households avoid falling into debt due to disasters.<sup>290</sup>

The **Philippines, Myanmar** and **Malaysia** have collaborated with online platform companies, such as GCash, Wave Money and GrabPay, to route digital payment services through these platforms.<sup>291, 292</sup>

The region has a longstanding history of using social protection measures to address large-scale shocks. Examples of rapid and slow onset shocks addressed through social protection systems include typhoons and cyclones (Indonesia, India, Fiji and the Philippines), floods (Pakistan, India, Nepal, Cambodia, Sri Lanka and Bangladesh), earthquakes (Nepal, Kyrgyzstan, Bhutan and Tajikistan), rising sea levels (Fiji and Samoa), the displacement of conflict-affected populations (Afghanistan and Myanmar), and more recently COVID-19, with almost all Asia-Pacific countries using social protection as part of their response strategies.

Adaptive and shock-responsive social protection strategies and frameworks exist in an increasing number of countries, including Cambodia, Fiji and the Philippines. Lao People's Democratic Republic, Samoa and Timor-Leste also have policies that reference shock responsive social protection and have experience implementing emergency cash transfers. Several prominent regional frameworks, including ASEAN's Guidelines on Disaster Responsive Social Protection, anchor the concept of adaptive and shock responsiveness in regional policy dialogues.

### Implement social protection measures to support climate change mitigation.

**China** implemented environmental policy reforms prompted by severe drought and floods in the late 1990s. The reforms included a ban on logging. Nearly 1 million state forest workers lost their jobs. In response to the socioeconomic consequences, the Ministry of Human Resources and Social Security introduced measures to mitigate the effects on affected workers. Older workers were offered early retirement, while younger ones could opt for education and training programmes and were supported in finding employment elsewhere. By 2010, 276,000 people had found new jobs, 100,000 received unemployment support, and others benefited from additional social measures.<sup>293</sup>

### Implement social protection measures to support climate change adaptation.

**Thailand's** Green-Agri Project complements the national cash transfer initiative by offering payments contingent on sustained adoption of eco-friendly agricultural practices. In South and South-East Asia, the Rewarding the Upland Poor for Environmental Service (RUPES) subregional initiative integrates environmental service rewards into development programmes to alleviate rural poverty and safeguard nature. The pilot phase (2002–2007) spanned six sites in Indonesia, the Philippines and Nepal. The programme expanded lessons from the pilot sites, encompassing 16 sites across China, India, Viet Nam and other countries.<sup>294</sup> Other examples include India's Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which combines poverty reduction and ecosystem conservation within a broader social protection framework.<sup>295</sup>

290. Anir Chowdhury, Cina Lawson, Elizabeth Kellison, Han Sheng Chia, Homi Kharas, Jacquelline Fuller, Michael Faye, Michal Rutkowski, Rodrigo Salvado, Stefan Dercon (2022). *Accelerating digital cash transfers to the world's poorest*. Brookings.

291. Michal Rutkowski, Alfonso Garcia, Mora Greta, L. Bull, Boutheina Guermez, Caren Grown. "Responding to crisis with digital payments for social protection: Short-term measures with long-term benefits". World Bank. Blog post released on 31 March 2020. Available at <https://blogs.worldbank.org/voices/responding-crisis-digital-payments-social-protection-short-term-measures-long-term-benefits>

292. S Davidovic, S. Nunhuck, D. Prady, H. Tourpe (2020). "Beyond the COVID-19 Crisis: A Framework for Sustainable Government-To-Person Mobile Money Transfers". IMF Working Paper no. 20/198. International Monetary Fund, Washington, DC.

293. J.-L. Lambeau, S. Urban (2022). *Social Protection and Climate Change*. The role of Social Insurance. Geneva, ILO.

294. B. Leimona, R. Finlayson, C. Wijaya, A. Prawisuda, C. Duque Pinon, V.B Dam, and R. Pasha (2013). *Rewards for, Use of, and shared investment in, Pro-poor Environmental Services schemes* (RUPES). Phase Two (Bogor, Indonesia, World Agroforestry Centre (ICRAF) Southeast Asia Regional Program).

295. International Labour Office (2016). "Protecting people and the environment: lessons learnt from Brazil's Bolsa Verde, China, Costa Rica, Ecuador, Mexico, South Africa and 56 other experiences". ESS – Extension of Social Security Working Paper Series. ILO, Geneva.

### Outline climate resilient social protection in Nationally Determined Contributions.

A number of governments recognize the importance of social protection in the context of climate change mitigation in their NDCs, including Cambodia (2020), Indonesia (2022), Myanmar (2021), Mongolia (2020), Nepal (2020), Pakistan (2021), Sri Lanka (2021), Timor-Leste (2022) and Viet Nam (2022).<sup>296</sup>

#### Action area 4: Financing

Government	
<b>Phase I</b>	<ul style="list-style-type: none"> <li>• Conduct regular actuarial review and costing of social protection schemes and programmes.</li> <li>• Carry out participatory social and gender-budgeting analysis.</li> <li>• Strengthen capacity of social protection staff, number of staff, resources (including of tax authorities) and build knowledge and capacity in areas such as principles of good budgeting, performance-based budgeting, social and gender budgeting.</li> <li>• Strengthen capacity of social protection and climate change officials to formulate investment proposals on climate resilient social protection.</li> <li>• Initiate tax reform to strengthen the resource base for social protection expenditures, exploring the feasibility of new progressive taxation mechanisms and identifying enforcement measures.</li> <li>• Publicize annual budget details on related social protection policies at different levels to promote right holders’ active and meaningful participation.</li> <li>• Increasingly invest in public basic social services, to make them available, adequate, accessible, affordable, and gender friendly.</li> <li>• Monitor austerity measures to ensure that inclusive social protection policy interventions are sustained and implement course corrections upon evidence of exclusion.</li> </ul>
<b>Phase II</b>	<ul style="list-style-type: none"> <li>• Progressively increase public expenditure on social protection.</li> <li>• Implement tax reform, including innovative elements, such as national tax on polluting industries, or wealth taxes.</li> <li>• Shift away from non pro-poor policies such as fossil fuel subsidies or electricity subsidies and reallocate resources.</li> <li>• Leverage external funding sources from climate funds to fund social protection.</li> <li>• Ensure accountability and transparency of budgets.</li> <li>• Build a dedicated website to track social protection spending.</li> </ul>
<b>Phase III</b>	<ul style="list-style-type: none"> <li>• In view of current gaps and rising costs due to various megatrends (e.g. climate change), achieve an average public expenditure of at least 14 per cent of GDP on social protection (OECD average in 2024) by 2040.</li> <li>• Improve Public Finance Management systems, in particular to ensure that clear budget lines are assigned to the relevant authorities for expenditure monitoring, and that overall state budgeting processes are clear and inclusive (and offer space for dialogue).</li> <li>• Building fiscal buffers during the good times as contingency during fiscal and economic shocks.</li> </ul>

296. UNFCCC NDC Registry (<https://unfccc.int/NDCREG>)

Regional Bodies	
Phase I-III	<ul style="list-style-type: none"> <li>• Support actuarial valuations and costing studies/assessments, including by providing guidance on international social security standards and principles.</li> <li>• Support budget and fiscal analysis and studies with a view to creating fiscal space for social protection.</li> <li>• Raise awareness about social protection, its economic multiplier effects and positive socioeconomic impact.</li> <li>• Provide capacity-building on social protection financing, budgeting and actuarial assessments/costing.</li> </ul>
Stakeholders	
Phase I-III	<ul style="list-style-type: none"> <li>• Support budget reviews and organize stakeholder meetings on issues related to budgets, actuarial reviews, etc., to improve transparency in national budgets.</li> <li>• Organize awareness raising and capacity-building on performance, social and gender budgeting, actuarial reviews and costing of social protection programmes.</li> </ul>

### Examples of government actions taken to implement the above include:

#### Reallocate public expenditure.

In the late 1990s, **Indonesia** reprioritized fuel subsidies in favour of extending social services, including educational assistance and healthcare.<sup>297</sup>

**Thailand** similarly reallocated military expenditure in favour of its universal healthcare scheme following the Asian financial crisis in 1997.<sup>298</sup>

#### Raise tax revenue.

The **Philippines** implemented tobacco and alcohol tax reforms in 2012, earmarking a significant part of the revenues to finance healthcare for the poor.<sup>299</sup>

**Kyrgyzstan** increased its tax revenues from value-added tax by 2 percentage points between 2020 and 2021, mainly through improvements in administration and through digitalization, such as e-invoicing and e-filing.<sup>300</sup>

**Cambodia** has implemented various administrative and regulatory reforms, including the digitalization of tax services, increasing tax revenue by 11 percentage points between 2010 and 2021.<sup>301</sup>

#### Tax natural resources or extractive industries.

The Government of **Mongolia** raised its revenue from the taxation of companies engaged in natural resource extraction and directed these funds to social protection programmes, in particular to its Universal Child Money Programme.<sup>302</sup>

297. International Labour Office (2016). "Indonesia: Financing social protection through contributions and the removal of fuel subsidy". Social Protection in Action Country Brief. ILO, Geneva.

298. F. Duran-Valverde and J. F. Pacheco, (2012). "Fiscal space and the extension of social protection: Lessons from developing countries". Extension of Social Security (ESS) Paper No. 33. Geneva.

299. World Health Organization (2014). *Raising tax on tobacco – What you need to know*. Geneva.

300. Organisation for Economic Co-operation and Development (OECD) (2023). *Revenue Statistics in Asia and the Pacific 2023: Strengthening Property Taxation in Asia*. OECD Publishing, Paris. Available at: <https://doi.org/10.1787/e7ea496f-en>.

301. Ibid.

302. International Labour Office (2016). *Mongolia: Financing Social Protection through Taxation of Natural Resources*. Social Protection in Action: Building Social Protection Floors, August 2016.

### Increasing contributory coverage.

**Mongolia** has increased its contributory revenue by 7.2 percentage points since 2010 through the extension of contributory coverage, with the share of tax revenue from social security funds now totaling 20.3 per cent of total government revenue.<sup>303</sup>

**Viet Nam** has increased its revenue share from social security contributions by 2.1 percentage points since 2010, gradually expanding contributory coverage from 23 per cent in 2015 to 38 per cent in 2023.<sup>304</sup>

### Introduce multilateral climate funds.<sup>305</sup>

**Global Environment Facility (GEF):** The GEF Trust Fund's seventh replenishment funded social protection projects for mitigation efforts in **Mongolia** in 2022. Project activities included the creation of green jobs and encouraging the shift to a green economy taking local labour dynamics and loss or disruption of employment due to the net-zero transition into account.

**Adaptation Fund (AF):** The AF has a diverse portfolio of social protection-related projects. The projects range from implementing adaptation options like reinforcing infrastructure with the latest materials to capacity-building and the application of nature-based solutions. The fund supported **Kyrgyzstan** in education, agriculture and disaster risk reduction.

**Green Climate Fund (GCF):** The GCF funded flood mitigation measures and ecosystem solutions in the Vaisigano River Catchment in **Samoa**, providing cash-for-work options for flood-related catchment rehabilitation (anti-erosive measures, landscaping options). In the **Philippines**, the fund aims to reduce the exposure of vulnerable communities to climate-induced hazards, strengthening their absorptive and adaptive capacities to better manage or adapt to climate shocks, including through shock-responsive social protection.

303. Organisation for Economic Co-operation and Development (OECD) (2023). *Revenue Statistics in Asia and the Pacific 2023: Strengthening Property Taxation in Asia*. OECD Publishing, Paris. Available at: <https://doi.org/10.1787/e7ea496f-en>.

304. International Labour Office (2023). *Multi-tier pensions in Viet Nam: Features and Option*. ILO, Geneva. Available at: <https://www.social-protection.org/gimi/gess/Media.action?id=19198>

305. R. Hopper, M. Hurworth, Z. Lowndes-Bull (2024). "The Realities of Climate Finance for Social Protection". Social Protection Technical Assistance, Advice and Resources (STAAR) Facility, DAI Global UK Ltd, United Kingdom.



# Chapter 5

## Cost of action and financing social protection



## Main Messages

**Up to 266 million additional people could fall into poverty by 2040** under a worst-case scenario due to multi-hazard risks induced by climate change, lack of policy response to demographic transition, including ageing, and insufficient adaptation to digital technologies. The cost of reversing this increase in poverty in 2040 is estimated to be between 6 and 9 per cent of GDP, which is much higher than the cost of acting today.

**Introducing universal non-contributory social protection schemes today would help offset the worst-case scenario and pave the way for a more positive future.** The associated cost would be on average 3.3 per cent of GDP in 2030.

**Public spending on social protection is a solid investment in people and delivers high returns.** However, such spending depends on the political will to invest into social protection policies.

**One third of countries with data in Asia and the Pacific spend less than 2 per cent of GDP on social protection.** Expanding fiscal capacity through better and more efficient and effective tax systems, the expansion of contributory schemes, reallocation of public expenditure and exploring synergies with new forms of climate related financing frameworks can fund social protection and address remaining financing gaps.



## 5.1 The price of inaction is high

**Future proofing social protection requires an understanding of how much it will cost and how it can be sustainably financed.** This is especially important when public budgets are severely constrained, including because of indebtedness. In developing countries, total public debt almost doubled from 2010 to 2022, leading to substantial increases in interest payments.<sup>306</sup> In Asia and the Pacific, the average general gross government debt as a percentage of GDP is projected to reach 94 per cent in 2024, higher than in any other developing region.<sup>307</sup>

**Countries will pay a high price in the form of rising poverty amid megatrends until 2040 if spending on social protection is not increased.** A model was used to develop scenarios associated with climate change, demographic shifts, including ageing, and digitalization and then come up with estimates of poverty in 2040 and how much spending on social protection would have to increase by then to counter that poverty (see figures below). Table 5.1 summarizes the scenarios and the transmission mechanisms (chain of developments) used to estimate changes in poverty at the respective national poverty lines and the need for spending.<sup>308, 309</sup>

**Because the three megatrends are acting at the same time, a combination of scenarios is used to estimate the potential rise in poverty.** Two combined scenarios are considered—an optimistic scenario with 1.5-degree Celsius warming, healthy ageing by 2040 and significant improvement in ICT productive capacity; and a pessimistic scenario with 2-degree Celsius warming, no healthy ageing and insufficient improvement in ICT productive capacity. The impact is much worse under the pessimistic scenario. The poverty headcount could increase by more than 15 percentage points relative to baseline in Kiribati, Nepal and Tonga, and by up to almost 5 percentage points in Bhutan, Georgia, Sri Lanka, Viet Nam and Türkiye (figure 5.1). Notably, the difference between the scenarios is relatively large in Armenia, Maldives, Mongolia and Thailand. The number of poor people in Asia and the Pacific in 2040 under the optimistic scenario would increase by 199.8 million, or 6.5 per cent of the total population. The number of poor people in 2040 under the pessimistic scenario would increase by 266.1 million, or 8.7 per cent of the total population.<sup>310</sup>

306. United Nations Conference on Trade and Development (UNCTAD) (2023). *Growth, Debt and Climate: Realigning the Global Financial Architecture. Trade and Development Report*. UNCTAD, Geneva.

307. International Monetary Fund (2024). *World Economic Outlook: Steady but slow: Resilience amid divergence*. IMF, Washington, D.C.

308. Global static comparative multisector computable general equilibrium (GTAP) model linked to household data from 27 countries in Asia and the Pacific. See the appendix.

309. Linkages to household level micro data allow the model to capture variation between households in terms of skilled workforce. This helps reveal how negative income effects of global megatrends are transmitted differently across households. An important drawback of this model is that it does not focus on household consumption across the entire welfare distribution and therefore misses the impacts on the living standards among the rest of the population. However, the model captures transitions to poverty among the near poor who live right above national poverty lines.

310. Further research is needed to improve the point estimates on the cost of inaction in the form of increased poverty. To the author's knowledge, there are no methodologically comparable studies that use nationally representative household surveys to estimate changes in poverty in Asia and the Pacific in 2040. A recent and relevant study by the World Bank (2020) predicted an additional 43.2 million to fall under extreme poverty in South Asia by 2030 due to climate change alone. For more details, see Jafino et al. (2024). The results presented in this chapter are based on national poverty lines which are much higher than extreme poverty line at \$2.15 per day. Overall, the results should be taken as indicative evidence given the intrinsic difficulties of macroeconomic models that incorporate climate change.

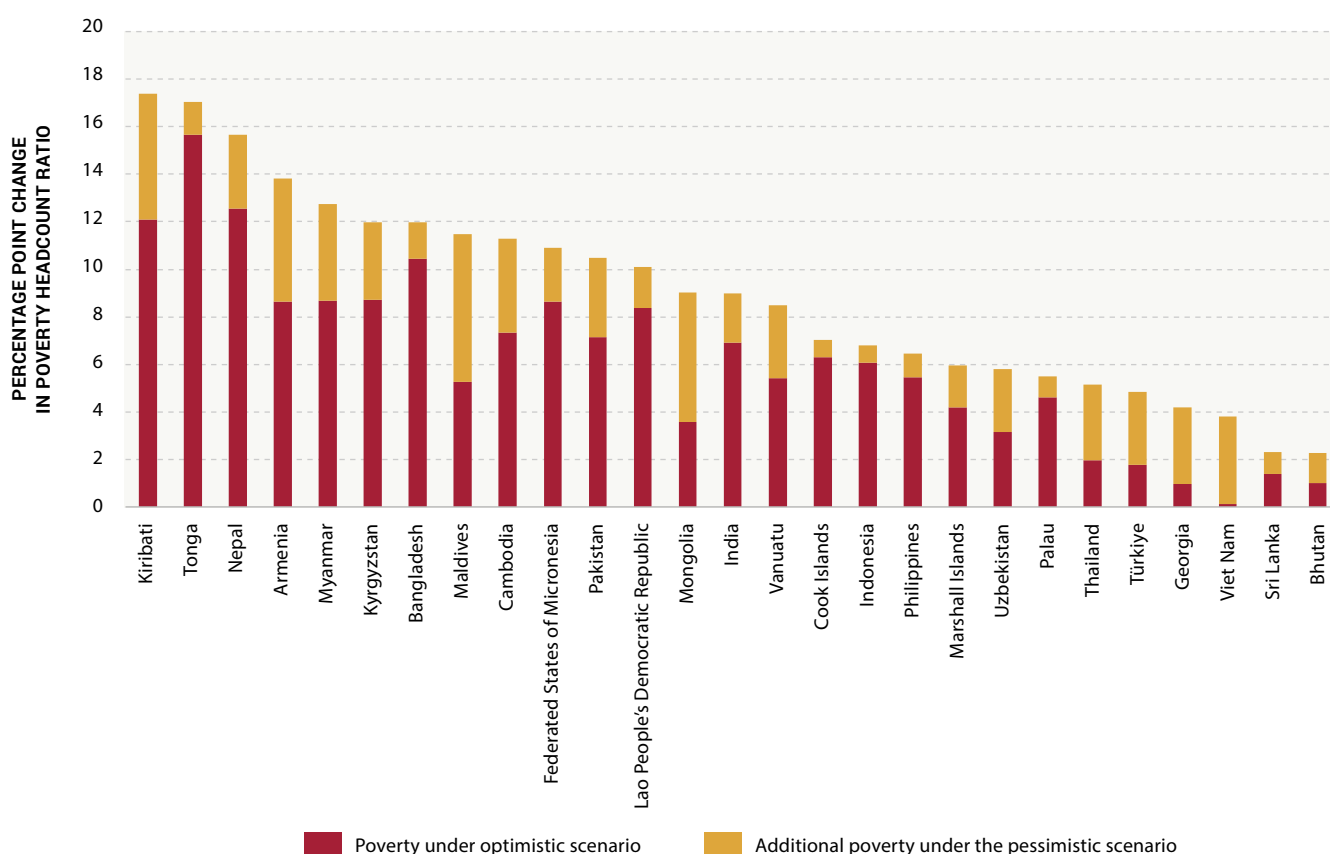


TABLE 5.1 Three scenarios to estimate changes in poverty

Megatrend	Scenarios	Transmission mechanisms
Climate change	<ol style="list-style-type: none"> <li><b>Optimistic:</b> Global average temperatures rise by 1.5 degrees Celsius as of 2040.</li> <li><b>Pessimistic:</b> Global temperatures rise by 2 degrees Celsius as of 2040.</li> </ol>	<b>Capital productivity:</b> A negative shock is imposed on the parameter of productivity of capital stock in GTAP model to generate a similar decrease in annual average loss as percentage of GDP anticipated due to global warming.
Demographic shifts, including ageing	<ol style="list-style-type: none"> <li><b>Optimistic:</b> Populations age in a healthy manner from 2020 to 2040 implying a relatively modest increase in total healthcare expenditures, taking into account pace of ageing and adjusting for healthy ageing.</li> <li><b>Pessimistic:</b> Populations age in an unhealthy manner from 2020 to 2040 implying a significant increase in total healthcare expenditures, taking into account pace of ageing with no healthy ageing adjustment.</li> </ol>	<b>Labour productivity:</b> As the economies experience a rise in the aged population and a declining demographic dividend and if the health sector is not developed, then both the aged population and young population become deprived of critical health services, which undermines the improvement in labour productivity and thus results in loss in GDP. The difference in expenditures with and without healthy ageing is treated as the percentage of GDP which would be lost in 2040 if current healthcare expenditures were not raised to levels sufficient to meet the demand for health services expected in 2040.
Digitalization	<ol style="list-style-type: none"> <li><b>Optimistic:</b> Countries improve significantly their productive capacity in ICT (ICT Productive Capacity Index level) catching up to the regional average at least. This contributes to faster economic growth and higher incomes.</li> <li><b>Pessimistic:</b> Countries improve their productive capacity in ICT (ICT Productive Capacity Index level) in line with their recent trends which leads to limited positive impact of digitalization on economic growth and higher incomes.</li> </ol>	<b>Capital and labour productivity:</b> The loss in GDP under this scenario is driven by the lower level of productivity in labour and capital. The rationale behind this assumption is operationalized with cross-country growth regressions where high ICT capacity predicts higher income. When countries do not improve their ICT capacity relative to a benchmark, they fall short in raising their per capita income. The productivity parameters of labour and capital in the GTAP model are negatively shocked causing a decline to the extent that the loss in GDP from the GTAP model matches the calculated loss in GDP from the cross-country regressions.

**Sources:** Climate change scenario relies on estimates of annual average loss as a percentage of GDP from the ESCAP Asia-Pacific Risk and Resilience Platform accessed on 27 March 2024. Demographic shifts scenario relies on ESCAP projections on healthcare expenditures with or without healthy ageing as elaborated in ESCAP (2022). The digitalization scenario relies on Productive Capacities Index, specifically its information and communication technology (ICT) component accessed on 27 March 2024, developed by United Nations Conference on Trade and Development. For technical details on data and methodology behind the GTAP (global static comparative multisector computable general equilibrium) model estimates, please see the technical appendix and the ESCAP SDD Working Paper: Selim Raihan (forthcoming). Cost of Inaction on Social Protection in Asia and the Pacific: A CGE Model for 27 Countries. ESCAP SDD Working Paper Series. ESCAP, Bangkok.

FIGURE 5.1 Change in poverty headcount in Asia and the Pacific amid three megatrends by 2040



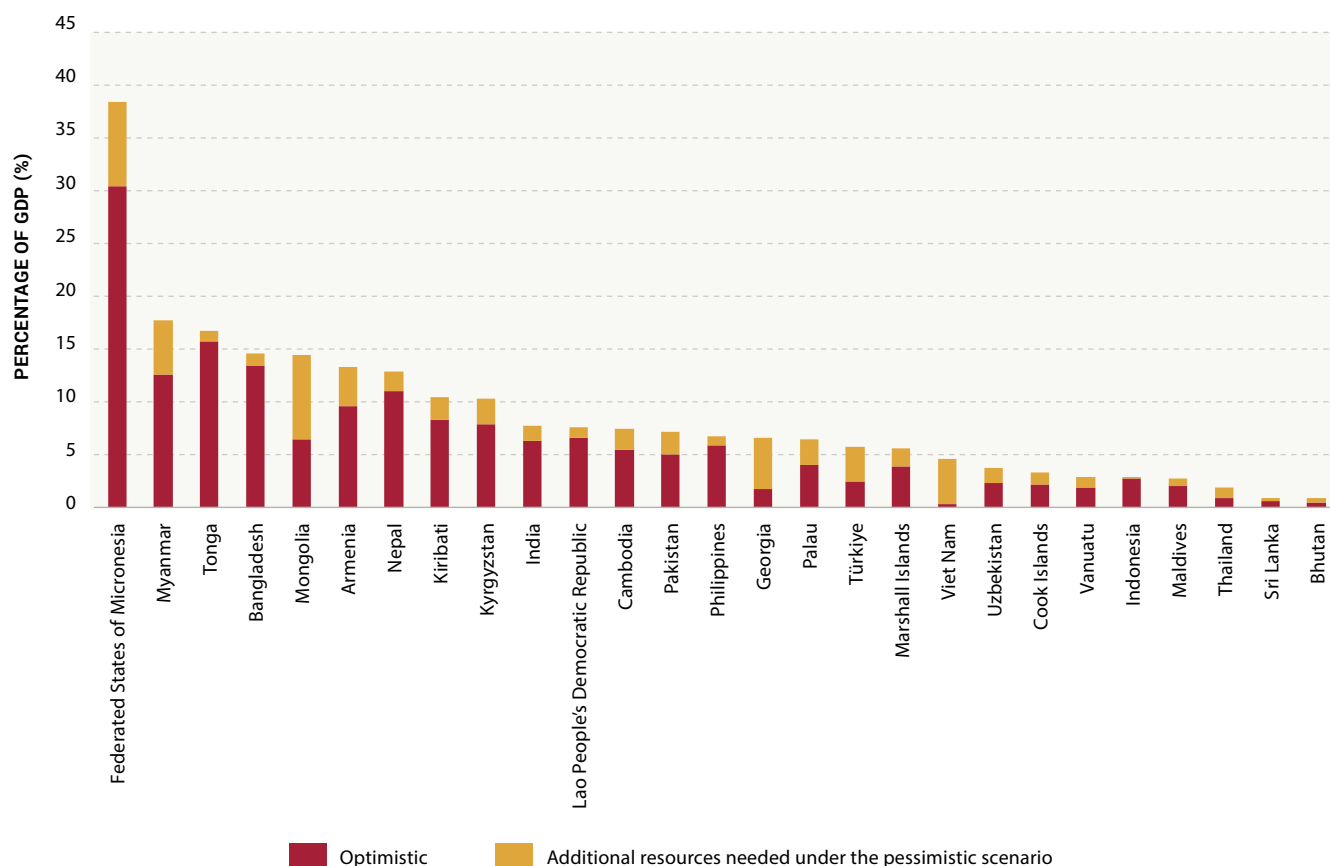
Source: ESCAP elaborations based on GTAP model and household income and expenditure surveys from 27 countries available in ESCAP SPOT Simulator. Note: As per table 5.1, three global megatrends including climate change, demographic shifts, including ageing, and digitalization are introduced in the GTAP model as shocks. The pessimistic scenario presumes a 2-degree Celsius rise in temperature, populations ageing in an unhealthy manner and countries slowly improving their ICT Productive Capacity. The optimistic scenario presumes a 1.5-degree Celsius rise in temperature, populations ageing in a healthy manner with less health expenditures needed and countries making significant improvements in their ICT Productive Capacity.

**The regional average increase in poverty between the optimistic and pessimistic scenario is 2.8 percentage points, largely driven by climate change, which means that large increases in poverty are expected even with the lesser 1.5-degree Celsius warming.** The difference between the 1.5-degree and 2.0-degree scenarios on average is less than half a percentage point of GDP, indicating that 1.5-degrees of warming, which is likely to be exceeded by 2040, is sufficient to cause significant damage to economies and people. The rise in poverty due to ageing, with and without healthy ageing, is also significant. An additional 10 million people could be pushed into poverty due to the projected rise in total healthcare expenditures in the absence of healthy ageing, notably in Armenia, Kiribati, Maldives and Mongolia. Digitalization has the lowest simulated impact overall, but in some countries, such as Türkiye, Viet Nam and Vanuatu,

digitalization is relatively more important factor than other megatrends in creating the difference in projected poverty rates between the optimistic and pessimistic scenarios. Larger increases in poverty are also found in countries where there are sizeable groups of households that are just above the national poverty line. Negative shocks push them immediately into poverty. It should be noted that the results pertain to transitions into poverty and do not reflect the duration of time spent in poverty, which is likely to be longer for the poorest and the most vulnerable.

**If social protection expenditures do not increase drastically between 2024 and 2040, substantial additional resources will be needed to mitigate the combined negative effects of the three megatrends.** On average, 6.2 per cent and 8.7 per cent of GDP will need to be mobilized and transferred to affected

FIGURE 5.2 Percentage of GDP needed in 2040 to mitigate the combined negative effects of the three megatrends



Source: ESCAP elaborations based on GTAP model and household income and expenditure surveys from 24 countries available in ESCAP SPOT Simulator.  
 Note: As per table 5.1, three global megatrends including climate change, demographic shifts, including ageing, and digitalization are introduced in the GTAP model as shocks. The pessimistic scenario presumes a 2-degree Celsius rise in temperature, populations ageing in an unhealthy manner and countries slowly improving their ICT Productive Capacity. The optimistic scenario presumes a 1.5-degree Celsius rise in temperature, populations ageing in a healthy manner with less health expenditures needed and countries making significant improvements in their ICT Productive Capacity.

households if governments are to lift households out of poverty under the optimistic and pessimistic scenarios, respectively (figure 5.2).<sup>311</sup>

In most cases, the cost associated with mitigating the pessimistic scenario is only marginally higher than the optimistic scenario.<sup>312</sup> Smaller expenditures would be needed in Thailand, Sri Lanka and Bhutan, which partly reflects their resilience to the negative income shocks described in the GTAP model. This result can also partly be explained by the variation observed in the poverty gap across countries. In countries where many poor people are far below the national poverty line, expenditures would have to rise significantly to bring them out of poverty.

Consequently, the expected price of inaction by 2040 is substantial in many countries both in terms of increased poverty and the resources needed to mitigate rising poverty. Ideally, governments would take requisite action in line with the Progressive Scenario elaborated in chapter 4 to improve their social protection systems with adequate funding as early as possible so that substantial costs in the future are avoided.

311. These estimates assume perfect targeting of transfers to all households under national poverty line. In reality, perfect targeting does not exist. Therefore, universal benefits would be needed to ensure that no affected household is left behind.

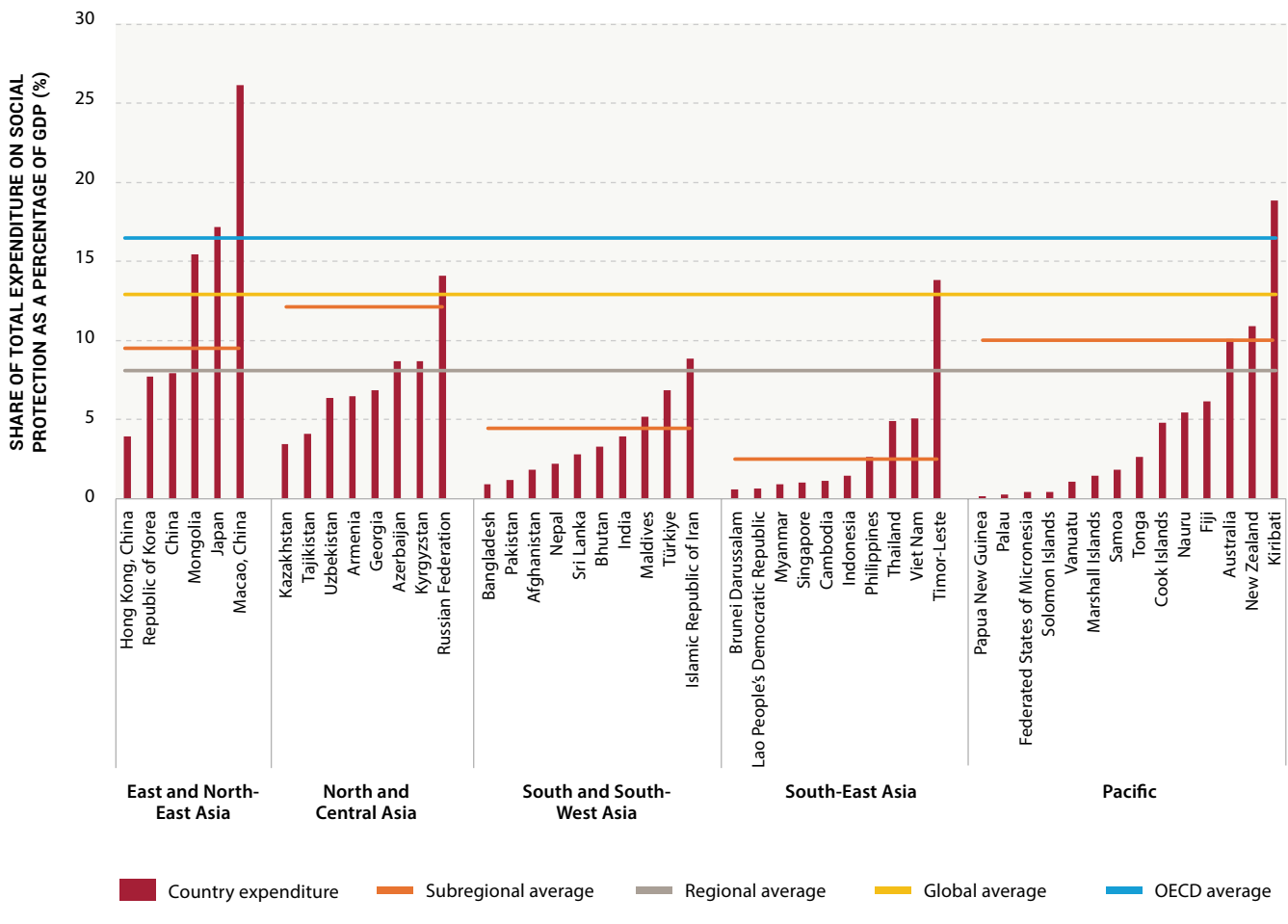
312. The resources required is substantial in the Federated States of Micronesia, which is partly due to survey year being old from 2013.

## 5.2 Cost of action is within reach

Despite strong evidence that social protection is a key driver of inclusive socioeconomic development, countries in Asia and the Pacific on average spend only 8.2 per cent of GDP on social protection, compared to the global average of 12.9 per cent (2024).<sup>313</sup> One-third of countries in the region—mostly in the Pacific and South-East Asia—spend less than 2 per cent of GDP on social protection (figure 5.3). About two-thirds of existing spending on social protection relates to schemes for older persons. Estimating the

cost of action in support of the progressive scenario elaborated in chapter 4 requires complex models that account for contributory and non-contributory social protection schemes in a country-specific manner. This section provides a lower bound estimate by focusing only on a combination of non-contributory social protection schemes that would guarantee a minimum income for most people across the life cycle. These are lower bound estimates because they do not take into account action taken by countries in contributory social protection schemes.

FIGURE 5.3 Low spending on social protection across Asia and the Pacific



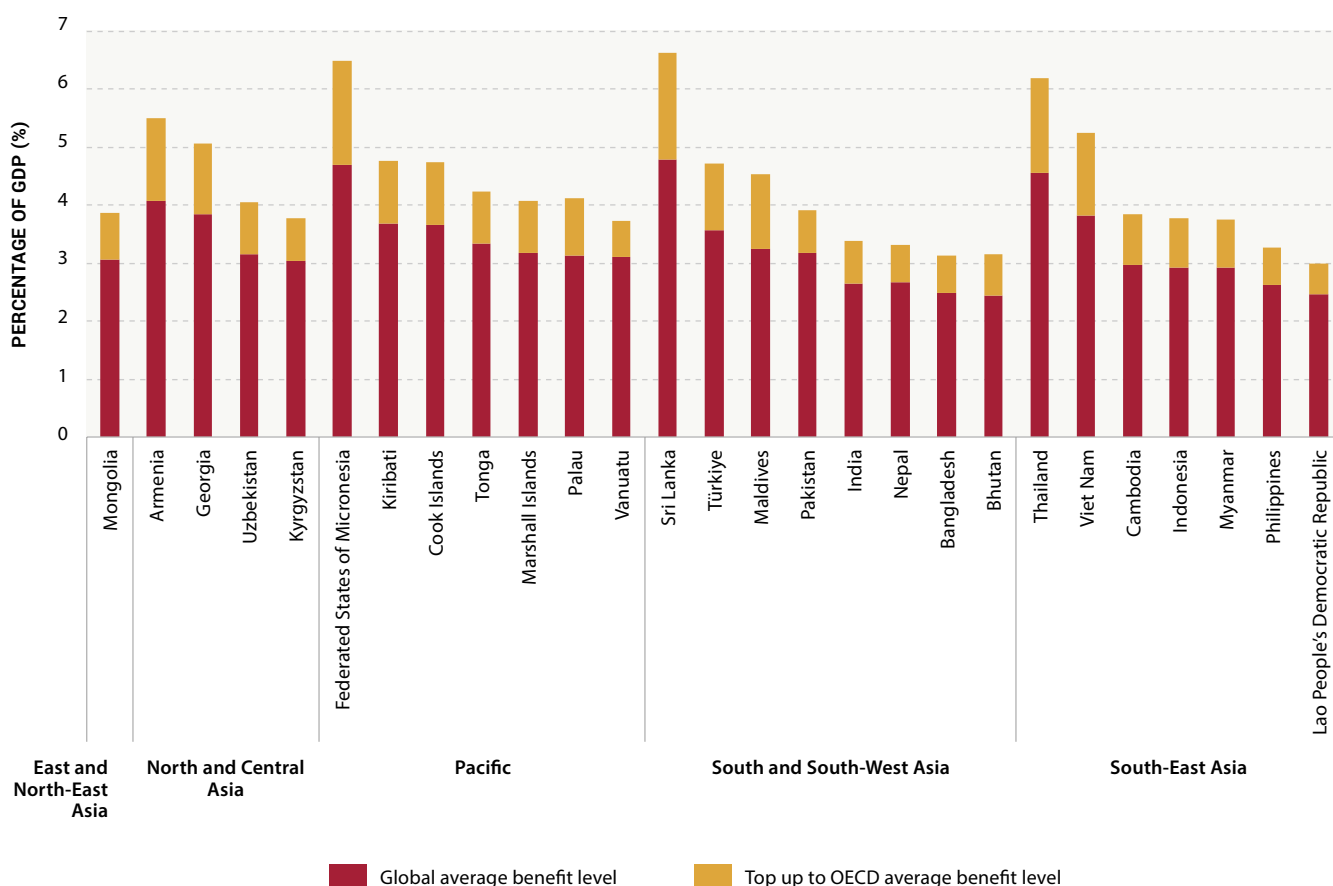
Source: ILO estimates, 2024; World Social Protection Database, based on the Social Security Inquiry; ISSA Social Security Programs Throughout the World; ILOSTAT; national sources.

313. International Labour Office (ILO) (2024). *World Social Protection Report 2024*. ILO, Geneva.

**Were countries to introduce a combination of only non-contributory universal social protection schemes—child, maternity, disability and old age benefits—in addition to their existing non-contributory schemes, the cost would be relatively low.** Figure 5.4 shows the cost of these universal schemes at the global and OECD average benefit levels. Overall, introducing a combination of universal non-contributory social protection schemes is usually not very costly. On average, providing these schemes at the global average benefit levels would cost 3.3 per cent of GDP in 2030. Providing more generous benefits, at the OECD average benefit levels, would increase the average cost to 4.3

per cent of GDP. Only in a few countries, such as Sri Lanka and Federated States of Micronesia, would the total cost of non-contributory schemes reach beyond 4.5 per cent of GDP. These figures demonstrate that the implementation of universal benefits is not out of reach, since most countries already spend over 2 per cent of GDP on social protection, although the composition and efficiency of their spending is different than the hypothetical scenario elaborated here. At the same time, for one third of countries spending less than 2 per cent of GDP on social protection, this lower bound estimate is still a large cost to be financed.

FIGURE 5.4 Simulated cost of introducing universal social protection benefits in Asia and the Pacific



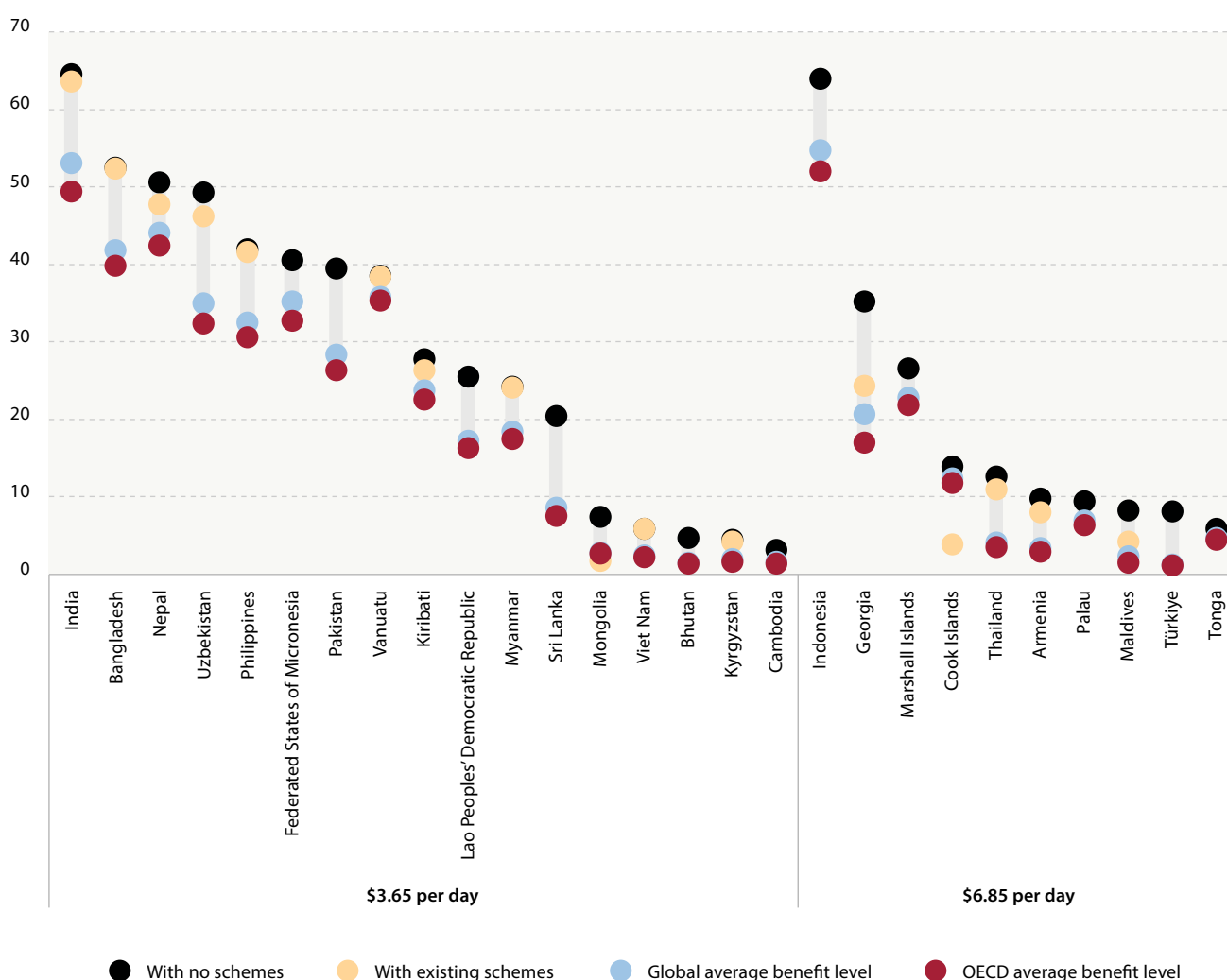
Source: ESCAP elaboration based on ESCAP SPOT Simulator (2024). Available at <https://spot.unescap.org/simulator> (accessed in May 2024).

Note: The cost of introducing a combination of universal child, maternity, disability and old-age benefits are presented for 27 countries with available household income and expenditure survey data. The global average benefit levels correspond to (i) 4 per cent of per capita GDP for child benefits, (ii) 14 per cent of per capita GDP for disability benefits, (iii) 15 per cent of per capita GDP for maternity benefits (for the duration of 18 weeks) and (iv) 16 per cent of per capita GDP for old age pensions. The OECD average benefit level is the same for child benefits while the benefit levels for disability, maternity and old age benefits correspond to 23, 23 and 22 per cent of per capita GDP, respectively. Maternity benefits are provided for 24 weeks.

**Introducing these universal schemes even at the global average benefit levels would have significant positive impacts on poverty and inequality.** On average, 85 per cent of the population in the 27 countries looked at would be covered by at least one social protection scheme and help countries advance on SDG 1.3.<sup>314</sup> This would provide a significant relief from the ongoing cost-of-living crisis, especially for the poorest households, for whom total household expenditures would increase by an average of 39 per cent. While these universal schemes would not alter consumption-

based inequality drastically, they would lead to major reductions in poverty rates. Figure 5.5 shows poverty rates across 27 countries—for no schemes, existing schemes and simulated schemes at the global and OECD average benefit levels. Relative to the no-scheme scenario (black dot), universal non-contributory social protection schemes even at the global average benefit levels (light blue dot) are estimated to reduce poverty by over one-third on average. In nine countries, poverty would decrease by more than half.

**FIGURE 5.5 Simulated impact of various levels of social protection benefits on poverty rates using international poverty lines**



Source: ESCAP SPOT Simulator (2024). Available at <https://spot.unescap.org/simulator> (accessed on 22 May 2024).

Note: The impact of introducing universal child, maternity, disability and old-age benefits are presented for 27 countries with available household income and expenditure survey data from 2011-2022. The standard poverty lines for lower-middle-income and upper-middle-income countries may be considered low in the context of the cost-of-living crisis. Increasing the poverty lines would lead to higher poverty reduction impact of universal social protection schemes.

314. The indicator SDG 1.3.1 measures the proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work-injury victims, and the poor and the vulnerable.

Figure 5.5 also demonstrates that existing schemes are in general not performing well with respect to poverty reduction. The estimated difference between poverty rates with no schemes (black dot) and with existing schemes (yellow dot) is minimal in most cases, the exceptions being Cook Islands, Georgia, Maldives and Mongolia where inclusive and adequate social protection schemes have been implemented. In the remaining countries, existing schemes are estimated to decrease poverty by less than 5 per cent, on average. This can partly be explained by the few number of universal and comprehensive social protection schemes. As appealing as poverty-targeted schemes may be from a cost perspective, the exclusions they cause, as emphasized in chapter 3, inevitably work against their poverty reduction objectives. The exceptions mentioned earlier partly corroborate this result. With their relatively strong social protection schemes, including universal benefits and in terms of adequacy of benefits, Cook Islands, Georgia, Maldives and Mongolia achieved poverty reduction rates on average 10 times higher than the other 23 countries.

### 5.3 Financing social protection

**A wide range of financing sources exists to broaden fiscal capacity and generate funds for social investment, even in the world's poorest countries.**<sup>315</sup>

In counterpoint to arguments that social protection is not financially viable or that budgetary reductions are an inescapable consequence during periods of adjustment and budgetary stress, this section outlines core and alternative financing options, including financing instruments that can be explored in the context of climate change and disasters, to address the critical financing gaps in social protection.

**Affordability of comprehensive social protection systems depends on a society's willingness to redistribute and finance social protection policies through taxes, contributions and other sources, and the political will of governments.**<sup>316</sup> Thus, to successfully tap into the financing sources described in the following sections depends on a government's ability to garner public support for social policy initiatives and on people's trust in their governments and the respective systems.<sup>317</sup> Societies that have a shared understanding of social justice, solidarity and fairness will find it easier to scale up investments in public goods, including social protection. Yet, such a culture of social justice, solidarity and fairness needs to be nurtured. Social protection itself is at the core of such values and a means to this end. Universal social protection schemes for instance generally receive more public support compared to targeted schemes. This support arises because universal benefits foster a sense of fairness and inclusivity, ensuring that all citizens benefit from it. In this spirit, societies that advance social progress for all build a sense of belonging and promote trust, solidarity, well-being and risk-taking, which, in turn, facilitate upward mobility including for disadvantaged groups, and foster inclusive and sustainable economic growth.

**The private sector, particularly employers, play a crucial role in financing social protection through several key mechanisms.** Employers pay contributions on behalf of their employees, with at least 50 per cent of the share of contributions to social insurance schemes being covered by employers. Tax-funded schemes rely on tax revenues and thus on taxes paid by private sector enterprises, micro, small, medium and multi-nationals. Private sectors compliance with tax legislation is hence fundamental. The private sector can also advocate for robust social protection policies and reforms and influence legislation that supports comprehensive social protection systems, thus paving the way to a level-playing field within and across countries.

315. I. Ortiz, M. Cummins M., K. Karunanathy (2017). "Fiscal Space for Social Protection and the SDGs: Options to Expand Social Investments in 187 Countries" Extension of Social Security Working Paper No. 48. International Labour Office, Geneva.

316. I. Ortiz, A. Chowdhury, F. Duran-Valverde, T. Muzaffar, S. Urban (2019). *Fiscal Space for Social Protection: A Handbook for Assessing Financing Options*. ILO, Geneva.

317. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and International Labour Office (ILO) (2021). *The Protection We Want: Social Outlook for Asia and the Pacific*. ESCAP, Bangkok.

### 5.3.1 Core financing sources

**Taxation is the most important fiscal tool for developing countries in the Asia-Pacific region.** On average, it accounts for nearly 70 per cent of total government revenue in South and South-West Asia and approximately 60 percent in East and North-East Asia, North and Central Asia, and South-East Asia. Only in the Pacific are taxes less important. Raising tax revenue can be done by adjusting tax rates, such as on consumption, corporate profits, financial activities, property, imports/exports and natural resources, or introducing new taxes. Governments must enhance the effectiveness of tax collection and overall compliance and assess the redistributive capacity and fairness of their tax systems, with a view to increasing the share of progressive taxation. This entails moving away from indirect and regressive taxes, such as consumption and value added tax (VAT), and enforcing direct taxes, such as on personal and corporate income, including taxes on the financial sector, wealth, property and inheritance. The developmental advantages of higher taxes hinge on prudent and effective policymaking, efficient public service delivery, and the productivity of private investment and household spending compared to public expenditures. For governments plagued by corruption, inefficiencies or weak accountability, redirecting resources from the private sector and households to the public sector through higher taxes may be difficult to implement and justify and would be considered counterproductive.

**In Asia and the Pacific, Tax-to-GDP ratios are well below the OECD average, currently averaging 19.2 per cent compared to 34.5 per cent for OECD countries.** When OECD countries in the Asia-Pacific region are excluded, the regional average drops to 17.5 per cent. This indicates that there is potential to strengthen tax authorities and increase tax collection across the region. At the same time, there is heavy reliance on indirect taxes in many countries, which indicates that a shift from regressive to progressive tax systems is yet to take place in many countries. Taxes on goods and services accounted to 51.6 per cent of total tax revenue in Asia and the Pacific in 2021, with only 16.5 per cent coming from personal income taxes.<sup>318</sup>

**Countries that have successfully increased their tax revenue include the Philippines, Kyrgyzstan and Cambodia.** The Philippines implemented tobacco and alcohol tax reforms in 2012, earmarking a significant part of the revenues to finance universal healthcare for the poor.<sup>319</sup> Kyrgyzstan increased its tax revenues from value-added tax by 2 percentage points between 2020 and 2021, mainly through improvements in administration and through digitalization, such as e-invoicing and e-filing.<sup>320</sup> Cambodia has implemented various administrative and regulatory reforms, including digitalization of tax services, increasing tax revenue by 11 percentage points between 2010 and 2021.<sup>321</sup>

**Countries exploring options to expand budgets through tax revenue can evaluate all tax codes and consider potential modifications to maximize public revenue.** This may include designing personal income and corporate tax rates to support equitable outcomes, adapt collection methods to enhance revenue streams, or earmark existing taxes, or introduce new taxes, specifically to finance social investments (box 5.1).

318. Organisation for Economic Cooperation and Development (OECD) (2023). *Revenue Statistics in Asia and the Pacific 2023: Strengthening Property Taxation in Asia*. OECD Publishing, Paris. Available at <https://doi.org/10.1787/e7ea496f-en>.

319. World Health Organization (WHO) (2014). *Raising tax on tobacco – What you need to know*. WHO, Geneva.

320. Organisation for Economic Cooperation and Development (OECD) (2023). *Revenue Statistics in Asia and the Pacific 2023: Strengthening Property Taxation in Asia*. OECD Publishing, Paris. Available at <https://doi.org/10.1787/e7ea496f-en>.

321. Ibid.



### BOX 5.1 Combating illicit financial flows

Resources illicitly escaping developing nations each year, estimated to be over 10 times the size of all official development assistance received, represent a colossal challenge. Policymakers should place greater emphasis on combatting activities such as money laundering, bribery, tax evasion, trade mispricing and other financial crimes.<sup>322</sup> Not only are these practices illegal, but they also deprive countries of the tax revenues vital for their social and economic development. Approximately \$200 billion in potential tax revenue was lost in 2016 in Asia and the Pacific due to trade misinvoicing.<sup>323</sup> Addressing these issues by introducing fully digital trade facilitation alone could bring in additional tax revenue of \$119–\$183 billion annually.

Countries exploring ways to capture and curtail illicit financial flows, can define steps to be taken to curb tax evasion, money laundering, bribery, trade misinvoicing and other financial crimes that deprive governments of essential revenues. Countries should also establish stricter and more robust enforcement measures.

**Expanding coverage of contributory schemes is a dependable means to finance social protection.** As contributory schemes are self-financed, they have the potential to free up fiscal resources for other social expenditures. Revenue from contributions to social security in Asia and the Pacific is low, averaging 2.14 per cent of GDP,<sup>324</sup> compared to 9.2 per cent of GDP across OECD countries in 2021.<sup>325</sup> There is therefore ample opportunity to expand fiscal space through the establishment and expansion (and enforcement where collection of contributions is lagging) of contributory schemes. For example, Mongolia has increased its contributory revenue by 7.2 percentage points since 2010 through the extension of contributory coverage, with the share of tax revenue from social security contributions now totaling 20.3 per cent of total revenue. Likewise, Viet Nam has increased its revenue share from social security contributions by 2.1 percentage points since 2010, expanding contributory coverage from 23 per cent in 2015 to 38 per cent in 2023.<sup>326,327</sup> Countries should assess the feasibility of extending contributory schemes to more workers and evaluate

whether current contribution rates are adequate. Additionally, countries can explore ways to simplify contribution collection and encourage the formalization of workers in the informal economy.

**Reallocating expenditure presents an opportunity to augment the portion of government expenditure allocated to social protection by cutting expenditures to efforts with less desired social outcomes.** For instance, phasing out fossil fuel subsidies in favor of universal cash transfers is a prominent example of such expenditure reallocation. The criteria for evaluating a policy typically encompass effectiveness, efficiency and sustainability, possibly following a value-for-money approach, and alignment of fund usage with national development priorities.<sup>328</sup> In the late 1990s, Indonesia reprioritized fuel subsidies in favour of extending social services, including educational assistance and healthcare.<sup>329</sup> Thailand similarly reallocated military expenditure to its universal healthcare scheme following the Asian financial crisis of 1997.<sup>330</sup>

322. I. Ortiz, A. Chowdhury, F. Duran-Valverde, T. Muzaffar, S. Urban (2019). *Fiscal Space for Social Protection: A Handbook for Assessing Financing Options*. ILO, Geneva.

323. Y. Duval, C. Utoktham, and A. Kravchenko (2018). "Impact of implementation of digital trade facilitation on trade costs". ARTNeT Working Paper Series, No. 174.

324. Data was only available for 26 out of 50 countries in Asia and the Pacific, based on sources from OECD and IMF GFS.

325. International Monetary Fund Government Finance Statistics. Available at <https://data.imf.org/regular.aspx?key=60991467> (accessed on 12 April 2024)

326. Organisation for Economic Cooperation and Development (OECD) (2023). *Revenue Statistics in Asia and the Pacific 2023: Strengthening Property Taxation in Asia*. OECD Publishing, Paris. Available at <https://doi.org/10.1787/e7ea496f-en>.

327. International Labour Organization (ILO) (2023). *Multi-tier pensions in Viet Nam: Features and Option*. Available at <https://www.social-protection.org/gimi/gess/Media.action?id=19198>

328. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2023). *Economic And Social Survey of Asia and The Pacific 2023: Rethinking Public Debt for the Sustainable Development Goals*. ESCAP, Bangkok.

329. International Labour Office (ILO) (2016). "Indonesia: Financing social protection through contributions and the removal of fuel subsidy". Social Protection in Action Country Brief. ILO, Geneva.

330. F. Duran-Valverde and J.F. Pacheco (2012). "Fiscal space and the extension of social protection: Lessons from developing countries". Extension of Social Security (ESS) Paper No. 33. ILO, Geneva.

Countries exploring ways to reallocate public expenditure to create fiscal space can evaluate whether current allocations for military, infrastructure or commercial sector expenditures are justified given the existing poverty rates and inequality. It is also advisable to identify measures that can enhance the efficiency of current investments, including steps to prevent corruption and mismanagement of public funds, ensuring that resources are used effectively to benefit those most in need.

### 5.3.2 Other financing sources

Countries can tap into fiscal savings and state revenue, such as that stored in sovereign wealth funds, or utilize excess foreign exchange reserves.<sup>331</sup>

Social protection is an investment and not just a cost, with the potential of generating positive economic multiplier effects as shown in recent studies.<sup>332</sup> Relaxing restrictions on investment of fiscal and foreign exchange reserves in favour of social investment could strengthen social development and generate positive economic multiplier effects in the medium term, which in turn would strengthen general government revenue.<sup>333</sup> Twelve countries across Asia and the Pacific, among them Azerbaijan, Fiji, India, Nepal, the Philippines, Timor-Leste, and Uzbekistan, have foreign exchange reserves larger or equal to 1.5 times the three-month value of imports benchmark (Triffin criteria) (i.e. more than 4.5 months) as of 2022, while also having a short-term debt to foreign exchange reserves ratio under 25 per cent (Greenspan-Guidotti criteria).<sup>334</sup> These are two popular measures to assess the adequacy of foreign exchange reserves and are referred to as safe-level benchmarks. Based on this assessment, these countries could invest excess reserves in socioeconomic development, including social protection.

Countries could consider borrowing or restructuring existing debt. This entails seeking out borrowing options, both domestically and internationally, at favorable terms, which might include concessional borrowing, following a careful assessment of debt sustainability. While borrowing is not a long-term solution, it can be justified to fill funding gaps in the shorter term. It can also be used for investment capital to set up a new scheme, especially in view of the positive economic multiplier effects that investment in social protection can generate in the medium and long term. Thus, the same way that other government expenditures can be funded through borrowing, borrowing can be justified to fund social protection in the short term.

Applying a relatively conservative parameter, several developing countries with external debt below 30 per cent could consider borrowing. Eleven countries in Asia and the Pacific meet this criterion—among them Azerbaijan, Bangladesh, India, Myanmar, Nepal, the Philippines, Timor-Leste, and Turkmenistan could potentially borrow to invest in social protection. At the 40 per cent threshold, the number of countries increases to 14. However, assessing the viability of increasing public debt for a specific country requires thorough and dynamic analysis, such as an IMF-World Bank debt sustainability analysis. These analyses aim to show whether a country's aggregate debt would exceed manageable levels under a defined set of assumptions incorporating fiscal and GDP growth trajectories.

Debt restructuring and debt relief are other options to expand fiscal space for socioeconomic investment. However, these options are often available only to low-income countries that are overburdened by high levels of sovereign external debt and lack the capacity to invest in socioeconomic development. Debt restructuring and debt relief are in line with the United Nations Secretary-General's call for immediate actions to reduce government borrowing costs and make debt longer term.<sup>335</sup>

331. Foreign exchange reserves consist of official public sector foreign assets that are readily available to and controlled by monetary authorities for direct financing of external payment imbalances and to intervene in the exchange markets (IMF, 1993).

332. D. Cardoso, L. Carvalho, G. Tadeu Lima, L. Nassif-Pires, F. Rugitsky, and F. Sanches (2023). "The multiplier effects of government expenditures on social protection: A multicountry study". Working Paper No. 18. MADE/USP.

333. Vatcharin Sirimaneetham (2021). "Boosting sustainable investing in Asia and the Pacific by public institutional investors". MPFD Policy Brief, No. 120. ESCAP, Bangkok.

334. J. Olivier, R. Romain (2006). "The Optimal Level of International Reserves for Emerging Market Countries: Formulas and Applications". IMF Working Paper, WP/06/229. Washington D.C.

335. United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2024). *Economic and Social Survey of Asia and the Pacific 2024: Boosting affordable and longer-term financing for government*. ESCAP, Bangkok.

Countries can engage with various donor governments or international organizations to secure increased aid and North–South or South–South transfers. However, as most countries in Asia and the Pacific are lower- and higher-middle income countries, the availability of official development assistance (ODA) is limited. While the average ODA level across Asia and the Pacific is 8.2 per cent of gross national income (GNI), the data are distorted due to several outliers in the Pacific. Excluding the Pacific from the analysis, ODA across the region averages 1.7 per cent of GNI. (Kyrgyzstan, Tajikistan, Timor-Leste and Cambodia have the highest levels with 6.7 per cent, 4.8 per cent, 6.9 per cent and 5.5 per cent of GNI, respectively.) Thus, there are opportunities to expand fiscal space for social protection in several countries. As cooperation in the form of South–South transfers and transfers from non-OECD Development Assistance Committee countries is increasing, new opportunities for cooperation and funding social policies, particularly expansion of social protection, could become available, especially in low and lower-middle income countries.<sup>336</sup>

## 5.4 Green, climate and complementary funding sources

Countries seeking to finance social protection should look for synergies with policies and measures supporting climate action, disaster risk reduction and humanitarian efforts. Social protection is an indispensable policy tool for responding to climate related shocks and crises and for assisting in the implementation of adaptation and mitigation policies. Some of the instruments funding climate action include the newly created Loss and Damage Fund, multilateral climate funds (see paragraph below), humanitarian assistance and disaster risk reduction frameworks, insurance alliances (e.g. risk- and microinsurance), Islamic finance and other financing instruments.

While the Loss and Damage Fund is not yet operational, the fund's main purpose will be to respond to economic and non-economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow-onset events. The role of social protection to facilitate such responses and build resilience, and the importance of compliance with international social security standards, have been increasingly acknowledged, including at the latest UN Climate Change Conference (COP 28).<sup>337</sup>

Likewise, multilateral climate funds—such as the Global Environmental Facility (GEF), Green Climate Fund (GCF), Climate Investment Fund (CIF) and Adaptation Fund (AF)—have been set up to support climate change adaptation and mitigation measures.

The relevance of social protection to address the social dimension of climate change policies has been acknowledged and is increasingly recognized in the frameworks of these funds.<sup>338</sup> The GEF Trust Fund's seventh replenishment, for instance, funded social protection projects for mitigation efforts in Mongolia in 2022. The AF has a diverse portfolio of social protection-related projects. For example, the fund supported Kyrgyzstan in the subsectors of education, agriculture and disaster risk reduction. The GCF, established by the UNFCCC in 2010, is mandated to support developing countries pursue low-emissions, climate-resilient pathways.<sup>339</sup> It aims to redistribute the financial burden of the ecological, economic and social transition<sup>340</sup> from wealthier nations to developing ones. The GCF supports social protection initiatives, recognizing their significance in the context of adaptation and mitigation. The GCF, for instance, funded flood mitigation measures and ecosystem solutions in the Vaisigano River Catchment in Samoa, providing cash-for-work options for flood-related catchment rehabilitation (anti-erosive measures, landscaping options). In the Philippines, the fund aims to reduce the exposure of vulnerable communities to climate-induced hazards, strengthening their absorptive and adaptive capacities to better manage or adapt to climate shocks and climate change, including through shock-responsive social protection. The

336. I. Ortiz, A. Chowdhury, F. Duran-Valverde, T., S. Urban (2019). *Fiscal Space For Social Protection: A Handbook for Assessing Financing Options*. ILO, Geneva.

337. M. Kaltenborn (2023). "The Relevance of Social Protection Systems for the Loss and Damage Fund and Funding Arrangements". Submission to the UNFCCC Transitional Committee, July 2023.

338. R. Hopper, M. Hurworth, Z Lowndes-Bull (2024). "The Realities of Climate Finance for Social Protection". Social Protection Technical Assistance, Advice and Resources (STAAR) Facility. DAI Global UK Ltd, United Kingdom.

339. Green Climate Fund. Available at: Homepage | Green Climate Fund.

340. F. Rotondo, P. Perchinunno, S. L'Abbate et al. (2022). "Ecological transition and sustainable development: integrated statistical indicators to support public policies". *Sci Rep* 12, 18513 (2022). Available at: <https://doi.org/10.1038/s41598-022-23085-0>.

CIF,<sup>341</sup> established by the World Bank in 2008, pursues a comparable mission. One component of CIF is focused on strengthening people's adaptive capacities and resilience to the impacts of climate change on their communities, ecosystems and infrastructure, and thus the Fund includes social protection in its programmatic agenda.

**Humanitarian assistance is crucial in addressing climate-related shocks and crises and offers significant potential for synergy with social protection systems.**<sup>342</sup> With overlapping goals and mutual need to rapidly channel funds and assistance, integration of humanitarian assistance and social protection could transform short-term humanitarian aid into long-term development processes. By leveraging existing social protection infrastructure, humanitarian assistance can enhance resilience, ensure more efficient resource allocation and foster sustainable development in affected communities. This kind of collaborative approach helps bridge immediate relief efforts with broader development goals, promoting stability and growth. A notable example is the response to Typhoon Haiyan in the Philippines.<sup>343</sup> In the aftermath of the typhoon, humanitarian agencies used existing social protection infrastructure, specifically the Pantawid Pamilyang Pilipino Program (4Ps), to distribute emergency cash transfers to affected families. This approach not only expedited the delivery of aid but also ensured that funds reached the most vulnerable populations. By building on established social protection mechanisms, the intervention fostered resilience and supported longer-term recovery and development efforts.

**Insurance alliances, such as the Caribbean Catastrophic Risk Insurance Facility and the African Risk Capacity, are multi-country climate risk-pooling systems that aim to limit the financial impact of natural hazards.**<sup>344</sup> They offer parametric insurance policies, which pay out according to the severity of an event, such as cyclone, earthquake and excess rainfall. While these insurance facilities have not been designed specifically to work with national social protection systems, their payments could be channeled through existing social protection systems.

**International development organizations and multilateral development banks also offer a diverse array of financing instruments.** For example, the Asian Development Bank (ADB) offers contingent disaster financing as an option under its policy-based lending, providing swift and adaptable support for disaster preparedness and response. Grant funding is another avenue, demonstrated by the ADB's Integrated Disaster Risk Management Fund (2013–2020) and Urban Climate Change Resilience Trust Fund (2013–2021). The Asia-Pacific region also uses insurance and reinsurance instruments for disaster risk reduction, such as the Pacific Disaster Risk Financing and Insurance Program, a joint initiative of the World Bank Group and the Secretariat of the Pacific Community and their partners.

341. The Climate Investment Fund. Available at: The Climate Investment Funds (CIF).

342. European Commission DG DEVCO, ECHO, NEAR (2019). *Tools and Methods Series Reference Document No 26: Social Protection across the Humanitarian-Development Nexus: A Game Changer in Supporting People through Crises*.

343. G. Smith and L. Mohiddin (2015). *A case study of the use of cash transfers in humanitarian and post-disaster response in the Philippines*. Overseas Development Institute (ODI).

344. J.-L. Lambeau, S. Urban (2022). *Social Protection and Climate Change. The role of Social Insurance*. ILO, Geneva.

**Islamic finance is another source of funds for, and synergy with, social protection.** Payments could be channeled directly to people in need through existing social protection infrastructure, making shared use of social registries. Islamic finance, a rapidly expanding sector within global finance with total assets valued at \$3.06 trillion, includes a range of instruments with potential to support both climate and social development goals. This encompasses Islamic banking assets, sukuk issuances (similar to bonds), Islamic fund assets, takaful (insurance), as well as charitable giving instruments like zakat and waqf. According to the National Waqf Agency (Indonesian acronym BWI), a waqf of around IDR 180 trillion (\$11 billion) was raised in 2022 in Indonesia.<sup>345</sup> Zakat on the other hand, administered by Indonesia's Ministry of Religious Affairs through the Badan Amil Zakat Nasional (BAZNAS), amounted to approximately IDR 21 trillion (\$1.46 billion) in 2022.<sup>346, 347</sup> This reflects a substantial engagement in waqf and zakat practices across Indonesia, underlining the critical role these instruments play in Indonesia's efforts to address social development and climate related issues.

**Recent social, ecological and economic crises have revealed the gaps in social protection systems across the world and drawn global attention to the ways international financial architecture has failed to support development of universal social protection systems and floors.** Within this context, the idea of a **global fund for social protection** has emerged as a potential solution to these structural failings. Such a fund could in principle be a key mechanism for mobilizing new resources and facilitating global solidarity around the multiple life cycle contingencies and challenges in the context of climate change that affect the well-being of millions of people.<sup>348</sup>

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**Weighing the expected high price of inaction and underinvestment in social protection across Asia and the Pacific, where more than half of people lack access to any form of social protection, governments should explore the wide variety of financing instruments and sources at their disposal. With climate change related events exacerbating existing life cycle contingencies and producing new risks, governments should specifically explore synergies between social protection, climate funds, humanitarian assistance, disaster risk finance and other funding instruments.**

345. Badan Wakaf Indonesia (2022). Analysis Kinerja. "Pengelolaan Wakaf Nasional 2022". Available at: Indeks Wakaf Nasional 2022 - Badan Wakaf Indonesia | BWI.go.id.

346. ANTARA, Indonesian News Agency (2024). "Ministry to empower religious affairs offices to collect zakat funds". Available at: <https://en.antaranews.com/news/308922/ministry-to-empower-religious-affairs-offices-to-collect-zakat-funds> (accessed on 26 July 2024)

347. Pusat Kajian Strategis BAZNAS (2024). "Outlook Zakat Indonesia 2024". Available at: <https://puskasbaznas.com/publications/books/1857-buku-outlook-zakat-indonesia-2024>.

348. M. Cichon 2022. Blog post: The Global Fund for Social Protection and the Global Accelerator for Jobs and Social Protection: can these two initiatives be strategically combined?

# Conclusion





**There is increasing recognition of social protection among policymakers as a tool that not only reduces poverty but also enhances resilience and facilitates transformative change towards a carbon neutral future.** With increasing attention towards adaptive and shock-responsive social protection systems, policymakers will need to define how to address preparedness, early warning systems, post-crisis rehabilitation as well as financing mechanisms to respond to climate change-related shocks and build climate resilience. Social protection also plays an important role in building people's resilience in the context of slow-onset events and can facilitate mitigation and adaptation measures by smoothing people's transition to a carbon neutral economy.

**Social protection is key to providing income security among women and men of working age. Despite improvements in various areas, notable coverage gaps persist.** Considering the working-age population's role in supporting and driving socio-economic development and generating income for households, benefiting both children and people in old age, it is crucial to ensure that these coverage gaps are closed and men and women in working age benefit from the full range of social protection benefits. For social protection schemes to fully unfold their potential, they must be based on international social security principles, such as the principle of solidarity, risk pooling and collective financing. In Asia and the Pacific, high informality in jobs and businesses challenges contributory schemes. Yet, when social security schemes are tailored to address these challenges and suitable incentive and enforcement mechanisms are in place, contributory coverage can be extended and informality in employment reduced.

**Future proofing social protection starts with the establishment of a universal social protection floor.** The adoption of the Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific demonstrates political commitment to this ambition. The ideal multi-pillared pillar system that blends non-contributory (i.e. to ensure coverage across the life cycle) and contributory schemes (i.e. to complement non-contributory schemes with a range of working-age related schemes) can be developed incrementally to achieve full coverage and adequate benefit levels. Stronger institutional policy coordination and data management, administrative arrangements and financing mechanisms are needed to coordinate the mixture of contributory and non-contributory schemes at national and provincial levels.

Drawing on the analysis of the report and backcasting exercise, the following recommendations are put forward for the consideration of governments in the region:

- **Strengthen legislative and policy frameworks on social protection.** In order to build a strong legislative and policy framework, governments need to ratify and implement relevant ILO Conventions and Recommendations as an initial move towards integrating these principles and standards into national legislation. They should review current social security legislation and policy frameworks with a view to closing coverage gaps, finding synergies and reducing fragmentation across the system. Building on good practices and international social security agreements and conventions, governments should formulate revised and new legislation and policies following a participatory process. Governments should review and address legal barriers or threshold requirements to extend eligibility for all workers in a fiscally sustainable manner.
- **Embed universal social protection in national development agendas.** Strong political commitment is needed for social protection to be recognized as a multifaceted policy tool to address emerging vulnerabilities in the presence of climate change, demographic shifts and digitalization. Creating a shared vision for social protection and embedding it in national development strategies and legal frameworks can help nurture crucial political support. Dialogue and the engagement of trade unions and civil society and stakeholders will be central to ensure that effective solutions are found.
- **Allocating sufficient resources for social protection is critical.** Political will is needed to reprioritize existing public expenditures and reform taxation systems. There are a range of options available to countries depending on their situation, and providing universal social protection benefits at the global average benefit levels is well within reach of most countries in the region. Valuing social protection as an investment that can reap positive socio-economic returns and multiplier effects is instrumental to support prioritization of resources.
- **Design inclusive social protection schemes that uphold human rights.** A rights-based approach should be adopted to ground policies in principles of non-discrimination and equality, participation, empowerment, accountability and transparency. The rights-based approach lies at the core of the 2030 Agenda for Sustainable Development and remains key to leaving no one behind and protecting all in the presence of complex shocks and evolving megatrends. Everyone has a right to social protection. A universal social protection floor ensures the coverage of children, working-age adults and older persons.
- **Design integrated social protection schemes.** Contributory and non-contributory schemes need to be integrated in a coherent and complementary manner. For social protection to multiply development outcomes, its systems need to forge linkages with different kinds of social services, such as care and support services, education, health, nutrition and employment as well as climate policies, to foster empowerment and resilience of people and ensure multisectoral and multistakeholder engagement including with private sector entities and with communities to ensure seamless design and delivery of social protection.
- **Strengthen cross-sectoral and inter-ministerial collaboration.** To future proof social protection policy action in different policy domains, an iterative and integrated approach across government is key, particularly to reach population groups at the highest risk of being left behind. Governments will need to better harness synergies and strengthen coordination with climate change, as well as social, economic and environmental policies and related measures and funding mechanisms. This will also require the design of overarching policy frameworks (e.g. social protection and just transition frameworks, NDCs, NAPs and national development plans) that take into account the effect of climate change policies and events on people and lead to actions to address these.



## Conclusion

- **Build capacity in government agencies to identify, forecast and address climate risks and their relation to social protection.** Design social protection measures that can respond to climate risk and the new forms of vulnerabilities related to health, food and income security, and human mobility. This will require better linkages with early warning systems and a better understanding of intersectional inequalities and how they relate to climate risks, especially for vulnerable groups such as women.
- **Adapt social protection to an ageing population.** In many countries, coverage and adequacy of old-age pensions are low, with women at a particular disadvantage. The demographic transitions under way will increase demand for old-age pensions and put upward pressure on pension costs. This will require a substantial extension of both non-contributory and contributory pension schemes. Along with pensions, incentives and training are needed so that older persons who want to work can remain in employment. The legal frameworks, administration, communication and financial incentives of all schemes related to an ageing population need to be reviewed to ensure they are sustainable and promote gender equality.
- **Mainstream the needs and voices of people in vulnerable situations, especially women, throughout social protection systems.** Making contributory schemes more gender responsive and inclusive will also reap benefits for other groups, such as informal workers. Contributory and non-contributory schemes should be adjusted to support efforts to recognize, redistribute and reduce unpaid care, especially given the projected increase in demand for long-term care in the region. Provision of universal non-contributory benefits can ensure all persons in vulnerable situations have access to a minimum income guarantee so they need not fall into poverty when their lives are disrupted by shocks and life cycle contingencies.
- **Build digital solutions to support delivery and adaptation.** Technological change offers opportunities to enhance the design and delivery of social protection. New technologies can facilitate the identification and registration of individuals, and linking social protection databases to national identification systems and civil registries can reduce the risk of fraud and duplication. This can also help gain efficiency and minimize waste. Adaptive social protection schemes can build the resilience of populations in vulnerable situations by ensuring people have access to basic goods and services in the immediate aftermath of a disaster. Regular, reliable and inclusive non-contributory cash transfers cushion society and the economy through income smoothing. They facilitate savings, ensure food security and help households diversify their sources of livelihood. These systems must be bolstered to meet future needs.
- **Improve data collection and analysis to identify the impact of social protection policies and change course when needed.** To identify those at risk of being left behind and to target policymaking, national data collection needs to allow breaking down data for different sub-groups. Data collection and dissemination are also critical for monitoring and evaluating existing policies and programmes and enhancing their impact. Disaggregated data, better techniques and analytical rigor are needed to identify the shared characteristics that shape individuals' and households' access to opportunities.
- **Work in partnerships and capitalize on regional cooperation.** ESCAP members and associate members adopted the Action Plan to Strengthen Regional Cooperation on Social Protection in Asia and the Pacific in October 2020. The Action Plan is a shared strategy for broadening social protection coverage. To achieve this objective, the Action Plan sets out a number of measures to be taken at the national level, ranging from legislation to the design and implementation of social protection systems, including their delivery and grievance systems. It emphasizes the need to allocate sufficient public funds and to engage civil society and the private sector to build stronger social protection systems for all. Moving forward, the exchange of knowledge and experience both within and beyond the region, as well as with different stakeholders and other sectors, such as health and education, will be instrumental in building capacity to implement the innovative changes needed to meet the challenges of the future.

# Appendix

## Measuring the cost of inaction in Asia and the Pacific amid global megatrends

The methodology used to measure the cost of inaction through changes in poverty without social protection amid global megatrends is primarily based on a standardized global comparative static Computable General Equilibrium (CGE) model or GTAP. The model uses the GTAP version 11 database for country aggregates and is linked with microdata from Household Income and Expenditure Surveys (HIES) from 27 countries across Asia and the Pacific. The methodology followed three steps:

**Step 1:** Use the GTAP 11 database to group countries with available microdata such that the 27 countries of the ESCAP Social Protection Online Tool (SPOT) Simulator<sup>1</sup> are mapped with the country classification from the GTAP 11 database, as shown in table A1 below.

TABLE A1 Mapping of countries between SPOT and GTAP 11

SPOT countries	GTAP 11 database countries
Armenia	Armenia
Bangladesh	Bangladesh
Bhutan	Bhutan's data are merged in the "Rest of South Asia" category. "Rest of South Asia" is used as a proxy for Bhutan.
Cambodia	Cambodia
Cook Islands	Cook Islands' data are merged in the "Oceania Island Countries" category. "Oceania Island countries" is used as a proxy for the Cook Islands.
Georgia	Georgia
India	India
Indonesia	Indonesia
Kiribati	Kiribati's data are merged in the "Oceania Island Countries" category. "Oceania Island countries" is used as a proxy for Kiribati.
Kyrgyzstan	Kyrgyzstan
Lao People's Democratic Republic	Lao People's Democratic Republic
Maldives	Maldives' data are merged in the "Rest of South Asia" category. "Rest of South Asia" is used as a proxy for the Maldives.
Marshall Islands	Marshall Islands' data are merged in the "Oceania Island Countries" category. "Oceania Island countries" is used as a proxy for the Marshall Islands.
Federated States of Micronesia	Federated States of Micronesia's data are merged in the "Oceania Island Countries" category. "Oceania Island countries" is used as a proxy for the Federated States of Micronesia.
Mongolia	Mongolia
Myanmar	Myanmar's data are merged in the "Rest of South-East Asia" category. "Rest of South-East Asia" is used as a proxy for Myanmar.
Nepal	Nepal
Pakistan	Pakistan

1. The SPOT Simulator can be accessed via the following link <https://spot.unescap.org/simulator>. The methodology and data sources are available on the platform.

SPOT countries	GTAP 11 database countries
Palau	Palau's data are merged in the "Oceania Island Countries" category. "Oceania Island countries" is used as a proxy for Palau.
Philippines	Philippines
Sri Lanka	Sri Lanka
Thailand	Thailand
Tonga	Tonga's data are merged in the "Oceania Island Countries" category. "Oceania Island countries" is used as a proxy for Tonga.
Türkiye	Türkiye
Uzbekistan	Uzbekistan
Vanuatu	Vanuatu's data are merged in the "Oceania Island Countries" category. "Oceania Island countries" is used as a proxy for Vanuatu.
Viet Nam	Viet Nam

To estimate the sectoral level impacts of the cost of inaction, commodity aggregation in the GTAP model is kept to 10 broad sectors, including Grains and Crops, Livestock and Meat Products, Mining and Extraction, Processed Food, Textiles and Clothing, Light Manufacturing, Heavy Manufacturing, Utilities and Construction, Transport and Communication, and Other Services. The model also includes four factors of production: capital, labour, land and natural resources. In an effort to move away from the representative agent model, heterogeneity across households is built into the model by recognizing differences in skill level among those who supply labour. Five occupational categories are considered to link household data to GTAP simulation results. Two of these categories relate to skilled labour and include technicians and professionals and officials and managers. The remaining three categories of unskilled labour include clerks, service and shop workers, and agricultural and other unskilled labour. When occupation details of household members are missing, the highest level of educational attainment within the household is included in the model to proxy skill level of labour.

**Step 2:** Following the mapping and the selection of key parameters of the GTAP model, the aggregated database is opened in RunGTAP and is prepared for running simulations. The following simulations are considered:

- **Climate change:** A negative shock is imposed on the parameter of productivity of capital stock in the GTAP model to generate a similar decrease in annual average loss as a percentage of GDP anticipated due to global warming available at the ESCAP Risk and Resilience Platform. Three scenarios related to the cost of inaction in the context of climate change are considered: current temperature, rise in temperature by 1.5 degrees C, and rise in temperature by 2 degrees C.
- **Demographic transition:** Two different scenarios related to the cost of inaction in the context of demographic transition are considered. Country-specific projections on the future of healthcare expenditures are taken from the background paper in support of the previous edition of the Social Outlook.<sup>2</sup> In the appendix to the background paper, healthcare expenditures (HCE) are projected with baseline assumptions with and without healthy ageing adjustments. Building on these projections, the GTAP model considers the difference of HCEs (as % of GDP) between 2040 and 2020 (considering 2020 as the current scenario) and uses this difference as the percentage of GDP which will be lost in 2040 if the current HCE (% of GDP) is not raised to the 2040 level. This loss in GDP will be driven by the low level of HCE, which will result in lower labour productivity. Therefore, in the GTAP model, the productivity of all five categories of labour are negatively shocked to the extent that the loss in GDP from the GTAP model matches the calculated loss in GDP from the HCE.

2. Daniel Howdon and Selsah S. Pasali (2022). The impact of ageing on accessibility, affordability and availability of healthcare services in Asia and the Pacific. ESCAP, Bangkok.

- **Digitalization:** This megatrend enters the GTAP model as a shock that is transmitted through the productivity parameters of both labour and capital. A two-stage process is followed. First, the coefficients from a cross-country econometric regression, considering per capita GDP as the dependent variable and UNCTAD's ICT Productive Capacity Index as the explanatory variable, is obtained to estimate the percentage loss in GDP if a country does not improve its current level of ICT Productive Capacity relative to the target necessary to reach a certain level of per capita income. To obtain these estimates two scenarios are used. In the optimistic scenario countries below the Asia-Pacific average of ICT Productive Capacity Index progress to the Asia-Pacific regional average, while countries which are above the regional average progress closer to the frontier countries, such as Japan, China and Republic of Korea. In the pessimistic scenario a conservative country-specific trend (business-as-usual) and the gap between the business-as-usual improvement and the desired level of ICT Productive Capacity Index that could help them reach a certain level of targeted per capita income is used. Second, the productivity parameters of both labour and capital in the GTAP model for each country is shocked to match the gap between (i) the level of per capita income achieved under each scenario and (ii) the level of per capita income countries were targeting at the outset. This gap is much smaller under the optimistic scenario where countries increase their ICT Productive Capacity Index significantly.

The results of the GTAP model can be found at the macro, sectoral, and factor of production level. Given the scope of this exercise, the primary interest was to explore the returns to the five categories of labour that are used to link to the microdata at the country level.

**Step 3:** The household-level microdata of 27 countries are organized in a way that can be linked to the results of the GTAP model. Two sets of results from the GTAP model are used for the poverty calculation. First, the percentage changes in the remuneration of five categories of labour are used to update the per capita expenditure vector of the household members. In the second step, the percentage change in GDP deflator is used to update the expenditures at the national poverty line. Households are categorized into five types of occupation that correspond to the five types of labour in the GTAP model. The percentage changes in the return to the five categories of labour in the GTAP model are then applied to the vector of household-level per capita expenditure in the microdata. Once the vector of household level per capita expenditure is updated, this is compared to the adjusted national level poverty line expenditures to calculate new poverty rates. The new poverty rates are compared with the baseline poverty rates available in the ESCAP SPOT Simulator to calculate the changes in the poverty rates. To do so, the reduced-form microdata from Household Income and Expenditure Surveys from 27 countries featured in the Social Protection Simulator are used as it contains household expenditure per capita information along with headcount poverty rate in each country.

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# Protecting our Future Today: Social Protection in Asia and the Pacific

## Social Outlook for Asia and the Pacific

The Social Outlook is a flagship ESCAP publication produced every two years with a dedicated focus on social development issues in Asia and the Pacific. In 2024, the Social Outlook focuses on protecting our future today in Asia and the Pacific in the presence of three global megatrends, namely climate change, demographic shifts including population ageing and the emergence of digital technologies.

The analysis contained in the report aims to strengthen the evidence base and build capacity of policymakers on how to foster and finance social protection systems that are ready for the future. The report is structured around 5 chapters. Chapter 1 reviews latest trends in monetary and non-monetary poverty and the widening gaps in inequality of outcomes and opportunity. Chapter 2 outlines emerging megatrends and the need for stronger and more agile social protection systems to foster a more inclusive, sustainable and equitable future for all. Chapter 3 explores the status of social protection systems in the region and the extent to which countries are ready to accommodate or respond to potential risks posed by megatrends. Chapter 4 adopts a forward-looking methodology and describes four scenarios for social protection systems in 2040. Using backcasting it provides policy recommendations to meet changing conditions and contribute to a just and equitable transition for people and the planet. Chapter 5 reviews the cost of requisite action along with implications of inaction and elaborates on sources of financing for long-term investment in social protection systems. The report concludes with broader policy recommendations.

