Invited paper

CAN ASIA ASSURE SOCIAL INSURANCE FOR ALL ITS INFORMAL WORKERS?

Santosh Mehrotra

Email: santoshmeh@gmail.com

This paper provides analyses on social security systems data from seven Asian countries as per ILO Convention 102 of 1952, which merges social insurance and social assistance. The former covers the basic elements – unemployment, employment, injury, old age pension and maternity benefits –, the focus of this paper. Despite high levels of per capita income and rapid growth in a majority of Asian economies, the lack of social insurance (and hence the scale of informality in the workforce) is a matter of concern. Topics discussed in this paper are barriers to social insurance schemes for informal workers, as well as the way forward.

Keywords: health insurance, non-wage benefits, non-wage labor cost, pension, portability, retirement pension, social security

JEL classification: J320

I. INTRODUCTION

Approximately 61 per cent the global workforce is informal, without social insurance (ILO, 2018). The share is highest in South Asia, followed by South-East Asia, while the lowest share is in the high-income countries of East Asia (see table 1). Despite this, all countries in Asia have experienced rapid gross domestic product (GDP) growth for nearly four decades and have managed to pull workers out of poverty. This is a remarkable achievement, given that the emerging market economies in Latin America and sub-Saharan Africa have not experienced GDP growth similar to that of Asian economies (ECLAC, 2021; Mehrotra, 2022).

Much progress still remains to be made in expanding the coverage of social insurance in Asian countries. Informality in the workforce is defined as those without social insurance, which is a key defining feature of informality. For this paper, the status of social insurance in seven Asian economies is discussed: China; India; Indonesia; Japan; Republic of Korea; Viet Nam and Thailand. The choice of countries was determined by two criteria: ensuring a representative geographical spread across Asia; and examining countries at different levels of per capita income. Accordingly. the focus is on three East Asian countries, three South-East Asian countries and one large South Asian economy. From another perspective the group of countries represent two high-income countries (Japan and the Republic of Korea), three upper-middle income countries (China, Indonesia and Thailand) and two low-middle income countries (India and Viet Nam). What is notable is that the share of the informal workforce is still 31.5 per cent in a high-income country, such as the Republic of Korea. In middle income counties in Asia, this proportion is much higher (see table 1). In other words, in all Asian countries, there is some way to go before universal social insurance is established.

This paper follows ILO Convention 102 of 1952 on social security, which is the standard for assessing social security systems in the world. This Convention indicates that social security systems should normally adopt the following types of benefits for a country’s citizens: child and family benefits; maternity cash; unemployment; employment injury; disability or invalidity; and old age pensions.

However, this Convention merges two types of social protection/security measures, making it important to define the scope of this paper. In ILO terminology, social security systems consist of two parts: social insurance; and social assistance. The first covers unemployment, employment injury; old age pension and maternity benefits. These are the basic elements that need to be in place for an effective system of social insurance. Social insurance benefits accrue to workers in their role as workers. By contrast, social assistance normally has little connect to workers, and all targeted groups of citizens are likely to be beneficiaries of it. Social assistance normally refers to child and family benefits, disability or invalidity benefits. Although the following types of benefits are not mentioned in ILO Convention 102, they can also be regarded as part of social assistance: food or cash for work programmes; public distribution systems of subsidized food items; or subsidized housing programmes. This paper is only about social insurance, not *social assistance*.

Under Sustainable Development Goal target 1.3, it is stated that all countries should "implement nationally appropriate social protection system and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and vulnerable". The relevant indicator is 1.3.1, the proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work injury victims, and the poor and the vulnerable. It may be noted that this target is consistent with ILO Convention 102, with its broad scope, so as to capture both social assistance and insurance. However, for this paper, only social insurance dimensions of social protection are covered because that is the area with the largest gap in social protection/security systems globally, not just in Asia.

Most countries in the world, including in Asia, have significant social assistance programmes of different kinds (Viegelahn and Phu, 2021). It is these kinds of assistance programmes that kicked in when the economic impact of the COVID-19 lockdowns and economic contractions occurred (Morgan and Trinh, 2021), especially in economies that had experienced growing inequality (Huang and others, 2019).

One of the motivations for this paper is that, despite high levels of per capita income and rapid growth in a majority of Asian economies, the lack of social insurance (and hence the scale of informality) remains a serious cause for concern (see table 1 for details of the informal and formal share of all workers for major Asian economies). Another motivation arises from the suffering wrought upon countries by the COVID-19d pandemic when the weaknesses of social security systems were cruelly exposed (Gentilini and others, 2021; Dizioli and others, 2020). Hence, it is timely and urgent that Asian countries examine the state of their social security systems, to prepare in advance for a future exogenous shock. This is particularly important for Asian economies, most of which are highly integrated into the global economy, and as a consequence, are vulnerable to exogenous shocks. It is only appropriate that gradual, incremental approaches can be implemented (Behrendt, 2017).

Lower middle-income countries in Asia have made significant progress in reducing informality and extending social insurance to informal workers (Thailand and Vietnam are good cases). Even India is stiving to extend social insurance to its informal workers, as indicated in the Social Security Code, 2020, passed by Parliament (though significant barriers remain, see Mehrotra, 2022a).

This paper is organized as follows. Section 1 provides a brief explanation of the state of informality in the seven major Asian economies, establishing the main rationale for the paper. Section 2 then goes on to examine empirically, the state of social security available in these seven Asian economies. Section 3 contains a discussion on the barriers that most economies face in incorporating informal workers into the social insurance system. The final section spells out the way forward.

1. Informal sector in Asia is widespread

Table 1 shows the share of informal employment in the seven Asian countries. It is quite notable that even in a high-income country, such as Japan, the share of informal workers is 18.7 per cent, while in the Republic of Korea it is 31.5 per cent. In all the other economies under consideration, the share exceeds 50 per cent; in India, it is as high as 88 per cent of the workforce.

Informal employment in China is 54.5 per cent (ILO 2016a). Notably, of all the enterprises in China, three fourths are informal sector units (74.7 per cent). As much as 88.8 per cent of the informal employment in China is in the informal sector; and 11.2 per cent is in the formal sector In all Asian economies, the majority of informal workers are located in the informal sector, even though informal employment exists in the formal sector as well, to varying degrees in these countries.

Table 1. Share and composition of informal employment, total (%)

Country	Year	Formal employment	Informal employment			
			Total	In informal sector	In formal sector	In households
India	2019	11.9	88.1	77.7	8.0	2.3
China	2014	45.6	54.4	48.3	6.1	0.0
Indonesia	2016	14.4	85.6	67.5	5.8	12.2
Thailand	2019	45.7	54.3	Not available	Not available	Not available
Viet Nam	2015	23.8	76.2	61.0	11.5	3.7
Japan	2010	81.3	18.7	14.3	4.3	0.0
Republic of Korea	2014	68.5	31.5	26.1	5.5	0.0

Source: ILO (2018).

2. Social security systems in the seven Asian economies

Sustainable Development Goal indicator 6.3.1 pertains to the proportion of the population covered by social protection. In the seven Asian economies, the share of the population covered in at least one area is the highest in the high-income countries of Japan and the Republic of Korea, at 98 per cent and 77 per cent, respectively. On the other hand, in India, the coverage is 24 per cent. In China and Viet Nam, it is 71 per cent and 39 per cent, respectively.

Coverage by type of benefits in Asia

Of the various benefits listed in ILO Convention 102, the focus for this paper is on those that belong to the social insurance category.

Maternity benefits for newborns

This is a Sustainable Development Goal indicator. The extent of coverage is quite limited in most countries, regardless of whether they are high-income countries, upper middle-income countries or lower middle-income countries (see table 2).

Table 2. Maternity protections: Key features of main social security programmes

Country/ territory	Scheme/ programme & benefits	First law Year	Govt	Contribution rates/ source of funds	Benefit payment			
				Self - employed	Insured person	Employer	Level	Duration
India	Scheme- social assistance	1948	Total cost	None	None	None		
	Maternity grant						Lump sum	Not applicable
	Maternity benefit						100%	26 or 12 weeks
	Scheme- social insurance	1948	None	Not applicable	1.75%	4.75%		

Table 2. *(continued)*

Country/ territory	**Scheme/ programme & benefits**	**First law Year**	**Govt**	**Contribution rates/ source of funds**	**Benefit payment**			
				Self - employed	**Insured person**	**Employer**	**Level**	**Duration**
China	Scheme- social insurance	1951	None	Total cost	None	Total cost (sickness); up to 1% (maternity, depends on local regulations)		
	Maternity benefit						100%	98 to 158 days
Indonesia	Scheme- employer liability	1957	None	Not applicable	None	Total cost		
	Maternity benefit						100%	3 months
	Paternity benefit						100%	2 days
Thailand	Scheme- social insurance		1.5% ; flat rate	Flat rate	1.5%; flat rate	1.5%; none	a	
	Childbirth grant						Lump sum	For each birth
	Maternity grant						50%	90 days
Viet Nam	Scheme- Social Insurance	1961	None	Not applicable	None	3%		
	Birth grant						Lump sum	Not applicable
	Maternity benefit						100%	6 months
	Paternity benefit						100%	5 or 14 days

Table 2. *(continued)*

Country/ territory	Scheme/ programme & benefits	First law Year	Govt	Contribution rates/ source of funds	Benefit payment			
				Self - employed	Insured person	Employer	Level	Duration
Japan	Scheme -social Insurance	1922	50% – 41% from the national Government and 9% from the prefecture)	Flat rate	Flat rate	None		
	National health insurance benefit							
	Scheme- social insurance	1922	16.4% of benefit costs;16.4% of elderly health-care cost; partial admin cost (society-managed programme); total admin cost (association-managed programme);	Not applicable	5% (average)	5% (average)	)	
	Maternity allowance						66.7%	98 days
	Maternity grant						Lump sum	Not applicable
Republic of Korea	Scheme- social Insurance	1963	Subsidies as needed	Varies (depends on asset, income, age, and gender)	0.65%	0.9- 1.5% depends on the type of business)		
	Childcare benefit							12 months
	Maternity benefit						100%	90 days

Source: ILO (2021).

In India this benefit is available to formal workers. Since 1948, the Employee State Insurance Corporation has provided it through a social insurance programme, financed by the employer, the employee and the Government. The period of maternity leave permitted under the programme is 26 weeks and the percentage of wages paid during the covered period is 100 per cent. Only formal sector employees are covered by this programme; self-employed and informal workers are not covered.

In China, maternity benefit for mothers with newborns has been offered since 1951 for individual State-run enterprises. The source of financing is employers, self-employed and Government. The Government subsidizes the administrative costs (Mok and Qian, 2019). Workers are covered for 98 days or 14 weeks and 100 per cent of wages are paid during the covered period. However, it should be noted that only 15 per cent of mothers with newborns received cash benefits under this programme, as of 2015 (Ngok, 2016).

An important dimension is that there is coverage in China of the self-employed in most provinces. However, for the self-employed, the programme is voluntary while for state employment it is mandatory (ILO, 2020c).

In Indonesia the programme has been operating since 1957. It is an employer financed programme involving employer liability and is not statutory in nature. The benefits, confined to the formal sector extend to 13 weeks and the percentage of wages paid is 100 per cent, similar to most Asian countries (ILO 2020c). Notably there is no coverage of the self-employed.

In Thailand maternity for mothers with newborns is offered under a programme that began in 1990. The programme is financed by employers, employees, the self-employed and Government. The responsibility rests with the social security office; employees contribute 67 per cent and the government social security office, the remaining 33 per cent. This programme combines social insurance and employer liability (ILO, 2016b). The benefits extend for 90 days and the percentage of wages paid during the covered period is 100 per cent. As expected, the programme is mainly for the formal sector. The self-employed, who are more than likely to be informal workers, are covered on a voluntary basis.

In Viet Nam, the programme for maternity benefits (operational since 1993) is provided by the Viet Nam Social Security, under a social insurance programme financed by the employer. The maternity leave is six months (26 weeks) and the percentage of wages paid during covered period is 100 per cent. As much as 44.5 per cent of mothers with newborns receive such cash benefits. Self-employed workers are not covered in Viet Nam.

Turning to the higher income countries, Japan has offered maternity benefits in cash for mothers with newborns since 1922. The maternity benefit provider is the employment insurance fund through a social insurance programme financed by employers, employees, and Government (National Institute of Population and Social Security Research, 2014). The length of maternity leave provided is 98 days or 14 weeks and the percentage of wages paid is 67 per cent.

In the Republic of Korea, a benefits programme has been running since 1993, operated by the Ministry of Employment and Labour. It is a social insurance programme in which the sources of financing come from employers, employees, the self-employed, with the Government providing subsidies. The period of coverage is 90 days (or 13 weeks) and 100 per cent of wages are paid during the covered period.

In Japan the self-employed are covered with some exceptions, while in the Republic of Korea, the self-employed are also covered but under voluntary coverage with certain conditions (see table 2).

Unemployment benefits

The Sustainable Development Goal indicator 1.3.1 also includes unemployment benefits, which are provided to a very small part of the total workforce, regardless of what the level of income of the country in Asia. This phenomenon is consistent with the fact that, even in the now advanced countries of Europe or North America, history of social protection shows that unemployment benefits were the last benefit to be made universally available. It was only in the 1930s that this was achieved (Mehrotra, 2016), sometime after the disruption to labour markets caused by the Great Depression.

In India, only 3 per cent of the workforce is covered in a contributory scheme, which naturally applies only to formal sector workers as part of a social insurance programme. In China a contributory scheme enables nearly 19 per cent of the workforce to be covered. It is run by local government as part of a social insurance programme.

In Thailand and Viet Nam, approximately 61 per cent and 66 per cent of the workforce, respectively, is covered by a contributory scheme for unemployment benefits as part of a social insurance programme.

Even in high-income countries, such as Japan and the Republic of Korea, the coverage of unemployment benefits is quite limited. Contributory schemes cover 22 per cent of the workforce in Japan and 45 per cent in the Republic of Korea as part of social insurance schemes. As already noted, the industrialized countries of Europe and North America introduced unemployment benefits only from around the time of the Great Depression after 1929 (Mehrotra, 2016).

Employment injury

This a key feature of social security programmes around the world for formal sector workers. The majority of the seven Asian countries covered in this paper provide substantial coverage (see table 3). However, the upper middle-income countries (Thailand, Viet Nam) offer much lower coverage, and India provides the lowest coverage.

Table 3. Employment Injury protection: key features of main social security programmes

Country/ territory	**Scheme/ programme & benefits**	**First law Year**	**Govt**	**Contribution rates/ source of funds**	**Benefit payment**			
				Self - employed	**Insured person**	**Employer**	**Level**	**Duration**
India	Scheme- social insurance	1923	None	Not applicable	1.75%	4.75%		
	Temporary disability benefit						90%	No limit
	Permanent disability benefit						Flat rate	Long term
China	Scheme- Social insurance	1951	Subsidies as needed	Not applicable	None	0.(on average, depends on risk)		
	Temporary disability benefit						100%	12 months
	Permanent disability benefit						Lump sum+ earning related	Until retirement age
	Scheme- employer disability	1951	None	Not applicable	None	Total cost		
	Temporary disability benefit						100%	12 months

Table 3. *(continued)*

Country/ territory	Scheme/ programme & benefits	First law Year	Govt	Contribution rates/ source of funds	Benefit payment			
				Self - employed	Insured person	Employer	Level	Duration
	Permanent disability benefit						Lump sum only or + 60-90%	Until retirement age
Indonesia	Scheme- social insurance	1951	None	1%	None	0.24-1.74% (depends on risk)	a	
	Temporary disability benefit						100% (0–4 months) + 75% (5–8 months) + 50% (afterwards)	During contingency
	Permanent disability benefit						Lump sum	24 months
Thailand	Scheme- employer liability (public carrier)	1972	None	Not applicable	None	0.2-1% (depends on risk)		
	Temporary disability benefit						70%	1 year
	Permanent disability benefit						70%	Up to 15 years
Viet Nam	Scheme- employer liability	1947	None	Not applicable	None	Total cost		
	Temporary disability benefit						100%	During contingency
	Scheme- social insurance	1947	None	Not applicable	None	0.5%	a	
	Permanent disability benefit						Flat rate	Long term

Table 3. *(continued)*

Country/ territory	Scheme/ programme & benefits	First law Year	Govt	Contribution rates/ source of funds	Benefit payment			
				Self - employed	Insured person	Employer	Level	Duration
	Attendance supplement						Flat rate	
	Disability grant						Lump sum	Not available.
Japan	Scheme- social insurance	1911	Subsidies	0.3-5.2% (depends on the type of business)	None	0.25-8.8% (depends on business)		
	Temporary absence from work benefit						80%	18 months
	Injury and diseases compensation pension						Flat rate	During contingency
	Permanent disability pension						Flat rate	Long term
	Disability grant						Lump sum	Not available.
Republic of Korea	Scheme- social insurance	1953	None	0.7-28.1% (depends on risk)	None	0.7-28.1% (depends on risk)		
	Temporary disability benefit						70%	During contingency
	Permanent disability benefit						Flat rate	Long term
	Nursing benefit						Flat rate	

Source: ILO (2021).

In India, employment injury is provided under a social insurance programme with contributions amounting to 1 per cent of wages by employees and 1 per cent by employers under the sickness benefit programme. In addition, government financing amounts to 12 per cent of the cost of medical benefits. The coverage is mandatory for formal sector workers and covers nearly 80 per cent of the formal workforce, which is a minuscule share of the total workforce (see table 1). There is no voluntary coverage for anyone, including the self-employed, who were not covered at all until 2015; however, since then, opening a no-frills bank account in a public sector bank entitles workers to get accident injury insurance (up to 200 000 Indian rupees (Rs) ($2,500).

In China employment injury is covered in social insurance programmes through an employee reliability mechanism. The employees do not make any contributions, but their employers contributes 0.2 to 1.9 per cent of the total according to the industries risk classification (Mok and Qian, 2019). In addition, subsidies are provided by the Government as needed. Coverage is very high. reaching close to 84 per cent of the workforce. In addition voluntary coverage is available to 13 per cent of the workforce (Ngok, 2016). Self-employed persons can also be covered under employment injury, but on a voluntary basis.

In Indonesia, employment injury is provided through a social insurance programme with no contributions made by employees. Employers contribute from 0.24 to 1.74 per cent of the monthly wage; the contributions vary according to the assessed work environment risk levels. There is no financing support from the government (ILO, 2016c). However, the coverage is very high (nearly 94 per cent).

Notably, the self-employed are also covered in Indonesia, with 31 per cent of monthly declared earnings being contributed by them. The Government does not provide any financing for the self-employed, similar to the absence of financing for formal sector workers.

In Thailand, employment injury is covered under an employer liability programme. Employers contribute 0.2 to 1 per cent of the annual payroll according to assessed risk. There is no contribution from the employee. Mandatory coverage ensures that 41 per cent of the labour force is covered. The Government does not participate in the financing of the scheme.

In Viet Nam, employment injury is provided through a social insurance programme, which involves employer liability only, no employee contribution. The employer contribution amounts to 0.5 per cent of the monthly payroll. There is no employee contribution as in all the other remaining Asian countries covered in the study and no contribution from the Government. Only 38.5 per cent of the labour force is captured through this mechanism. The self-employed are not covered.

In the high-income countries of Japan and the Republic of Korea, the social insurance programmes provide coverage for employment injury, with the main burden borne by the employer. Employees in Japan do not contribute to the mechanism. Employers contributes 0.25 to 8.8 per cent of the payroll according to the type of business. The result is that as much as 85 per cent of the labour force is captured (see table 4).

Notably, self-employed workers are covered and the contribution expected from them is 0.3 to 5.2 per cent of average earnings, depending on the type of business. Subsidies as needed are provided by the Government of Japan.

In Republic of Korea, a social insurance programme is the means to ensure employment injury with no contribution by employees. Employers contribute 0.7 to 34 per cent of annual payroll according to assessed risk. Almost 70 per cent of the workforce is covered, which is not surprising given the high share of the formal workforce. The self-employed are covered. They contribute similar shares of declared earnings for payroll, but on a voluntary basis. For formal as well as the self-employed workers, there is no contribution from the Government.

Old age pensions

Old age pension in the seven Asian countries is reviewed in table 4. Data from ILO (2021c) show that while contributory coverage is low, non-contributory schemes in most countries provide much better coverage of the population.

Table 4. Old age pensions: key features of main social security programmes

Country/ territory	Scheme/ programme & benefits	First law Year	Govt	Contribution rates/source of funds			
				Self - employed	Insured person	Employer	Level
India	Scheme-employer liability	1952	None	Not applicable	None	4% (on average)	a
	Old age benefit						A lump sum is paid
	Scheme-social assistance	1952	Total cost	None	None	None	

Table 4. *(continued)*

Country/ territory	Scheme/ programme & benefits	First law Year	Govt	Contribution rates/source of funds			
				Self - employed	Insured person	Employer	Level
	Old-age pension						A basic pension of 200 rupees a month is paid if aged 60 to 79;500 rupees a month if aged 80 or above
	Scheme- provident fund	1952	None	Not applicable	Flat rate	3.67% + 0.5%(admin costs); 8.33% (elderly employees)	a
	Old age benefit						A lump sum is paid
	Scheme- social insurance	1952	1.16%	Not applicable	None	8.33% + 0.5 (survivor benefit); none (age above 58)	a
	Old age pension						A monthly pension is paid based on the insured's pensionable service and wages.
China	Scheme- social Insurance	1951	Subsidies as needed	b flat rate	None	Up to 20% (depends on local govt regulations)	a
	Old age pension						The pension is the average monthly local wage in the previous year plus the average individual monthly wage used to calculate contributions, divided by two.

Table 4. *(continued)*

Country/ territory	Scheme/ programme & benefits	First law Year	Govt	Contribution rates/source of funds			
				Self - employed	Insured person	Employer	Level
	Scheme- voluntary individual account	1951	Contributes for poor population	Flat rate	Flat rate	none	
	Old age pension						The pension consists of a non-contributory pension and an individual account
	Scheme- mandatory individual account	1951	Subsidies as needed	Flat rate	8%	a none	
	Old age pension						The monthly benefit is total employee contributions plus accrued interest, divided by the actuarial month.
	Scheme- non- contributory pension	1951	Total cost	none	none	none	
	Old age pension						The pension consists of a non-contributory pensions and an individual account
Indonesia	Scheme- social Insurance	1992	None	Not applicable	1%	a 2%	a
	Old age pension						1% of the insured's average adjusted annual earnings divided by 12 and multiplied by the number of years of contributions is paid.

Table 4. *(continued)*

Country/ territory	Scheme/ programme & benefits	First law Year	Govt	Contribution rates/source of funds			
				Self - employed	Insured person	Employer	Level
	Old age settlement						A lump sum is paid
	Scheme- provident fund	1977	None	At least 2%	a 2%	a 3.7%	a
	Old age benefit						A lump sum is paid
Thailand	Scheme- social Insurance	1990	1% (mandatory); flat rat e(voluntary)	a, flat rate c	c 3% flat rate(voluntary0	3% (mandatory)	
	Old age pension						20% of the insured's average monthly covered earnings in the past 60 months before retirement is paid plus 1.5% for each 12-month period of contributions exceeding 180 months.
	Old age settlement						A lump sum is paid
	Scheme- social insurance	1990	Flat rates (depends on functions covered)	Flat rates (depends on functions covered)	Not applicable	Not applicable	
	Old age grant						A lump sum is paid
	Scheme- social insurance	1990	Total cost	None	None	none	

Table 4. *(continued)*

Country/ territory	Scheme/ programme & benefits	First law Year	Govt	Contribution rates/source of funds			
				Self - employed	Insured person	Employer	Level
	Old age pension						600 baht is paid to persons aged 60 to 69; 700 baht if aged 70 to 79; 800 baht if aged 80 to 89; and 1,000 baht if aged 90 or older.
	Scheme- provident fund	1990	50%, 80% or 100% of the insured contributions (depends on age)	Flat rate	Not applicable	Not applicable	
	Old age pension						A pension is paid based on the account balance at retirement.
Viet Nam	Scheme- Social Insurance	1961	Total cost (certain old age pensions); subsidies as needed	b, c 22%	a 8%	a 14%	a
	Old-age grant						A lump sum is paid
	Old- age pension						45% of the insured's average monthly covered earnings is paid for the first 16 years (men, gradually rising to 20 years by 2022) or 15 years (women) of contributions plus 2% of the insured's average monthly covered earnings for each year of contributions exceeding 16 years (men, gradually rising to 20 years by 2022) or 15 years (women).

Table 4. *(continued)*

Country/ territory	Scheme/ programme & benefits	First law Year	Govt	Contribution rates/source of funds			
				Self - employed	**Insured person**	**Employer**	**Level**
	Scheme-social assistance	1961	Total cost	None	None	None	Flat rate
	Old age social pension						₫405,000–1,080,000 a month depending on age.
Japan	Scheme: social Insurance	1941	50% (cost of the benefits); Total(admin Cost)	Flat rate	Flat Rate	None	
	Old age pension						¥779,300 a year is paid. Partial pension: A reduced pension is paid depending on the number of paid or credited contributions.
	Scheme-social Insurance	1941	Admin cost	b,c Not Applicable	9.15%	A 9.15% (depends on income)	a
	Old age pension						The pension is based on the insured’s average monthly wage over the full career multiplied by a coefficient determined by the insured's date of birth multiplied by the number of months of coverage.

Table 4. *(continued)*

Country/ territory	Scheme/ programme & benefits	First law Year	Govt	Contribution rates/source of funds			
				Self - employed	Insured person	Employer	Level
Republic of Korea	Scheme- social Insurance	1973	Part of administration costs; contributions for certain	9%	a 4.5%, 9%(voluntary)	a 4.5%	a
	Old age settlement						A lump sum is paid
	Old age pension						The pension is the insured's monthly basic pension amount (BPA)
	Scheme- social Assistance	1973	Total cost	None	None	None	
	Basic old age pension						Up to ₩ 209,960 a month is paid,

Source: ILO (2021).

In India, since 1952, a provident fund scheme has been in operation for formal workers. The insured person pays 12 per cent of wages, while the employer also contributes to the scheme. No contribution is extended by the Government. This scheme is available only to private sector formal workers in registered enterprises. Formal workers in India in the government and the private sector accounted for only 9 per cent of the total workforce in 2017–2018. The remaining 91 per cent of the workforce did not have social insurance (Mehrotra and Parida, 2021). In addition, since 1995, non-contributory means tested pension is provided to persons over 60 year old, but only to those whose income is below the national poverty line.

In China, since 1951, a social insurance-based system with individual accounts for urban workers was in place for men and women over the age of 60 (though with women having a lower retirement age). Financing is from the central and local governments, which extend subsidies as needed. Self-employed persons have also been covered.

In 2011, China undertook social security reform with non-contributory pension and individual account schemes being initiated for rural and non-salaried urban residents for persons over 60 year old. The insured person made no contribution. The result of the reform after 2011 was that the share of the population covered under a pension was 49.8 percent through contributory/mandatory pension schemes and 50.2 percent of the elderly under the contributory/voluntary scheme.

In Indonesia, there is a provident fund for government employees, while for private workers since 2004, a pension scheme is available. In both cases the pension begins at the retirement age of 56. For the private sector, there is no contribution in terms of financing by the government. Some 66 percent of the labour force is covered under mandatory schemes (ILO, 2021). In addition, there is a non-contributory pension in the form of social assistance, which is means tested and begins at the age of 70. The total cost of the programme is met by the Government of Indonesia.

In Thailand, since 1990, a pension has been in place for formal sector workers above the age of 55. The contribution of the Government for that scheme initially was 1 per cent of the insure worker's monthly earning. However, since 2011 when the system was reformed, a more inclusive pension was initiated based on the National Savings Fund. The system also covers the informal sector. The self-employed can contribute on a voluntary basis 100 Thai baht (B) ($2.90) a month towards their pension. In addition, 50 to 100 per cent of the insured's contribution depending on the insured's age is contributed by the Government. As a result, coverage of the workforce is 36 per cent under contributory/mandatory schemes and an additional 39 per cent under contributory/voluntary schemes. However, for the non-contributory scheme, the rest of the population is also covered. The total cost of the scheme in the form of social assistance is met by the Government.

Viet Nam has offered a social insurance scheme since 1961, which covers men older than 60 years and women older than 55 years. It is a voluntary scheme and is subsidized by the Government as needed. In addition, there is a means tested non-contributory pension for which the total cost is met by the Government of Vietnam. Approximately 33 per cent of the labour force is covered under old age pension for both these schemes.

In Japan, the life expectancy is higher than in most middle-income countries and the starting age for a pension is 65. The scheme under social insurance, also called the National Pension programme, has been running since 1941. The insured person makes a contribution of 16,260 Japanese yen (¥) ($113) a month while the employer makes no contribution. The Government meets 50 per cent of the cost of benefits and total cost of administration. In addition, since 1954 an employees' pension insurance applicable for person over 60 years has been available. The insured person contribution is 8.9 per cent of monthly payroll, just as the employer makes the same contribution. Government meets the total cost of administration. The programme is open to self-employed persons, who make a contribution of ¥16,260 yen a month, if they opt for it. Together these pensions cover 97.5 per cent of the labour force in Japan.

In the Republic of Korea, 71 per cent of the labour force is covered by old-age pensions. Since 1973, the social insurance programme since has covered anyone over the age of 61. Employers and employees contribute at the rate of 4.5 per cent of wages. The Government meets part of administrative costs of the social insurance. It also contributes for certain groups, including those in military service. Self-employed persons are expected to cover the employers and employees' contribution and therefore contribute 9 per cent of their earnings.

Non-contributory pensions in Asia

In India, since 1995, a national old-age pension scheme with eligibility at 60 year has been available. The monthly benefit is Rs 200 per month from the central Government, which is matched by the state government. In purchasing power parity terms, this is equivalent of 11.4 dollars in 2014; the amount is slightly higher than 6 per cent of the minimum wage in 2014. In China, a pension scheme is available for rural and non-salaried urban residents who are over 60 years (70 Chinese yuan (RMB) ($10) monthly). This is a basic tax-funded benefit. The amount was the equivalent to close to $20 in purchasing power parity terms in 2015. The population share above the age of 60 that is eligible is 70.7 per cent, compared to 17.7 per cent of those eligible in India. While the scheme in China covers 148 million persons, in India the number of beneficiaries is 20.6 million.

In Indonesia, since 2006, social assistance for older persons is available for person more than 70 years. This is a means-tested scheme. The level of benefit is 200,000 Indonesian rupiahs ($13) per month which is $52.8 US dollars in purchasing power parity terms in 2015 or slightly more than 11 per cent of the minimum wage. The share of the population covered in 2013 was only 0.1 per cent of person 60 years or older.

In Thailand, an old age allowance has been available since 1993 for persons more than 60 years, B600 to B1,000 per month. This is the equivalent of $49.2 to $82 in PPP in 2016. This amount is roughly equivalent to 7.72-12.8 per cent of the minimum wage. The share of the population move than 60 years that is eligible is almost 72 per cent. Not surprisingly, the cost as a proportion of GDP in Thailand is the highest compared to any of the other countries, including the high-income countries, at 0.5 per cent.

The non-contributory old-age allowance offered in Thailand provides some protection to people without access to regular pension payments. The monthly benefit is tiered and varies between B600 and B1,000, equivalent to $18 to 30, which is less than half the poverty line. The universal old-age allowance serves as the only form of pension for many people working in the informal economy. To encourage participation in the contributory system, the Government provides a matching contribution.

In Viet Nam, social assistance benefits for persons more than 80 years is 540,000 Vietnamese dong (₫) per month, while the benefit for the age group of 6279 years is ₫405,000 per month. This is the equivalent of $71 in PPP and $53.5 respectively for the two age groups. This is a non-contributory scheme and the entire cost is borne by the government.

In Japan, there is provision for public assistance for people more than 65 year on an income tested basis. The amount is $777 in PPP in the year 2011, which is the equivalent of 63 per cent of the minimum wage.

In the Republic of Korea, a basic old age pension for people over 65 years is available on the basis of citizenship and residency. The amount is 204,010 Korean won (₩) per month or the equivalent of $228 in PPP terms for the year 2016. This amounts to 16 per cent of the minimum wage. It covers a very high share of the people who are 60 years, amounting to 50 per cent, and an even higher share for people who are 65 years and above, 70 per cent of that age cohort in 2015. The total cost of the scheme is met by the Government with no contributions from workers or employers.

In other words, the most generous non-contributory pensions available in the seven Asian countries are offered by Japan and the Republic of Korea, as one would expect, but at the same time, it is notable that Thailand manages to cover 72 per cent of its population over 60 year and China cover 71 per cent.

Summarizing the evidence on social insurance in seven Asian countries

Table 5 presents the total public social protection expenditure from 1995. For India, social expenditure by the Government has not exceeded 1.4 per cent of GDP; India and Indonesia (1.3 per cent) are the lowest spenders. At the other end is Japan, with an expenditure of 16 per cent of GDP and the Republic of Korea with an expenditure of 6.3 per cent. As expected, the middle-income countries are spending less. It is interesting to note that China, despite still only being an upper middle-income country, is spending 7.23 per cent to GDP. There are concerns about fiscal space in all developing countries, but the experience of industrialized countries offers lessons for others (Duran-Valverde and Pacheco, 2013).

Table 5. Public health and social protection expenditure, 2020 or latest available year (percentage of GDP)

	Total expenditure	Expenditure on social protection systems, including floors, by broad age groups					Health expenditure
Country/ territory	**On social protection (excluding health) a**	**Children**	**Working age population**	**Old age**	**Source**	**Sector**	**Domestic general government health expenditure (GHE-D), WHO**
India	1.4	0.1	0.3	0.3	IMF	General government	1.0
China	7.2	2.2	1.2	5.0	IMF	General government	2.9
Indonesia	1.3	0.4	1.3	0.9	IMF	General government	1.4
Thailand	3.0	0.0	1.5	1.5	IMF	General government	2.9
Viet Nam	4.3	--	0.1	4.2	ADB	General government	2.7
Japan	16.1	1.9	2.9	1.4	IMF	General government	9.2
Republic of Korea	6.3	1.2	2.0	3.1	OECD	General government	4.4

Source: ILO (2020c)

Note: Total social protection expenditure (excluding health) does not always correspond to the sum of expenditures by age group, depending on data availability, source and year, and on inclusion of non-age-group-specific expenditures.

The experience of the now-industrialized countries shows that over the period 1880–1980, as incomes grew, public expenditure as a proportion of GDP also grew: this was evident by the rising share of tax-GDP and public-expenditure to GDP ratio. In Europe and North America, public expenditure increased from 11per cent of GDP to between 40 and 50 per cent of GDP (based on a rising tax to GDP ratio). This rise was driven almost entirely by rising expenditure by the State on health, education, and social transfers, without any adverse consequences for growth in incomes (Lindert, 2004; Mehrotra, 2016). The lower middle-income countries and the upper middle-income countries of Asia need to follow this example.

In the Asian economies, after reviewing the above, it was noted that a fairly comprehensive social protection system exists in many of them, especially in the high-income countries. In most middle-income countries, the systems are not comprehensive by any means, but still there has been significant progress in most of them (though less so in Indonesia). In India (a lower middle-income country), the social protection is very rudimentary, and fragmentary (Mehrotra, 2020).

A few other observations can be made on the basis of the preceding discussion of social security systems in the seven Asian countries. The three benefits that most governments have attempted to implement (consistent with the ILO definition of social insurance at the workplace), at least for the formal workers, are old age pensions; death/injury insurance in case there is an accident at the workplace; and maternity benefits for women.

At the same time, the second observation that can be made is that given the large size of the informal sector in most of the countries examined, some attempt has been made to get the self-employed to also register in the same schemes that are in place for the formal sector workers, but on a voluntary and contributory basis. There is variation between countries as to whether the government subsidizes the contribution of self-employed workers: in some countries it does, while in other, it does not.

A third observation is that unemployment benefits are available to a very small proportion of the workforce, and certainly not to informal workers anywhere. This is consistent with the historical experience of industrialized countries of Europe and North America, where unemployment insurance came last (sometime in the 1930s).

Finally, all countries (including India) are making an effort to supplement social insurance with social assistance, which is non-contributory.

Given the small and fragmentary nature of social insurance, the next topic of discussion is the barriers to ensuring social insurance for informal workers, and why social insurance is so limited in a majority of the developing countries.

3. The barriers to social protection schemes for informal workers

The legal framework may exclude or constrain the participation of certain categories of workers in social protection schemes and often legislation links social security coverage to an identifiable employment relationship between an employer and a dependent worker. Unfortunately, the Social Security Code 2020 does not change this situation. In many developing countries, legislation may include rules based on place of work, type of contract, size of the enterprise, number of working hours or income thresholds, or minimum length of contract, which can effectively exclude some categories of workers.

A second barrier impeding informal workers from participating in social insurance schemes is that workers and employers may be reluctant to contribute towards such a scheme if they are not convinced that the benefits provided will meet their priority needs.

A third barrier is the costs of social insurance and inadequate financing arrangements. A required high level of contributions is often considered to be an economic barrier to participating in a contributory social protection scheme. Contributions may not be adapted to the level of earned income. For the self-employed, contributing to a social protection scheme can be particularly burdensome, as they cannot bear the employers' share of contributions. In such cases, the State has to intervene to cover the shortfall.

Related to cost is the reality of fluctuating or unstable income. Informal workers have volatile incomes that may require adaptations, involving contributory forms of protection. For example, although the incomes of agricultural workers often follow seasonal patterns, which makes it difficult for them to pay contributions on a monthly basis, they may be able to pay contributions after selling their crops or animals.

The fourth barrier is the large number of MSMEs, whose owners often, on account of regulatory barriers, do not wish to register with the State authorities. The majority of informal workers are in MSMEs, which are themselves not registered anywhere. They do not formalize, across developing countries (including India), often because of operational costs associated with operating in the formal economy, such as taxes, license fees and social contributions, as well as the costs of complying with labour regulations and the time required to apply for formal loans.

A fifth barrier to attaining social insurance is the complex and burdensome administrative procedures and services, including the need for producing different kinds of identity proofs and address proof for informal workers. These procedures may discourage employers and workers from registering for social protection schemes and thus qualify for benefits. In particular, MSMEs with limited administrative capacities often struggle to comply with the requirements.

A sixth barrier to social insurance for informal workers is labour mobility. This is especially the case in India and has already been shown to be a problem with the implementation of the Building and Construction Workers Fund (Mehrotra, 2022b). Labour mobility puts a high burden on the administration of the scheme. Some workers, such as seasonal workers and other temporary workers, frequently change jobs and may move between wage employment and self-employment.

Given this list of formidable barriers prevailing in all developing countries, benefits to employers need to be emphasized by the government if social insurance is to increase among workers at MSMEs. Some evidence suggests that employers benefit from workers' obtaining social insurance. For example, a recent study found that firms in Indonesia that increased social security coverage by 10 per cent between 2010 and 2014 observed an increase in revenues per worker of up to 2 per cent (Torm, 2020). Similarly, in Viet Nam, firms that increased social security coverage by 10 per cent between 2006 and 2011, experienced a revenue gain per worker of 1.1 to 2.6 per cent and a profit gain of about 1.3 to 3.0 per cent (Torm, 2020).

4. Concluding thoughts: approaches to expanding social insurance coverage

Clearly, major challenges remain in universalizing social insurance. The international experience from across the global South suggests the following elements.

First, in many cases, the extension strategy must include a change in legislation to reduce progressively the thresholds (such as the number of workers per enterprise) for registration in social insurance schemes.

Second, there is a need to adopt measures to remove administrative obstacles to contributions into formal sector schemes for informal workers by facilitating administrative processes and adapting contribution rates and benefit packages.

Third, the extension of social security to larger groups can be pursued through a large-scale extension of non-contributory social protection mechanisms, independently of their employment status and largely financed through government revenue derived from taxation, mineral resource revenue or external grants.

Countries have combined the multiple approaches to extend social protection to previously uncovered workers, while promoting transitions from the informal to the formal economy (Mehrotra, 2022a).

A number of middle- and low-income countries have facilitated the transition to the formal economy by combining elements of a two-track approach to financing, namely extending social security to workers in the informal economy insurance, which was subsidized for vulnerable groups (Viet Nam is one very successful example of this), while also increasing formal employment.

A combination of contributory and non-contributory financing approaches have been used. Examples of this are in Argentina (combination of contributory and non-contributory social protection programmes for child and maternity benefits), Brazil (Bolsa Família; rural pension scheme) and Cabo Verde and South Africa (social insurance and large grants programmes) (ILO, 2016d). In fact, both approaches to extending social protection, as well as the combination of them in an integrated two-track approach, are reflected in the ILO Social Protection Floors Recommendation, 2012 (No. 202) and the ILO Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204).

Many countries that have combined contributory and non-contributory schemes have managed to achieve a significant extension of coverage and guarantee at least a basic level of social protection for all, while also progressively providing higher levels of protection to those who have some contributory capacities. Given the high labour mobility of workers in the informal sector, it is essential to ensure the effective coordination between contributory and non-contributory benefits for the continued coverage of workers (ILO, 2018).

NOTE ON CONTRIBUTOR

Santosh Mehrotra, Visiting Prof, Centre for Development, Bath University, UK, was Professor of Economics, Centre for Labour, JNU. Head of UNICEF’s global research programme at Innocenti Research Centre, Florence, and chief economist, global Human Development Report New York (1991-2006). Head, Development Policy Division of India’s Planning Commission. Then Director General of National Institute of Labour Economics Research (2006-14).

REFERENCES

Behrendt, Christina (2017). Can graduation approaches contribute to building social protection floors?. *Policy in Focus*, vol. 14, No. 2, pp. 33–35.

Dizioli, Allan, Michal Andrle, and John. Bluedorn, COVID-19 hits the poor harder, but scaled-up testing can help', IMF blog, 3 December. Available at COVID-19 Hits the Poor Harder, but Scaled-Up Testing Can Help – IMF Blog.

Duran-Valverde, Fabio, and José Pacheco (2013). Fiscal space and the extension of social protection: lessons from developing countries. Extension of Social Security (ESS) Paper Series No. 33. Geneva: ILO.

Gentilini, Ugo, and others (2020). Social protection and jobs responses to covid-19: a real-time review of country measures. Living Paper version 15 (14 May 2021. Washington, D.C.: The World Bank Group

Huang, Bihong, Peter Morgan, and Naoyuki Yoshino (2019). *Demystifying rising inequalities in Asia*. Tokyo, Asian Development Bank Institute, Tokyo.

International Labour Organization (ILO) (2016a). People's Republic of China: extending health coverage to all., Social Protection in Action Country Brief. Available at china_healthcare-coverage-to-all_2016.pdf (socialprotection-humanrights.org.

________(2016b) Thailand: Universal Health-care Coverage Scheme, Social Protection in Action Country Brief. Available at RessourcePDF.action (social-protection.org.

________(2016c) Indonesia: Financing social protection through contributions and the removal of fuel subsidy, Social Protection in Action Country Brief. Available at RessourcePDF.action (social-protection.org.

________(2016d) Brazil: financing social protection through financial transaction taxes. Social Protection in Action Country Brief. Available at RessourcePDF.action (social-protection.org).

________(2018), *Women and Men in the Informal Economy: A Statistical Picture*. Third edition. Geneva: ILO. Available at https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_626831.pdf

________(2021) *World Social Protection Report 2020–22: Social protection at the crossroads – in pursuit of a better future*. Geneva: ILO.

Lindert, Peter (2004). *Growing Public*. Cambridge, UK: Cambridge University Press,

Mehrotra, Santosh (2016). *Seizing the Demographic Dividend. Policies to Achieve Inclusive Growth in India*. New Delhi: Cambridge University Press.

________(2020)., From informal to formal: A meta-analysis of what triggers the conversion in Asia, Background Paper No. 2 –- GEPR working paper series. Geneva: ILO.

________(2022a) Can India universalize social insurance before its demographic dividend ends? The principles and architecture for universalizing social security by 2030. Bath Papers in International Development and Wellbeing no. 67. Bath, U.K.: Centre for Development Studies.

________(2022b), *Políticas sociales y económicas para reducir la pobreza en América Latina: ¿se puede aprender algo de la experiencia en Asia?* (Social and economic policies to reduce poverty in Latin America: are there lessons from Asia?). Mexico: UNAM Press (National University of Mexico Press).

________, and Jajati. Parida (2021). Stalled structural change brings an employment crisis in India. *Indian Journal of Labour Economics*, vol. 64, No. 2, pp 281–308.,

Mok, Ka, and Qian, Jiwei (2019). A new welfare regime in the making? Paternalistic welfare pragmatism in China. *Journal of European Social Policy*, vol. 29, No. 1, pp. 100–14.

Morgan, Peter, and Long Trinh (2021). Impacts of COVID-19 on households in ASEAN countries and their implications for human capital development. ADBI Working Paper No. 1226. Available at https://www.adb.org/publications/impacts-covid-19-households-asean-countries.

National Institute of Population and Social Security Research (2014). Social *Security in Japan*. Tokyo: National Institute of Population and Social Security Research.

Ngok, Kinglun (2016).Conclusion: modern Chinese welfare achievements and challenges ahead. In *China's Social Policy: Transformation and* Challenges, Kinglun Ngok, and Chak Chan (eds.). London: Routledge.

Torm, Nina. (2020) To what extent is social security spending associated with enhanced firm-level performance? A case study of SMEs in Indonesia. *International Labour Review*, vol. 159, No. 3, pp. 339–366.

United Nation, Economic Commission for Latin America and the Caribbean (ECLAC) (2021). *Social Panorama 2021*. United Nations publication, Sales No. E.21.II. G.5.

Viegelahn, Christian, and Phu Huynh (2021). COVID-19 and the ASEAN labour market: impact and policy response. ILO Policy Brief. Available at wcms_816432.pdf (ilo.org).