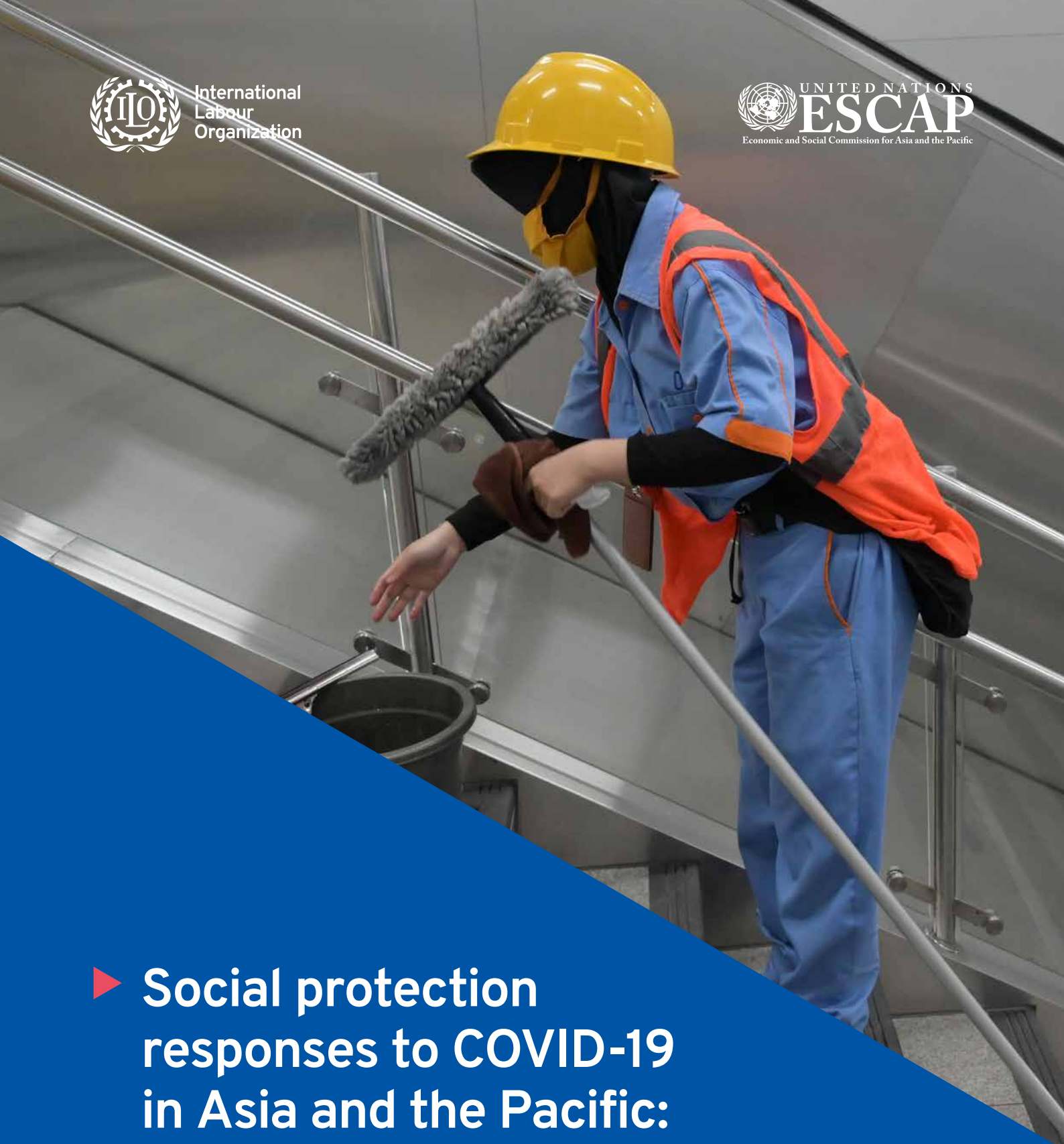




International
Labour
Organization



UNITED NATIONS
ESCAP
Economic and Social Commission for Asia and the Pacific



► Social protection responses to COVID-19 in Asia and the Pacific:

The story so far and future considerations



▶ **Social protection
responses to COVID-19
in Asia and the Pacific:**

The story so far and future considerations

Executive summary

The COVID-19 crisis has fundamentally shaken societies and economies across the Asia-Pacific region and the world.¹ Governments in the region have taken unprecedented measures to respond to the health, economic and social impacts of the crisis. Temporary social protection measures have played a prominent role. The crisis has provided a wake-up call to the significant gaps in coverage and adequacy of existing social protection systems, and dramatically increased the visibility to policy makers of those left behind. As some countries begin to enter what is likely to be a long recovery phase, this note reviews the story so far, and explores how short-term measures can be transformed into comprehensive and shock-responsive social protection systems, including social protection floors. Such systems have the potential to form a core component of wider recovery plans that seek not only to provide relief but influence a path to more sustainable and equitable economic and social development.

▶ Key messages

The COVID-19 pandemic has created one of the worst economic and human crisis since the Second World War. Many of the economies in the Asia and Pacific region have faced the economic impact of local lockdown measures combined with a global economic slowdown that is impacting demand and supply chains.

The crisis has affected some people much more than others, and this inequality is set to persist and evolve. While the crisis has affected whole societies, it is now evident that some people have been far more affected than others. The people hardest hit have often been individuals and families already struggling before the crisis, which has highlighted the significant pre-existing inequalities in the region. However, COVID-19 has also provided a significant shock to those previously able to make ends meet.

Social protection has a central role to play in addressing the social, economic and health dimensions of the crisis. The diversity of those hit hard by the COVID-19 crisis highlights how – in the absence of adequate protection – the vast majority of people are vulnerable to economic shocks. By protecting individuals and families, social protection can help address the health, social and economic dimensions of the current crisis, and all future crises.

The actions of governments across the region regarding social protection have so far been unprecedented. Of particular note is the way countries have recognized, and sought to fill, significant coverage gaps in their social protection systems. In many cases, the responses have – for the first time – represented something of a whole system social protection response.

Expenditure on these schemes has been significant, although commonly constitutes a modest share of the wider stimulus packages. There has been considerable diversity in the scale and nature of responses. Even relatively ambitious packages of support have left important gaps. In many cases, attempts to address new caseloads have been far more complex and slower than anticipated, and the adequacy of benefits provided has often been low.

Social protection is likely to become even more relevant in the emerging phase of the crisis and the recovery. The next phase of the crisis provides an opportunity to begin building social protection systems back better to fill gaps in the coverage, scope and adequacy of social protection.

Social protection needs to be an integral component of the economic recovery plans as a component of fiscal stimulus that can boost aggregate demand and support the economy to bounce back. With national economies seeking to re-establish themselves – but less able to rely on external demand – social protection policies will be more important than ever.

¹ This note focuses primarily on the Asia and Pacific region according to the definition of the ILO, although examples are also included for regional members of the United Nations Economic and Social Commission for Asia and the Pacific.

The ongoing response to COVID-19 provides an opportunity to begin building towards more comprehensive and shock-responsive social protection systems. The scale of the crisis facing countries across the region requires significant action on social protection. Upscaling the ongoing social protection response requires the allocation of appropriate financial resources.

Social protection floors can reach some of those most vulnerable to the ongoing crisis, while generating spill over and multiplier effects for households and the economy. Universal approaches are essential to reach the poorest households, but also provide a much-needed cushion to vulnerable households in the “missing middle”. In addition to a social protection floor, focused approaches are needed to support workers most affected by the crisis.

Social protection can also contribute to broader recovery plans and policies which seek to address structural economic and social weaknesses. A significant investment in social protection can help tackle underlying issues of poverty and inequality that persist across the region, contribute to more sustainable economic growth, support ongoing labour market transitions such as those towards greener economies, and ensure better preparedness for the next crisis, including those related to climate change. As such, strengthened social protection systems will contribute to a more robust recovery, achievement of the Sustainable Development Goals by 2030 and the true realization of the human right to social security.

Mobilizing necessary financial resources will not be easy for many countries, but the cost of inaction will be significant. It is also not too early to begin undertaking deeper public finance reforms that can provide a more conducive financing environment for social protection as countries emerge from the crisis. International solidarity and support will be critical for financing an effective ongoing response in many low and middle-income countries in the region.

Social dialogue and international labour standards will be key to designing such support. The whole system approach of the COVID-19 response can be used as an impetus for more integrated and coordinated approaches.

Contents

▶ EXECUTIVE SUMMARY	II
▶ ABBREVIATIONS	V
▶ ACKNOWLEDGEMENTS	VI
▶ 1. INTRODUCTION	1
▶ 2. SOCIAL PROTECTION MEASURES IN RESPONSE TO THE FIRST PHASE OF COVID-19	4
2.1 Universal access to quality healthcare	6
2.2 Contributory schemes	7
2.3 Non-contributory schemes	10
▶ 3. ACHIEVEMENTS AND GAPS IN THE RESPONSE TO DATE	13
3.1 Achievements	13
3.2 Challenges	14
▶ 4. CONSIDERATIONS FOR THE ONGOING RESPONSE AND RECOVERY	16
▶ REFERENCES	21

▶ List of tables and figures

▶ Table 1.	Top 10 announced measures in the Asia-Pacific region	5
▶ Figure 1.	Distribution of measures by type of adjustment	5
▶ Figure 2.	Distribution of measures by function	6

▶ List of boxes

▶ Box 1.	Who are those hardest hit by COVID-19?	2
▶ Box 2.	Expanding access to affordable health care	7
▶ Box 3.	Job-retention schemes	9
▶ Box 4.	Lifecycle schemes	11
▶ Box 5.	Schemes for poor and vulnerable households	11
▶ Box 6.	Schemes for informal sector workers	12

Abbreviations

ADB Asian Development Bank

BPN Bantuan Prihatin Nasional

IBC United Nations Issue-based Coalition for Inclusion and Empowerment

ILO International Labour Organization

IMF International Monetary Fund

ODA Official development assistance

OECD Organization for Economic Co-operation and Development

PKH Program Keluarga Harapan

SDG Sustainable Development Goal

UNESCAP United Nations Economic and Social Commission for Asia and the Pacific

UNICEF United Nations Children's Fund

WHO World Health Organization

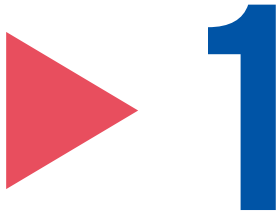
Acknowledgements

This discussion paper is a collaborative effort of the United Nations Issue-based Coalition (IBC) for Inclusion and Empowerment, co-chaired by the International Labour Organization (ILO) and the United Nations Children's Fund (UNICEF). The purpose of the United Nations Issue-based Coalition is to help realize synergies among different regional United Nations entities to bring the value-added of the regional United Nations Development Systems (UNDS) to resident coordinators and United Nations country teams to support the operationalization of the framework for empowering people for a more inclusive and equal Asia and the Pacific.

Experts from the ILO's Regional Office for Asia and the Pacific and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) took the lead in the development of this report. The principal authors were Charles Knox-Vydmanov (Independent Consultant) and Nuno Cunha (Senior Social Protection Technical Specialist, ILO Decent Work Team for East and South-East Asia and the Pacific).

The paper includes contributions from Ermina Sokou (Social Affairs Officer), Patrik Andersson (Chief of the Sustainable Socioeconomic Transformation Section), Sayuri Okada (Social Affairs Officer) of UNESCAP, Mr Pong-Sul Ahn (Regional Specialist, Workers' Activities, ILO Regional Office for Asia and the Pacific), Therese Bjork (Human Rights Officer, OHCHR Regional Office for South-East Asia), Emily Bojovic (Senior Regional Durable Solutions Officer, UNHCR Regional Office for Southeast Asia), Karen Gulick (Senior Policy Advisor, UNHCR Regional Bureau for Asia and the Pacific), Sara Elder (Head of the Regional Economic and Social Analysis Unit at the ILO Regional Office for Asia and the Pacific), Xavier Estupinan (Wages Specialist, ILO Regional Office for Asia and the Pacific), Dong Eung Lee (Senior Specialist on Employers' Activities, ILO Regional Office for Asia and the Pacific), Tomomi Ishida (Social Protection Officer, FAO), Hilma Mote (Senior Specialist in Workers Activities, ILO), Andrea Rossi (Regional Adviser for Social Policy and Economic Analysis, UNICEF), Sun Ah Kim Suh (Deputy Regional Director for UNICEF South Asia (ROSA)), Abdul Alim (Regional Adviser for Social Policy, UNICEF) and Shona Wynd (Senior Regional Policy Adviser, Asia Pacific Regional Support Team, UNAIDS).

The development of this discussion paper benefited from financial support from the Ministry of Health, Labour and Welfare from Japan.



Introduction

The COVID-19 pandemic has already created a human and economic crisis like no other since the Second World War. The unprecedented lock down measures taken across the region and the world have been relatively successful in slowing the spread of the virus in some countries but are set to result in the slowest growth in the region since the 1960s.¹ Latest projections from the World Bank forecast GDP growth of 0.5 per cent in emerging markets and developing economies in East Asia and the Pacific, and a contraction of -2.7 per cent in South Asia. This is significantly below trend growth in the region and projections from January 2020 before the escalation of the crisis (which were 5.2 percentage points higher in East Asia and the Pacific and 8.2 percentage points higher in South Asia). While East Asia and the Pacific are projected to return to trend growth by late 2021, the recovery is expected to take longer in South Asia.² Analysis by the International Monetary Fund (IMF) and the Asian Development Bank (ADB) show a similar picture. Many of the economies in the Asia and Pacific region faced the combined economic impact of local lockdown measures and a global economic slowdown that has impacted demand and supply chains. This economic shock risks pushing substantial numbers of households in the region into poverty, with one analysis finding that the short-term impact could represent a reversal of approximately a decade in the world's progress in reducing poverty.³ This in turn would have long-term knock on effects for a whole range of Sustainable Development Goals (SDGs) and targets, including those relating to human capital development, food security, decent work, wider health outcomes and gender equality.

Some countries in the region are starting to pass the first phase of what is likely to be a long-term crisis and are developing their economic recovery plans. The first phase of the crisis – which reached its peak in the second quarter of 2020 – can be characterised as a moment where the vast majority of countries in the region imposed stringent lockdown and social distancing measures putting their economies on life support while they sought to slow the spread of the virus.⁴ While some countries in the region (especially in South Asia) continue to battle significant outbreaks, others have been opening up their economies and entering the recovery phase. Yet a return to normal life is set to be gradual. Some restrictions still remain in place, while there is a continued risk of new outbreaks in the future and all countries will be affected by the significant global economic downturn. Even if a country can revert to business as usual, the international context would mean certain sectors dependent on external demand (such as tourism and manufacturing) will continue to be impacted. In this context, a protracted crisis looks increasingly likely, as does the scenario in which parts of the economy are permanently reconfigured. One key feature of the ongoing crisis is that countries will likely be obliged to depend more on domestic investment and internal demand than in pre COVID-19 times.

The COVID-19 crisis has affected some people much more than others, and this inequality is set to persist and evolve. While the crisis has affected whole societies, it is now evident that some people have been far more affected than others. The hardest hit are often individuals and families that were already struggling before the crisis, highlighting the significant pre-existing inequalities in the region. However, COVID-19 has also delivered a significant shock to those previously making ends meet. Box 1 describes some core dimensions

1 Rhee, 2020.

2 World Bank, 2020.

3 H. Sumner and O.-Juarez, 2020.

4 The phase of the broader human, health and economic crisis should not be confused with specific waves in the spread of the virus.

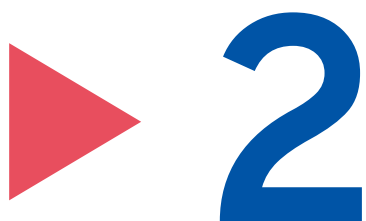
of this inequality. Failing to address the uneven impacts of the crisis on different groups will compromise the promise of the 2030 Agenda for Sustainable Development to “leave no one behind”. It will also jeopardise the achievement of various Sustainable Development Goals set out as part of the Agenda (United Nations, 2020a).

► **BOX 1. Who are those hardest hit by COVID-19?**

- **Occupation:** While lock downs have affected all workers to some extent, the biggest impacts in the region have tended to be on sectors requiring physical presence, and those heavily dependent on international demand, such as tourism and manufacturing (e.g. the garment sector). **Informal sector workers** are particularly vulnerable given their limited employment protections and access to social protection, while many have low-to-modest and irregular incomes even in normal times. **Essential workers** in front line positions such as health care workers and those operating public transport face a greater risk of contracting the virus.
- **Life stage and status:**
 - People at certain moments of their lives face particular vulnerability:
 - Poverty and economic shocks are well recognized to have disproportionate impacts on **children** resulting in profound life-long developmental and educational implications.
 - **Young people** are facing disruption to education and training, employment and income losses, which risk creating a “lock down generation”. Around four in ten young workers (aged 15-24) globally were found to be working in the hardest hit sectors, higher than the rate for adults aged 25 and over.
 - **Older persons** are more likely to face severe symptoms of the virus and mortality rates increase significantly at older ages. They may also face significant economic and psychosocial consequences of lock down measures.
 - **Women** face vulnerabilities related to the nature of their employment, which can increase their exposure to the virus. This includes being more likely to work in health and care settings, with a high number working in vulnerable employment. They also commonly take on disproportionate unpaid care responsibilities in relation to children and older persons. Lockdown measures have also seen increases in gender-based violence.
 - **Persons with disabilities, living with chronic illness (including HIV)** were often more likely to be living in poverty before the crisis and face particularly acute barriers to maintaining their livelihoods. Certain underlying conditions may also make them more vulnerable to the virus.
- **Location and legal status:**
 - The different impact of the crisis on **urban** and **rural** areas is complex. Those in urban areas have often been more directly affected by lockdown measures. Nevertheless, while agriculture has often continued as an essential sector, the fact that people in rural areas tend to have lower incomes, means that a smaller shock may still push them into poverty. Transportation and logistical issues have also reduced access to markets in some cases.
 - **Migrant workers** are some of the most vulnerable to the impacts of COVID-19, often facing layoffs, increased discrimination, worsened working and living conditions, and food insecurity in their host countries but with limited access to public services and social protection. Many have returned home to their communities, with limited opportunities for employment, and sometimes facing stigmatisation as being suspected carriers of the virus.
 - **Refugees, asylum-seekers and stateless persons** face uncertain legal status in many countries in the region due to lack of national asylum legislation and asylum systems. They also often lack documentation and the right to work. As a result of the COVID-19 crisis, many have lost already precarious livelihoods in the informal sector. In addition, those living in camps and urban contexts often live in cramped conditions with compromised access to WASH and health facilities, exacerbating risks around COVID-19.

Social protection has a central role to play in addressing the social, economic and health dimensions of the crisis. The diversity of those hardest hit by the COVID-19 crisis highlights how – in the absence of adequate protection – the vast majority of people are vulnerable to economic shocks. By protecting individuals and families, social protection can help address three core dimensions of the current crisis and all future crises:

- ▶ **The health dimension:** Universal access to quality health care is essential to treat those who fall sick from COVID-19 while avoiding catastrophic personal expenditure. Meanwhile, programs such as unemployment, sickness and other cash benefits are critical to provide people with the income security necessary for them to adhere to quarantine, social distancing and lockdown measures, thus contributing to containing the spread of the virus. These two dimensions of social protection remain key to manage current and future potential waves of the virus.
- ▶ **The social dimension:** Social protection schemes have a particularly direct ability to protect individuals and families from the economic shock of the crisis and prevent the various negative knock on effects to human capital, wellbeing and health. They can also make a major contribution supporting social cohesion and avoiding social unrest which, in turn, could have major negative social, economic and health consequences. They are a particularly key tool to ensure that the crisis does not reverse achievements made in poverty reduction.
- ▶ **The economic dimension:** Social protection is well recognized for its important role in economic recovery from crisis, in particular as a component of fiscal stimulus that can boost aggregate demand and support the economy to rebound. With national economies seeking to re-establish themselves – but less able to rely on external demand – social protection policies will be more important than ever.



Social protection measures in response to the first phase of COVID-19

The actions of governments across the region in the area of social protection have so far been unprecedented. At the time of writing, the ILO social protection responses to COVID-19 monitor listed 244 social protection measures across 38 countries in the region.^{5,6}

Table 1 and Figures 1 and 2 present an overview of the most common measures announced, the most common types implemented, and the distribution of measures by social protection function.

Interventions have varied significantly according to a range of dimensions, including:

- ▶ Their relationship to the existing social protection system, e.g. increasing benefit levels (vertical expansion) and/or extending coverage (horizontal expansion). Table 1 and Figure 1 highlight that the most common interventions have been in the form of new schemes, rather than modifications to existing ones.
- ▶ The nature of support provided including cash or in-kind payments, as well as waivers, postponements or subsidies to social security contributions, tax payments utility bills, rents and mortgages.
- ▶ Those targeted (households, workers, or other individuals in different circumstances).
- ▶ Whether provided through contributory or non-contributory schemes. Overall, 75 per cent of the measures announced in the region have been non-contributory schemes, with the remaining linked to contributory schemes.⁷

⁵ The data relates to the ILO definition of the Asia and Pacific region: <https://www.ilo.org/global/regions/lang--en/index.htm>

⁶ ILO, 2020c.

⁷ ILO, 2020c.

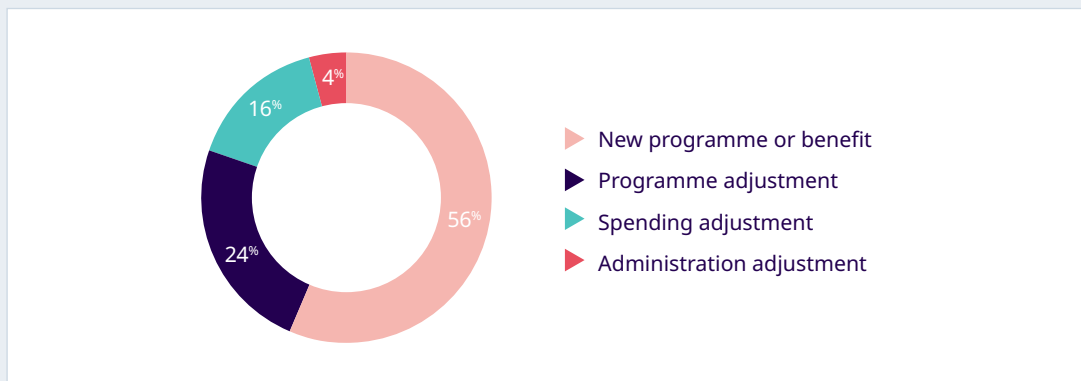
► **TABLE 1. Top 10 announced measures in the Asia-Pacific region**

Measure	Number
Introducing benefits for workers and/or dependents.	40
Introducing benefits for poor/ vulnerable populations.	30
Increasing benefit levels.	25
Introducing subsidies, deferring, or reducing the cost of utilities.	25
Deferring, reducing, or waiving social contributions.	20
Extending coverage.	20
Introducing subsidies to wages.	19
Increasing resources/budget allocations.	12
Relaxing or suspending eligibility criteria or conditionalities.	8
Introducing benefits for all citizens or residents.	7

Source: ILO, 2020.

► **FIGURE 1.**

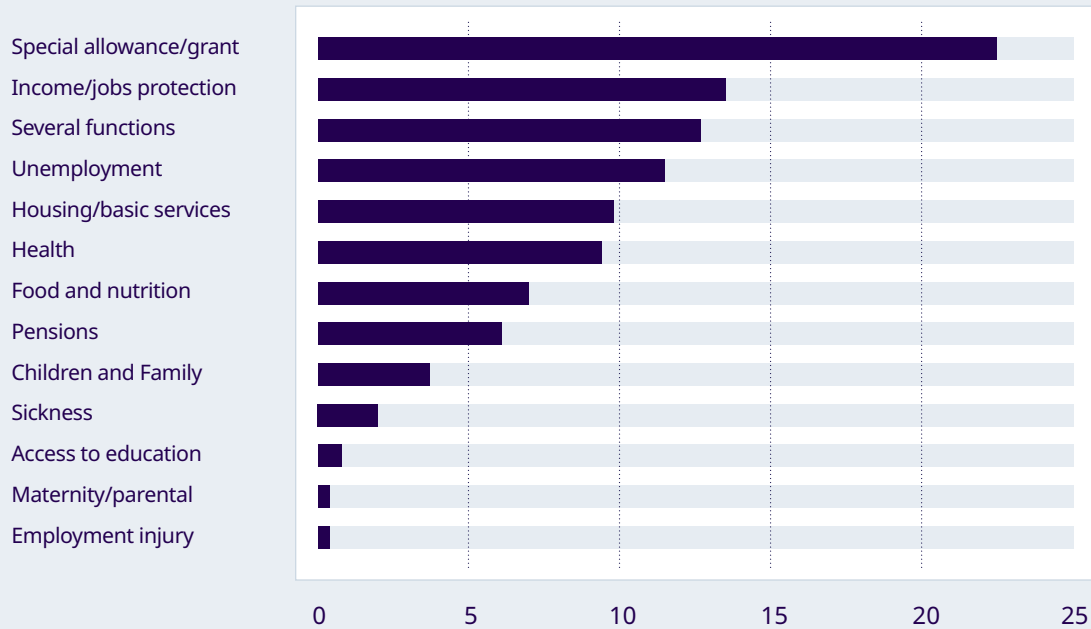
Distribution of measures by type of adjustment



► Source: ILO, 2020.

▶ FIGURE 2.

Distribution of measures by function



▶ Source: ILO, 2020c.

These interventions have been part of broader stimulus packages including support for businesses, particularly in the form of loan facilities. This summary focuses on measures falling within the domain of social protection and, in particular, cash and in-kind benefits provided to individuals and households to support them to (i) cope better with the impact of the crisis in their income and (ii) reduce the financial barriers to access health.

2.1 Universal access to quality healthcare

COVID-19 has highlighted the critical importance of universal access to health care. This is not only crucial for the health status and well-being of individuals facing serious symptoms of COVID-19, but because a failure to seek healthcare can lead to a greater spread of the virus. Before the pandemic arrived, a significant portion of the population in the region did not have access to affordable health care, and often had to make significant out-of-pocket payments to get the treatment they needed. Analysis by the World Health Organization (WHO) and the World Bank has found that 13 per cent of households in Asia spent more than ten per cent of their household income on health (an indicator of catastrophic expenditure), and 72 million were pushed into poverty due to health expenditures in 2015.⁸ A key reason for this state of affairs is the often limited coverage of effective social health protection schemes.⁹ Achieving universal health coverage is a major component of the 2030 Agenda for Sustainable Development (as a target under Target 3.8 of the SDGs) and various countries in the region have been taking major steps in recent years towards its achievement.

Many countries in the region have injected significant additional financial resources into the health sector in response to COVID-19. Australia, China, Japan, Republic of Korea, Indonesia, Malaysia, New Zealand, Philippines, Singapore and Viet Nam are examples of countries in the region that have channelled additional fiscal resources into the health system through their COVID-19 stimulus packages.¹⁰ These packages have been

8 WHO, 2020.

9 ILO, 2020e.

10 ILO, 2020d.

used to cover a wide range of expenditures in the health sector. For example, Indonesia dedicated around one fifth of its stimulus package announced on 31 March 2020 to the health sector, including purchases of equipment (e.g. for testing, screening, and treatment in intensive care) and incentives for medical workers.¹¹

Countries have also put in place specific measures to increase access to affordable health care. This has included measures to both increase the coverage of health care (such as in Indonesia), and to broaden the benefit package of those already covered by social health protection schemes (Thailand), see Box 2 for examples. Recognizing that excluding anyone from COVID-19 prevention and treatment puts everyone at risk, several Governments in the region, such as Malaysia, China, Iran, and Thailand, have ensured that refugees and asylum-seekers either have free access to COVID-related treatment and/or that there will be no negative repercussions for individuals seeking treatment. Many countries have also made adjustments to administrative processes, such as in China where the health insurance system began reimbursing online consultations for chronic and common health issues to reduce the risks of spreading the virus through face-to-face contact at health centres.

► **BOX 2. Expanding access to affordable health care**

- **India** announced it would reimburse the cost of COVID-19 testing in private labs for the 500 million people covered by the flagship public health insurance scheme, the *Ayushman Bharat* health policy.
- **Indonesia** provided free medical treatment to all (including expatriates) regardless of their registration to the nation health insurance scheme (*BPJS Kesehatan*). The costs are covered by general government revenues but channelled through the scheme.
- **Thailand** extended financial protection for health expenses to both nationals and foreign residents, through granting access to the UCEP (Universal Coverage for Emergency Patients) to COVID-19 patients. This measure enabled patients to seek treatment at their nearest private or state hospitals free of charge.

Sources: *Bangkok Post*, 2020a; BBC News, 2020; *The Jakarta Post*, 2020.

2.2 Contributory schemes

A core function of contributory social protection schemes is to address the social risks at the heart of the COVID-19 crisis (including unemployment, sickness and employment injury) but in many countries their role has been limited by gaps in coverage and scope. This happens particularly in countries in which only a minority of workers contribute to some form of social protection scheme, a dynamic that is intertwined with high levels of informal employment. Overall, an estimated seven in ten workers in the Asia and the Pacific region are in informal employment.¹² Coverage also tends to be lower amongst women; given the likelihood they spend larger portions of their lives outside paid employment. Meanwhile, for many life contingencies social protection schemes are either inadequate or do not exist. In the context of the economic shock created by COVID-19 this is particularly notable for unemployment and sickness benefits, with many countries with no specific scheme in place. In these cases, the main form of protection is through employer-liability arrangements (such as severance pay or sick leave), which tend to provide limited and short-term protection to those eligible, and place significant risk on employers. This has become a major issue for workers and businesses in countries with such arrangements during the COVID-19 crisis. For example, businesses struggling to manage their running costs have been in a weak position to pay severance or sickness benefits.

Nevertheless, indicators on specific social protection measures announced in response to COVID-19 may under state the role played by contributory schemes. The measures outlined in Table 1 and Figures 1 and 2 previously only reflect announcements regarding modifications to social protection systems, or new schemes. Many contributory schemes, however, respond automatically without a specific new announcement.

¹¹ KPMG, 2020.

¹² ILO, 2018.

A good example is the way that unemployment insurance automatically provides benefits to those who have lost their jobs. Millions of workers in the region were at least partially protected from the impact of COVID-19 crisis on their incomes because they were members of unemployment insurance schemes. This should be borne in mind when interpreting these indicators.

Unemployment insurance

In many countries where they exist, unemployment insurance schemes have been able to provide a significant and rapid response to provide income support to laid off workers. A key advantage of unemployment insurance schemes is their ability to respond to crises automatically and rapidly, based on established rules and funding arrangements. Across the globe, claims for unemployment insurance have increased rapidly as workers have been laid off due to the impact of COVID-19. In Thailand, by late April, 1.2 million workers had registered for unemployment benefits and the Social Security Office anticipated numbers could rise to between 3 and 4 million.¹³ Malaysia's relatively new unemployment insurance program also saw a spike in claims.¹⁴ In preparation for a surge in claims, many countries, including the Philippines, have made announcements to reassure the public that funds are ready to cover the costs with the provision of unemployment benefits.¹⁵ Inevitably, the contribution made by unemployment insurance is limited in many countries by the modest coverage of the labour force by such schemes.

Some countries have made modifications to existing unemployment insurance schemes in response to COVID-19. A notable example is Thailand that has increased both the benefit levels and the duration of unemployment benefits.¹⁶ China and Viet Nam are also providing support for workers who would not normally qualify for unemployment insurance, for example, due to not having met the minimum contributions. In Viet Nam, insured workers who do not qualify are provided a flat rate cash transfer of 1,000,000 Vietnamese dong (US\$ 43) for up to three months (compared to the normal unemployment benefit of 60 per cent of the base salary.¹⁷ Other countries have made adjustments to unemployment insurance schemes including through greater support to training (Hong Kong, SAR) and loosening conditionalities for seeking new employment (Australia).¹⁸

Job retention schemes

In addition to unemployment insurance, various countries have introduced or extended job retention schemes. Such schemes compensate employers for a portion of the wages of their employees who have been forced to reduce work hours or who have been put on furlough (leave-without-pay). This is usually provided by either a wage subsidy – effectively a form of cash benefit – or a wage credit – where employers are expected to pay back the sum at a later date. These schemes are particularly relevant to maintain employment where businesses are expected to be affected only temporarily. In this context, the central logic of job retention schemes is that enterprises can quickly return to work once the immediate crisis passes, without workers losing both their jobs and related benefits. If properly implemented, such an approach can support business continuity. At the same time, while it represents a cost, it might also mean a reduction in costs related with the number and duration of claims for unemployment insurance or other benefits. Such measures are often channelled through existing unemployment insurance schemes (Malaysia, Thailand and Viet Nam) or through tax authorities (Singapore).

Job retention schemes in the context of COVID-19 vary significantly in terms of their coverage, scope, adequacy, and duration. Table 1 highlighted that 19 job retention measures (described as subsidies to wages) were implemented in 16 countries in the region, while Box 3 provides more detail on three cases. Some countries such as the Republic of Korea, Singapore and Viet Nam cover all or most sectors within the economy, while others only focus on sectors most affected, or – in the case of Thailand – those locked down by the government. In terms of benefit levels, many countries replace previous earnings at a certain replacement

¹³ *Bangkok Post*, 2020c.

¹⁴ *Malay Mail*, 2020.

¹⁵ *Rappler*, 2020.

¹⁶ *Bangkok Post*, 2020d.

¹⁷ ILO, 2020d.

¹⁸ A. Gentilini; Orton, *et al.*, 2020.

rate (often with a ceiling), while others (Malaysia and Viet Nam) provide a flat-rate benefit. Most countries with job retention schemes have provided some form of wage subsidy but in Viet Nam a credit is provided for those on reduced pay, but still working. A final important variable is the length of the support, which ranges from up to three months (Republic of Korea, Thailand, and Viet Nam) to up to nine months in Singapore.

► **BOX 3. Job-retention schemes**

- **Malaysia** initiated a new employment retention program, which provides 600 Malaysian ringgit (50 per cent of the minimum wage) for workers on no-pay leave, if their employer has been economically affected by COVID-19. The scheme is managed by SOCSO (a social insurance scheme which also provides unemployment benefits).
- **Thailand** provided a wage subsidy of 62 per cent of a worker's salary for up to 90 days if they have been furloughed due to their company being shut down by the government. The scheme is administered by the Social Security Organization.
- **Viet Nam** provided flat rate wage subsidies for workers on unpaid leave and wage credits for those on reduced pay. In both cases, the benefit is 1,800,000 dong. The scheme is managed by Viet Nam Social Security (VSS).

Sources: Gentilini, Almenfi, Dale, *et al.*, 2020; ILO, 2020c.

Sickness benefits

Sickness benefits became a focus of attention in the early stages of the crisis and are set to become increasingly prominent as lockdowns ease. As well as providing income security to those who are unable to work, sickness benefits play a particularly important role in preventing the spread of the disease by supporting workers to quarantine when they have symptoms associated with the virus. Sickness benefits in the region are primarily provided through contributory social insurance schemes or employer-liability arrangements.¹⁹ Most employer-liability arrangements only provide leave for a matter of days or weeks, such as the five days per year provided in Bhutan, and the 14 days per year in Singapore (with up to 60 days if hospitalised). By contrast, sick leave via social insurance typically provided benefits up to six months or even beyond, often transitioning to invalidity benefits beyond this period.²⁰

Various countries have taken rapid steps to strengthen sickness benefits in the context of COVID-19. In Singapore, the Quarantine Order Allowance Scheme was created whereby employers and self-employed workers can claim 100 Singapore dollars (US\$ 68.5) per day throughout the duration of a worker's quarantine.^{21,22} The inclusion of self-employed workers is notable given that sickness benefits are normally an employer liability. In Fiji, the government agreed to pay 21 days of leave for Fijian employees earning less than 30,000 Fiji dollars who have tested positive for the virus, and a one-off grant of 1,000 Fiji dollars for informal sector workers testing positive. Other countries have increased the adequacy of the social insurance sick leave benefits (Russia and Uzbekistan) and made administrative modifications such as waiving waiting periods for sickness benefits and adapting delivery mechanisms to accommodate quarantines.²³

Other contributory measures

Modifications are being made to employment injury benefits to take account of COVID-19. A critical question relates to workers who contract the virus in the workplace, and which results in temporary or permanent disability or death. The Republic of Korea and Malaysia have confirmed that COVID-19 can be considered an occupational disease. Another important issue in the context of social distancing is whether

¹⁹ In addition, three high-income countries in the region (Australia, Hong Kong, SAR and New Zealand) have non-contributory sickness benefit schemes.

²⁰ ISSA and SSA, 2019.

²¹ Singapore Ministry of Health, 2020.

²² In both cases the benefit is paid to the worker.

²³ A. Gentilini; Orton, *et al.*, 2020; ILO, 2020c.

employment injury entitlements apply when a worker is working from home. Singapore, where work injury is an employers' liability, has confirmed that employers are still responsible for paying compensation in the case of remote working.²⁴

One of the most common measures relating to contributory schemes has been deferring, reducing or waiving social security contributions. This is used as a mechanism to reduce the financial pressure on businesses and/or workers. According to the ILO monitor of social protection responses to COVID-19, 20 measures have been introduced in 15 countries in the region including China, India, Malaysia, Mongolia, Nepal, Republic of Korea, Thailand and Viet Nam for categories of workers and employers.²⁵ The short-term relief provided needs to be carefully balanced with the implications for social protection in the long term. In general, it is key to ensure waivers are temporary, compensated by governments, and that they do not affect the future entitlements of members. This is aligned with the principal of the general responsibility of the state, as defined in various international labour standards including ILO Convention 102 and Recommendation 202.

Finally, an approach used by countries with provident funds has been to allow members to make withdrawals from their savings accounts. This has happened in countries such as India, Malaysia and Fiji with the aim of supporting workers to cover the short-term impacts of COVID-19 restrictions on their incomes. To some degree this seeks to emulate the role of unemployment insurance. Again, these measures risk lowering individual retirement savings, and suggest the level of withdrawals should be limited, time-bound, and only permitted for emergency needs.²⁶

2.3 Non-contributory schemes

Non-contributory schemes have been mobilized to reach large swathes of national populations, often extending to the missing middle. As noted above, three quarters (75 per cent) of measures announced in the region have been via non-contributory mechanisms. To an extent, this has built on various schemes, which have been introduced or expanded in recent decades. However, social protection responses to COVID-19 have often gone far beyond what existed previously in terms of coverage and benefit levels. The crisis has particularly shed light on the significant portion of the population who are neither contributing to social protection schemes described above, nor benefitting from non-contributory schemes, which are often targeted to only the poorest households, the so-called missing-middle.

Life-cycle programs

Various countries have provided **short-term top ups to existing life cycle transfers, such as child, disability and old age benefits** (see Box 4). An important advantage of this approach is that such programs target some of those hit hardest by the COVID-19 crisis, and that existing beneficiary registries and payment mechanisms can enable rapid delivery of support. Some countries, such as Sri Lanka, have also included individuals on the waiting list for such programs.

The benefits of these schemes can also spill over to other family members, including those hit directly by the employment shock of the crisis. For example, working parents are often the direct recipients of child benefits, while old age and disability benefits contribute to wider household incomes, while also reducing financial dependence of recipients on other family members. Where such schemes are universal or high coverage, and cut across the income distribution, life cycle schemes can therefore provide a channel to reach the missing middle. However, many schemes are in fact targeted at poor households (including those in India and Sri Lanka), limiting this potential. This approach also depends on benefits being sufficiently adequate.

²⁴ Insurance Business Asia, 2020.

²⁵ ILO, 2020c.

²⁶ Rutkowski and Garcia, 2020.

▶ **BOX 4. Lifecycle schemes**

- ▶ **India** has directed a benefit of 500 Indian rupees for two months to 35 million beneficiaries of non-contributory schemes for older people, widows and people with disabilities. All the schemes are under the umbrella of the National Social Assistance program and are targeted at those in poverty.
- ▶ **Hong Kong, SAR** provided an extra one-month allowance to recipients of old age, disability and social assistance allowances (existing benefit levels vary from 1,385 Hong Kong dollars to 3,585 Hong Kong dollars.)
- ▶ **Mongolia** has increased child benefit by 400 per cent from 1st April to 1st October from 20,000 Mongolian Tughriks to 100,000 Mongolian Tughriks. The scheme reaches 1.1 million children (around 90 per cent of children aged 0-18).
- ▶ **Sri Lanka** has provided a top up to its senior citizens and disability allowances and included those on the waiting list in the measure. Both schemes are poverty targeted.

Sources: Gentilini, Almenfi, Dale, *et al.*, 2020; ILO, 2020c; United Nations Sri Lanka, 2020.

Benefits for poor and vulnerable households

Another channel for support has been programs targeted at poor and vulnerable households (Box 5). Prior to COVID-19, many countries across the region had programs in place, including conditional cash transfers, targeting low-income households. In some cases, these have been a core part of the social protection response to COVID-19. Indonesia, for example, provided both a top up to existing beneficiaries, and expanded the coverage of the scheme taking advantage of existing social registries. The approach aims to reach around 15 per cent of all households. Other countries, however, have gone much further. Malaysia and the Philippines, for example, introduced new cash transfers seeking to reach the majority of households in the country, recognizing that the vast majority of the population has been vulnerable to the crisis. Both countries made use of registries for existing household-targeted cash transfers to identify those on low-incomes and have sought to reach a significant portion of households not previously included. In Malaysia, this was achieved, in part, by making use of the tax system. One other notable case is Cambodia which, in response to COVID-19, has for the first time introduced a large-scale social protection non-contributory program, making use of its ID poor household targeting system.²⁷

▶ **BOX 5. Schemes for poor and vulnerable households**

- ▶ **Malaysia** launched the *Bantuan Prihatin Nasional* (BPN) which provides a mix of one-off cash benefits to 5.2 million households (61 per cent of all households) and 3.4 million individuals. It seeks to reach both low-income and middle-income portions of the population. It has used targeting systems from existing cash transfers and the tax system to identify recipients.
- ▶ **Indonesia** topped up benefits for its *Program Keluarga Harapan* (PKH) conditional cash transfer and increased the number of beneficiaries from 9.2 to 10 million households (around 15 per cent of all households).
- ▶ **Philippines** similarly initiated the Social Amelioration Program to reach 18 million low- and middle-income households (around 75 per cent of all households) with a monthly transfer of 5,000-8,000 Philippine pesos (depending on prevailing minimum wages) paid for two months.
- ▶ **Pakistan** launched the *Ehsaas* emergency cash program which seeks to pay a one-off transfer of 12,000 Pakistani rupees to 12 million families.

Sources: Gentilini, Almenfi, Dale, *et al.*, 2020; ILO, 2020c.

Food transfers, vouchers and subsidies have also been a significant feature of the COVID-19 response. They were particularly relevant in situations in which the availability or access to food is limited. One third of new programs introduced for poor and vulnerable families (10 of 30) have been in the form of support for food and nutrition. Meanwhile, India and Indonesia have increased the benefits provided by food rations and voucher programs. Most of these initiatives have provided support to poor and vulnerable families in general, although some have been more specifically focused on replacing school meals for children (e.g. Osaka in Japan and Kerala in India).

Programs for informal workers

Another approach to reach those in the missing middle have been programs targeted at workers in informal employment. These schemes have sought to address the impact of the crisis on informal workers and their minimal access to social protection. As highlighted in Box 6, in many cases these schemes have ended up incorporating significant portions of the labour force. Countries have devised different solutions to register informal workers who commonly had little interaction with the social protection system prior to the COVID-19 crisis. In Thailand, an online form was created for informal workers to register and was linked to other government databases to verify the information provided. Sri Lanka extended a short-term payment of 5,000 Sri Lankan rupees to daily wage and vulnerable workers, primarily using local administrators to verify applicants. Viet Nam has channelled support to informal workers via the Viet Nam Social Security Organization which manages contributory benefits in the country. In fact, the scheme targeting informal workers has the same benefit level and duration as the scheme for members of the social security scheme with insufficient contributions to qualify for unemployment insurance (described above in relation to unemployment benefits).

► BOX 6. Schemes for informal sector workers

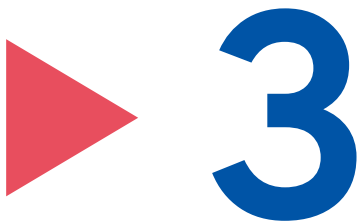
- **Uttar Pradesh** in India is providing a one-off benefit of 1,000 Indian rupees to 480,000 daily wagers (street vendors, rickshaw pullers, etc).
- **Kazakhstan** is providing a monthly benefit of 42,500 Kazakhstani Tenges for workers who have lost income because of COVID-19. As of 16 April, 2.7 million were approved for support, although 5.3 million (60 per cent of the working population) had applied.
- **Thailand** initiated a scheme providing 5,000 Thai baht per month for three months to informal workers. 16 million workers were enrolled into the scheme (45 per cent of the labour force).
- **Viet Nam** provided a one-off benefit of 1,000,000 Vietnamese dong for workers in pre-defined categories of informal employment who have lost their jobs. The same payment also extends to formally employed workers who do not meet the qualifying conditions for the country's unemployment insurance.

Sources: Gentilini, Almenfi, Dale, *et al.*, 2020; ILO, 2020c.

Benefits for all citizens/residents

The Asia and Pacific region includes examples of **short-term or one-off programs** providing benefits universally to citizens and/or residents. Japan, Hong Kong, SAR and Singapore have all put in place cash benefits paid to all adults (18+ in Hong Kong, SAR and 21+ in Singapore) and all residents (including children) in Japan. The residency criteria vary between countries, with Singapore providing a lower benefit to permanent residents and spouses of residents and citizens. The benefits in Japan and Hong Kong, SAR are one-off, with Singapore providing the payment in two instalments. These schemes are often described as a form of universal basic income but differ in their short-term nature.²⁸

²⁸ Gentilini, Almenfi, Dale, *et al.*, 2020; Government of Singapore, 2020; Müller, 2020.



Achievements and gaps in the response to date

3.1 Achievements

The scale of responses has often been significant and unprecedented. Of particular note is the way countries have recognized, and sought to fill, significant coverage gaps in their social protection systems. Early in the crisis, many governments saw the major impact that lock down measures and social distancing would have on individuals and families not covered by social protection. This recognition was a driver for countries to implement programs specifically supporting informal sector workers, or to provide support for households usually considered as non-poor in countries with programs targeting the poor. Other countries – such as Cambodia have introduced non-contributory cash benefits for the first time, prioritizing the poor. In many cases the responses described above have been designed to temporarily reach a significant portion, if not the majority of workers, households and/or individuals within the population. Malaysia, the Philippines, Sri Lanka, and the Republic of Korea have sought to reach 60 per cent or more of households with short-term support. Schemes targeted at workers have sought to reach substantial portions of the labour force – 45 per cent in the case of the scheme for informal workers in Thailand. Meanwhile, Singapore, Hong Kong, SAR, and Japan have promised to make one-off or short-term payments to all citizens and residents over a given age.

The measures have also commonly expanded the scope of social protection in key respects. This is perhaps most obvious where countries have introduced new forms of sickness benefits. Yet it can also be argued that the significant support channelled directly or indirectly to workers, has sought to address the lack of effective unemployment insurance in most countries. While these measures remain ad hoc, they have the potential to contribute to filling these gaps in the longer term.

In many cases, the responses have – for the first time – represented something of a whole system social protection response. Fragmentation is a major and persistent issue facing social protection systems across the region. Schemes are commonly managed by different institutions, with distinct mandates, histories, reporting lines, organizational cultures and understandings of the function of social protection. The integration between contributory and non-contributory schemes tends to be particularly limited. In this context, the way in which many countries have assembled a patchwork of benefits responding to a single crisis, including contributory and non-contributory programs, has been novel. Indeed, most countries have used a combination of the approaches described in the previous section, rather than just one in isolation. They have also sought to align them with non-social protection measures. In some cases, the boundaries between contributory and non-contributory schemes has also blurred in new ways. For example, Viet Nam is channelling a tax-financed benefit to informal workers via its national social security organization.

Expenditure on these schemes has been significant, although they commonly constitute a modest share of wider stimulus packages. Given that benefits are only designed to support individuals and households for a matter of months, the level of expenditure has often been unprecedented. In Malaysia, for example, expenditure on the BPN scheme (the main cash support provided) is equal to 0.7 per cent of GDP, which is close to double the 0.4 per cent of GDP spent annually on non-contributory benefits in the country. Nevertheless,

this expenditure represents just a fraction of the overall stimulus package (16 per cent of GDP) most of which was dedicated to loan facilities and moratoriums, as well as measures relating to the Employees Provident Fund (including allowing members to withdraw from their accounts.²⁹

Governments have often been innovative in the mechanisms used to deliver benefits. The use of existing registries and mechanisms to pay beneficiaries, are examples cited above of schemes being topped up. When reaching new groups, innovations have included using national ID systems, the tax system, online registration and in the case of India, channelling support to women with financial inclusion accounts. In terms of payments, governments have sought to use electronic payments when possible and physical payments at specially prepared pay points that maintain physical distancing. Finally, various administrative adjustments have been made to make accessing benefits simpler, such as the waiving of conditionalities for unemployment benefits and conditional cash transfers.

3.2 Challenges

There has been considerable diversity in the scale and nature of responses in the region. While some countries have established significant and multi-layered packages of support, in others the support has been far more limited. For example, many countries have sought to increase coverage by including households included in social registries, but not previously targeted by transfers. In many cases, however, the programs have still only reached a minority of households. In other countries, cash benefits have played a much smaller role, with food transfers being more prominent. Food assistance can provide invaluable support and may be the only practical option in some cases, particularly where nutritious food is scarce. Nevertheless, it does not provide the same level of flexibility to meet household needs as cash does, and is also less likely to create a multiplier effect that supports local small businesses that have been struggling in the context of the pandemic.

Even relatively ambitious packages of support have left important gaps. Notably, the packages of cash benefits reaching the majority of the population may still miss many in need. This may include formal sector workers who are often assumed to have higher incomes and greater employment protections, but may have been facing unemployment, and not always covered by adequate contributory arrangements. Systematic exclusion of non-nationals, especially refugees, asylum-seekers, stateless people, is also problematic, as they may be among the most vulnerable. Another significant issue is that existing registries used to target support often include significant targeting errors, which means many of those eligible (often the poorest) will not have been reached. In some countries, a combination of measures for those in formal employment, with measures targeting the poorest, left behind a significant share of the workers who were not benefiting from any scheme. Further detailed analysis – beyond the scope of this paper – will also be required over the coming months to assess the extent to which the social protection measures effectively reached the various vulnerable groups (outlined in Box 1), including women, persons with disabilities, children and migrant workers. In general, levels of exclusion are likely to have been reduced where broad and multi-layered packages of support have been implemented.

In many cases, attempts to reach new caseloads have been far more complex and slower than anticipated. In general, channelling support to individuals and households not already registered has been a long and complex process. It has been common for beneficiaries registered in existing schemes (be they life cycle or household targeted) to receive benefits relatively quickly, while others have faced significant delays to registration, validation and payment. For example, while the Social Amelioration Program in the Philippines was able to reach beneficiaries of the existing conditional cash transfer facilities fairly rapidly, payment to more than 13 million additional families faced significant delays.³⁰ Meanwhile, in Hong Kong, SAR the universal cash payment to residents announced in February was only expected to start making payments in July due to delays in establishing registration systems.³¹ This highlights how the presence of an effective universal social protection system – backed up by effective registration and payment mechanisms – is a key enabler to an effective response. Countries with strong systems have tended to fare much better.

²⁹ Sharma, 2012; IMF, 2019; *New Straits Times*, 2020.

³⁰ Dadap-Cantal, Fischer and Ramos, 2020.

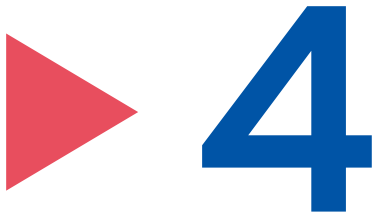
³¹ Tsang and Cheng, 2020.

Adequacy of benefits provided has often been low. Many of the temporary benefits provided in response to COVID-19 have not been sufficient for meeting basic needs, let alone being able to replace the earnings of households in normal times. For example, while Sri Lanka was able to reach a large share of the population with cash benefits, the benefit only constitutes seven per cent of monthly expenditure for an average household, and only one fifth for the poorest households.³² In this context, many households will need to use any available savings to survive, or resort to debt and other negative coping strategies. Adequacy is also an issue for effective articulation of different schemes to create the right incentives. In Thailand, for example, the replacement rate provided for unemployment benefits is higher (at 70 per cent) than that provided by the employment retention wage subsidy (62 per cent). This may create an incentive for workers and employers to resort to unemployment benefits, rather than the wage subsidy program.

Significant questions remain about the nature of social protection responses that will be provided as countries ease lock down measures and enter the recovery phase. In most countries, the support provided has been one-off or designed to cover a few months while the most severe lock down measures have been in place. At best they extend for up to six or nine months, for example, in the case of some employment retention programs. This leaves the question about what role social protection will provide during the recovery phase, which is a time when (due to the impacts of the crisis) resources are likely to become increasingly constrained.³³

³² UNICEF Sri Lanka, 2020.

³³ ILO, 2020a.



Considerations for the on-going response and recovery

If anything, social protection is likely to become even more relevant in the emerging phase of the crisis and the recovery. Evidence from past crises demonstrates that social protection is one of the most effective fiscal tools to provide economic stimulus.³⁴ However, during the phase of significant lock downs, this role had been significantly limited as economic activity was artificially suppressed. The cushion provided by initial measures will no doubt have an indirect stimulus impact, as fewer households will have needed to take on significant debts to survive in the short term, so will be in a better position to spend. However, the moment when economies are opening is also a crucial moment to provide a substantial boost to household incomes. Such a stimulus can increase a household's ability to consume goods and services, and thus support businesses that may be struggling to re-establish themselves.

The impacts of the protracted crisis on different economic sectors will be more varied than the initial phase. The core logic underpinning social protection responses to date has been that the vast majority of the population faced a severe hit to their incomes – even if this hit has been uneven. As lock down measures ease, the impact of the crisis will become more uneven. Analysis across various countries is finding that some sectors are predicted to have a relatively short V-shaped recovery, others a more extended U-shaped recovery lasting up to six months, and others having an L-shaped recovery lasting potentially much longer.³⁵ It is worth noting that the nature of different sectors also varies by other important dimensions including gender (e.g. the high proportion of women in the garment sector), location (rural/urban) and levels of formal employment. The scale and nature of support provided to these sectors may therefore need to be different, while ensuring measures are in place to support the population as a whole.

The next phase of the crisis provides an opportunity to begin building social protection systems back better. The crisis has given significant visibility to the role of social protection, but also highlighted the significant gaps in coverage and adequacy. Latest estimates prior to the crisis suggest that three in five people in Asia and the Pacific (61 per cent) had no access to social protection, with the gap even greater in low and middle-income countries in the region.³⁶ Average social protection expenditure stood at 7.4 per cent of GDP which is lower than other regions including Latin America and the Caribbean (9.7 per cent of GDP) and Europe and Central Asia (16.5 per cent of GDP). Some sub-regions including South-East Asia and South Asia have particularly low levels of expenditure (1.4 per cent and 2.7 per cent of GDP respectively), which is far from adequate to establish effective and inclusive social protection systems.³⁷

The increased awareness of these gaps can create an impetus for societies to reflect on the place that social protection should occupy in their socio-economic models. Historically, economic crises have resulted in such an assessment, and adjustment of existing economic and social models, including social protection,

³⁴ Werner Eichhorst *et al.*, 2010; ILO, 2017.

³⁵ *Bangkok Post*, 2020b; ICRA Lanka, 2020.

³⁶ The indicator relates to the percentage of population in Asia and the Pacific not covered by at least one social protection benefit (effective coverage), 2015 or latest available year.

³⁷ ILO, 2017.

often followed. The post-war period in Europe for example was the key moment when truly comprehensive systems were established, while many countries in Asia expanded social protection on the back of the 1997 and 2008-9 crises. Concrete examples include the Republic of Korea's extension of pension and social insurance coverage to all workers following the 1997 crisis, China extending health protection and pensions to all, and Thailand that made its Old Age Allowance universal as a response to the impact of the 2008-09 financial crisis.

Social protection can also contribute to broader recovery plans and policies which seek to address structural economic and social weaknesses. For countries seeking to move towards economic models with a greater reliance on domestic consumption, the role of social protection in boosting household incomes can be particularly instrumental. Likewise, the role of social protection in easing labour market transitions can support processes to diversify the economy beyond heavy reliance on certain sectors and in some cases to support a transition towards greener economies. This is a debate that was already initiated in some countries in the region, with a proposed shift of paradigm away from export-led economic growth with limited welfare towards domestic demand-led growth policies, in which redistribution and social protection are central pillars towards a more inclusive and sustainable economic growth. For this transition to follow an inclusive pattern the role of social dialogue is essential.

To face the challenges presented by the likely protracted COVID-19 health, human and economic crisis, four broad directions are proposed.

Upscaling the ongoing social protection responses by allocating the required financial resources.

The scale of the crisis facing countries across the region requires a significant social protection response. The United Nations has underlined that “a massive counter-cyclical fiscal and financial effort is urgently needed everywhere” to adequately respond to the ongoing crisis, with social protection as a core pillar.³⁸ Despite the unprecedented nature of the social protection response to date, in most countries it has not yet reached the required scale to fulfil its potential to support households, businesses and the wider economy to bounce back. Mobilizing an adequate social protection response underpinned by adequate financing will require significant political will.

The costs of such a response, nevertheless, remain modest compared to the scale of the crisis facing countries across the region. As a reference point, recent ILO analysis of the cost of providing a basic universal package of social protection benefits, found that the cost would be 1.5 per cent of GDP in South-East Asia and 1.7 per cent in South Asia (two sub-regions with some of the greatest existing gaps).³⁹ While this would entail a notable increase in social protection expenditure compared to historically low standards, it still represents a modest expenditure relative to the size of national economies and – in most cases – national budgets. It is also modest relative to the potential impacts to economic growth in the long-term if the short-term response is inadequate.

Mobilizing necessary financial resources will not be easy for many countries, but the cost of inaction would be significant. Many low and middle-income countries across the region had limited fiscal capacity before the crisis, which is being further eroded by factors including lower tax revenues, higher debt servicing costs and falling export earnings, remittances, and foreign investment. However, finding solutions will be critical. An inadequate response increases the risk that households, businesses and the wider economy will recover much slower from the crisis. This, in turn, can result in slower growth, higher government debt and worse social outcomes than in a case where there is an effective rapid response. Countries should be particularly wary of fiscal consolidation – as followed by many countries after the 2008-9 crisis – which risks destabilising already fragile labour markets.⁴⁰

Countries have various options at their disposal to finance the ongoing social protection response during the recovery phase. For some countries, deficit financing will be central to fund social protection and wider responses, and countries will need to mobilize all appropriate options at their disposal, including emergency loans from international finance institutions. Countries should also assess the potential for use of quantitative easing which – while heavily dependent on national economic conditions – has the potential

³⁸ United Nations, 2020a.

³⁹ Durán-Valverde *et al.*, 2019.

⁴⁰ ILO, 2020a.

to make an important contribution to financing stimulus packages.⁴¹ Other immediate options include reallocation of government expenditure from areas deemed to be lower priority in the current context.

It is important to undertake deeper public finance reforms that can provide a more conducive financing environment for social protection as countries emerge from the crisis. This can include reviewing tax policies to increase government revenues in a progressive fashion and gradual reshaping/reallocation of government expenditures towards priority sectors including social protection. Formalization of the labour force is a key component of such a process, both as a channel for financing contributory social protection, and to expanding the tax base.⁴²

International solidarity and support will be critical for financing an effective ongoing response in many low and middle-income countries in the region. Many countries have already been accessing emergency loans from international finance institutions and these will remain important mechanisms for financing social protection responses during the recovery phase. There have also been some important developments in terms of debt relief, including the G20 agreement to temporarily suspend debt repayment collection for 76 low and middle-income countries⁴³ and IMF debt service relief to 25 of the world's poorest countries.⁴⁴ While this provides breathing space for many countries, the UN has called for further action to avoid a protracted debt crisis, including extending the debt standstill to international finance institution loans, expanding the scope to include highly-indebted middle-income countries and expanding debt relief.⁴⁵ Official development assistance (ODA) can also play a catalytic role, and members of the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee have stated their ambition to protect ODA budgets.⁴⁶

An important element when planning the response through contributory schemes is to guarantee that crisis measures do not compromise the sustainability of the social protection system in the aftermath of the crisis. When faced with a protracted economic crisis, in which benefits need to be increased while the social security funds receive fewer contributions, temporary state financing may also be necessary to fund measures, for instance long-term unemployment benefits, even for members of social insurance schemes. This is especially important at a time when social protection systems need to increase expenditures to meet increased demands. It is also important that a suspension of contributions will not affect future entitlements.

Social protection floors as a foundation to the ongoing response.

Building and strengthening social protection floors can provide a solid foundation to the ongoing response during the recovery phase. Social protection floors – as described in ILO Recommendation 202 – describe a set of social protection arrangements that guarantee access to essential health care and basic income security across the life course (for children, persons of working age and older persons).⁴⁷ The concept is embedded within the Sustainable Development Goals, specifically under Target 1.3 under the goal of ending poverty and Target 3.8 on universal health coverage.⁴⁸ The specific policy mix used to build a social protection floor depends on national circumstances, but they tend to be centred around a package of life cycle benefits, and schemes supporting access to health care. This can be achieved through a combination of contributory and non-contributory schemes, although non-contributory schemes play a particularly important role in quickly extending coverage in low- and middle-income countries.

41 Benigno *et al.*, 2020.

42 Ortiz, Cummins and Karunanethy, 2015.

43 Countries on the World Bank's *International Development Association (IDA)* borrowing list in Asia and the Pacific include Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan, Kyrgyz Republic, Tajikistan, Uzbekistan, Cambodia, Fiji, Kiribati, Lao, PDR, Marshall Islands, Micronesia, FS, Myanmar, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, Vanuatu. <https://ida.worldbank.org/about/borrowing-countries>.

44 This includes two countries (Afghanistan and Nepal) in the Asia-Pacific region. <https://www.imf.org/en/News/Articles/2020/04/13/pr20151-imf-executive-board-approves-immediate-debt-relief-for-25-countries>.

45 UNDESA, 2020.

46 OECD, 2020.

47 ILO, 2012.

48 SDG 1. Target 1.3 - Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.

Social protection floors can reach some of those most vulnerable to the ongoing crisis, while generating spill over and multiplier effects for households and the economy. While benefits provided by social protection floors commonly reach those less able to engage in the labour market (e.g. children and older persons), they commonly have spill over effects to other households and family members (as discussed above in relation to life cycle benefits). Meanwhile, given that these transfers tend to reach people with a higher propensity to consume, they can act as a particularly powerful form of fiscal stimulus.

Universal approaches are essential to reach the poorest households, but also provide a much-needed cushion to vulnerable households in the missing middle. Whatever the mix of contributory and non-contributory schemes, it is critical that social protection floors are designed to provide universal protection against life cycle risks. This is particularly important for reaching the missing middle that were commonly excluded from social protection systems before the crisis hit. Such integration – when done effectively – can reduce fragmentation and promote the expansion of the formal economy while guaranteeing higher level of benefits. Programs targeted at poor households can make a contribution to such a package, however, they are limited by their focus on the very poorest households, and the significant targeting errors which exclude the very poorest. They would best be seen as a complement to a robust life cycle package. Whatever the mix, special attention should be paid to the needs and vulnerabilities of those at risk of exclusion, such as refugees, asylum-seekers, and stateless persons.

Actions to temporarily strengthen social protection floors can transition to longer-term positive adjustments. The scale of the COVID-19 crisis may lead some countries to scale up social protection floors – either in terms of coverage or benefit levels – to a level that is not necessarily appropriate or sustainable in normal times. It is therefore possible that initiatives can be scaled back as the crisis subsides although, ideally, to a scale that is more significant than before the crisis. A United Nations proposal in Sri Lanka, for example, outlines a package of life-cycle schemes including universal child, disability and old age benefits paid for six months at a cost of 1.5 per cent of GDP. It is envisaged that this package could be scaled back as the crisis subsides, by narrowing ages of eligibility and with lower benefit levels. Nevertheless, it would leave in place components of a social protection floor significantly stronger than the system before the crisis.⁴⁹

Focused support to workers most affected by the crisis.

In addition to a social protection floor, focused approaches are needed to support workers most affected by the crisis. Many sectors in the labour market are set to face long L-shaped recoveries and will potentially be permanently reconfigured. Supporting workers in these sectors can put them, and the businesses they work for, in a better position to bounce back as these sectors recover. It can also allow workers to transition to employment in other occupations where necessary, particularly in a moment when economies are being re-designed.

Support to the most affected workers should combine short-term cash benefits with active labour market policies. Countries with unemployment insurance schemes could use these as a channel for support, even extending to workers not previously covered by such systems (e.g. those in the informal sector). Countries without such systems could provide temporary measures, however, these can lay a foundation for the development of unemployment insurance programs as the crisis subsides. For example, workers benefitting from temporary support could be automatically registered for longer-term schemes, with a gradual transition to financing from contributions. Where relevant, cash benefits could be provided in the form of wage subsidies via businesses. The link to active labour market policies such as training and job placement will be critical to supporting workers to adapt to reconfigurations in the labour market.

Social dialogue and international labour standards will be key to designing such support. It will be particularly important that workers and employers participate in the development of the response, including representatives of those in the informal economy. It is important to adapt the schemes to the rapidly developing realities of the labour market, and to support buy-in from stakeholders that will likely be critical in its implementation. Meanwhile, the design of scheme parameters and benefit levels can take international labour standards as a reference point, including ILO Convention 102.

⁴⁹ United Nations Sri Lanka, 2020.

Initiatives supporting households can be combined with broader public investment initiatives which seek to use the opportunity of COVID-19 to shape the future labour market. COVID-19 creates impetus for broader structural transformation in economies and labour markets (be it with objectives of increased growth, productivity, environmental sustainability, etc.), and social protection can ease these processes. Such reconfiguration will require new skills for workers in the labour force which can be supported directly by training and reskilling, as well as by the wider role of social protection on human capital development.

Building on temporary measures to build comprehensive, shock and gender-responsive social protection systems.

The ongoing response to COVID-19 provides an opportunity to begin building towards more comprehensive and shock-responsive social protection systems. The raised awareness of the role – but also weaknesses – of social protection systems provides a moment to start putting them at the core of national economic and social development agendas. This can help tackle underlying issues of poverty and inequality that persist across the region, contribute to more sustainable economic growth, support ongoing labour market transitions such as those towards greener economies, and ensure better preparedness for the next crisis, including those related with climate change. As such, strengthened social protection systems will contribute to a more robust recovery, achievement of the Sustainable Development Goals by 2030 and the true realization of the human right to social security.

Specifically, systems can be built back better to fill gaps in the coverage, scope and adequacy of social protection. The way in which the crisis has highlighted the missing middle means there is a need for concerted effort to build universal systems which include people in a diverse range of circumstances. Non-contributory benefits – which have been a dominant part of the short-term social protection response so far – will be key to rapidly extending social protection floors. However, the crisis has also highlighted the need for the extension of contributory schemes that provide income replacement to workers in the case of contingencies such as unemployment and sickness. There is therefore a need for a concerted effort to expand these schemes to the informal economy. A mix of contributory and non-contributory schemes needs to be combined into a universal system that ensures no one is left behind. It will also be critical to build back social protection systems in a way that addresses existing gender inequalities which were reinforced during the crisis.

The whole system approach of the COVID-19 response can be used as an impetus for more integrated and coordinated approaches. The way in which the crisis has blurred the boundaries of the role of contributory and non-contributory schemes provides an opportunity to break down silos in the social protection system. The ongoing crisis provides a moment to build a vision of a coherent social protection system that recognizes and is able to provide protection for the diversity and fluidity in the situation of workers and households. The links between social protection to economic recovery and transitions in the labour market also provide the opportunity to link social protection more strongly with macroeconomic and employment policies. Such a vision can be created with strong leadership within government, but also through national dialogue incorporating workers and employers, and other partners.

References

- Alluri, Aparna and Pathi, Krutika. 2020. "India coronavirus: Should people pay for their own Covid-19 tests?". *BBC News*, 20 April. Available at: <https://www.bbc.com/news/world-asia-india-52322559>. Accessed 20 July 2020.
- Annuar, Azril. 2020. "Socso: Unemployment below 6,000 a month, still manageable range," *Malay Mail*. 25 April. Available at: <https://www.malaymail.com/news/malaysia/2020/04/25/socso-unemployment-below-6000-a-month-still-manageable-range/1860082>. Accessed 20 July 2020.
- Benigno, Gianluca. *et al.* 2020. "Credible emerging market central banks could embrace quantitative easing to fight COVID-19", *Vox EU*, 29 June. Available at: <https://voxeu.org/article/credible-emerging-market-central-banks-could-embrace-quantitative-easing-fight-covid-19>. Accessed 20 July 2020.
- Charoensuthipan, Penchan. 2020. "Millions expected to claim benefit help," *Bangkok Post*, 24 April. Available at: <https://www.bangkokpost.com/thailand/general/1906335/millions-expected-to-claim-benefit-help>. Accessed 20 July 2020.
- Charoensuthipan, Penchan. 2020. "Social security fund to lend helping hand", *Bangkok Post*, 22 March. Available at: <https://www.bangkokpost.com/thailand/general/1883650/social-security-fund-to-lend-helping-hand>. Accessed 20 July 2020.
- Dadap-Cantal, Emma, Fischer, Andrew and Ramos, Charmaine. 2020. "Ephemeral universalism in the social protection response to the COVID-19 lockdown in the Philippines", *Developing Economics Blog*, 3 July. Available at: <https://developingeconomics.org/2020/07/03/ephemeral-universalism-in-the-social-protection-response-to-the-covid-19-lockdown-in-the-philippines/>. Accessed 20 July 2020.
- Durán-Valverde, F. *et al.* (2019) *Measuring financing gaps in social protection for achieving SDG target 1.3: Global estimates and strategies for developing countries*. 73. Geneva.
- Garcia Mora, A. and Rutkowski, M. 2020. "Pension payments and pandemics – four potential policy responses", *World Bank Blogs*, 14 May. Available at: <https://blogs.worldbank.org/psd/pension-payments-and-pandemics-four-potential-policy-responses>. Accessed 20 July 2020.
- Gentilini, U., Almenfi, M., Orton, I., *et al.* (2020) *Social protection and jobs responses to COVID-19: A real-time review of country measures*. Washington D.C.
- Gentilini, U., Almenfi, M., Dale, P., *et al.* (2020) *Social protection and jobs responses to COVID-19: A real-time review of country measures*. Washington DC.
- Government of Singapore. 2020. *Budget 2020: Care and support package*. Available at: https://www.singaporebudget.gov.sg/budget_2020/budget-measures/care-and-support-package. Accessed: 9 July 2020.
- ICRA Lanka 2020. *Economic impact of COVID-19 in Sri Lanka*. Colombo.
- International Labour Organization (ILO). 2012. *Recommendation 202 concerning national floors of social protection*. Geneva.
- . 2017. *World social protection report 2017-19: Universal social protection to achieve the Sustainable Development Goals*. Geneva.
- . 2018. *Women and men in the informal economy: A statistical picture (Third edition)*. Geneva.
- . 2020a. *ILO monitor: COVID-19 and the world of work. Fifth edition*. Geneva.
- . 2020b. *ILO monitor: COVID-19 and the world of work. Fourth edition*. Geneva.

- . 2020c. *Social protection responses to COVID-19 crisis around the world (online tool, updated 07/07/2020)*. Available at: <https://www.social-protection.org/gimi/ShowWiki.action?id=3417>. Accessed 7 July 2020.
- . 2020d. *Social protection responses to the Covid-19 crisis: Country responses in Asia and the Pacific*. Geneva.
- . 2020e. *Social protection responses to the COVID-19 pandemic in developing countries: Strengthening resilience by building universal social protection*. Geneva.
- International Monetary Fund (IMF). 2019. *World economic outlook database*, Washington D.C.
- ISSA and SSA. 2019. *Social security programs throughout the world: Asia and the Pacific, 2018*. Washington, D.C.
- KPMG. 2020. *Indonesia: Government and institution measures in response to COVID-19*. Available at: <https://home.kpmg/xx/en/home/insights/2020/04/indonesia-government-and-institution-measures-in-response-to-covid.html>. Accessed: 6 June 2020.
- Macaraeg, Pauline. 2020. "Fast facts: What is the SSS unemployment benefit," *Rappler*, 13 March. Available at: <https://www.rappler.com/newsbreak/iq/254440-things-to-know-sss-unemployment-benefit>. Accessed 20 July 2020.
- Ministry of Health of Singapore. 2020. *Quarantine Order Allowance Scheme*.
- Müller, A. 2020. Cash handouts in Japan: How the financial incentive offered to the whole population in Japan compares to basic income. *Basic Income News*, 1 May, Available at: <https://basicincome.org/news/2020/05/cash-handouts-in-japan-how-the-financial-incentive-offered-to-the-whole-population-in-japan-compares-to-basic-income>. Accessed 9 July 2020.
- Nanuam, Wassana. 2020. "Govt steps up virus fight", *Bangkok Post*, 16 March. Available at: <https://www.bangkokpost.com/thailand/general/1879405/govt-steps-up-virus-fight>. Accessed 15 July 2020.
- Narin, Sun. 2020. "Gov't launches new cash transfer scheme to assist ID poor families during COVID-19", *VOA Cambodia*, 25 June. Available at: <https://www.voacambodia.com/a/govt-launches-new-cash-transfer-scheme-to-assist-id-poor-families-during-covid-19/5477022.html>. Accessed 20 July 2020.
- New Straits Times*. 2020. "PM's full speech on Prihatin economic stimulus package", *New Straits Times*, 28 March 2020. Available at: <https://www.nst.com.my/news/nation/2020/03/578956/pms-full-speech-prihatin-economic-stimulus-package> Accessed 20 July 2020.
- OECD. 2020. *The Impact of the coronavirus (COVID-19) crisis on development finance*. Paris. Available at: <https://www.appannie.com/en/insights/market-data/coronavirus-impact-mobile-economy>. Accessed 20 July 2020.
- Olano, Gabriel. 2020. "Singapore remote workers eligible for work injury compensation", *Insurance Business Asia*, 5 June. Available at: <https://www.insurancebusinessmag.com/asia/news/breaking-news/singapore-remote-workers-eligible-for-work-injury-compensation-224339.aspx>. Accessed 20 July 2020.
- Ortiz, Isabel, Cummins, Matthew and Karunanethy, Kalaivani. 2015. Fiscal space for social protection. options to expand social investments in 187 countries, *Extension of social security working paper*, 48, ILO, Geneva.
- Paweewun, Oranan, 2020. "Key sectors' future looks L-shaped", *Bangkok Post*, 16 May. Available at: <https://www.bangkokpost.com/business/1919016/key-sectors-future-looks-l-shaped>. Accessed 20 July 2020.
- Rhee, C. Y. 2020. "COVID-19 Pandemic and the Asia-Pacific region: Lowest growth since the 1960s", *IMF Blogs*, 15 April. Available at: <https://blogs.imf.org/2020/04/15/covid-19-pandemic-and-the-asia-pacific-region-lowest-growth-since-the-1960s/>. Accessed 20 July 2020.
- Sharma, S. K. 2012. *Malaysia: Updating and improving the social protection index*. ADB, Manila.
- Sumner, A., Hoy, C. and Ortiz-Juarez, E. (2020) *Estimates of the impact of COVID-19 on global poverty*. 2020/43. Helsinki. doi: 10.35188/UNU-WIDER/2020/800-9.

- Tsang, Denise and Cheng, Lilian. 2020. "Hong Kong permanent residents can get HK\$10,000 cash handout from July 8, finance minister Paul Chan says", *South China Morning Post*, 8 June. Available at: <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3087965/hong-kong-permanent-residents-can-apply-hk10000>. Accessed 20 July 2020.
- United Nations. 2020a. *A UN framework for the immediate response to COVID-19*. New York.
- United Nations. 2020b. *The Impact of COVID-19 on children*. New York.
- United Nations Departemnt of Economic and Social Affairs (UNDESA). 2020. *COVID-19 and sovereign debt*. 72. New York.
- United Nations Fund for Children (UNICEF) Sri Lanka. 2020. *An assessment of the value of the COVID-19 support to Sri Lankan households*. Colombo.
- United Nations Sri Lanka. 2020. *Tackling the COVID-19 economic crisis in Sri Lanka: Providing universal, lifecycle social protection transfers to protect lives and bolster economic recovery*. Colombo. Available at: [https://www.unicef.org/srilanka/media/1366/file/UN Brief Social Protection Response Sri Lanka Summary.pdf](https://www.unicef.org/srilanka/media/1366/file/UN%20Brief%20Social%20Protection%20Response%20Sri%20Lanka%20Summary.pdf). Accessed 20 July 2020.
- Werner Eichhorst *et al.* 2010. *The role of the social protection as economic stabiliser: Lessons from the current crisis*. Brussels.
- World Bank. 2020. *Global economic prospects: June 2020*. Washington, DC. Available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/33748/9781464815539.pdf>. Accessed 20 July 2020.
- World Health Organization (WHO). 2020. *Global health observatory (universal health coverage - financial protection)*. Geneva.
- Yulius Satria Wijaya. 2020 "Govt commits to full BPJS Kesehatan coverage for COVID-19 patients", *The Jakarta Post*, 24 March. Available at: <https://www.thejakartapost.com/news/2020/03/24/govt-commits-to-full-bpjs-kesehatan-coverage-for-covid-19-patients.html>. Accessed 20 July 2020.

► **Contact**

ILO Regional Office for Asia and the Pacific

United Nations Building

Rajdamnern Nok Avenue

Bangkok 10200, Thailand

T: +66 2288 1234

F: +66 2280 1735

E: BANGKOK@ilo.org

W: ilo.org/asiapacific