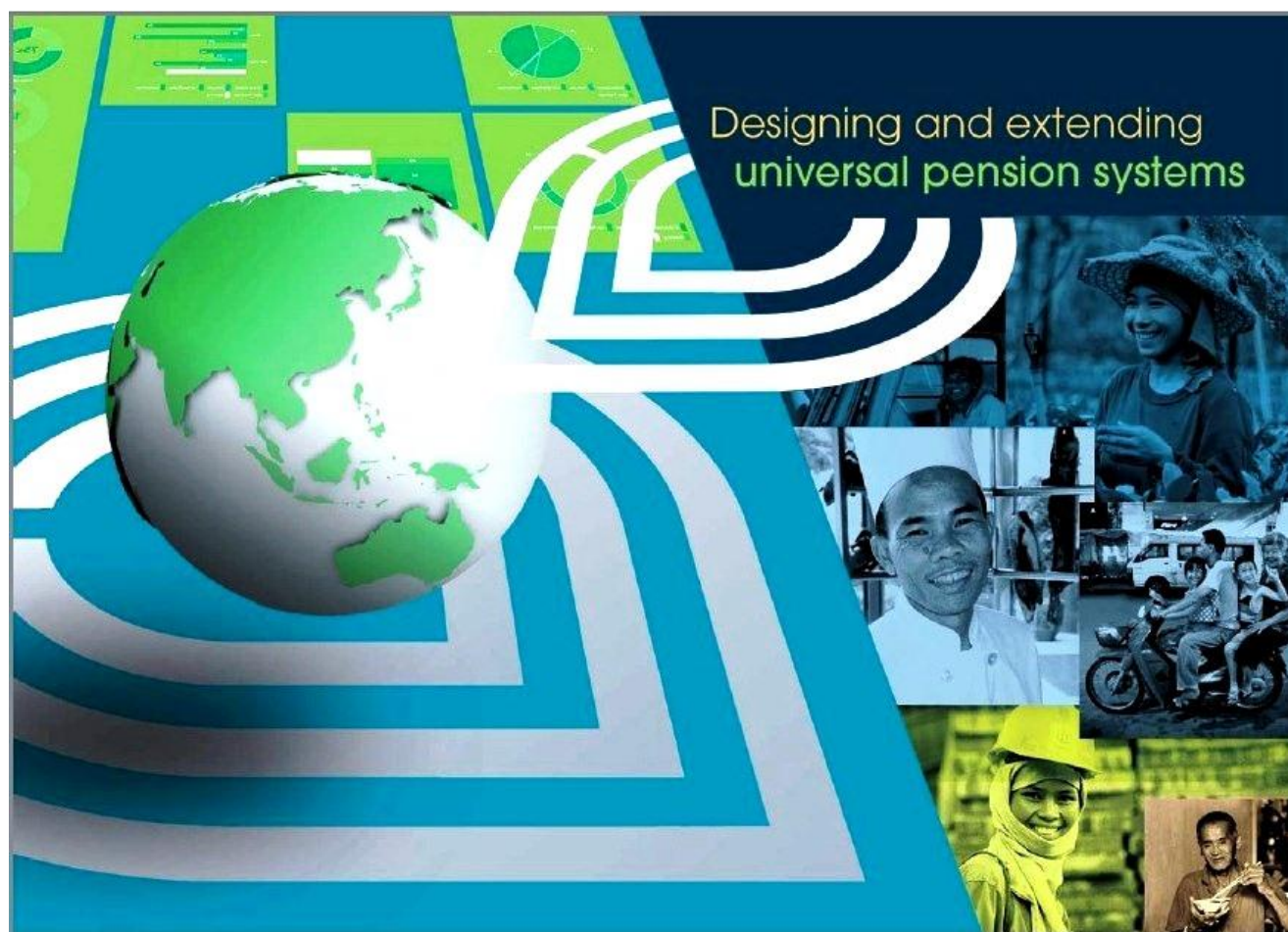


# Report of the Executive Course

## Designing and extending universal pension systems in Asia and the Pacific



Bangkok, Thailand, 9-13 February 2015

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## 1. Background

Pensions are a critical source of protection to people in their old age. Many people in Asia receive no or low pensions, which compels them to keep working, as long as they are physically able to. With the rapidly changing economies and ageing populations, it becomes imperative for countries in Asia to design and implement effective pension systems. This executive course was designed to train experts on designing, implementing, financing, managing and reforming pension systems, with emphasis on non-contributory social pensions. It also highlighted the socio-economic challenges commonly faced by policy makers and implementers. A key learning methodology was the sharing of experiences from different countries and immediate application of the knowledge into simulated situations.

The course encourages learning through presentations, group discussions and practical exercises. It is divided into five modules:

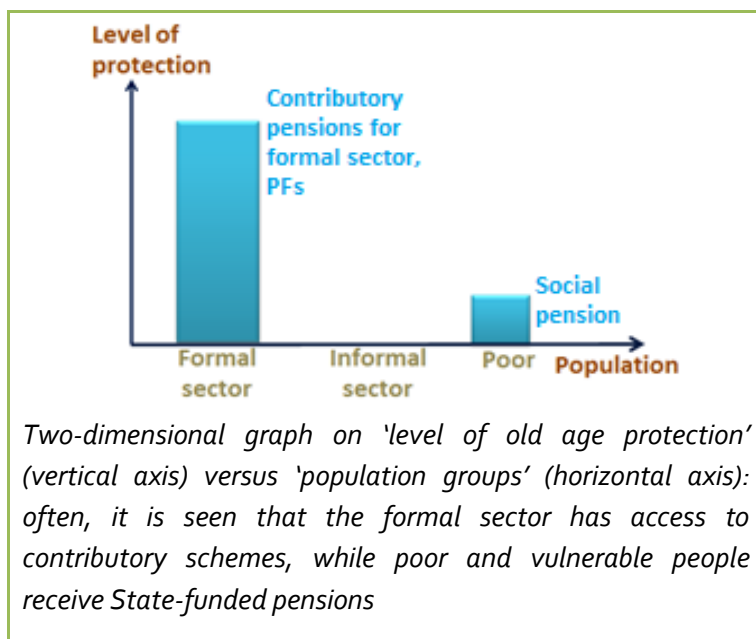
- A. Challenges in extending old age pensions in East and South-East Asia
- B. International standards and policy choices for designing universal pension systems
- C. Financial sustainability and fiscal impact of pension schemes
- D. Changing world of work
- E. Institutional coordination, implementation and delivery mechanisms



Visit the e-learning platform for the course: <http://courses.itcilo.org/A358231>

## 2. Module A: Challenges in extending old age pensions in East and South-East Asia

**Mr Eduardo Klien** (Regional Director, HelpAge International, East Asia and Pacific) highlighted the importance of establishing Social Protection Floors (SPFs) as a way to help people in their old age, especially vulnerable elderly people like women and informal sector members. One of the major challenges of the twenty-first century is the move towards ageing societies. Countries like Japan, China, Mongolia, Thailand, India, Myanmar and others are all ageing; some rapidly and some just beginning to do so. This can be a real burden to younger generations, and pension and health care systems in countries. The existence of large informal workforces implies that people get to save very little while they are working. All these factors make it critical to rethink societies, modify behaviours and reform public policies.



**Ms Celine Peyron-Bista** (Chief Technical Advisor, ILO Bangkok) stressed on the need to protect elderly people, the majority of whom will live in Asia by the year 2050. An SPF entitles all elderly people to basic social protection, even if they have never worked. Countries can establish different kinds of pension systems, consisting of compulsory contributory extension to formal sector workers; voluntary subsidized extension to informal sector workers; tax-funded pensions for guaranteeing a minimum. Articulating the different schemes is the key for providing universal pension coverage.



*"Establishing social protection for elderly people in Asia and the Pacific needs immediate attention, in light of its very diverse challenges including informal workforces, ageing populations, and labour mobility."*

- **Ms Tomoko Nishimoto**  
Assistant Director-General and  
Regional Director,  
ILO Regional Office for Asia and the Pacific



*"Social protection, including for elderly people, is not something which is written on stone. It constantly evolves with changing communities and needs to adapt to the situation in each country."*

- **Mr Eduardo Klien**  
Regional Director,  
HelpAge International, East Asia and Pacific





***"The social protection floor guarantees that all elderly people receives at least a minimum pension to secure their income and allow them to live in dignity."***

- **Ms Celine Peyron-Bista**  
Chief Technical Adviser,  
ILO/Japan Project on Social Protection and  
Employment Promotion in Asia,  
ILO Bangkok



***"Informal economy workers with low and irregular incomes may not have the capacity to contribute to pension schemes during their working lives. Social pensions can avoid their falling into extreme poverty."***

- **Ms Meredith Wyse**  
Strategic Development Manager,  
HelpAge International, East Asia and Pacific

### 3. Module B: International standards and policy choices for designing universal pension systems

**Ms Celine Peyron-Bista** spoke about international standards on old age protection. The Social Security (Minimum Standards) Convention, 1952 (No. 102) is ILO's flagship convention on social security. Part V of Convention No. 102 sets minimum standards for countries to establish old age benefits. The Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128) provides more detailed guidelines for designing and implementing old age benefits.



Module B comprised two group activities:

1. A group exercise to compare national laws with ILO's standards on old age protection, and check if the minimum standards are met
2. A game to set tax rates and make social policy choices (e.g. universal versus means-tested) and see their impact on people's incomes

**Ms Meredith Wyse** (Strategic Development Manager, HelpAge International) explained that pension schemes should be designed keeping in mind three categories of people, namely those who cannot contribute, those who can contribute but very little, and those with sufficient income to contribute for their pensions. While formal sector workers typically contribute to pension schemes or provident funds, informal sector workers face many barriers such as irregular incomes, low awareness, changing jobs, and alternate expenditures such as children's education. Social pensions can help them, as seen in countries like Mongolia, Nepal, Thailand, Viet Nam, Philippines and others.

#### 4. Module C: Financial sustainability and fiscal impact of pension schemes

**Mr Charles Crevier** (Senior Programme Officer, ILO-ITC Turin) explained that the financing mechanism for a pension scheme depends on its design, i.e. whether it is contributory (e.g. defined benefit, defined contribution, pay-as-you-go) or non-contributory (e.g. tax-financed social pension). Even low-income countries have the fiscal capacity for implementing pensions. This can be done by reallocating public expenditures, increasing taxes, increasing contributions, tapping into fiscal reserves, among other ways. A study by HelpAge shows that social pensions for the 60+ age group can be implemented in most countries at a cost of less than 2.5 per cent of national GDP.



*"An actuarial evaluation is a financial projection of a pension scheme, done to check the scheme's sustainability, conducted before the introduction of the scheme and repeated every 3-5 years."*

- **Mr Charles Crevier**  
Senior Programme Officer,  
Social Protection Programme,  
ILO-International Training Centre, Turin



*Mongolia is currently reforming its pension system*

#### 5. Module D: Changing world of work

**Mr Arun Kumar** (Workers' Activities Senior Specialist, ILO Bangkok) spoke about the trend observed over the years, of increasingly flexible labour markets and changing nature of employment. This has implications, as most workers do not have sufficient years of contribution and thereby, do not receive full pension benefits. Absence of an employer-employee relationship means that employers do not contribute to pension schemes. This results in workers contributing to private pension funds and voluntary pension schemes if they can, or being completely left without pension protection.



*"Women are often found in lower paid jobs, part-time or interrupted employment, unpaid family work, and undeclared forms of work. This implies that they may not be paying contributions and consequently, do not receive pensions."*

- **Mr Arun Kumar**  
Workers' Activities Senior Specialist,  
ILO Decent Work Team for East and  
South-East Asia and the Pacific



***"Effective and efficient implementation of pension schemes is important to ensure that the system is accessible and reliable, and the benefits reach the deserving beneficiaries at the right time."***

- **Ms Usa Khiewrord**  
Manager, HelpAge International,  
East Asia and Pacific



***"Social Protection is not a financial burden to the country and the government. The minimum amount of protection or the SPF can realistically be implemented."***

- **Dr Thaworn Sakulphanit**  
Director,  
Health Insurance System Research Office,  
Ministry of Health,  
Royal Thai Government

## 6. Module E: Institutional coordination, implementation and delivery mechanisms

**Ms Usa Khiewrord** (Programme Manager, HelpAge International) highlighted that the process of implementing pension schemes consists of identifying and verifying beneficiaries, enrolling them in the system, paying out benefits through electronic or manual means, establishing complaint and appeals mechanisms, and terminating benefits upon death or ineligibility. It is very important to communicate to beneficiaries and make them aware of their entitlements and procedures to avail benefits. The media, donors, NGOs and local communities all play a vital role in this.

**Dr Thaworn Sakulphanit** (Director, Health Insurance System Research Office, Thailand) elucidated how different types of pension schemes have been implemented in Thailand. These include contributory schemes (compulsory for formal sector and voluntary for informal sector) and a tax-funded social pension. As an ageing society, the country also needs long-term care and support systems for the elderly and disabled people. Therefore, it is crucial to put in place mechanisms for close coordination among the different government agencies involved in protecting the elderly.

In its initial stage, the social pension of Thailand was means-tested. It was later converted to universal, which helped reduce the administrative burdens and problems in identifying beneficiaries.

Social Pension Scheme in Thailand (USD1 = THB33)	
Age of beneficiary	Benefit (THB)
60-69	600
70-79	700
80-89	800
90+	1,000



## 7. Case study of Mongolia, Nepal and Thailand

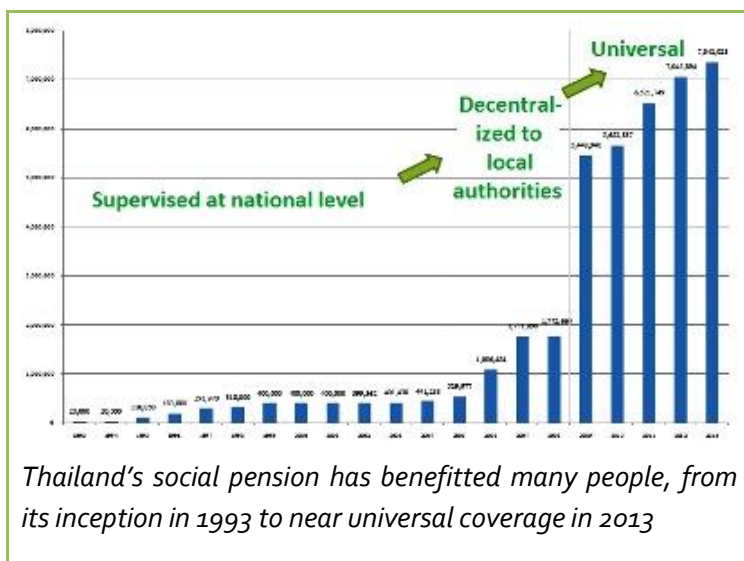
To facilitate practical learning and understanding of pension systems from other countries, a case study exercise was given to participants. The cases were based on existing pension systems in Mongolia, Nepal and Thailand, and their challenges. Participants reviewed and discussed the cases in groups and identified recommendations to effectively expand pensions to all people in these countries.



**Mongolia** has a dual contributory pension system: a defined benefit scheme for people born before 1960, and a notional defined contribution scheme for

people born after 1960. The country is reforming its pension system, to improve its coverage, adequacy of benefits and sustainability.

**Nepal** has a provident fund for formal sector workers and an old age allowance for elderly people, especially designed to help those from remote areas and marginalized communities, and widows. **Thailand's** contributory and non-contributory schemes were also explored in detail.



*"The priority actions for Nepal's social pension are to increase coverage, raise awareness, implement electronic payments and MIS for greater efficiency, and build personnel capacity."*

- **Dr Jhabindra Bhandari**  
Executive Member and Statistician,  
Nepal Participatory Action Network



One of the participants presented Fiji's pension system. The Fiji National Provident Fund comprises a contributory pension scheme established in 1975. The scheme went through a reform process from 2010, to address structural, operational and sustainability issues. Fiji also provides a monthly social pension of US\$50 to elderly people above 70 years of age who do not receive any other allowances.



**Photographs:** <https://plus.google.com/photos/+SPFinAsia/albums/6116415573495105425>

### **E-learning platform:**

An e-learning platform is also available with all the material of the course, more resources related to the topic, the pictures and contacts of participants and resources persons: The platform can be accessed from your smart phone, tablet and computers at: <http://courses.itcilo.org/A358231/>

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