International Labour Organization | ACT/EMP

Social protection systems in ASEAN: A strategy guide for employers

First published 2023

ISBN 9789220390610 (web PDF)

Contents

List of tables

List of figures

Acknowledgements

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Abbreviations

ACE	ASEAN Confederation of Employers
ASEAN	Association of Southeast Asian Nations
EBMO	employer and business membership organization
GDP	gross domestic product
ILO	International Labour Organization
SDG	Sustainable Development Goals
UMFCCI	Union of Myanmar Federation of Chambers of Commerce and Industry

Executive summary

The COVID-19 pandemic has had dramatic social and economic effects, driving around 100 million people into extreme poverty in 2020. This drew widespread attention and concern, especially in countries – including ASEAN Member States – whose strong economic growth was not complemented with comprehensive social protection mechanisms. In recent years, ASEAN Member States have taken steps to expand social protection, especially after the adoption of the 2013 ASEAN Declaration on Strengthening Social Protection, which acknowledged social protection as a fundamental human right. The pandemic pushed ASEAN governments to reassess and often reaffirm commitments to establish social protection and expand existing schemes with renewed vigour.

Employer and business membership organizations (EBMOs) have a vital role in supporting social protection programmes, especially through funding, and thus should be meaningfully involved in system design and implementation. To encourage their greater involvement, this guide has the following objectives:

- provide EMBOs and their members with a firm understanding of existing social protection schemes, their appropriateness in different contexts and the benefits and drawbacks of each;
- assess the relevance and appropriateness of the ASEAN Confederation of Employers' Recommendations on Social Protection; and
- identify existing and potential mechanisms that EBMOs and their members can engage with when designing and overseeing social protection systems.

To achieve these objectives, the researchers conducted a comprehensive literature review of relevant policy documents and other documentation on social protection mechanisms across ASEAN countries. The findings were used to develop a comparative analysis of social protection schemes in seven countries. The researchers also worked closely with the ASEAN Confederation of Employers (ACE) to administer a survey to EBMOs in several ASEAN countries. The survey set out to assess the social protection schemes in a given country and the EBMOs' understanding and views of them. It also assessed platforms through which EBMOs and their members can engage governments on social protection policy dialogue.

Social protection systems: An overview

The International Labour Organization considers social protection a human right, "defined as the set of policies and programmes designed to reduce and prevent poverty and vulnerability throughout the life cycle. Social protection includes benefits for children and families, maternity, unemployment, employment injury, sickness, old age, disability, survivors, as well as health protection" (ILO 2017). There are numerous benefits to expanding social protection, from smoothing aggregated demand to promoting the personal welfare and dignity of all people. Yet, gaps in social protection remain in many countries.

Social protection schemes fall within a range of design and composition characteristics but are broadly classified as either contributory or non-contributory. In non-contributory schemes, poor and vulnerable groups are selected by means testing, or using a set of criteria, and then provided with benefits. Non-contributory schemes include social assistance programmes and universal health care systems. In contributory schemes, an individual and their employer generally make financial contributions towards social insurance, which provides financial or medical benefits. Common types of benefits include old age, disability and survivor benefits, unemployment insurance, work injury insurance and sickness and maternity benefits.

Social protection systems in ASEAN countries

ASEAN Member States have made significant, albeit varied, headway in expanding social protection coverage since the Declaration on Strengthening Social Protection was adopted in 2013. On average, ASEAN Member States provide 36 per cent of their populations with at least one social protection benefit, which is below the global average of 47 per cent. Spending on social protection in ASEAN countries is also low – at just 1.9 per cent of gross domestic product. This is far below the global average of 12.9 per cent, and also below the lower-middle-income country average of 2.5 per cent. As well, social protection coverage gaps are not evenly distributed across the population. Many people who not considered as poor, especially those who work in the informal economy, continue to have limited access to social protection.

Of all the social protection schemes, old-age, disability and survivor benefits are the most common throughout ASEAN. All seven countries provide for some form of old-age, disability and survivor benefits through legislation. Old-age benefits were to become increasingly important in ASEAN due to the ageing populations and shifting social practices. Old-age, disability and survivor benefits traditionally were tied to formal sector employment, and consequently all existing schemes in ASEAN countries cover formal sector employees. ASEAN Member States have made significant effort to expand coverage to the informal sector, although coverage rates remain notably lower, in part because the voluntary schemes in many countries have limited uptake. Mandatory participation of informal workers can ultimately result in improved coverage, but there are challenges associated with participation, administration and contribution collection. The benefits are fairly similar across the ASEAN countries and generally include an old-age pension and disability and survivor benefits. To supplement the traditional benefits, Indonesia, Malaysia and Thailand also operate separate savings or provident funds.

The intense unemployment shock of the COVID-19 pandemic drew unprecedented attention to the need to expand and improve unemployment insurance to mitigate the fallout of future economic shocks. Unemployment insurance is fairly new in the ASEAN region, although all countries covered by this study except Cambodia offer some form of unemployment insurance. Contribution rates range from 0.4 per cent of employees' salaries in Malaysia to 3 per cent in Viet Nam. The contributing party (or parties) varies between the different countries. Private sector employees have the most coverage. Informal workers are generally not covered by unemployment insurance, which is predicated on the existence of an employment relationship. This is a major challenge to expanding coverage in countries where a large share of the workforce operates in the informal sector.

Work injury insurance exists in many ASEAN Member States, although coverage rates vary and remain at less than 10 per cent in some countries. Coverage is more common among formal employees than informal sector workers, so countries with higher levels of informality tend to have lower coverage rates for work injury insurance. Several ASEAN Member States have passed legislation extending work injury insurance to self-employed workers, although there are a number of challenges related to contributions and compliance. Some efforts to extend work injury insurance focus on particular groups of self-employed workers as opposed to all of them. Work injury scheme benefits are fairly similar across the ASEAN region and include a permanent disability benefit (either as a pension or a lump sum), temporary disability benefits, medical benefits and, in the event of death, survivor benefits. However, the size of financial pay-outs and quality of medical care through work injury insurance schemes vary between ASEAN Member States.

Sickness and maternity benefits, including both cash and medical benefits, are provided in all the ASEAN Member States covered in this study. Cash benefits are provided through either a social insurance scheme, as in the Lao People's Democratic Republic, Thailand and Viet Nam, and/or an employer-liability scheme, as in Indonesia and Malaysia. The provision of medical benefits varies across the seven countries, with five of them applying a social insurance scheme with employer and employee contributions.

Universal health care in the ASEAN region is improving, with average coverage rates of 78 per cent and somewhat higher than the global average of 66 per cent. Despite the high levels of coverage, government health expenditure as a percentage of total government expenditure stands at 1.9% much lower than the global average of 5.8 per cent. This suggests that funding gaps remain, and health care services may lack the scope or quality needed by the population. Social health insurance schemes are the most common type of system in ASEAN countries. High levels of informality present challenges for helping self-employed and informal sector workers access health care. Labour is highly mobile within the ASEAN region, so allowing portability of benefits within and between countries may help further increase coverage.

Social assistance is an integral part of social protection systems in ASEAN Member States; however, coverage rates vary dramatically between different countries. Social assistance schemes commonly provide pensions for poor or vulnerable groups, such as older persons or people living with a disability. They also provide cash benefits or medical services to pregnant or new mothers and to vulnerable groups. Despite their importance, these non-contributory social assistance schemes are generally funded by governments or, in selected cases, through overseas development assistance. Consequently, the fiscal sustainability of these programmes is a pressing concern for governments and donors.

Review of ACE recommendations on social protection

In response to the 2013 ASEAN Declaration on Strengthening Social Protection, ACE introduced policy recommendations for the development of social protection systems. The ACE recommendations support strong social protection systems, arguing that "well-functioning, efficient and fiscally affordable social protection systems enhance productivity and contribute to sustainable economic growth in the ASEAN region". Among other things, the ACE recommendations emphasize:

- Social protection systems should be flexible enough to include different types of programmes.
- Social protection is the main responsibility of governments.
- The implementation of social protection should include consultations with different stakeholders to ensure that their perspectives and concerns are incorporated.
- Social protection should seek to protect people rather than jobs and thereby facilitate the movement of people between jobs more easily.
- Social protection system design and assessment should be evidence-based.

This study reviewed the ACE recommendations in light of the current social protection landscape in the ASEAN region and found them to be as relevant today as they were when they were first made nearly a decade ago. This study also identified the following points for consideration for the design of social protection systems, which further complement the ACE recommendations.

- The financial aspects of social protection programmes are an important concern, especially given the fiscal realities facing ASEAN countries. While it is important for ASEAN Member States to recognize the human right to social protection and make efforts to extend coverage to all citizens, this cannot be sustainability achieved without considering the associated costs and who will bear them. At the front and centre of this debate are social assistance schemes, which are non-contributory and therefore funded by taxes on the wider population. These schemes must be approached as a long-term investment in a country's human capital and ultimately, its productivity, with the goal of helping people transition away from the cycle of intergenerational poverty. Schemes need to be designed, monitored and periodically assessed with realistic cost-benefit analysis studies that carefully weigh the investments today with projected gains in productivity and tax revenue in the future.

- Improving the coverage and efficiency of existing social protection schemes (as opposed to creating new ones) may be the most practical approach to expanding social protection coverage. Having both subsidized and unsubsidized contributors in a single, integrated fund that is managed under one institution can prevent the fragmentation of funding and reduce administrative redundancy. It also allows for greater risk pooling and reduced administrative costs.
- The impact of social protection policies on labour costs must be considered and efforts should be made to avoid putting excessive pressure on businesses within a short period of time. Government interventions need to consider the business and employment situation, including total labour costs and profitability. In an effort to increase social protection benefits to all citizens, ASEAN Member States must be cautious not to place too large a financial burden on the workforce to fund benefits for older or younger generations. At the same time, the social protection model adopted by a country needs to fit its demographic characteristics and a population's needs.
- Informality can be a formidable challenge to improving social protection coverage. Parallel efforts to both improve the business environment as well as strengthen social protection for individuals in the informal economy are needed. Any strategy to expand social protection coverage must not only seek to expand coverage to informal workers but also be part of a larger, concerted effort to increase business formalization.
- Productivity growth is needed to support the expansion of social protection and sustain the virtuous cycles between improvement in workers' well-being, business profits and wages. This means that conversations about productivity should be included in discussions on social protection. At the same time, social protection should also avoid disincentivizing work and burdening employers while helping to create the right incentives that drive productivity and labour market participation.

Employers' views on social protection policies

Many EBMOs in the region recognize the value of social protection systems. Despite this overall support, they often have specific concerns about the functioning of the current system in their country. Employers have a range of long-term goals for the development and reform of social protection systems. These goals include an increase in social dialogue on the cost-sharing of social protection as well as consideration of the effects of social protection on enterprise sustainability.

EBMOs are important actors in the policy formation process, including social protection, in ASEAN countries. However, their views are more mixed on whether consultation and EBMO engagement is substantive and satisfactory. Employers sometimes have concerns about whether governments fully consider the costs of social protection programmes and the effects that these costs have on enterprises. EBMOs also have a mixed view on whether social protection policy in their country takes a holistic approach – addressing tough questions about funding, sustainability, the current employment situation and the distribution of who bears the costs of these programmes.

Due to the important role that employers have in funding social protection systems, they often also have a role in the governance of those systems. Perhaps no area is more important for EBMOs to be involved in than pension fund governance. In addition to their roles in both the design and oversight of social protection schemes, EBMOs also have the role of service provider to member companies, often helping them to better understand, access and comply with a country's social protection schemes.

ACE rwwhwecommendations: Suggestions and updates

The ACE recommendations on social protection provide a strong starting point for EBMOs as they consider future steps regarding social protection. The recommendations thus could be enhanced by including the following:

- A call to deepen consultation, supported by internal efforts to bolster capacity on social protection policy and administration.
- Increasing the emphasis on the coherence between social protection policies and other social, economic and employment policies.
- Explicitly calling for government funding for social protection benefits for those in the informal economy.
- Stressing the need for regular monitoring of implementation and periodic evaluation of social protection.
- Designing and proposing a monitoring or evaluation tool or programme for social protection schemes.
- Better leveraging private sector expertise in the administration of social protection systems and provision of related financial and medical services.

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1 Introduction

The COVID-19 pandemic laid bare the fragility of economies that had experienced strong economic growth but lacked effective social protection mechanisms. Severe and immediate economic contraction spread across the globe in the pandemic's wake, with one estimate finding that global gross domestic product fell by 3.2 per cent in 2020 (CRS 2022). The World Bank (2020) estimated that the pandemic and resulting recession pushed between 88 million and 115 million people into extreme poverty in 2020, approximately 1.4 per cent of the world's population. In doing so, the pandemic reversed years of gains in poverty reduction and set the world well behind on achieving the targets of the Sustainable Development Goals (SDGs). On a regional level, GDP contracted by 2.2 per cent in the Asia–Pacific region despite the strong year-on-year growth for decades (ILO 2021a). An estimated 47.4 million work hours were lost among ASEAN Member States.[1] These consequences put an unprecedented spotlight on the importance of social protection.

As businesses, governments and individuals begin to look towards a post-pandemic future, uncertainty about the economic climate and risks related to the absence of effective social protection remain. Without improved social protection, further increases in inequality and increasing vulnerability for large segments of the population are likely. In this context, the trajectory of social protection in ASEAN countries is at a crossroads.

In 2013, the ten ASEAN Member States adopted the ASEAN Declaration on Strengthening Social Protection. The Declaration acknowledges social protection as a fundamental human right as part of the articulation of a broader vision for a socially responsible and people-oriented ASEAN community by 2025. Since its adoption countries have been expanding existing mechanisms and developing new ones at a more rapid pace. This has been hastened by the pandemic, which has pushed ASEAN governments to reassess and, where appropriate, reaffirm commitments to establishing social protection mechanisms while also expanding comprehensive social protection schemes with renewed vigour.

1 Based on ILO modelled estimates using a 40-hour work week; ILOSTAT database, accessed 29 June 2022.

Employer and business membership organizations (EBMOs) have a vital role in supporting social protection programmes. While the ASEAN Declaration confirms that governments are primarily responsible for social protection schemes, it also calls on the private sector to support those schemes with "adequate resources and effective implementation of the commitments". They are key funders of social protection and therefore deserve to be meaningfully consulted and appropriately involved in the design and implementation of these systems. This is necessary to ensure the appropriateness and especially the financial sustainability of social protection systems.

This guide is designed to help EBMOs and employers in ASEAN countries better understand social protection schemes, identify long-term goals for such schemes and actively advocate for those goals. It is a reference document designed to equip EBMOs and their members with the know-how to engage government and other actors in the design and refinement of social protection schemes. The guide has three objectives.

1. Provide EMBOs and their members with a firm understanding of existing social protection schemes, their appropriateness in different contexts and the benefits and drawbacks of each. This will enable them to view their country's social protection schemes from a broader perspective and to consider alternative options and if and where good practices from neighbouring Member States could be appropriate or adapted to their context. They will be able to clearly see the relationship between the design of social protection policies and the wider policy landscape in their country and how social protection policies should be tailored to fit specific socio-economic contexts, such as the nature and size of the informal economy, and demographic considerations, such as population growth and ageing. The guide starts with a brief overview of social protection systems, targeted primarily at general readers without a deep background in social protection. It then turns to the comparative analysis of social protection systems in ASEAN countries, organized according to benefit types. Due to the sheer volume of social protection schemes as well as drastic variation in the socio-economic environments in which they operate, this analysis is not exhaustive. Rather, it contrasts pertinent examples of different kinds of social protection schemes, particularly those that have come into existence since the signing of the ASEAN Declaration.
2. Assess the relevance and appropriateness of the ASEAN Confederation of Employers' (ACE) recommendations on social protection. In 2014, after the passage of the ASEAN Declaration, ACE developed the Recommendations for the Plan of Action to Implement the ASEAN Declaration on Strengthening Social Protection. It has been nearly a decade since the introduction of these recommendations, during which time a multitude of social protection schemes has been rolled out and the pandemic has created a starkly different social and economic environment. This guide reviews the ACE recommendations to determine how and to what extent they are still relevant in the policy discussion today.
3. Identify existing and potential mechanisms for EBMOs and their members to engage in the design and oversight of social protection systems. The ASEAN Declaration calls for the participation of private sector actors in the development of social protection policies but does not define specific mechanisms or platforms for constructive engagement. This guide assesses what platforms and tools are available to employers to engage in this discussion. It also identifies the absence of such tools and platforms, with suggestions of what could be created. Due consideration is given to the kinds of services and support that EBMOs can provide to their members so that they can more easily implement and comply with social protection policies.

After addressing the three objectives, the guide concludes with policy recommendations for EBMOs and their members for their advocacy around social protection.

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2

Research approach

The preparation of this guide entailed a comprehensive literature review of relevant policy documents and other literature on social protection mechanisms in ASEAN countries. The review also assessed policy analysis documents from the ILO and, in particular, ACE. Of particular note are the ACE Recommendations for the Plan of Action to Implement the ASEAN Declaration on Strengthening Social Protection. These recommendations provide an analytical framework upon which the appropriateness of social protection policies can be assessed in terms of their impacts on employers. The researchers also worked closely with ACE to administer a survey among EBMOs in seven ASEAN countries. The survey assessed the social protection schemes in a given country and the EBMOs' understanding and views of them. It also assessed platforms through which EBMOs and their members can engage governments on social protection policy dialogue. As a final step in the research process, a presentation of key findings was shared in a workshop with employers in late 2022. This served as a means to validate the findings among EBMOs and kickstart their dissemination. These validated findings are included in this guide.

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3 Social protection systems: An overview

Rationale for social protection

The benefits from expanding effective social protection coverage to a greater proportion of the global population are manifold. Doing so promotes the personal welfare and dignity of all segments of the population and can also lead to macroeconomic stability by smoothing aggregate demand. Even though gains were made in expanding social protection coverage over the past few decades, significant gaps remain in many countries to realize full and effective coverage. In hindsight, decades of strong economic growth and, with it, growing incomes means that the severity of these gaps were largely underestimated.

In this context, the trajectory of social protection is at a crossroads in many countries. Governments can pursue a "low" and arduous road to social protection, in which investments are minimal and unfounded hope is placed in the expectation of stable, uninterrupted economic growth. Given the limited fiscal space brought about by the pandemic, this road may seem tempting. However, the pandemic has shown how rapid changes in the global economy make it a risky route at best but, at worst, one doomed to a cycle of disinvestment and reduced marginal returns. Alternatively, governments can look towards a "high road" of establishing comprehensive social protection schemes that align with country-specific labour policies. On an individual level, this would ensure human dignity to citizens by providing at least a minimum level of protection against macroeconomic shocks and anticipated life-cycle risks. On a country level, this would lead to a more skilled and productive workforce and mitigate against extreme economic contractions by.

Although the past few decades of economic growth were arguably some of the most *effective* times to invest in social protection schemes, now is perhaps the most *crucial* time to do so. Governments can actively choose to turn the vicious cycle of disinvestment, deprivation and low productivity into a virtuous cycle of greater worker productivity, a widening tax base and continued investment in social protection.

What is social protection?

According to the International Labour Organization (ILO 2017), "social protection, or social security, is a human right and is defined as the set of policies and programmes designed to reduce and prevent poverty and vulnerability throughout the life cycle. Social protection includes benefits for children and families, maternity, unemployment, employment injury, sickness, old age, disability, survivors, as well as health protection". The ILO's Social Security (Minimum Standards) Convention, 1952 (No. 102) further defines the benefits and puts forth a basis for establishing social protection systems around the globe.[2]

A component to achieving this vision is the development of social protection floors. The ILO Social Protection Floors Recommendation, 2012 (No. 202) defines them as "nationally defined sets of basic social security guarantees, which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion". The exact composition of social protection systems vary from country to country, but Recommendation No. 202 notes that they should include the following basic social protection guarantees:

a. access to a nationally defined set of goods and services, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality;
b. basic income security for children, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services;
c. basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and
d. basic income security, at least at a nationally defined minimum level, for older persons.[3]

The importance of social protection and social protection floors are also noted in the SDGs. For example, SDG target 1.3 urges countries to "implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable" (ILO 2017).

Social protection system design

Social protection schemes can have a range of design and composition characteristics. Broadly, they can be classified as either contributory or non-contributory. Non-contributory schemes usually refer to either universal schemes or social assistance programmes in which poor or vulnerable groups are selected by means testing, or a certain set of criteria, and provided with benefits. These schemes are funded through government taxes or donor contributions. As discussed further on, social assistance programmes constitute a key element to achieving comprehensive social protection floors, but due to their non-contributory nature, fiscal sustainability is often a concern. They should be viewed as both a social safety net and, when targeted at families with children, as an investment in the productive capacity of the future workforce. They should be developed with existing fiscal space and future productive gains in mind, and governments implementing these schemes should have a clear strategy to gradually extend the coverage of contributory schemes to these groups.

2 The ILO considers social security and social protection to be synonymous terms.
3 See www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R202.

Employer-liability schemes represent another type of scheme in which beneficiaries do not contribute. Under employer-liability schemes, the law mandates that employers take responsibility for directly paying the cost of a social protection benefit to their employees. This is concerning for businesses, not only because it places the entire cost of the social protection benefit upon them but also because the lack of risk pooling makes it difficult for businesses to accurately plan for associated costs. It places a greater financial burden on the businesses that do end up paying the benefit. This can be a particularly onerous financial burden for small businesses with only a few employees. In the case of maternity benefits, employer-liability schemes can also create perverse incentives for businesses to discriminate against employing women to lower operating costs. Employer liability by nature excludes workers in the informal sector because they do not have formally defined employer–employee relationships.

Contributory schemes typically fall under the category of social insurance schemes. These schemes provide a financial or medical benefit to the insured or their survivors when an event occurs, such as unemployment, pregnancy, sickness, injury, old age or death. Generally in social insurance schemes, the insured individual contributes financially along with their employer.[4] This is typically in the form of a percentage of the monthly wages. In some cases, the government also contributes or subsidizes the cost of these schemes for individuals with lower earnings. In the case of the formal sector, it is often mandatory for employees to participate in a social insurance scheme. Over the past few decades, ASEAN Member States have expanded social protection coverage by making social insurance schemes either mandatory or voluntary for workers in the informal sector. Given the extreme size of the informal sector in ASEAN countries, expanding these schemes to the informal sector is paramount to achieving broader coverage. However, enforcement and compliance remain a challenge, and the uptake of voluntary social insurance schemes remains low (ILO forthcoming a).

Common contributory social protection schemes

The bulk of social protection schemes are contributory in nature. They are often partially funded by and administered through employers, making them an important focus of this guide and its intended audience. The following section describes common types of social protection schemes based on the type of benefits they offer.[5]

Old-age, disability and survivor benefits

Old-age, disability and survivor benefits are often grouped together for several reasons, primarily because the funds for these various benefits are typically drawn from the same sources. *Old-age benefits* ensure that older persons have the financial means to continue to live their lives comfortably and with dignity even after they have passed the economically productive years of their life. Benefits typically come in the form of a monthly pension or lump sum payment.

4 In some social insurance schemes, the insured individual may not contribute to all the benefits provided in the scheme, particularly regarding injuries or accidents related to employment. For example, in Japan and the Republic of Korea, there is an Employment Insurance Fund composed of unemployment benefits, an employment security (promotion) fund and a job skills development fund. Employees contribute only to the first while employers contribute to all three.

5 The social protection schemes in this section are most often administered as social insurance schemes and are therefore contributory in nature. Some countries have chosen to administer some of them as employer liability schemes. These cases are noted in the comparative analysis section of this guide.

Survivor benefits provide a portion of a pension of someone who has died to their dependants. If the deceased was not yet claiming a pension but was contributing to a pension, then the dependants typically still receive either a reduced pension or lump sum pay-out. In this sense, the old-age benefits of the deceased individual continue to serve a similar purpose. They are simply transferred to a different recipient.

Disability benefits are provided to individuals who become disabled (not due to a work injury) and are provided in the form of a pension or lump-sum payment. The pension or lump-sum amount depends on the duration and amount of contribution paid into the system and the extent of the disability. It is also common for disability benefits to be drawn from the same funding source as other old-age, disability and survivor benefits.

Savings and provident funds have some similarities to pension systems and serve as investment vehicles in which workers can contribute funds for their retirement or other important life events. Their contributions gain interest over time and can later be withdrawn in a lump sum payment or at regular intervals, similar to a pension. Paired with traditional old-age, disability and survivor benefits, not only can these funds offer workers more diversification and flexibility in retirement income but can also help to expand social protection coverage to the informal sector.

Unemployment insurance

The labour demand of firms is dynamic. On an individual level, it varies based on the skills and human capital requirements of a firm. On a macro level, it is prone to general macroeconomic expansion and contraction in a given sector or across the economy. Arising from this volatility is a clear need to protect employees rather than jobs. When employees are let go through no fault of their own, *unemployment insurance* provides them with the income necessary to cover expenses while looking for other gainful employment where their skills and expertise can be put to productive use.

In periods of dramatic economic contraction, unemployment insurance also promotes macroeconomic stability and reduced economic fallout by smoothing aggregate demand. In other words, when many individuals become unemployed at the same time, unemployment insurance ensures that their consumption levels do not decrease as much as they would in the absence of unemployment insurance. This can help economies avoid a negative spiral in which reduced aggregate demand and fewer jobs reinforce one another.

Active labour market policies, also known as “employment promotion”, is often discussed alongside unemployment insurance. Although it is not commonly considered a social protection scheme, effective employment promotion policies are necessary for unemployment insurance to achieve its main objective of making labour markets efficient and the workforce productive. Employment promotion includes funded or subsidized access to vocational training, job promotion and counselling services. The quality and accessibility of these programmes varies across countries, as does their alignment with labour market needs and the extent to which these programmes link to unemployment insurance.

Work injury insurance

Work injury insurance, sometimes referred to as a “disability” benefit, traditionally has been a key component of social insurance schemes. In the event of a work-related injury or illness, work injury insurance provides a range of medical and financial benefits. In the event of a temporary disability due to the employment, the objective of these benefits is to physically rehabilitate and, in some cases, retrain the individual so they can continue to engage productively in the workforce. This also means providing financial support in the short term (usually a proportion of an individual’s previous earnings) to ensure at least some degree of income stability during the rehabilitation period. In the event of permanent disability, the objective of these benefits is to restore physical and mental health to the greatest extent possible while providing sufficient financial assistance in the form of a pension or lump-sum payment so the insured person can live the remainder of their life comfortably and with dignity.

Sickness and maternity benefits

Whether due to severe sickness or the birth of a child, *sickness and maternity benefits* ensure that an extended leave from work does not jeopardize the economic well-being of an individual or their household. They ensure that individuals receive the proper medical treatment and support to fully recover and continue to be a productive member of the workforce. Sickness and maternity benefits can be broadly divided into cash benefits and medical benefits. The former provides cash compensation for the time in which an individual is not at work, and the latter covers the cost or is the direct provision of medical services related to the sickness or birth.

Non-contributory social protection schemes

Social assistance

Social assistance is a complementary mechanism to social insurance, designed to establish a functional social protection floor. It is a recognition by governments that every human has a fundamental right to a life of dignity with adequate social protection, regardless of their financial capacity to contribute. Social assistance differs from social insurance in that it is non-contributory and therefore is not a substitute for social insurance. Social assistance often takes the form of cash transfers to older persons, people who are poor or live with a disability or other vulnerable groups. Cash transfers can be unconditional or conditional in nature. For example, they may require that mothers seek prenatal care or that children in the household attend school.[6]

As noted previously, the non-contributory nature of social assistance programmes leads to significant concerns regarding fiscal sustainability. Targeting also represents a concern. Proxy means testing is typically used to determine the poorest households and provide them with cash transfers, but exclusion errors in targeting are common, meaning that some of the households most in need do not receive benefits (Kidd et al. 2017). Large social assistance programmes also entail a considerable administrative burden on governments and can prove challenging when capacity is limited (Ong and Peyron Bista 2015).

Despite these concerns, countries with less developed economies, high rates of poverty and a relatively young population can benefit greatly from the implementation of social assistance schemes. These schemes invest in the human capital of poor families and especially their children in a bid to slowly erode persistent intergenerational poverty. Increased investment in human capital development for the next generation, paired with economic growth and the formalization of the economy, can lead to greater economic production. This can, in turn, expand the tax base that funds social protection programmes, enabling an expansion of benefits to a larger proportion of the population.

A virtuous cycle of expansion and strengthening of social protection should be a goal of social assistance schemes, with an understanding that these schemes should serve largely as transitional measures. These funds also exist within the realities of limited fiscal space, and, given the typically wide popularity of these schemes among poor households, governments should resist the temptation to give into the demands of populist politics. Such schemes must be designed, monitored and periodically assessed with realistic cost-benefit analysis studies, which carefully weigh the investments today with projected future gains in productivity and tax revenue.

6 For example, the Keluarga Harapan Programme in Indonesia and the Pantawid Pamilyang Pilipino Programme (4Ps) in the Philippines provide cash transfers that are conditioned upon children's school attendance and health check-ups (Ong and Peyron Bista 2015).

Universal health care

Even though *universal health care systems* are not classified as a social protection scheme, they serve as an essential mechanism through which social protection is realized and made available to the public. Even when social protection mechanisms can ensure adequate funding to cover health expenses, supply-side factors must be taken into consideration. Essential medical care must be available and accessible for all as well as of sufficient quality. The establishment of extensive and robust health care systems is a precondition for effective social protection. Universal health care systems can also directly provide funding for health services or provide them for free or at a subsidized rate for impoverished and vulnerable segments of the society. They thus are an important component to social protection floors.

4

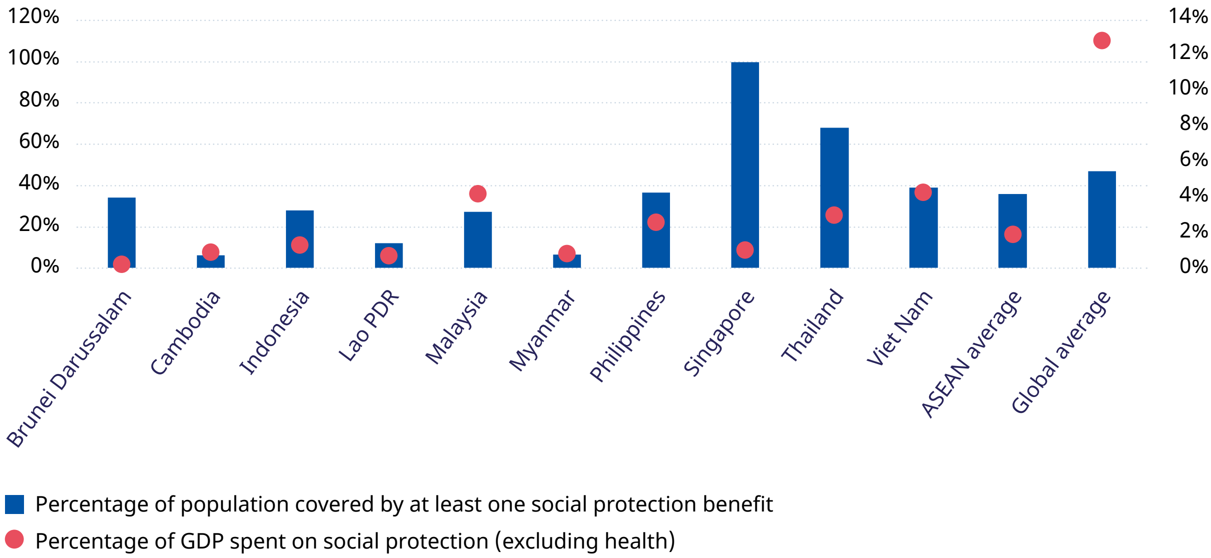
Social protection systems in ASEAN countries: Comparative analysis

Social protection coverage and composition

ASEAN's Declaration on Strengthening Social Protection in 2013 is one of the defining visions for social protection in the region. The Declaration acknowledges social protection as a basic human right to which everyone is entitled and calls upon Member States to extend coverage, availability, quality, equitability and sustainability of social protection. Since adopting the Declaration in 2013, ASEAN Member States have made significant, albeit varied headway in expanding social protection coverage across all stages of the human life cycle. Available ILO estimates for ASEAN Member States indicate that, on average, 35.7 per cent of their populations are covered by at least one social protection benefit.[7] This is below the global average (at 47 per cent) but double the average for Africa (at 17.4 per cent).

7 Coverage data of at least one social protection benefit as well as coverage data for specific social protection benefits (illustrated in the figures throughout this guide) are from the ILOSTAT database, accessed 12 June 2022. Data are for 2020 or the most recent year available. The coverage rate is defined as: proportion of the total population receiving at least one contributory or non-contributory cash benefit or actively contributing to at least one social security scheme. Health care and sickness benefits are excluded. The data provided are for effective coverage rather than legal coverage. While the development of national legal frameworks is essential for a rights-based approach, the extension of legal coverage does not in itself ensure effective coverage of the population or the adequacy of benefits. The effective coverage rates drawn from ILOSTAT derive from administrative data sets maintained by the national ministries of labour, social development, welfare, finance, social security institutions and others. The accuracy and completeness of these administrative data sets vary.

▶ **Figure 1. Social protection coverage and expenditure levels in ASEAN countries, 2020 or most recent year available**



The region's average masks substantial variation in coverage rates among ASEAN Member States. Singapore ostensibly has achieved 100 per cent coverage of its population, compared with 6.2 per cent for Cambodia. Coverage is also relatively low in Myanmar and the Lao People's Democratic Republic, at 6.3 per cent and 12.1 per cent, respectively. Some countries have seen strong growth in recent years. For example, the social protection system in Viet Nam has made significant progress, most notably with health insurance coverage that now reaches nearly 96 per cent of the population (VCCI 2022). The composition of benefits (discussed later in this section) also varies across the region. Generally, statutory guarantees for long-term benefits are more common, while short-term benefits, such as employment injury and unemployment benefits, are less so.

ASEAN countries spend an average of 1.9 per cent of their GDP on social protection. This places the region well below the global average of 12.9 per cent, although that average is driven up considerably by the high-income countries. The global average for lower-middle-income countries is 2.5 per cent and 1.1 per cent for low-income countries. These global averages are much more consistent with the spending levels in the ASEAN region, where most countries are either lower-middle-income or low-income. There is also much variation in spending between countries, with Viet Nam devoting 4.3 per cent of its GDP to social protection expenditure, compared with 0.2 per cent for Brunei Darussalam.

A considerable gap in financing for many of these social protection systems likely remains. The ILO estimates that the initial gross annual cost to fund a basic social protection package (excluding health care) would require social protection expenditure of 2 to 6.1 per cent of a country's GDP (ESCAP, 2022). The social protection expenditure for six ASEAN Member States is below this range, while Malaysia, Philippines, Thailand and Viet Nam sit within this range.

▶ Considerations for expanding social protection to the informal sector

Gaps in both coverage and financing for social protection are not evenly distributed across the population and result from the lack of alignment between contributory and non-contributory social protection mechanisms. Across the ASEAN region, social assistance schemes have had an important role in expanding social protection coverage among poor and marginalized groups. Their expansion, paired with that of contributory schemes within the formal sector, has resulted in a "missing middle" for social protection coverage. Many people who are not poor and work in the informal economy continue to have limited access to social protection.

Approximately 78 per cent of the workforce in the region engages in the informal economy. Any effort to dramatically expand social protection coverage must look towards developing mechanisms to cover this segment of the population. Governments have implemented numerous voluntary contributory schemes in an effort to reach this missing middle, but for the most part, voluntary schemes among workers in the informal economy have experienced limited uptake (ILO forthcoming a). Workers within the informal sector often do not perceive much value from voluntary schemes or have limited confidence in government institutions to administer them (ILO forthcoming a). Voluntary schemes may also result in adverse participant selection and small risk pools, both of which can jeopardize the attractiveness and fiscal sustainability of the scheme. The expansion of social protection across workers in the informal economy may be better realized by the creation of new mandatory schemes or the expansion of existing mandatory schemes into the informal economy. Mandatory contributory schemes within the informal economy come with their own host of administrative and compliance challenges, especially if workers and employers have limited contributory capacity. The choice between voluntary and mandatory social protection schemes is not an easy one to make and ultimately depends on the specific social and economic dynamics within a given country.

Special attention also should be given to certain vulnerable groups who are typically excluded from social protection schemes or have separate, less favourable schemes than other segments of the population. This can include migrant workers, domestic workers, short-term contract workers and those engaged in the agriculture, forestry and fisheries sectors. Some Member States have made specific legal guarantees to extend social protection schemes to these groups, although coverage generally remains low.

Portability of benefits across the formal and informal sectors must also be given due consideration. Transitioning between the formal and informal economies is common for many workers within ASEAN countries. This can leave large gaps in contributions periods, which can either prevent contributors from accessing the benefits of the contributory schemes or result in below adequate pay-outs (ILO forthcoming a). Portability across counties is another concern. As of 2015, there were more than 9 million migrant workers in ASEAN, and their access to social protection in the sending and receiving countries was often limited (ILO forthcoming a). Though several Member States provide migrants with access to social protection mechanisms to migrants, there are no bilateral or multilateral social protection agreements between Member States.* Rather, migrant workers can contribute to these schemes but are not able to transfer the benefits back to their own system. Many receive a lump-sum payment of benefits when migrating back to their country of origin. Similarly, they are often unable to contribute to social protection schemes in their home country while they are abroad, which can result in large gaps in contribution history.

Note: *= The Philippines and Thailand are considering developing such an agreement (ILO 2018).

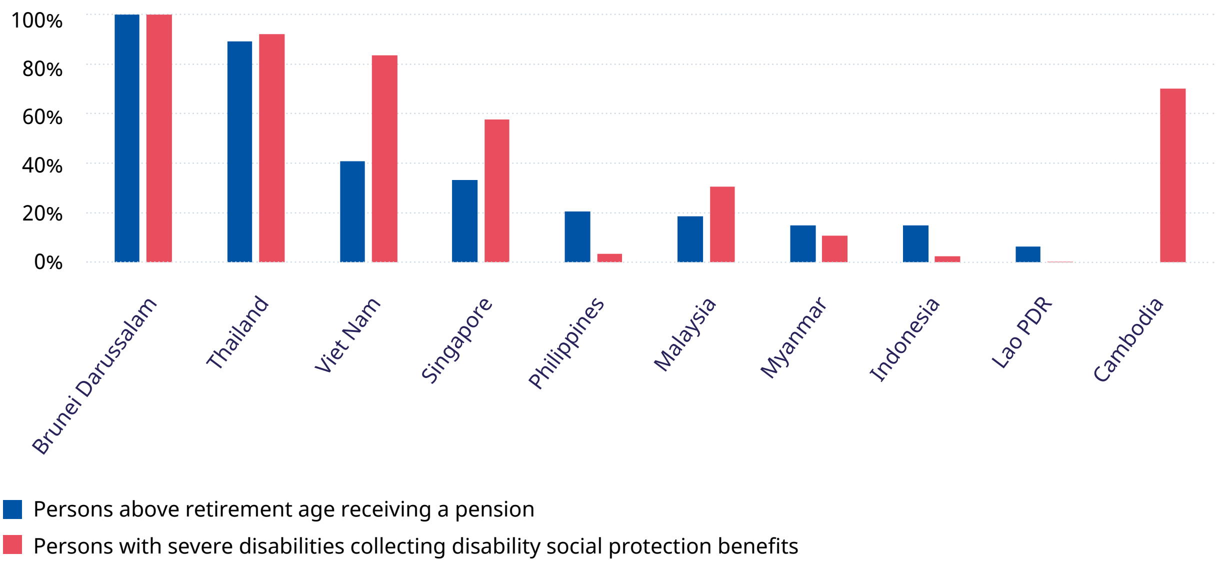
Across the ASEAN region, Member States have employed a mixture of social protection schemes in an attempt to provide a diverse mix of benefits to different segments of their populations. The following section showcases the types of social protection benefits offered in seven ASEAN Member States. It compares the schemes used to provide these benefits as well as who pays into them, who receives them and under what circumstances. Key features of these social protection schemes are summarized in the ensuing comparison tables.

Old-age, disability and survivor benefits

Overview and coverage

Of all the social protection schemes, old-age, disability and survivor benefits are the most common throughout the region. All seven countries provide some form of old-age, disability and survivor benefits through legislation, although the extent of coverage and roll-out of these systems vary greatly. Since the signing of the ASEAN Declaration on Strengthening Social Protection, many countries that already provided some form of old-age, disability and survivor benefits have made important strides to extend coverage, either by passing additional legislation (such as Indonesia, Lao People's Democratic Republic and Viet Nam) or extending coverage through existing schemes. Cambodia is the most recent country to introduce old-age, disability and survivor benefits, announcing regulations for a pension scheme in July 2022. The law governing the scheme calls for a phased roll-out of old-age, disability and survivor benefits along with other social protection mechanisms, with contributions having started in October 2022.

▶ **Figure 2. Coverage of old-age, disability, and survivor benefits schemes in ASEAN countries, 2020 or most recent year available**



Source: ILOSTAT Database, accessed 12 June 2022.

Old-age benefits have become increasingly important in ASEAN due to the ageing populations and shifting social practices. In the absence of formal old-age benefits, individuals have traditionally relied heavily upon their children as a form of economic support in their old age. This is still largely the case within many South-East Asian countries. For example, a 2014 survey on ageing and well-being in Thailand found that 85 per cent of older persons with living children received some kind of monetary support from their children (Knodel et al. 2015). But as the nature of the nuclear family evolves and grows smaller and more disconnected, familial economic support will be insufficient. Given the region's ageing population, it is imperative that effective pension systems are in place to ensure economic stability for older persons.

▶ Table 1. Old-age, disability and survivor benefits in Cambodia and Lao People's Democratic Republic and Viet Nam

	Cambodia	Lao PDR	Viet Nam
Laws and regulations	▶ 2019 Social Security Protection Law	▶ 2013 Social Security	▶ 2009 Elderly ▶ 2014 Social Insurance
Coverage groups	▶ Formal sector employees	▶ Formal sector employees ▶ Informal sector workers (voluntary)	▶ Formal sector employees with contract of 1 month or more* ▶ Informal sector workers (voluntary)
Contribution rates	▶ Formal sector employees and employers: 2% for years 0–5; 4% for years 6–10; 5.375% for all subsequent years	▶ Formal sector employees: 2.5% ▶ Employers: 2.5% ▶ Informal sector workers: 5%	▶ Formal sector employees: 8% ▶ Employers: 14% ▶ Informal sector workers: 22% (covering declared earnings)
Benefits	▶ Old-age pension ▶ Survivor pension ▶ Disability pension ▶ Funeral benefit	▶ Old-age pension ▶ Survivor pension	▶ Old-age pension ▶ Pension supplement ▶ Survivor pension ▶ Funeral grant

Note: The country social protection information provided in this table and all subsequent country tables derive from the ISSA and SSA report Social Security Programs Throughout the World: Asia and Pacific, 2018. The tables were reviewed by ILO Social Protection experts and updated where appropriate. *= The scheme specifically includes: domestic workers, employees in agriculture, fishing and salt production and part-time workers.

▶ Table 2. Old age, disability and survivor benefits in Indonesia, Malaysia, Philippines and Thailand

	Indonesia	Malaysia	Philippines	Thailand
Laws and regulations	▶ 2004 Social Security System ▶ 2011 Social Security Agency ▶ 2015 Pension Programme, Provident Fund and Life Insurance Regulations	▶ 1969 Social Security ▶ 1979 Non-Contributory Pension ▶ 1980 Pension Adjustment ▶ 2012 Minimum Retirement Age	▶ 1954 Old Age, Disabilities and Survivors ▶ 2010 Social Pension	▶ 1990 Social Security ▶ 2003 Older Persons
Coverage groups[b]	▶ Social insurance: formal sector employees ▶ Life insurance: formal sector employees and informal sector workers	▶ Formal sector employees excluding spouses of business owners	▶ Formal sector employees ▶ Informal sector workers	▶ Formal sector employees ▶ Informal sector workers (voluntary)

	Indonesia	Malaysia	Philippines	Thailand
Contribution rates	▶ Social insurance: formal sector employees: 1% ▶ Employers: 2% ▶ Life insurance: ▶ formal sector employees: 0% ▶ Employers: 0.3% ▶ Informal sector workers: 6,800 rupiahs per month	▶ Formal sector employees: 0.5% ▶ Employers: 0.5%	▶ Formal sector employees: 36–58 pesos per monthe ▶ Employers: 74–1,179 pesos per month ▶ Informal sector workers: 110–1,760 pesos per month	▶ Formal sector employees: 3%[c] ▶ Employer: 3% ▶ Government: 1% ▶ informal sector workers: 70 baht or more per monthd
Benefits	▶ Permanent disability pension ▶ Survivor pension ▶ Life insurance: death grant and funeral grant	▶ Permanent invalidity pension ▶ Survivor pension ▶ Funeral grant	▶ Old-age pension ▶ Dependant supplement ▶ Permanent disability pension ▶ Survivor pension ▶ Funeral grant	▶ Old-age pension (for formal sector employees) ▶ Old-age grant (for informal sector workers) ▶ Permanent disability benefit ▶ Survivor benefit: funeral grant

Note: a= As part of the social insurance scheme, Indonesia also provides mandatory life insurance for all formal and informal sector workers. It funds a death grant and funeral grant.

b= For the sake of brevity, this analysis excludes social protection mechanisms for government employees only. In most cases, government employees participate in the same social insurance schemes as private sector employees unless they are already covered by another government social insurance scheme. Inclusion or exclusion of foreign workers varies between country schemes but is not noted here.

c= This amount contributes to old age insurance. In addition, both formal private sector employees and formal sector self-employed workers (not noted here) contribute a flat monthly fee of 288 baht, which goes to old-age, disability and survivor benefits. The government provides a partial match contribution.

d= Larger voluntary contributions can be made for additional coverage for old-age, disability, survivor, sickness and family allowances.

e= Based on income class.

Coverage groups and contribution

Old-age, disability and survivor benefits have traditionally been tied to formal sector employment. Consequently, all existing schemes in ASEAN countries cover formal sector employees. Employer and employee contributions vary between 1 per cent and 3 per cent for most of the countries covered in this study, although outliers exist.[8] In Viet Nam, employers contribute 8 per cent of their monthly payroll to the old-age, disability and survivor benefits, and their employees contribute 14 per cent of monthly earnings, compared with contributions rates of 0.5 per cent for both employers and employees in Malaysia. Thailand is the only country in the study in which the Government contributes to the scheme, at a set rate of 1 per cent of an individual’s wages.[9]

8 Throughout this guide, contribution rates are referred to as a percentage of an individual’s monthly wages, and business and government contribution rates are referred to as a percentage of monthly payroll. These terms are roughly synonymous.

9 The governments’ financial contribution to these funds

Given the high levels of informality within ASEAN, Member States have made substantial efforts to expand coverage to the informal sector. Contributing to old-age, disability and survivor benefits is voluntary for informal sector workers in the Lao People's Democratic Republic, Thailand and Viet Nam, although past experience suggests that social protection schemes that are voluntary have limited uptake among the population (ILO forthcoming a). This may be due to a perceived lack of benefit, focus on shorter-term investments or lack of trust in government institutions (ILO forthcoming a). In some countries, informal sector workers participating in the scheme are responsible for the employer's share of the contribution. In Viet Nam for example, a self-employed person contributes 22 per cent of their declared gross monthly earnings to the old-age, disability and survivor benefits. This could pose a strong disincentive for contributing to a voluntary system. The volatility of income for informal workers also makes it difficult to assess average monthly earnings, with which to calculate a contribution amount. This is further complicated by the challenges in calculating income from wages for informal sector workers, whose earnings may consist of both income from labour and returns on capital used in their work (for example, a taxi owned by the taxi driver). The Philippines and Thailand have simplified this issue by creating a minimum flat rate contribution for informal workers. Indonesia and the Philippines have mandatory contribution requirements for informal workers. Mandatory participation of informal workers can ultimately result in improved coverage, but challenges to administration and collection should be considered during system design.

Savings and provident funds

To supplement traditional old-age, disability and survivor benefits, Indonesia, Malaysia and Thailand also operate separate savings or provident funds. In the case of Thailand, the National Savings Fund is a voluntary fund for informal workers in which they can contribute a minimum of 50 Thai baht per month, though larger contributions are possible. In both Indonesia and Malaysia, there are provident funds that are mandatory for formal sector employees and voluntary for informal sector workers. Contributions rates to the Provident Fund in Malaysia are relatively high, at 11 per cent and 12–13 per cent for formal sector employees and their employers, respectively. This high contribution rate for the Provident Fund may explain the low contribution requirements for Malaysia's social protection scheme for old-age, disability and survivor benefits. The governments of Malaysia and Thailand also incentivize contributions from informal sector workers by providing matched savings. The Malaysian Government also guarantees a minimum interest rate of 2.5 per cent.

▶ Table 3. Savings and provident funds in Indonesia and Malaysia and Thailand

	Indonesia	Malaysia	Thailand
Laws and regulations	▶ Provident Fund Regulations 2015	▶ 1991 Provident Fund[a]	▶ 2011 National Savings Fund
Coverage groups[b]	▶ Formal sector employees ▶ Informal sector workers (voluntary)	▶ Formal sector employees ▶ Informal sector workers (voluntary)	▶ Informal sector workers (voluntary)
Contribution rates	▶ Formal sector employees: 2% ▶ Employers: 3.7% ▶ Informal sector workers: 2%	▶ Formal sector employees: 11% (if aged 60 or older) or 5.5% (if younger than 60) ▶ Employers: 12–13% (if insured person is aged 60 or older); 4% (if person is younger than 60) ▶ Informal sector workers: up to 60,000 ringgit per annum[e] ▶ Government: 15% match up to 250 ringgit per annum[f]	▶ 50 baht or more per month[d]
Benefits	▶ Old-age pension ▶ Disability benefit ▶ Survivor benefit	▶ Old-age benefit: can withdraw in lump-sum (partial or whole), monthly payments or annual dividend[h] ▶ Disability benefit ▶ Survivor benefit	▶ Old-age pension[g] ▶ Permanent disability ▶ Survivor benefit

Note: a= The Employees Provident Fund provides two types of individual accounts for members younger than 55: Account 1 funds retirement and Account 2 can be accessed before retirement for education, designated critical illnesses, a home purchase and other approved expenses. Fund members with sufficient savings may choose to invest a portion of their Account 1 balance with an external fund manager. Once a Fund member reaches age 55, Accounts 1 and 2 are consolidated into a single account (Akaun 55), and a separate account (Akaun Emas) is created for contributions after age 55.

b= For the sake of brevity, this analysis excludes social protection mechanisms for government employees only. In most cases, government employees participate in the same social insurance schemes as private sector employees, unless they are already covered by another government social insurance scheme. Inclusion or exclusion of foreign workers varies between country schemes but is not noted here.

c= In most cases, additional voluntary contributions are possible above the prescribed contribution rates.

d= The Government provides matching contribution of 50–100%, depending on the age of the contributor.

e= Up to 6,000 ringgit per annum are tax deductible contributions.

f= For self-employed persons and household workers younger than 55.

g= Amount based on contribution size, with minimum monthly payment of 600 baht.

H= A variety of withdrawal options are possible before and after the age of 55. Withdrawals can also be made when leaving the country, for making investments, paying for housing, education, health care, financing Hajj, etc. If funds remain in an account after age 55, fund members can continue to earn compound interest until age 100 at a guaranteed minimum interest rate of 2.5% per annum.

Benefits

The types of benefits included under old-age, disability and survivor benefits are fairly similar across the seven ASEAN countries. All contain an old-age pension, although the minimum qualifying period, age of eligibility and the methods for calculating pay-out vary. If individuals do not meet the minimum qualifying period, then cash benefits can be received in the form of a lump-sum payment. Likewise, disability and survivor benefits are universal across the seven countries. Again, the qualifications for disability coverage, pay out levels and eligibility of different family members for survivor benefits vary across the seven countries, but the general structure and functions of these schemes remain similar. All the countries except the Lao People's Democratic Republic also provide a funeral grant. As part of the old-age, disability and survivor benefits, Indonesia has a mandatory life insurance scheme for both formal sector employees and informal sector workers, which provides both a funeral grant and a death grant.

National savings funds and provident funds supplement these benefits. Account funds can be withdrawn in the form of a pension or lump-sum payment due to old age or the occurrence of a disability. In the event of death, remaining funds in the account can be transferred to survivors. The Malaysia Provident Fund provides a high degree of flexibility, allowing individuals to make withdrawals for different life events and purchases, such as housing, health care, education and Hajj. Individuals can also make a full or partial withdrawal of funds at the age of 55. If they choose to leave funds in the account, they will continue to accrue interest.

Given the complexity of social protection systems and the considerable variation in national contexts, health care systems and purchasing power, a detailed comparison of the old-age, disability and survivor benefit pay-outs is outside the scope of this study. Still, huge variation in pay-out amounts exist, which hold a general correlation to the difference in contributions. Even though these schemes continue to expand and evolve, it is unlikely that the benefits under all of them provide sufficient coverage to all workers at this point in time. Rather, it is likely that many older individuals across the region continue to rely to a fair degree on familial support or other income sources.

Unemployment insurance

Overview and coverage

Unemployment insurance remains a fairly new phenomenon in ASEAN, with Member States making recent and considerable strides to integrate unemployment insurance into their social protection system. The benefits of unemployment insurance, or negative implications of its absence, were acutely felt during the COVID-19 pandemic. Throughout 2020–21, the economic fall-out of the pandemic led to an estimated reduction of 47.4 million working hours in ASEAN – a dramatic unemployment shock.[10] This drew unprecedented attention to the need to expand unemployment insurance to mitigate the fallout of future economic shocks.

Cambodia is the only country in this study that does not have any statutory provision for unemployment insurance. All the other countries rolled out unemployment insurance within the past decade. In Indonesia and the Philippines, the roll-out of unemployment insurance is extremely nascent, with statutory provisions passed in 2020 and 2021 in Indonesia and in 2018 in the Philippines. Coverage rates among these countries vary widely, from 3 per cent in Malaysia to 7.6 per cent in the Lao People's Democratic Republic to 67 per cent in Viet Nam.[11]

10 Calculations are based on ILO modelled estimates with a 40-hour work week; data accessed from ILOSTAT, 30 June 2022.

11 ILOSTAT database, accessed 12 June 2022. Data are for 2020 or the most recent year available. Data for Thailand were not available.

▶ Table 4. Unemployment insurance in Cambodia, Indonesia and Viet Nam

	Cambodia	Indonesia	Viet Nam
Laws and regulations	▶ No statutory provisions exist for unemployment insurance or severance pay	▶ 2013 Social Security ▶ Formal sector employee	▶ 2013 Employment ▶ 2014 Social Insurance
Coverage groups		▶ Formal sector employees: 1% ▶ Employer: 1%	▶ Formal sector employees, including those with fixed-term, seasonal and job-specific contracts at least 3 months
Contribution rates		▶ 60% of average monthly earnings	▶ Formal sector employees: 1% ▶ Employers: 1% ▶ Government: 1%
Benefits		▶ For 3–12 months depending on duration of contribution	▶ 60% of average monthly earnings for 3–12 months depending on duration of contribution

▶ Table 5. Unemployment insurance in Indonesia, Malaysia, Philippines and Thailand

	Indonesia	Malaysia	Philippines	Thailand
Laws and regulations	▶ Law Number 11 Concerning Job Creation 2020 ▶ Government Regulation No. 37 2021	▶ 2017/18 Employment Insurance	▶ Social Security Act 2018	▶ 1990 Social Security (implemented 1991)
Coverage groups[a]	▶ Formal sector employees younger than 54 when applying and already enrolled in the country’s social security programme	▶ Formal sector employees (excludes domestic workers, casual workers and farmers)	▶ Formal sector employees younger than 60 when applying and already enrolled in the country’s social security programme	▶ Formal sector employees (excludes agriculture, fishery and forestry employees and temporary and seasonal workers)

	Indonesia	Malaysia	Philippines	Thailand
Contribution rates	▶ Employers: 0.24% ▶ Government: 0.22%	▶ Employers: 0.2% ▶ Formal sector employees: 0.2%[b]	▶ Funded via employers' and formal sector employees' contributions to social security system	▶ Employers: 0.5%
Benefits	▶ 6-month pay-out (45% of wages for first 3 months and 25% of wages for last three months)	▶ Job search allowance for up to 6 months, with declining pay-out; reduced income allowance at 3 months with declining pay-out; training allowance; early re-employment allowance	▶ 50% of monthly salary for a maximum of 2 months	▶ 50% of average monthly earnings for up to 6 months; if voluntarily unemployed 30% of earnings for 3 months

Note: a= For the sake of brevity, this analysis excludes social protection mechanisms for government employees. In most cases, government employees participate in the same social insurance schemes as private sector employees unless they are already covered by another government social insurance scheme. Inclusion or exclusion of foreign workers varies between country schemes but is not noted here.

b= Employers' and formal sector employees' contributions are based on wage class.

Coverage groups and contribution

Total contribution rates for unemployment insurance range between 0.4 per cent of employees' salaries in Malaysia to 3 per cent in Viet Nam. Thailand is the only country in the study in which the employer is expected to pay the full cost of unemployment benefits, with a contribution rate of 0.5 per cent of employees' salaries. The Lao People's Democratic Republic and Malaysia split the cost, with employees paying 0.2 per cent and employers paying 1 per cent. Viet Nam is the only country in the study in which the Government provides a matching contribution: The employer, employee and the Government each make contributions equal to 1 per cent of employees' monthly salary. The minimum qualifying period for unemployment insurance benefits ranges from six months to a year among the countries in the study, although longer contribution periods can result in receiving unemployment benefits for a longer period. Calculation methods and the duration of benefits range widely by country.

Covered individuals consist primarily of private sector employees. Unemployment insurance tends to exclude informal workers because its provision is predicated on the existence of an employment relationship between an employee and a registered company. This can create challenges to expanding coverage in countries where a large share of the workforce operates in the informal sector. Consequently, unemployment insurance in some countries, such Malaysia and Thailand exclude employees in certain industries, such as fisheries, forestry, agriculture and domestic work, where informality is common. At the same time, there is some recognition within Malaysia's and Viet Nam's social insurance schemes of individuals who might traditionally be left out of unemployment insurance. In the case of Malaysia, individuals who have multiple jobs but stop working for one employer are eligible for a reduced income allowance. This functions similarly to unemployment insurance, except that the pay-out is less and the maximum benefit duration is shorter. In the case of Viet Nam, the 2013 Employment Law revised the existing unemployment insurance scheme so that workers with contracts as short as three months are included. Similarly, employees of small businesses (fewer than ten employees) are now covered under the scheme (Loan 2016).

Employment promotion

Both Indonesia and Viet Nam provide vocational training options for persons receiving unemployment benefits. However, in Viet Nam, only 4.6 per cent of unemployed individuals used this service as of 2015 (Loan 2016). Similarly, the Employment Insurance Law 2017 in Malaysia provides a job search allowance and an additional payment to cover the cost of vocational training courses. In some cases, the Government pays the training institute directly. The Employment Insurance Law also established the Re-Employment Placement Programme and Career Counselling, which offers employment support and guidance to persons on unemployment benefits. And unemployment insurance in Malaysia also includes a re-employment allowance. When someone receiving unemployment benefits finds a job and discontinues benefits, they receive a lump-sum payment equal to 25 per cent of the benefits they would have received in the absence of that job. This payment is designed to incentivize people to re-enter the workforce more quickly, thereby increasing overall workforce productivity and reducing programme costs. This study did not find quantitative evidence on the efficacy of this payment, however.

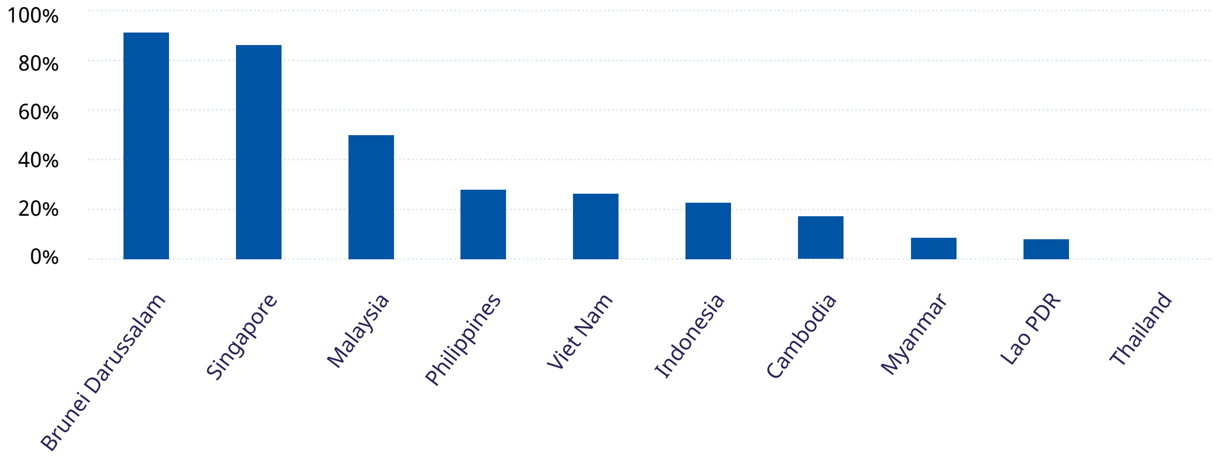
Work injury insurance

Overview and coverage

ASEAN Member States have made important, though varied, progress in expanding work injury coverage. Brunei Darussalam and Singapore enjoy relatively high rates of coverage, at 91.2 per cent and 86 per cent, respectively, while the Lao People’s Democratic Republic and Myanmar have considerably lower rates, at 8 per cent and 8.5 per cent, respectively.

As is typical with social insurance schemes, coverage is more commonplace among formal sector employees than informal sector workers. Consequently, countries with higher levels of informality tend to have lower coverage rates for work injury insurance. This is a legislative gap for many countries, and it often leads to the exclusion of many workers within the rural sectors, such as agriculture, fisheries and forestry, as well as employees of informal micro, small and medium-sized enterprises (ILO forthcoming a). ASEAN countries also have a growing number of workers who use digital platforms, which is a new form of work that is not well defined in social protection legislation and labour legislation more broadly. Work through digital platforms often blurs the lines between self-employment and employment, making it hard to determine eligibility for social protection schemes (Koh forthcoming a).

▶ **Figure 3. Work injury insurance coverage, by portion of relevant population covered, 2020 or most recent year available**



Source: ILOSTAT database, accessed 12 June 2022.

Coverage groups and contribution

Given the stubbornly high rate of informality across many ASEAN economies, Member States are attempting several approaches to extend work injury coverage to self-employed workers.[12] Of the seven countries in this study, four have legislation that extends work injury insurance to self-employed workers. However, there are challenges with contribution collection and compliance among self-employed individuals in the mandatory social insurance schemes.

New legislation in ASEAN Member States often attempts to include particular groups of self-employed workers as opposed to all of them. In Malaysia, the Sessa Act (2017) requires self-employed workers (specifically taxi and professional car-hire drivers) to financially contribute to workplace injury insurance. Unfortunately, relatively few drivers have registered for the plan, and even fewer are actively contributing, despite heavy fines for non-compliance. This is likely due to a perceived lack of benefit from the scheme (Koh forthcoming b). In the questionnaire for this research, the Malaysian Employers Federation reported that gig workers were covered by the employment injury scheme under the self-employed category as of 2022. They also noted that foreign workers are now covered under the employment injury scheme. The governments in the Philippines and Viet Nam, the governments recognize the acute vulnerability of domestic workers and have included them under the work injury legislation. In both cases, the employer is responsible for contributing to the scheme rather than the domestic workers.

All the countries in the study except Thailand have worker injury schemes as part of a larger social insurance scheme. Cambodia and Viet Nam employ a hybrid model that consists of both an employer-liability scheme as well as a social insurance scheme. Contribution rates for formal sector employers vary across the countries, as do their calculation methods. For example, Cambodia and Viet Nam have a fixed-rate contribution scheme. In both cases, employers contribute 0.5 per cent of the monthly payroll. The other countries have adjustable contribution rates based on the classification of the industry and associated level of risk. For example, Indonesia's contributory rate ranges from 0.2 per cent to 1.7 per cent. None of the ASEAN Member States require employee contributions, with the exception of self-employed individuals in select sectors in Malaysia.

12 Self-employed workers tend to operate in the informal economy, though they can also operate in the formal economy. Many formal employers hire self-employed individuals for services but do not recognize them (or legally register them) as employees.

Table 6. Work injury insurance in Cambodia, Lao People's Democratic Republic and Viet Nam

	Cambodia[a]	Lao PDR	Viet Nam
Laws and regulations	▶ 1997 Labour Law ▶ 2002 Social Security Law, implemented 2008 2014 Social Insurance	▶ 2013 Social Security Law (implemented 2014)	▶ 2012 Labour Code implemented 2013 ▶ 2014 Social Insurance
Coverage groups	▶ Formal sector employees for firms with 9 or more employees	▶ Formal sector employees	▶ Formal sector employees[b]
Contribution rates	▶ Social insurance: Employers: 0.8% ▶ Employer liability: Employer covers full cost	▶ Social insurance: Employers: 0.5%	▶ Social insurance: Employers: 0.5% ▶ Employer liability: Employer covers full cost for temporary disability and medical benefits
Benefits	▶ Social insurance: Permanent disability (pension or lump sum) ▶ Temporary disability benefit ▶ Caregiver allowance ▶ Medical benefit ▶ Survivor benefit ▶ Funeral grant ▶ Employer liability: Temporary disability benefit	▶ Permanent disability (pension or lump sum) ▶ Temporary disability benefit ▶ Medical benefit ▶ Survivor benefit	▶ Social insurance: ▶ Permanent disability pension or disability grant ▶ Caregiver allowance ▶ Survivor benefits ▶ Employer liability: Temporary disability Medical benefit

Note: a= Cambodia and Viet Nam apply a combination of social insurance and employer-liability schemes denoted in the table as social insurance and employer liability, respectively.

b= Includes domestic workers with a one-month contract.

▶ Table 7. Work injury insurance in Indonesia, Malaysia, Philippines and Thailand

	Indonesia	Malaysia	Philippines	Thailand[a]
Laws and regulations	▶ 2004[b] National Social Security System ▶ 2011 Social Security Agency ▶ 2015 Work Injury	▶ 1969 Social Security ▶ 2017 Self-Employed Persons	▶ 1928 Workmen's Compensation ▶ 1974 Work Injury	▶ 1994 Workers' Compensation
Coverage groups[c]	▶ Formal sector employees ▶ Informal sector workers ▶ Foreign workers	▶ Formal sector employees ▶ Informal sector workers: taxi and commercial drivers	▶ Formal sector employees, including domestic workers	▶ Formal sector employees of industrial and commercial firms
Contribution rates	▶ Employer: 0.24–1.74% based on risk ▶ Informal sector workers: 1%	▶ Employer: 1.25% ▶ Informal sector workers: based on wage classes	▶ Employer: 10–30 pesos[d] per month per employee ▶ Government: finances any deficit	▶ Employer: 0.2–1%
Benefits	▶ Permanent disability pension (or lump sum) ▶ Temporary disability benefit ▶ Medical benefit ▶ Survivor benefit ▶ Death grant ▶ Funeral grant	▶ Permanent disability pension (or lump sum) ▶ Caregiver allowance ▶ Temporary disability benefit ▶ Medical benefit ▶ Survivor benefit ▶ Funeral grant	▶ Permanent disability pension Caregiver allowance ▶ Temporary disability benefit ▶ Medical benefit ▶ Survivor benefit ▶ Funeral grant	▶ Permanent disability pension ▶ Temporary disability benefit ▶ Medical benefit ▶ Survivor benefit ▶ Funeral grant

Note: a= Thailand provides work injury through an employer-liability model and a public carrier.

b= The year in which the law was passed is listed, though some laws are implemented in other years or are gradually rolled out over a period of years.

c= For the sake of brevity, this analysis excludes social protection mechanisms for government employees only. In most cases, government employees participate in the same social insurance schemes as private sector employees unless they are already covered by another government social insurance scheme. Also, foreign workers are included in several schemes but conditionality often applies (not noted here).

d= The contribution payment depends on employees' earnings and is adjusted periodically by the Employee's Compensation Commission.

Benefits

The types of benefits under the work injury schemes are fairly similar across the ASEAN Member States. All systems provide a permanent disability benefit, either as a pension or a lump sum, temporary disability benefits, medical benefits and (in the event of death) survivor benefits. In the event of extreme disability, some Member States, such as the Philippines and Viet Nam, provide a caregiver allowance to supplement the cost of caregiving. In the event of death, some countries also provide a grant to cover funeral expenses. And in Indonesia, where there is mandatory life insurance (paid from a separate source), survivors receive a death grant.

Employers in some countries still see room for improvement in the benefits offered by their schemes. For example, in Cambodia, the employment injury insurance under the National Social Security Fund only covers workers during working hours and on their journey to and from work, whereas employers have reported that they need 24-hour coverage for accidents and sometimes purchase private insurance to make up for this coverage gap. Cambodian employers have also noted that the National Social Security Fund should consider offering additional products, such as supplemental insurance or accept private employment injury insurance in lieu of paying into mandatory insurance.

The most significant difference between work injury benefits among the seven countries is not the type of benefit provided but rather the size of the financial pay-out and the quality and completeness of the medical care provided. Due to the complexity of these systems as well as the considerable variation in calculation methods and mechanisms for medical service provision, this analysis falls short of comprehensively assessing the differences in benefits. Nonetheless, differences are dramatic, especially when considering such supply-side factors as the quality and accessibility of medical care. In line with the ASEAN Declaration on Strengthening Social Protection, Member States aim to collectively accelerate the progress towards universal health care, though admittedly, some are further along this path than others (see the section on health care).

Sickness and maternity benefits

All seven countries provide both cash and medical benefits for sickness and maternity, often through a combination of different social protection schemes. But a comparison of coverage rates is not possible because the metrics are not tracked in the ILOSTAT database. Cash benefits are provided through either a social insurance or an employer-liability scheme. The Lao People's Democratic Republic, Thailand and Viet Nam rely on a social insurance scheme to provide the sickness and maternity cash benefits. Contribution rates range between 1.3 per cent and 3 per cent for employers and up to 1.5 per cent for the formal private sector employees. Indonesia and Malaysia rely on an employer-liability scheme in which employers are mandated to cover the full cost of the sickness and maternity cash benefits. While it is important that these benefits exist, the appropriateness of employer-liability schemes for maternity benefits like in Indonesia and Malaysia is questionable. If employers are asked to bear the full cost of the cash maternity benefit, they may be more likely to discriminate against hiring women to reduce the operational costs.

Cambodia provides different sickness and maternity cash benefits through an employer-liability scheme and a social insurance scheme (with a 2.6 per cent employer contribution). In the case of the Philippines, contributions towards old-age, disability and survivor benefits also cover sickness and maternity cash benefits. Sickness and maternity benefits are commonly applied to formal sector employees, though the Lao People's Democratic Republic, Malaysia and Thailand allow informal sector workers to receive sickness and maternity benefits, provided that they voluntarily contribute to the scheme.

▶ Table 8. Work injury insurance in Indonesia, Malaysia, Philippines and Thailand

	Cambodia[a]	Lao PDR	Viet Nam
Laws and regulations	▶ 1997 Labour ▶ 2002 Social Insurance ▶ 2011 Identification of Poor Households ▶ 2016 Health Care Insurance	▶ 2013 Social Security	▶ 2005 Medical Benefits ▶ 2008 & 2014 Health Insurance ▶ 2014 Social Insurance ▶ 2018 Social insurance ▶ Occupational Safety & Health
Coverage groups	▶ Social insurance: Formal sector employees ▶ Employer liability: Formal sector employees ▶ Social assistance: People who are poor or registered informal sector workers	▶ Social insurance (cash and medical benefit): ▶ Formal sector employees ▶ Informal sector workers (voluntary)	▶ Social insurance (cash benefit): Formal sector employees with a contract of 1 month or more[b] ▶ Social insurance (medical benefit): Formal sector employees and informal sector workers
Contribution rates	▶ Employer liability: Employer pays full cost of a cash maternity benefit and also contributes 2.6% to a social insurance scheme that provides a cash maternity and cash sickness benefit ▶ There is also a social assistance in which the government pays the full cost of the cash and medical benefit	▶ Social Insurance (cash benefit) insurance: ▶ Formal sector employees: 1.25% ▶ Employers: 1.25% ▶ Informal sector workers: 2.5% ▶ Government: 2.5% ▶ Social insurance (medical benefit): ▶ Formal sector employees: 0.75% ▶ Employers: 0.75% ▶ Informal sector workers: 1.5% ▶ Government: 1.5%	▶ Social insurance (cash benefit): ▶ Employers: 3% ▶ Social insurance (medical benefit): ▶ Formal sector employees: 1.5% ▶ Informal sector workers[c] ▶ Social assistance: Government pays subsides for medical services to needy individuals

	Cambodia[a]	Lao PDR	Viet Nam
Benefits and qualifying conditions[d]	▶ Social insurance sickness benefit ▶ Social insurance maternity benefit ▶ Social insurance medical benefit ▶ Social insurance workers' medical benefit ▶ Employer liability Maternity benefit ▶ Social assistance maternity grant ▶ Social assistance medical benefit	▶ Sickness benefit ▶ Maternity benefit ▶ Birth grant ▶ Funeral grant ▶ Medical benefit	▶ Cash sickness benefit ▶ Cash maternity benefit ▶ Cash paternity benefit ▶ Birth grant ▶ Workers' and dependants' medical benefit

Note: a= Cambodia applies a combination of social insurance, employer liability and social assistance.

b= The scheme specifically includes: domestic workers, employees in agriculture, fishing and salt production and part-time workers.

c= Payment is 4.5 per cent of minimum monthly wage for civil servants. This varies depending on the number of household members, poverty level and student status.

d= Obtaining a medical certificate from a recognized health institution or doctor is also a common requirement for obtaining these benefits.

▶ Table 9. Sickness and maternity benefits in Indonesia, Malaysia, Philippines and Thailand

	Indonesia[a]	Malaysia	Philippines	Thailand
Laws and regulations	▶ 2003 Labour Law ▶ 2004 Social Security System ▶ 2011 Social Security Agency	▶ 1955 Sickness and Maternity ▶ 1991 Provident Fund	▶ 1954 Sickness ▶ 1969 Medical Benefits ▶ 1977 Maternity	▶ 1990 Social Security ▶ 1990 Sickness and Medical Benefits ▶ 2002 Universal Health Care
Coverage groups[c]	▶ Social insurance: Formal sector employees and informal sector workers ▶ Employer liability: Formal sector employees ▶ Social assistance: persons who are poor	▶ Employer liability: Formal sector employees ▶ Provident Fund: Formal sector employees and informal sector workers (voluntary)	▶ Social insurance (cash): Formal sector employees and informal sector workers ▶ Medical benefit: citizens	▶ Social insurance: Formal sector employees and informal sector workers (voluntary) ▶ Universal health care: citizens

	Indonesia[a]	Malaysia	Philippines	Thailand
Contribution rates	▶ Cash: ▶ Employer liability: Employers pay total cost of cash benefits ▶ Medical: ▶ Social insurance: ▶ Formal sector employees: 1% ▶ Employers: 4% ▶ Informal sector Workers: varies ▶ Social assistance: Government covers total cost	▶ Cash: ▶ Employer liability: Employers pay total cost of cash benefits ▶ Medical: Provident Fund[d]	▶ Cash: ▶ Covered by old-age, disability and survivor benefits ▶ Medical: ▶ Formal sector employees: 1.38% ▶ Employers: 1.38% ▶ Informal sector workers: 2,400–3,600 pesos per annum ▶ Government: 2,400 pesos per annum for the poor	▶ Cash: ▶ Social insurance: ▶ Formal sector employees: 1.5% ▶ Employers: 1.5% ▶ Informal sector workers: 144 baht per month[c] ▶ Medical: ▶ Universal health care: Government covers full cost
Benefits and qualifying conditions	▶ Employer liability: ▶ Sickness benefit ▶ Maternity benefit ▶ Paternity benefit ▶ Social insurance: ▶ Workers' and dependants' benefits	▶ Employer liability: Sickness benefit Maternity benefit ▶ Provident Fund: ▶ Workers' and dependants' medical benefits[e]	▶ Social insurance: ▶ Sickness benefit ▶ Maternity benefit ▶ workers' and dependants' medical benefits	▶ Social insurance: ▶ Sickness benefit ▶ Maternity benefit ▶ Childbirth grant ▶ Workers' and dependants' medical benefits ▶ Universal health care: medical benefits

Note: a= There is no minimum qualifying period for cash or medical benefits under the employer-liability and social insurance scheme.

b= For the sake of brevity, this analysis excludes social protection mechanisms for government employees only. In most cases, government employees participate in the same social insurance schemes as private sector employees unless they are already covered by another government social insurance scheme. Inclusion or exclusion of foreign workers varies between country schemes but is not discussed here.

c= Also finances disability and survivor benefits.

d= See contribution rates in the section on old-age, disability and survivor benefits.

e= Individuals can make withdrawals from their Providence Fund account to cover medical expenses related to sickness and maternity. The Ministry of Health provides subsidized health care services.

The provision of medical benefits also varies across the seven countries. Five of them apply a social insurance scheme, with employer and employee contributions ranging from 0.8 per cent to 4 per cent and 0.8 per cent to 1.4 per cent, respectively. Thailand provides medical benefits directly via its universal health care system and medical benefits through a social insurance scheme. Malaysia allows individuals to withdraw from their Provident Fund account to cover medical expenses related to severe illness and childbirth. Maternity benefits are also provided to the wider population in several countries due to either universal health care (as in Thailand) or social assistance programmes (see the section on social assistance).

Some countries provided emergency benefits during the early period of the COVID-19 pandemic. For example, Myanmar extended emergency social protection measures, including sickness cash benefits, for insured workers who had to quarantine and provided free medical treatment for dismissed workers in some sectors. The emergency measures were financed through the reserves of the Social Security Board, which could negatively affect the financial future of their regular contributory schemes (UMFCCI 2022).

Universal health care

ASEAN Member States affirmed their commitment to universal health care through the ASEAN Declaration on Strengthening Social Protection, with an aim to collectively accelerate the progress towards universal health care. This is also in line with SDG 3.8.1 on coverage of essential health services. Since the signing of the Declaration, important yet varied progress has been made towards achieving the aim. Average health care coverage rates in South-East Asia are relatively high when compared with the global average, at 78.3 per cent and 66 per cent, respectively. Coverage rates vary somewhat across the region, from 86 per cent in Singapore to 50 per cent in the Lao People's Democratic Republic.

Government health expenditure as a proportion of total government expenditure remains much lower than the global average, at 1.9 and 5.8 per cent, respectively. There is great variation in expenditure and coverage rates across the region. As noted in the table below Myanmar has a health expenditure that amounted to 0.7 per cent of total government expenditure, while it was 2.9 per cent in Thailand. The overall low rates of expenditure suggests that while coverage is broad, funding gaps remain, and the health care services provided may not be sufficient in scope or quality to meet the needs of the population. This is also indicated by large out-of-pocket expenditure on health care, which reached beyond 50 per cent in Cambodia, Myanmar, the Philippines and Singapore in 2015 (ILO forthcoming a). Consequently, while coverage rates may be high, health care utilization rates remain low, especially among poor households that have greater difficulty handling the large out-of-pocket expenditure (Ong and Peyron Bista 2015).

The main mechanisms through which ASEAN Member States fund health care systems vary. Social health insurance schemes are the most common, with the seven countries having this system or a mix of social health insurance and another system. Brunei Darussalam and Malaysia have a tax-based national health system, while Thailand has a mix of the two. Singapore relies on a mixed-payer social health model consisting of several instruments, including individual accounts and public and universal health care schemes. The Lao People's Democratic Republic and Myanmar rely on a mix of social health insurance, a community-based health model and social assistance.

▶ **Table 10. Health system types, spending and coverage in the seven countries, 2020**

Country	Main health system financing*	Domestic general government health expenditure**	Population covered by essential health care***
Brunei Darussalam	Tax-based national health system	2.3%	77%
Cambodia	Social health insurance and social assistance	1.3%	61%
Indonesia	Social health insurance	1.4%	59%
Lao PDR	Social and community-based health insurance coverage and social assistance	0.9%	50%
Malaysia	Tax-based national health system	1.9%	76%
Myanmar	Social and community-based health insurance coverage and social assistance	0.7%	61%
Philippines	Social health insurance	1.4%	55%
Singapore	Mixed payer model	2.2%	86%
Thailand	Tax-based national health system and social health insurance	2.9%	83%
Viet Nam	Social health insurance	2.7%	70%
ASEAN average		1.9%	78.3%
Global average		5.8%	66%

Note: *= Health system financing mechanisms are up to date as of 2015.

**= Domestic general government health expenditure data are for 2020 or most recent year. ILOSTAT database, accessed 29 June 2022.

*** Coverage of essential health services (defined as the average coverage of essential services based on tracer interventions that include reproductive, maternal, newborn and child health, infectious diseases, noncommunicable diseases and service capacity and access, among the general and the most disadvantaged populations). The tracer indicators are as follows, organized by four components of service coverage: (i) reproductive, maternal, newborn and child health; (ii) infectious diseases; (iii) noncommunicable diseases; and (iv) service capacity and access. The data were accessed from the Global Health Observatory database on 6 July 2022.

Given the high level of business informality in ASEAN countries, considerations must be given to how these health care systems and social protection mechanisms can better address the needs of self-employed workers and workers in the informal sector who are not covered under traditional legislation. This is particularly the case in the platform economy. For example, in Singapore, the ride hailing company Grab requires workers to contribute to their Medisave account in order to receive a license to operate on their platform. Grab also incentivizes workers' contributions by providing matched savings under their Driver Medisave Match Program (Koh forthcoming a).[13]

Health systems must also take into account the high level of labour mobility in ASEAN by allowing for portability of benefits within and between countries. Thailand has a universal health coverage scheme, but workers are only able to access the scheme at the hospital at which they are registered. Consequently, workers migrating

13 To qualify for matched contributions, drivers must complete a minimum number of weekly rides and maintain a minimum standard of service.

from rural to urban areas face challenges accessing services through this scheme (ILO forthcoming a). There are currently no bilateral or multilateral agreements between the ASEAN Member States for the portability of social protection benefits (health care or otherwise). Thus, migrants either lose benefits when migrating abroad or returning home or receive reduced benefits in the form of a lump-sum pay-out (ILO forthcoming a).

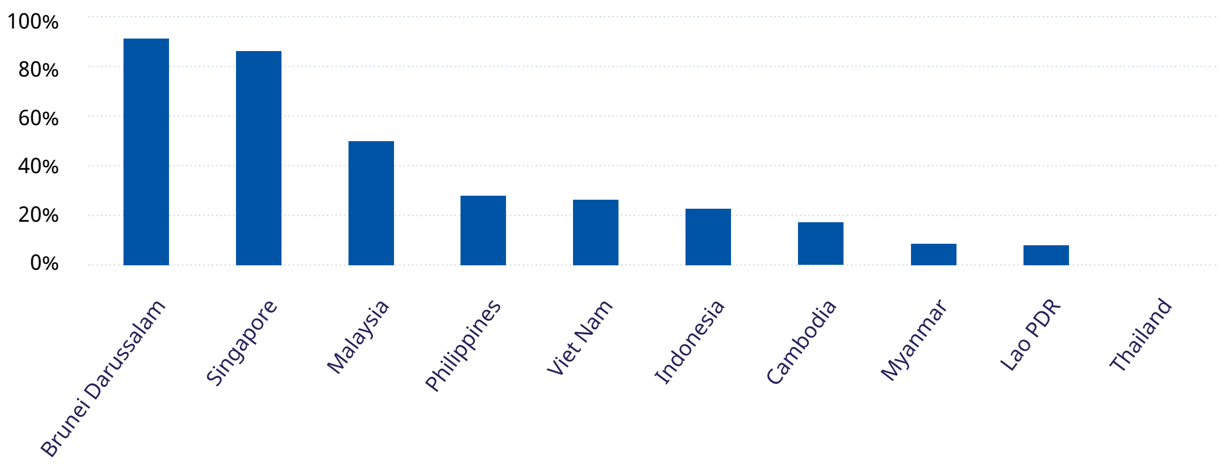
The pandemic brought the need for universal health care to the fore but also exposed the inadequacies of many health care systems around the globe. This led to the creation of new mechanisms to finance and extend health coverage, particularly among workers in the informal and platform economies. For example, Indonesia provided free medical treatment to all individuals, while Thailand extended financial protection for health expenses to both nationals and foreign residents (ILO 2021). Many pandemic-related measures were ad hoc, and in the coming months and years, it will be imperative for ASEAN Member States to determine which measures to remove, which to keep and which to modify, all while considering both their fiscal sustainability and the needs of the population.

Social assistance

All Member States provide some form of social assistance, and they are an integral part of ASEAN's commitments towards achieving a people-centred community by 2025. Social assistance schemes are formally included in social protection legislation of several Member States (as noted in the previous sections). The proportion of vulnerable persons covered by social assistance mechanisms varies widely across the seven countries in this study, from 100 per cent in Singapore to 1.1 per cent in Myanmar.

Social assistance schemes commonly provide pensions for poor individuals who are older or live with a disability. For example, Viet Nam implemented a universal old-age pension for citizens older than 80 and a means-tested pension for those aged 60–79 (ISSA and SSA 2019). Similarly, Thailand's universal old-age allowance covers all individuals aged 60 and older who do not have access to a regular pension or live in an old-age people's home (Knodel et al 2015). Viet Nam and Thailand also have provisions to provide assistance to nearly all individuals with severe disabilities (ILO 2021). Social assistance schemes are also commonly used to provide maternity cash benefits or medical services to pwbodia (see table 4).

▶ **Figure 4. Social assistance coverage in ASEAN countries, 2020 or most recent year available**



Source: ILOSTAT database, accessed 12 June 2022.

Increasingly, countries are developing improved systems to streamline the management and distribution of cash transfers associated with different schemes to the same households. For example, Cambodia recently rolled out a new system for social assistance cash transfers. When a household is determined as poor via means testing, they are provided with an Equity Card. This card can be used to claim various cash transfers as well as subsidized or free goods and services (White Kaba et al. 2018). The system has reduced fragmentation of cash transfer programmes and increased effective coverage rates for social assistance programmes. It has also been instrumental in the expansion of Cambodia's Health Equity Fund (White Kaba et al. 2018).

Given the non-contributory nature of these schemes, funding is provided directly by governments or in some cases through overseas development assistance. Consequently, the fiscal sustainability of these programmes is a pressing concern for governments and donors. In addition, these schemes often lack sufficient funding to meet the needs of all households that qualify, and effective coverage rates can be low. For example, despite Viet Nam's legal provisions to provide assistance to nearly all severely disabled individuals, less than 10 per cent of persons with severe disabilities received benefits in 2017 (ILO 2017).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Employers’ views on social protection policies

The previous comparative analysis of social protection schemes provides a snapshot of a region in transition. A variety of social protection schemes operate across ASEAN countries, and considerable more schemes have been developed and implemented since the ASEAN Declaration on Strengthening Social Protection was passed in 2013. EBMOs and the private sector more broadly have an important role in the development and implementation of social protection policies. This section reviews both EBMOs’ views and the actions they have taken regarding social protection policies. It starts with an overview of the 2014 ACE Recommendations for the Plan of Action to implement the ASEAN Declaration on Strengthening Social Protection. These recommendations provide a useful overview of the views and policy approaches recommended by employers. It then looks at the status of these recommendations across the seven countries covered by the study before turning to the views of employers regarding social protection systems in the region. It finishes with a brief review of the roles that EBMOs and employers have in the governance of social protection systems.

ACE social protection recommendations from 2014

In response to the 2013 ASEAN Declaration on Strengthening Social Protection, ACE introduced policy recommendations in 2014 to express the views of employers on and specific recommendations for the development of social protection systems. Although it is beyond the scope of this guide to provide an in-depth critique of policy positions on specific social protection schemes, the ACE policy recommendations provide a useful framework to assess these recent developments. Furthermore, the recommendations from the 2014 document remain well-founded and more relevant than ever in the current social protection environment. They identify general concerns and considerations in social protection development for which EMBOs should advocate.

The ACE policy recommendations clearly recognize the support of employers for social protection systems. ACE argued that "well-functioning, efficient and fiscally affordable social protection systems enhance productivity and contribute to sustainable economic growth in the ASEAN region" through several channels, including building and preserving human capital, enabling structural reforms, encouraging formalization, facilitating risk-taking and promoting greater labour market mobility. In the questionnaire for this research, EBMOs made many reflections on the ASEAN Declaration, including but not limited to the following:

- Social protection systems should be flexible enough to include different types of programmes, thus creating space for innovations and recommendations from workers and employers. ILO Recommendation No. 202 should serve as useful guidance, but countries should chart their own path on social protection.
- Social protection is the main responsibility of governments and should be subject to national circumstances, integrated into context-specific national development plans and should incentivize the growth of formal employment and sustainable enterprises.
- The implementation of social protection should include consultations with different stakeholders to ensure that their perspectives and concerns are incorporated. This is especially the case regards universal health care, for which where employers are both important contributors and also have technical expertise on health insurance and service provision.
- Social protection should seek to protect people rather than jobs and should facilitate the movement of people between jobs more easily.
- Social protection system design and assessment should be evidence-based.

The EBMOs also made several recommendations to ASEAN governments on the Plan of Action to Implement the ASEAN Declaration. These recommendations provide a useful framework through which to view the changes in social protection policies since the passing of the Declaration. (They are noted below in bold and then applied to the current social protection landscape.)

Fiscal space: "Funding social protection through government budgets can push costs down to individuals through higher taxes thus making such social programmes counterproductive. A holistic approach that takes into account fiscal capacities needs to be adopted. Practical questions such as 'at what cost' and 'who bears' are unpopular but must be considered."

AND

Financial sustainability: "Trade-offs between strengthening social protection and ensuring financial sustainability should be acknowledged, and considerations should be made on the extent to which such trade-offs can be tolerated, where they exist."

As within any other form of government expenditure, social protection schemes operate in the finite realities of limited fiscal space. Although it is important for ASEAN Member States to recognize the human right to social protection and make all reasonable efforts to extend coverage to all their citizens, such goals cannot be sustainability actualized without due consideration of the associated costs and who will bear them. This concept is alluded to in ILO Recommendation No. 202, which notes the principle of financial, fiscal and economic sustainability (with due regard to social justice and equity) for social protection systems. The concept of "economic sustainability", while not clearly defined in ILO Recommendation No. 202, is likely referring to the need for social protection costs to be calibrated to the economic circumstances in each national context, to ensure that they are high enough to support the overall goals of the social protection system while not so high that they have significant economic consequences that erode the country's economic base, which would jeopardize the future funding of social protection systems.

EBMOs in ASEAN still clearly see this as a pressing need. But their views are mixed as to whether governments take it into account during the policymaking process. The Malaysian Employers Federation indicated that the Government does not currently address tough questions about funding, sustainability, the current employment situation and the distribution of who bears the costs of these programmes. The Employers' Confederation of Thailand said that a clear long-term plan, target and road map are needed to ensure sustainability.

At the front and centre of this debate are social assistance schemes. These schemes are a critical tool used by governments to provide a minimum level of social protection to impoverished and vulnerable groups. Given the fact that social assistance schemes are non-contributory by nature, they draw funding from either the government budget or in some cases through overseas development assistance. In the case of the former, the costs of these programmes are essentially borne by the wider population via taxes. In the case of the latter, overseas development assistance cannot be expected to continue indefinitely. Therefore, social assistance must be viewed (and designed) as a long-term investment in the development of a country's human capital and, ultimately, its productivity. It should serve as a transitional scheme in which the benefits accrued by the enrolled poor persons enable them to invest in the human capital development of their children and break the intergenerational cycle of poverty. The children will go on to be productive members of the workforce, paying into future government systems.

Social assistance schemes are common among many ASEAN Member States, and many new ones have come to fruition as a means for the Member States to fulfil their obligations under the Declaration for Strengthening Social Protection and ILO Recommendation No. 202. For example, Cambodia provides free health care and various social cash transfers to impoverished Cambodians via the ID Poor system.

Creating this virtuous cycle of reduced dependency and an expanding tax base is, however, not guaranteed. The extent to which this shift occurs affects the extent to which this social investment can pay off in real terms. Such schemes must be designed, monitored and periodically assessed with realistic cost-benefit analysis studies, which carefully weigh the investments today with projected gains in productivity and tax revenue in the future. Their design must be tempered, refined and given validity through a process of rigorous debate by government, private businesses, workers' organizations and ultimately the population at large, which they are envisaged to protect.

Leverage existing social protection schemes: "Where possible, work on improving coverage and efficiency of existing systems rather than a complete revamp, which could incur astronomical costs, since fiscal space is a particular constraint faced by many countries within ASEAN."

As ASEAN Member States attempt to expand social protection coverage into the informal sector and across more vulnerable groups, new funding mechanisms or schemes may be called for. But establishing new funds can be timely and costly. A multitude of social protection schemes already exist, and expanding the scope of existing schemes rather than creating new ones can be a more cost-effective option. Traditionally, different funds are prescribed for different population segments. For example, individuals who receive a subsidy will have risks pooled in a separate fund than those who do not have the subsidy. Oftentimes, these funds are administered by different bodies. The Philippines and Viet Nam have expanded their existing schemes to cover individuals who receive subsidies and those who do not. Both subsidized and unsubsidized contributors are part of a single, integrated fund that is managed under one institution. Doing so has prevented the fragmentation of funding and reduced administrative redundancy. This has allowed for greater risk pooling and reduced administrative costs (Vilcu et al. 2016).

Additional savings can also be found by merging the administrative processes of existing social protection schemes. For example, Uruguay's monotax system unifies social protection payments for self-employed workers. Rather than making separate payments into several different social protection schemes, this system allows self-employed workers to make one payment, which is lower than the total cost of the separate payments. They were able to offer this lower payment due to the reduction in administrative costs. The system has not only made making contributions easier but saved citizens money (ILO 2014). As ASEAN Member States expand existing social protection schemes and roll out new ones, they should consider unified payment systems, such as the monotax system, or other ways of merging administrative systems across different schemes.

Business and employment situations: "Where labour markets are tight, market forces can play significant roles in progressing social protection in the country. This could be tapped on to achieve maximum impacts with the least costs. Impacts on labour costs due to various policy efforts, such as wage policies, need to be taken into account to avoid putting excessive pressure on businesses within a short period of time. Government interventions need to factor for business and employment situations [because] they affect employers' total labour compensation and their profitability, which is essential for investments, innovations, continued business growth and, in turn, employment creation."

Given the substantial expansion of social protection schemes since the ASEAN Declaration for Strengthening Social Protection, it is vital that governments take into account the impact of these programmes on the cost of labour for employers and knock-on effects on business profitability and competitiveness. Therefore, any discussion of social protection policy development must be part of the larger discussion of labour market and business policies. Given the high level of business informality across the region, the cost of social protection schemes (and the processes for contributing to them) must not be too onerous for employers. Otherwise, they run the risk of disincentivizing enterprises from formalizing.

Temporal dynamics of fund accrual and pay-out must also be considered for contributory schemes. In an effort to increase social protection benefits to all citizens, ASEAN Member States must be cautious that they are not placing too large a financial burden on the current workforce to provide benefits for older or younger generations receiving funding from these schemes.

Demographics and anticipated changes: "A society with an ageing population and a society with large youth cohorts have different social protection needs and funding avenues. The social protection model adopted by a country needs to fit its demographic characteristics and population's needs."

Relative to global averages, ASEAN as a whole has a young but rapidly ageing population. And there is also much variation between countries. For example, 15.2 per cent of Singapore's population is older than 65, compared with 5 per cent in the Lao People's Democratic Republic.[14] Many of the ASEAN countries with older populations have already begun the journey of rolling out a national pension system, though apart from outliers, such as Brunei Darussalam, comprehensive coverage of the population remains elusive. This

14 UNFPA World Population Dashboard, accessed 14 September 2022. Data on the percentage of the population aged 65 and older for 2022 are an UNFPA calculation based on data from the United Nations Population Division, 2019.

is a critical time for countries with large working populations, such as the Lao People's Democratic Republic and Myanmar, to make the best use out of their demographic dividend. A relatively large young workforce, paired with effective market promotion policies that spur economic development, can generate tremendous capital accumulation in a pension system if one is in place. Cambodia is the most recent country to introduce an old-age pension, which was passed into law in 2019 and began collecting contributions in October 2022.

At the same time, many of these same countries with relatively young populations and higher levels of poverty must simultaneously invest in the productivity of the future workforce via social assistance programmes. As noted previously, social assistance programmes should be designed as transitional schemes with the ultimate goal of phasing out over time and shifting larger segments of the population to contributory schemes. Governments must strike a fine balance between these considerations and the need not to overburden the current workforce with too many social protection contributions.

Informal economy: "Where the informal economy is large, a practical approach is necessary to factor in the limited tax base and difficulty of enforcement. Parallel efforts to make the business environment more conducive for enterprises to operate in the formal economy can go hand in hand with efforts to strengthen social protection of individuals in the informal economy."

Given the high rate of business informality in ASEAN countries, any strategy to expand social protection coverage must not only seek to expand coverage to informal workers but also be part of a larger concerted effort to increase business formalization. The rise and continued growth of the platform economy must also be considered. This represents a new form of work that is not well defined in social protection legislation or labour legislation more broadly and blurs the lines between self-employment and being an employee (Koh forthcoming a). Where possible, existing social protection schemes must be carefully modified to expand coverage to these individuals. To do so, governments will need to update legislation to better define this type of work relationship as well as think creatively and collaborate closely with the platform companies to develop effective mechanisms to administer social protection systems. As previously described, Grab in Singapore requires workers to contribute to their Medisave account in order to receive a license to operate on their platform. Grab also incentivizes worker's contributions by providing matched savings under their Driver Medisave Match Program (Koh forthcoming a).

The comparative analysis highlights several cases in which informal workers can voluntarily contribute to social protection schemes, but experience has shown that this has seldom, if ever, led to a significant uptake. For these programmes to experience comprehensive coverage across the informal sector, mandatory participation is likely required. This brings with it a host of administrative and compliance challenges that are unique to each country and must be carefully considered and managed.

Productivity: "Productivity needs to grow alongside any initiatives with labour cost implications in order to generate and sustain virtuous cycles between improvement in workers' well-being, business profits and wages. Productivity should be included in discussions on social protection initiatives by default."

AND

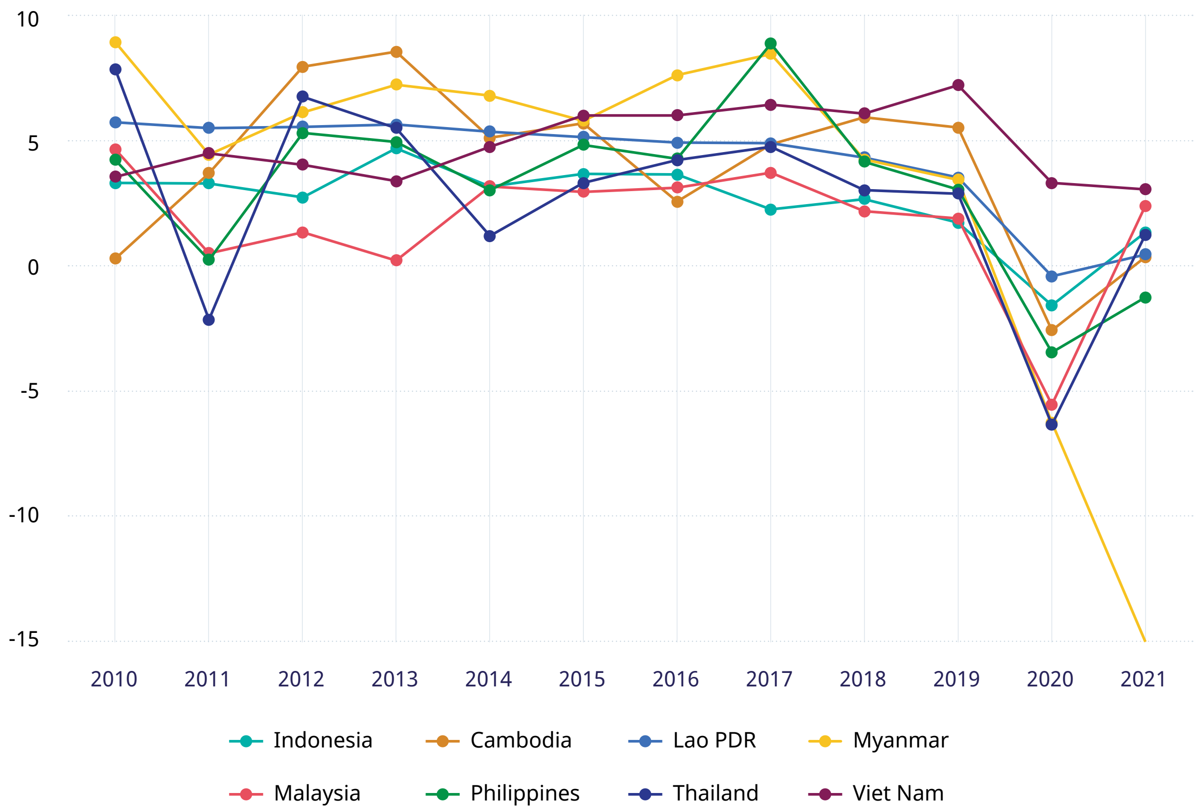
Balance between rights and responsibilities: "Social protection should strive for a good balance between rights and responsibilities to avoid disincentivizing work and burdening employers, which may hamper enterprise creation and growth."

The ASEAN Declaration for Strengthening Social Protection recognizes the link between social protection and wider labour market policies. It views social protection as a form of investment in human resource development and therefore inclusive of other activities, such as vocational training, that traditionally fall under the tent of labour market interventions. In doing so, it calls for "greater access to social protection programmes and services, including vocational training, as part of active labour market interventions and human resource development".

Since the signing of the ASEAN Declaration for Strengthening Social Protection, Member States have made good headway. Many have rolled out unemployment insurance and linked it with active labour market initiatives, albeit to varying degrees. As noted in the comparative analysis section of this guide, the Employment Insurance Law 2017 in Malaysia has shown particular promise. It closely links unemployment insurance with active labour market policies, such as vocational training, job placement and career counselling. It also includes a re-employment allowance that incentivizes individuals to go back to work. Examples such as this one show that unemployment insurance, when paired with active labour market initiatives, protects individuals' livelihoods and investments in the human capital development of the workforce to make labour markets more productive.

These benefits are experienced not only on the macro level but also by individual businesses. There is strong evidence to suggest that effective social protection measures can positively impact an enterprises' competitiveness by increasing the labour productivity of workers. Furthermore, improving workers' access to health care and other social protection benefits can help enterprises attract and retain talent (Lee and Torm 2017; Scheil-Adlung 2014).

▶ **Figure 5. Annual growth rate of output per worker, by ASEAN country, 2010–21**



Source: ILOSTAT, GDP constant 2017 international dollars at PPP, accessed 28 August 2022.

Employers remain concerned about the relationship between productivity and growth in overall labour costs, including social protection. EBMOs from several countries, including Viet Nam, reported that labour cost growth has outpaced productivity growth. Employers may want to reconsider the language around productivity growth. Data from ASEAN over the past decade shows that in almost all countries, output per worker (a measure of productivity and used in SDG 8.2.1) grew in almost every year. Many countries, including Cambodia, the Lao People's Democratic Republic and Viet Nam, had many years in which they saw annual growth in output per worker of at least 5 per cent. Employers should seek to develop this framework with the following principles:

- Productivity growth should be in line with the total growth rate of worker compensation, which includes the growth in any social protection contributions that employers pay as part of an employee's overall compensation package. However, this does not necessarily mean that a 1 per cent increase in productivity should directly correspond to a 1 per cent increase in total worker compensation, only that these two should move proportionally.
- Productivity growth discussions should focus on multifactor productivity, including productivity gains coming from capital and technology. They should remind tripartite partners that not all productivity gains come from increased productivity of labour.

Employers should also be aware that an improvement in the quality and participation in social protection can facilitate an increase in labour market flexibility. With a strong social protection system protecting workers in times of unemployment, this creates opportunities to reduce barriers that enterprises face in hiring and termination. This allows workers to move between jobs more easily and safely while allowing enterprises to adjust employment based on their needs. This increased flexibility makes labour markets more efficient and, all other factors being equal, more productive. Therefore, any assessments of labour productivity should include contribution analyses that identify the extent to which social protection contributes to increased labour market flexibility and any resulting productivity gains.

Progressive implementation: "Where reforms are made, gradual implementation is necessary to carefully manage budgets and affordability and to allow reviews and improvements along the way."

While the need to expand comprehensive social protection is great, it must be met with reserve and sound judgment. Social protection schemes should take a gradual and phased approach to rolling out. Cost-benefit analyses and actuarial studies should be conducted periodically and baked into the original design of these schemes as well as processes for reviewing results of such studies and adapting the schemes accordingly. Governments should also take the long view, recognizing that considerable time investment and multiple pieces of coordinated legislation may be required for a social protection scheme to perform well. The roll-out of unemployment insurance in Viet Nam provides a useful example: Unemployment insurance was first introduced in Viet Nam in 2006, but implementation issues persisted, mainly very low compliance rates. In addition, seasonal workers and those working in small enterprises were excluded from the scheme. Viet Nam revised its criminal code in 2015 to include the evasion of contributions to unemployment insurance. This led to widespread compliance. The 2013 Employment Law expanded coverage to businesses with fewer than ten employees and seasonal workers with contracts as short as three months.

Cambodia is taking a phased approach to rolling out its national old-age pension. One aspect of this phased approach is the gradual increase in pension contributions. From the start of contributions in October 2022 through the fifth year of the scheme, employers and workers will both contribute 2 per cent of wages, for a total contribution of 4 per cent. In years six through ten, employers and workers will both contribute 4 per cent of wages, for a total contribution of 8 per cent. From year 11 onwards, employers and workers will both contribute 5.375 per cent of wages, for a total contribution of 10.75 per cent. Another aspect of the phased approach is the initial focus on formal employers because enterprises already enrolled in health and employment injury schemes were automatically enrolled in the pension scheme. The awareness-raising by Cambodia's National Social Security Fund initially focused on larger and more formal enterprises. And the phased approach also initially focused on employees and employers covered by the country's labour law, which included all enterprises with at least one worker but excluded self-employed workers.

While Cambodia has adopted an approach that is phased, it also faces a number of challenges. Cambodia's economy remains heavily informal, and the additional costs associated with pension contributions may marginally disincentivize enterprises from formalizing. Without adequate enforcement, it may also exacerbate unfair competition between formal and informal enterprises, a recognized challenge in the country. Lastly, there remain questions about the evaluation and assessment of the scheme.

EBMOs' views on existing social protection systems

Many EBMOs in the region recognize the value of social protection systems. The Viet Nam Chamber of Commerce and Industry, for example, remarked that a "good social protection policy will help businesses, including [small and medium-sized enterprises], to fulfil their social security responsibilities, especially for employees, such as vocational training, employment, salary, social insurance, health insurance and occupational safety and health." The Employers' Confederation of Thailand emphasized that a strong social protection system will allow employers to "focus more on business and benefits to their employees'' without having to make duplicate payments. They did, however, acknowledge the risk that it could increase costs for businesses.

While employers generally support the overall objectives of social protection systems, some have specific complaints about the functioning of the system in their country. For example, the Malaysian Employers Federation pointed out that the country's Social Security Administrators have old procedures premised on insured persons and employers who cannot be trusted, but the administrators are reluctant to review these procedures.

Employers also have a range of long-term goals for the development and reform of social protection systems. One of these goals, which is common for many of the countries in this study, is to increase social dialogue on the question of burden-sharing. This question is vital for employers who seek to have social protection systems that are well-functioning but also are supported by all stakeholders, including workers and governments. Other goals cited by EBMOs in the various countries include:

- In Viet Nam, the Chamber of Commerce and Industry's most important long-term goal is the stability of social protection policies, without disturbing policies affecting the growth and development goals of the enterprise. The Viet Nam Chamber of Commerce and Industry also noted that reforms to the rules around monthly salary for compulsory social insurance could be reformed. Current rules require the regional minimum wage to be used for contributions, even though part-time workers may receive a salary lower than the regional minimum wage. This makes them ineligible for social insurance.
- In Malaysia, the Employers Federation's main goals are: (i) to reform social security to provide 24-hour coverage for employment injury; (ii) to ensure that social protection entitlements or benefits are on a no-fault claim basis; and (iii) that social security covers maternity benefits, medical benefits and paternity leave.
- In Thailand, the Employers' Confederation's main goal is to strengthen social protection by having engagement from everyone, with a minimum standard to support a better quality of life for people in the state.

Role of EBMOs in policy development and oversight

EBMOs are important actors in the policy formation process in countries across ASEAN. They represent private sector views in a host of public forums, including national tripartite dialogues on labour and social issues. This often includes national-level social dialogue on issues relevant to social protection. EBMOs in ASEAN countries have contributed to national-level policymaking processes for social protection issues in a number of ways. In Malaysia, for example, the Malaysian Employers Federation reported that they presented position papers to the Government on key issues. In Viet Nam, the Chamber of Commerce and Industry "acted as representatives of the employers to coordinate and assist each other to develop enterprises and contribute to policies related to enterprise development and participating actively in social protection, especially social insurance and the realization of social policies". The Viet Nam Chamber of Commerce and Industry stated that they had "research[ed] and develop[ed] some related laws, such as the Labour Code, Social Insurance Law, the Law on People with Disabilities, the Law on Social Protection" and others. In Myanmar, the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) participated in national tripartite dialogue and provided recommendations on the legal reform process. The Employers' Confederation of Thailand participated in national tripartite dialogue and provided recommendations to the Government while also participating in public hearings.

EBMOs in ASEAN countries almost always have some type of role in policymaking and national tripartite dialogues, but their views on whether those consultations were substantive and satisfactory were more varied. The EBMOs from Myanmar, Thailand and Viet Nam said that they believed the consultations were substantive and that they were satisfied with the results of the dialogue. This view was not universal, however. The Malaysian Employers Federation noted that they thought most discussions were "done just to show that consultation is made" but that in reality, decisions have already been made prior to the dialogue taking place. Several EBMOs acknowledged that they thought the government clearly set out the purposes of any proposed policy or legislative initiative at the beginning of the process. The Malaysian Employers Federation added that this could be improved because some policies were not discussed with stakeholders prior to tabling in the Parliament.

In line with one of the ACE recommendations, one common area of concern among employers is whether governments fully consider the costs of social protection programmes and the effects that these costs might have on enterprises. The EBMOs had mixed views on whether governments fully consider these costs and the need to increase private sector productivity to offset them. The UMFCCI and the Employers' Confederation of Thailand thought that their respective governments considered the total costs incurred by employers when formulating policy to ensure that enterprises remain competitive with comparable countries and are not overly burdened compared to the informal sector. However, the Viet Nam Chamber of Commerce and Industry said that these costs were not always considered and that "labour costs are higher than productivity levels". This led the Chamber to propose some reductions in contributions in the short term. The Malaysian Employers Federation reported that "policies are introduced without taking into account the total costs to be incurred by employers". They added that there is a need for more transparency in policy formulation and prior discussion with stakeholders to increase buy-in. The EBMOs also had a mixed view on whether social protection policymaking takes a holistic approach – addressing tough questions about funding, sustainability, the current employment situation and the distribution of who bears the costs of these programmes. The Malaysian Employers Federation echoed comments that this generally was not the case, but the Employers' Confederation of Thailand said that a clear long-term plan, target and road map are needed to ensure sustainability.

As many ASEAN governments continue to push for universal health care in the aftermath of the pandemic, it is important for the private sector to have a voice in the discussion. Universal coverage is supported by many EBMOs and can be highly beneficial to businesses. It promotes a healthy and productive workforce and removes employers from some degree of risk associated with providing health coverage directly. At the same time, businesses should pressure governments to expand health care coverage that addresses the needs of the population in a socially responsible manner. Government systems should also ensure competition within medical markets to keep prices appropriate and promote fast and efficient service quality.

Involvement in oversight

Because of the important role that employers have in funding social protection systems, they are also often given a role in the governance of those systems. Social protection typical includes several of different schemes, and the role of EBMOs in governance varies by scheme and country. In Thailand, some social protection schemes are under a tripartite committee and administered by the Department of Social Security in the Ministry of Labour. In Viet Nam, the vice-president of the Viet Nam Chamber of Commerce and Industry is a member of the Management Board of Viet Nam Social Security. In Malaysia, the Malaysian Employers Federation is represented on the board of the social security scheme but not on the advisory committee of the employment injury scheme. In Myanmar, the social security system is under a board comprising suitable persons from the Ministry of Labour and the relevant ministries, government departments, organizations and experts and representatives of employers and workers.

Perhaps no area is more important for EBMOs to be involved in than pension fund governance. Several EBMOs in the region have this role. The Malaysian Employers Federation is represented at the board level in Malaysia and participates actively in the decision-making process on investment policies of social security funds. The Employers' Confederation of Thailand explained that the country's Provident Fund is under the regulations of the Minister of Finance and that the EBMO has "responsibility on the provident and pension fund". They also reported that voluntary, enterprise-level funds also exist and that these are overseen by a fund manager who is selected by the employer and employees of individual enterprises. Some enterprises may also have a pension fund as part of their employment contract and manage these funds in-house. In Myanmar, the UMFCCI said that they have one representative on the National Level Social Security Board and one representative assigned to the Executive Committee of the Social Security Board formed under the Social Security Law, 2012.

Private sector stakeholders often have strengths and capacities in the design and implementation of a number of aspects of social protection systems, for example, in the management of retirement funds or health care systems. These capacities could be taken advantage of to improve the effectiveness of a country's social protection system. However, the EBMOs had mixed views on whether these capacities were being fully taken advantage of. In Viet Nam, the Chamber of Commerce and Industry noted that they were not yet and that there is a need to promote the role of private organizations and social enterprises in providing social assistance services. The Malaysian Employers Federation also thought that private sector capacities are not being fully exploited. Both the Employers' Confederation of Thailand and the UMFCCI added that they thought these capabilities were being effectively used, though the UMFCCI said that this is only done in some ways.

EBMO member services related to social protection

In addition to their roles in both the design and oversight of social protection schemes, EBMOs also have the role of service provider to member companies, often helping them to better understand, access and comply with a country's social compliance schemes. All four of the EBMOs that participated in this study said that they offered at least some services related to social protection. In Viet Nam, the Chamber of Commerce and Industry and the Viet Nam Social Security have a coordination agreement, whereby the Chamber disseminates policies and laws on social, health and unemployment insurance through its communication channels (including print media, electronic media, awareness-raising workshops, social dialogue, etc.). This helps the business community grasp the social protection policies. The Employers' Confederation of Thailand offers free in-house training supported by the country's Department of Social Security, with the goal of improving the education of both employers and employees. It also conducts programmes to educate and share information on social protection. The UMFCCI shares updates on the country's social security benefits scheme to its members by email and social media platform. And the Malaysian Employers Federation offers advisory services on social protection and also represents or defends members if they have any issue with social security.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6 Conclusion

It has been nearly a decade since the passing of the ASEAN Declaration on Strengthening Social Protection. In that time, Member States have made considerable yet varied progress in expanding social protection systems as well as rolling out new ones. Many of these advances have led to dramatic, positive outcomes for individuals, businesses and the wider economies of the ASEAN Member States. On an individual level, these systems have led to increased security for a growing proportion of the population from life-cycle hazards as well as macroeconomic shocks. This additional security also allows individuals to be more entrepreneurial. They are able to take on higher-risk higher-return activities when social protection schemes mitigate the downside risks.

On the country level, these advances support greater macroeconomic stability via consumption smoothing and an increasingly flexible workforce with greater human capital accumulation. Although these effects likely remain modest to date, continued advancements of social protection systems will likely make structural reforms politically feasible, thereby allowing countries to better adapt to changes in the global economy.

When implemented with foresight and in line with the ACE recommendations and feedback from employers, social protection measures can improve the business operating environment and enterprises' competitiveness. They can lead to a more skilled and resilient workforce, increase staff retention and incentivize talent to shift from the informal sector to formal sector employment. They also allow for risk pooling, so when unfortunate events befall employees, the risks and related costs to businesses are mitigated.

As Member States look towards a post-pandemic future with the continued goal of making ASEAN a people-centred community, they will need to build off of existing achievements to spur further advancements in social protection. Specific steps towards achieving this goal are elaborated upon in the following recommendations, but in general, there is a pressing need for governments to continue expanding the coverage of contributory social protection schemes across the population, particularly among persons within the informal sector. This means finding the right combination of contributory and non-contributory schemes. It is also vital to align social protection debate and policy development with the wider policy agendas of taxation and business formalization. Furthermore, deeper, more meaningful dialogue and engagement between government and employers is needed, particularly in the design and evaluation of social protection systems. Establishing an iterative process of evaluation, dialogue and adaptation will serve to identify and maximize the benefits of social protection systems to individuals, private businesses, country governments and the economy as a whole.

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ACE recommendations: Suggestions and updates

The ACE recommendations on social protection provide a strong starting point for EBMOs as they consider future steps regarding social protection. Many of the principles in the ACE recommendations remain relevant today and are goals that employers should continue to strive for. However, ACE members may also consider some updating to their recommendations, including the following:

- Deepening consultation. The existing ACE recommendations already call for the institutionalization of tripartite consultation. Despite this, the EBMOs in the study pointed out that they were not satisfied with the consultations that have been taking place. For example, the Malaysian Employers Federation cited the need for prior consultation with stakeholders, including EBMOs, on new policies and the legislative formulation process as well as in any changes in private sector involvement in implementation of social protection. The Employers' Confederation of Thailand referenced the need for public hearings that include more employers to ensure balanced information is included in the social protection policymaking process. EBMOs must arm themselves with the tools and skills necessary for deep, meaningful consultation. They should establish an internal department, or at least a focal point, solely dedicated to engaging the government on social protection policy and administration. This can be supported by a wider initiative to build up staff capacity across the EBMO on representing employers' needs and views in social protection tripartite consultations. In particular, one staff member should have in-depth knowledge of the accrual systems for social protection mechanisms.

- Increasing the emphasis on the coherence between social protection policies and other social, economic and employment policies. This goal is explicitly included in ILO Recommendation No. 202. Emphasizing this point could provide employers with a stronger argument in support of some of the goals they have already outlined in the ACE recommendations, including those around fiscal space, the informal economy and productivity. Social protection should complement and remain coherent with other goals, including low unemployment and the transition from informality to formality. This includes emphasizing the connections between social protection and formality. Social protection policies for people in the informal economy should be designed in a way that incentivizes formal employment and reduces the incentives for remaining in the informal economy. Furthermore, employers should cite Recommendation No. 202 to argue that making formal employers pay – directly or indirectly – for the social protection benefits of individuals working in the informal sector, especially those employed by informal enterprises, may disincentivize formalization and therefore be directly contradictory to other employment and social policies.
- Explicitly calling for government funding for social protection benefits for persons in the informal economy. Employers should be vocal about their unwillingness to subsidize social protection benefits for people in the informal sector. Putting these costs on formal employers, for example, by making them pay for the costs of a programme that supports both formal and informal workers would result in unfair competition and disincentives to formalize. And it would create a notable incoherence between this policy and policies to increase the level of formal employment and the sustainability of formal enterprises.
- Stressing the need for regular monitoring of implementation and periodic evaluation of social protection. Monitoring and evaluation of social protection is another point emphasized in ILO Recommendation No. 202, as section I.3.p calls for the “regular monitoring of implementation, and periodic evaluation”. For employers, this is vital to ensuring that the social protection systems that they are paying to support achieve the goals that they’ve outlined in the ACE recommendations, including but not limited to the goals of being well-functioning, efficient and fiscally affordable. Beyond the narrow assessments of the social protection systems, employers may also consider monitoring and evaluation against a broader set of conditions outlined in Recommendation No. 202, including: financial, fiscal and economic sustainability as well as coherence with social, economic and employment policies.
- Designing and proposing a monitoring or evaluation tool or programme for social protection schemes. This tool or programme could help to regularly see if social protection outcomes are progressing alongside other important social and economic goals, which may speak to the coherence of these goals, or lack thereof. Among the data that EBMOs could include in their monitoring tools are: changes in the level of informality; rates of productivity growth versus growth in total worker costs (including both compensation and social protection costs); data from EBMO members about the financial costs associated with shortcomings in the social protection system and its implementation; and changes in worker mobility. As for changes in worker mobility, this could include data-based assessments of changes as new social protection components are adopted, as seen in Labour Force Survey data or other sources and in administrative reviews to determine if barriers to hiring and firing have changed in response to changes in the social protection safety net for workers.
- Employers may want to enhance their recommendations regarding the role of the private sector in the provision of social services. The private sector can bring tremendous expertise to several areas of social protection provision, for example, in the management of pension funds or administration of health care systems. This creates opportunities for the private sector while also introducing competition. So, if individuals and enterprises can choose where they invest their pension funds, it could help reduce reliance on a monopolistic state fund, and therefore incentivize better performance. But employers must be mindful that private sector systems have failed before, for example, in the management of private pension funds in Latin America in the 1980s when several pay-as-you-go public pension systems were replaced with private funds, with several failing to achieve success. This resulted in taxpayer-financed rescues to ensure minimum pension guarantees (IOE 2012). Thus, employers should fully consider the associated risks of private sector involvement and weigh that against the potential benefits.

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Social protection systems in Asean: A strategy guide for employers

Employer and business membership organizations (EBMOs) have a vital role in supporting social protection programmes, especially through funding, and thus should be meaningfully involved in system design and implementation.

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ISBN 978-9-22-039061-0