

ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

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

26-27 March 2014
Incheon, Republic of Korea

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

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I. ORGANIZATION

A. Background

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

B. Objective of the Regional Consultation

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

C. Attendance

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

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

D. Opening of the Regional Consultation

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

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

III. PROCEEDINGS OF THE REGIONAL CONSULTATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. Mr. Worawet Suwanrada, Chulalongkorn University, Thailand, presented on Thailand’s current mixed system of providing old-age income security, which combined a contributory, employment-based pension scheme and a non-contributory scheme with an old-age allowance for older persons who are not covered by the pension scheme. The difficulty was currently that the system was fragmented with several different entities overseeing different schemes. In 2009, Thailand made a move towards universal old-age income security with the introduction of the old-age allowance. In 2011, 81.4 per cent of older persons received income from the old-age allowance, and 7.5 per cent received income from pensions. However, he pointed out that the benefit levels of existing income support schemes were not enough to sustain older persons’ living. The main sources of income of

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