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CLOSING FINANCIAL GAPS FOR CONTRIBUTORY SCHEMES

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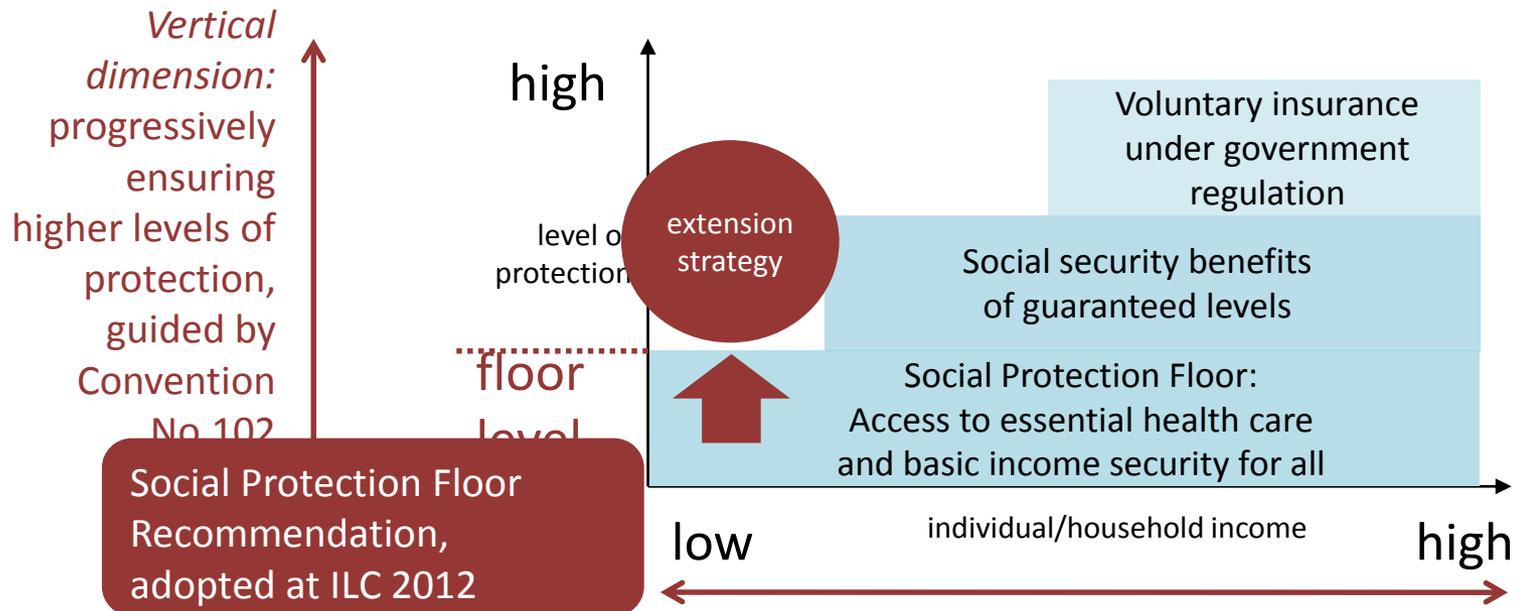
CONTENT

- Background
- Results
- Conclusions





ILO's two-dimensional strategy for the extension of social security: Building comprehensive social security systems



Outcomes can be guaranteed through different means – there is no one-size-fits-all

Horizontal dimension:
Guaranteeing access to essential health care and minimum income security for all, guided by Recommendation No. 202

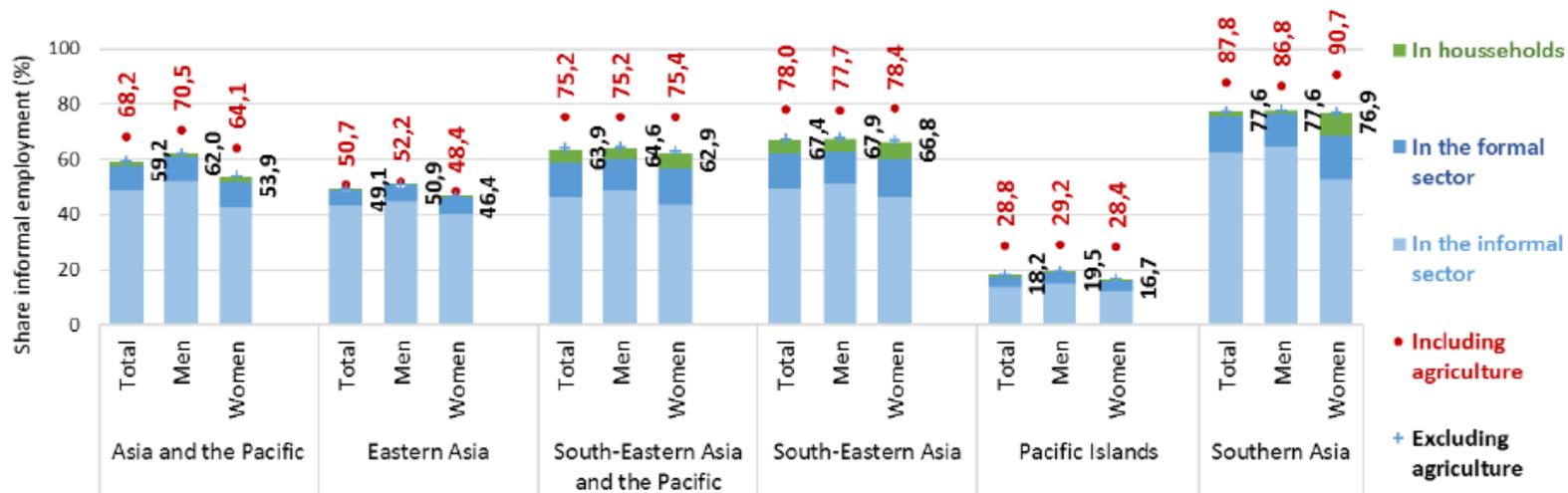
BACKGROUND

- SI historically designed to cover those with employee status (still in many cases prioritized);
- Requires some:
 - Regularity of income
 - Level of formalization
 - Administrative structures (register, record income)



Figure 1. Key indicators on the size and composition of the informal economy in Asia and the Pacific (% , 2016)

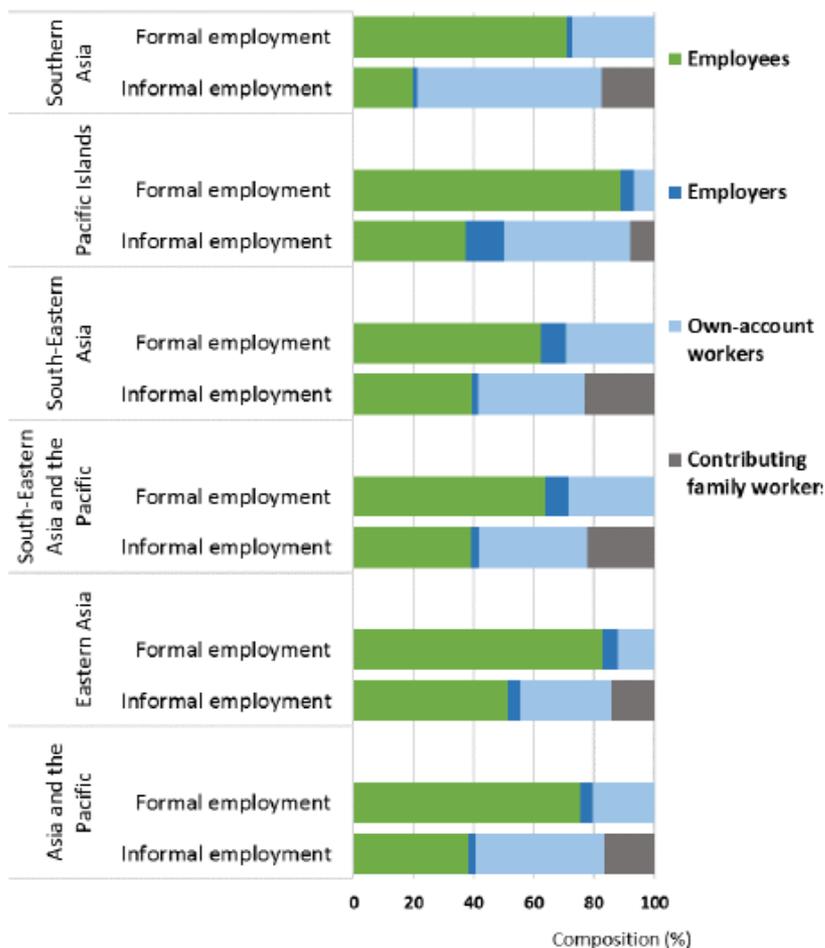
G1 Share of informal employment in and outside of the informal sector



- Informal employment in the informal sector is the major component of informal employment in the region at 58.6 per cent of employment.
- Focusing on economic units rather than employment, it is estimated that 81.4 per cent of all economic units in Asia and the Pacific are informal.

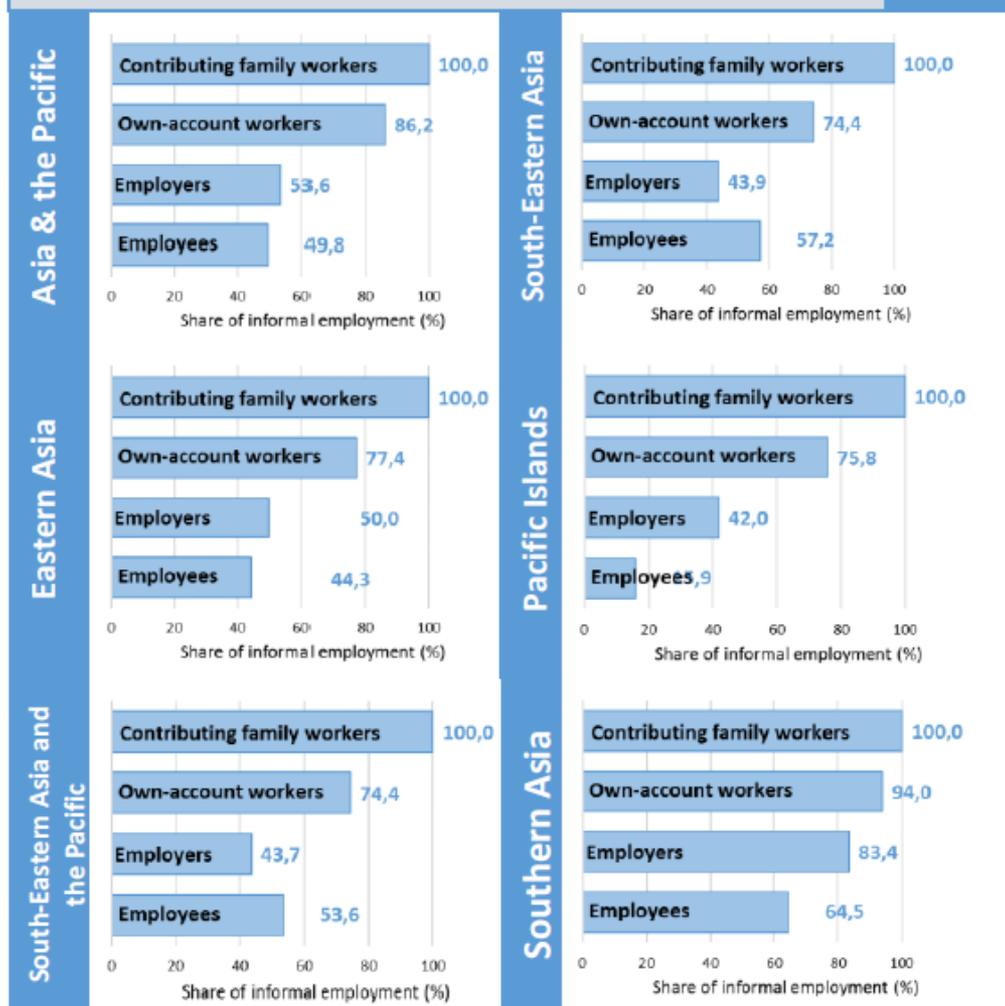
G2

Composition of informal employment by status in employment

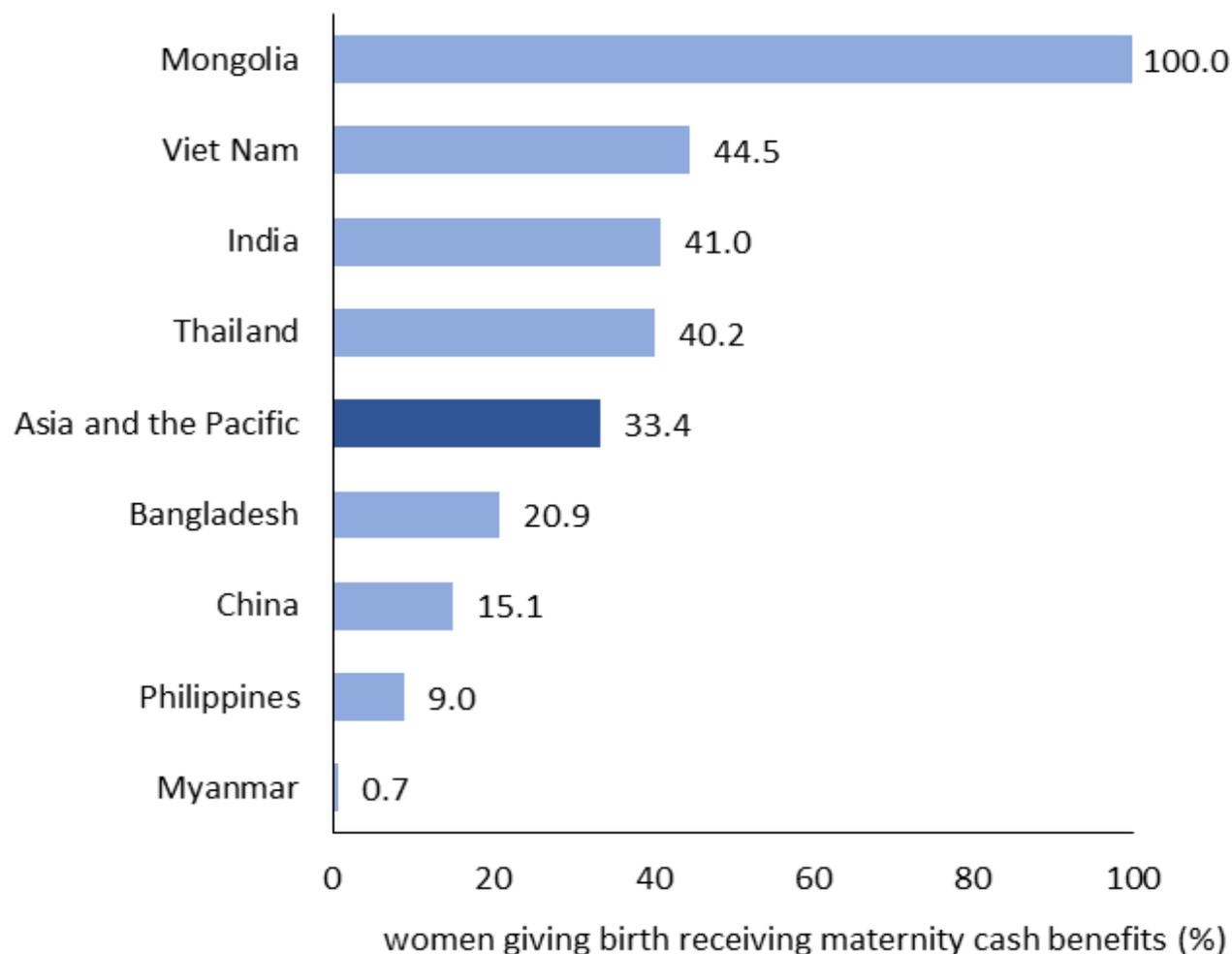


Informal employment by employment status

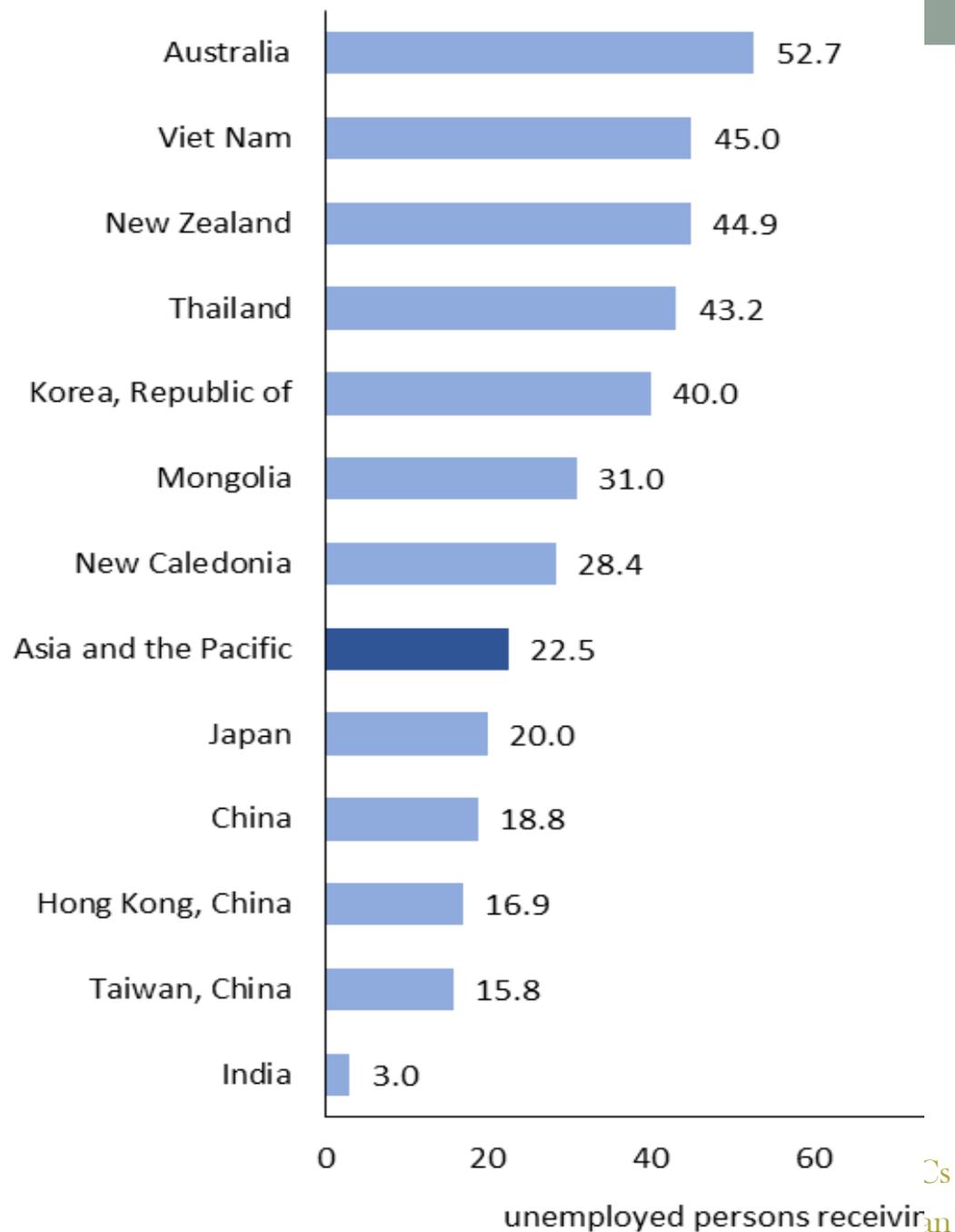
G3



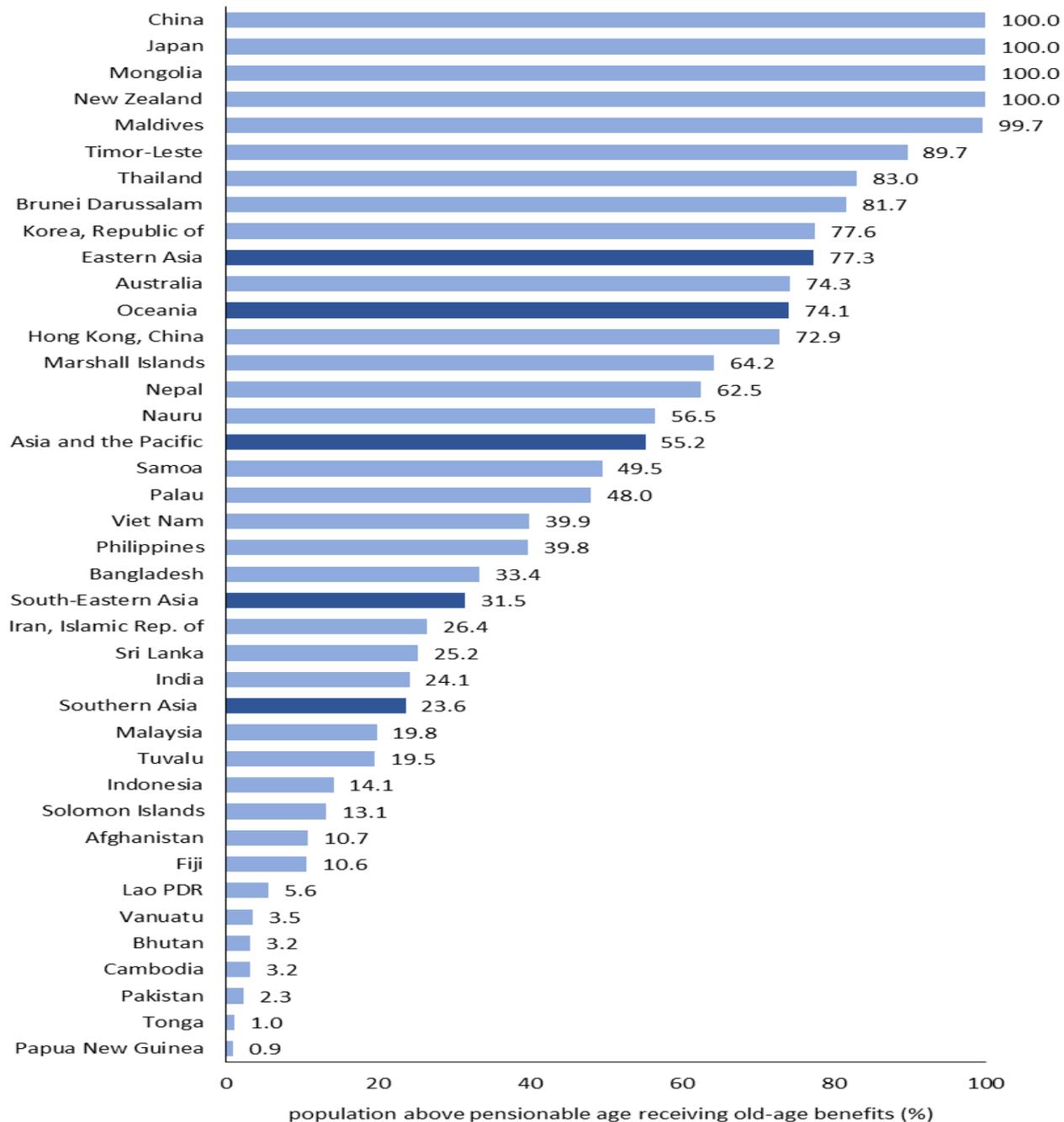
Percentage of women giving birth in Asia and the Pacific receiving maternity cash benefit, 2015 or latest available year



Percentage of unemployed in Asia and the Pacific receiving unemployment cash benefits,



Percentage of population above statutory pensionable age in Asia and the Pacific receiving an old-age pension, latest available year



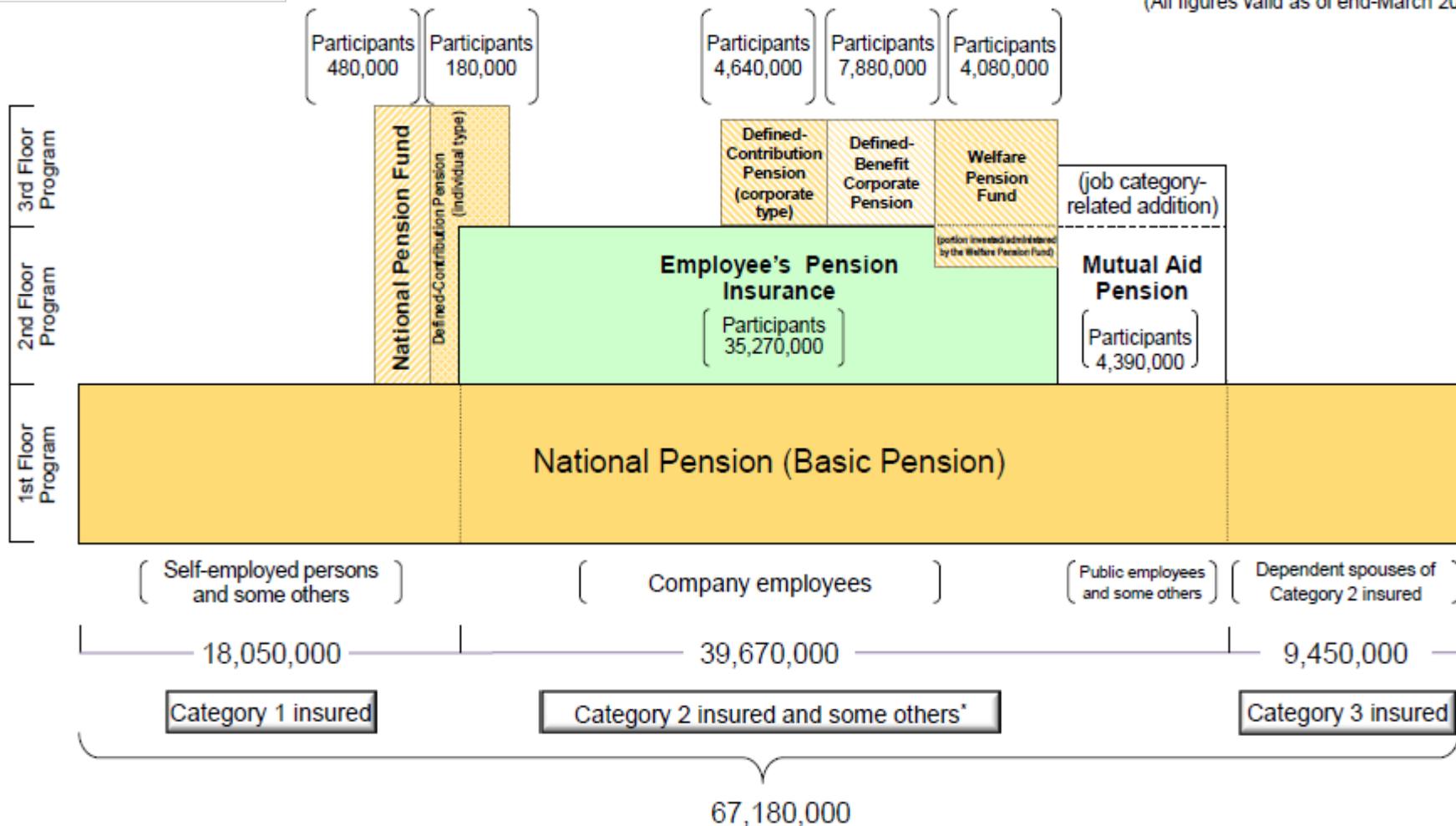
Need of a comprehensive approach at national level

- Non contributory pensions can play an essential role in extending coverage and contributing to poverty reduction
- Less capacity to deal with consumption smoothing (related with earnings)
- That's how modern social security systems look like even in the region (Japan, Korea, China)



An integrated multi-pillar system

(All figures valid as of end-March 2014)



* "Cat 2 insured and some others" mean those covered by Employee Pension Insurance (including Cat 2 insured and those aged 85 and over or those entitled to pension benefits by reason of retirement).



Pension Scheme for Rural and Urban Residents

- DB PAYG + DC funded
- A non-contributory component (Social Pension, PAYG):
 - ✓ Benefits: flat rate DB, guaranteed minimum of 70 yuan (10\$) per month
 - ✓ Tax-funded
 - ✓ Family-binding policy as incentive for enrolment: parents get benefits without contribution if their adult children enrol
- Minimum years of contribution: 15
- Possibility of buying credits if <15 years contribution
- A voluntary funded defined contribution component (FDC):
 - ✓ options of contribution levels ranging from 15\$ to 290\$ per year
 - ✓ Local government partially match the individual contribution: 4\$-8\$ in less developed regions, and more in the developed regions

Estimates of social insurance coverage gaps, 2015 or latest available

PRC = People's Republic of China, Lao PDR = Lao People's Democratic Republic.

Source: Krzysztof Hagemeyer estimates based on ILO and World Bank databases.

Country	Maximum potential coverage by contributory schemes (thousands)			Estimated number of actual contributors (thousands)	Coverage gap (% not contributing)	
	All employed	All paid employed	Employees		Maximum (% of paid employed)	Minimum (% of employees)
Azerbaijan	4,714	4,351	1,508	1,773	59	4
Cambodia	8,606	7,941	2,964	43	99	99
PRC	769,919	676,346	360,382	270,995	60	25
India	484,550	419,227	88,748	51,887	88	42
Indonesia	118,260	101,055	36,499	13,838	86	62
Kazakhstan	8,679	8,645	5,979	5,750	33	4
Lao PDR	3,407	2,184	339	48	98	86
Malaysia	13,057	12,484	9,431	7,761	38	18
Mongolia	1,234	952	513	611	36	4
Myanmar	29,678	16,698	1,979	0	100	100
Nepal	15,051	14,031	3,735	468	97	87
Philippines	41,254	37,004	20,291	11,711	68	42
Sri Lanka	8,156	7,541	4,363	2,057	73	53
Thailand	39,873	32,063	14,760	9,049	72	39
Timor-Leste	189	145	47	18	87	61
Viet Nam	54,622	46,133	16,713	11,555	75	31

What could be Social Insurance Role

- At least extend to those with employee status in labour market
- Need to expand to some categories which are closer to formalization and more organized
- Importance of investing in compliance (enforcement and communication)
- Need to adjust “classic systems” to take into account new realities (partial and seasonal work)
- Need to create incentives (minimum pensions and lower qualifying condition)

THANK YOU

ADB-ADBI Regional Inception Workshop: Strategies for Financing Social Protection to Achieve SDGs in DMCs

17-18 May 2018, ADBI Tokyo, Japan