

Wither Social Protection and Human Development in an Integrating ASEAN?

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Population Dynamics of Southeast Asia

Most of the Association of Southeast Asian Nations (ASEAN) region is now enjoying a demographic dividend that provides an opportunity to maximise productivity growth. But an opportunity is a potential, not an advantage that automatically materialises. We should work to turn the potential into actual benefits that can be enjoyed and equally shared by people. Demographic dividend is a window of opportunity that will soon close, after a period of approximately 2 decades. United Nations population projections show that several ASEAN Member States (AMS) will become an ageing population by 2035. Low fertility rates and higher life expectancy contribute to speeding up the ageing process.

Rapidly Ageing Population at Relatively Low Income Levels

Over the next 2 decades, the percentage of the population aged over 60 will have nearly doubled in all AMS except Cambodia, the Lao PDR, and the Philippines, which are projected to increase by 50%–70%. However, by 2035, Indonesia, the Philippines, and Viet Nam will together account for about 72% of ASEAN's total population. It is very important, therefore, to anticipate the pace of ageing in these countries, to balance the whole region's expected productivity and its people's wellbeing. Thailand, which serves as one of the region's most important growth engines, will experience negative population growth. And in the same period, Indonesia's number of people aged 60 and over will increase by 24 million, compared with an extra 10 million in Thailand and an increase of 12 million in Viet Nam.

Table 1: Projected Population and Elderly Portion in ASEAN Member States

Country	2015		2020		2025		2030		2035	
	Population	Pop 60+	Population	Pop 60+	Population	Pop 60+	Population	Pop 60+	Population	Pop 60+
Brunei Darussalam	423	8%	450	10%	475	13%	496	17%	513	21%
Cambodia	15,578	7%	16,809	8%	17,944	9%	18,991	10%	19,988	12%
Indonesia	257,564	8%	271,857	10%	284,505	11%	295,482	13%	304,847	15%
Lao PDR	6,802	6%	7,398	7%	7,966	7%	8,489	8%	8,973	9%
Malaysia	30,331	9%	32,374	11%	34,334	13%	36,107	14%	37,618	16%
Myanmar	53,897	9%	56,242	10%	58,373	12%	60,242	13%	61,752	15%
Philippines	100,699	7%	108,436	8%	116,151	9%	123,575	10%	130,556	11%
Singapore	5,604	18%	6,007	22%	6,231	27%	6,418	31%	6,558	34%
Thailand	67,959	16%	68,581	19%	68,637	23%	68,250	27%	67,442	30%
Viet Nam	93,448	10%	98,157	13%	102,093	15%	105,220	18%	107,773	20%
ASEAN	633,490	58,923	667,627	73,032	698,154	89,108	724,848	106,307	747,730	123,318
Pop 60+		9%		11%		13%		15%		16%
Growth			0.05	0.24	0.05	0.22	0.04	0.19	0.03	0.16

ASEAN = Association of Southeast Asian Nations; Lao PDR = Lao People's Democratic Republic.

Source: <https://esa.un.org/unpd/wpp/Download/Probabilistic/Population/> (accessed 3 July 2016).

The problem with ageing populations in the AMS is mainly centred on two issues: these countries are likely to enter the ageing population stage at relatively low income levels, and with a lack of visionary programmes for old-age persons. Social protection has yet to be implemented universally in all AMS, leaving the current and future old-age groups vulnerable. Being of old age does not necessarily mean being helpless; there is a great chance of staying healthy, active, and productive. Older persons in society are valuable and their contributions are important. Their contributions, however, are typically economically unmeasured, such as caring for grandchildren, serving as cultural guardians and educators, etc. These undercover economic contributions should be properly valued and appreciated. On a large scale, the right policies are needed to achieve the conditions of productive ageing populations. These policies also require sufficient funding to meet old-age expenditure needs. Proper support for old-age populations will improve their health status, reduce avoidable healthcare support, and provide a chance for them to keep contributing to the economy. It will, in turn, reduce the costs of care and medical care, and at the same time increase output.

Social Protection

Implementation of social protection in AMS has varied across the region – not only in terms of legal and effective coverage,¹ but also in terms of variation of the programmes. There is no consistent data on social protection coverage for the 10 AMS. According to each country's definition of social protection, universal coverage for healthcare has been achieved in Singapore, Brunei Darussalam, Malaysia, and Thailand. Indonesia is progressively working towards achieving universal healthcare as mandated by the Law. The Philippines claims its healthcare coverage has reached 85% of the population, while Viet Nam is struggling to expand its coverage that now covers just over half of the population. Besides coverage issues, out-of-pocket payment is still high in several countries such as in Indonesia and the Philippines. Cambodia, the Lao PDR, and Myanmar have to work hard to achieve universal healthcare.

On the other hand, implementation of income security, especially for children, women, and old-age persons still significantly lags behind the progress achieved in healthcare programmes. Employment insurance including pension programmes, on the other hand, are not portable across the region. Workers in the private sector are normally insured by the company they work for, but national pension programmes are incompatible across nations. The most challenging issue is coverage for informal workers and undocumented migrants. Even for citizens who do not work in the formal sector, national insurance programmes are usually implemented on a voluntary basis. It requires a good database and sufficient funds to include social pensions (non-contributory pension systems for the poor) in the national social security system.

Social Progress Index

The Social Progress Index (SPI) is an attempt to create 'a framework for measuring social progress that is independent of gross domestic product, but complementary to it'.²

¹ There are three broad dimensions to coverage: the number of participants, the types of risks covered, and the adequacy of benefits. The first refers to the number of people or retirees who are enrolled in a programme that provides some form of insurance against various risks during old age. The second refers to the range of risks covered. In pensions these usually include the risks related to longevity, survivors, and disability. In healthcare programmes these also relate to the types of illness and long-term care needs. The third dimension of pension coverage refers to the adequacy of pension benefits in providing a replacement rate that not only covers inflation risks and mitigates old-age income poverty, but also smoothens their consumption.

In ASEAN countries coverage is mostly focused on increasing the number of individuals that are 'covered' under a statutory programme and the range of risks covered, or can be referred as legal coverage.

² 2016 SPI Report and 2015 SPI Report.

It has three measures: Basic Human Needs, Foundations of Wellbeing, and Opportunity.³ Table 2 depicts the measures for 2015 and 2016 and it can be seen that the overall SPI has improved from last year in all AMS and is unknown for Singapore and Viet Nam (no data are available for Brunei).

Table 2: Social Progress Index for ASEAN Member States

Country	Social Progress Index		Basic Human Needs		Foundations of Wellbeing		Opportunity	
	2015	2016	2015	2016	2015	2016	2015	2016
Cambodia	54.0	54.3	53.9	59.1	67.5	64.2	40.5	39.5
Indonesia	60.5	62.3	66.5	72.7	69.5	69.7	45.4	44.4
Lao PDR	52.4	52.5	60.4	65.8	61.7	56.9	35.1	34.9
Malaysia	69.6	70.1	86.1	88.5	74.9	73.3	47.7	48.5
Myanmar	46.1	49.8	58.9	63.1	49.2	55.9	30.3	30.5
Philippines	65.5	65.9	68.2	69.9	68.9	72.0	59.3	55.8
Singapore	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	62.8	67.1
Thailand	66.3	67.4	75.8	80.5	72.4	73.1	50.9	48.7
Viet Nam	n.a.	n.a.	74.2	78.2	n.a.	n.a.	36.3	36.5

ASEAN = Association of Southeast Asian Nations; Lao PDR = Lao People's Democratic Republic; n.a. = not available.

Note: Numbers in red show a declining index from 2015 to 2016.

Source: 2016 SPI Report.

Breaking down the overall results into the measured components shows that the increase in the SPI has been mainly due to increasing scores for 'basic human needs', while some members saw decreasing scores for 'foundations of wellbeing' and 'opportunity'. The numbers in general show a positive development towards the region's ability to fulfil basic needs, but conditions in the region still need to be improved. Both 'foundations of wellbeing' and 'opportunity' require a powerful role for the education sector, either directly (basic and advanced education) or indirectly (indicators that represent level of humanity awareness).

³ Indicators for:

- Basic Human Needs: Nutrition and Basic Medical Care, Water and Sanitation, Shelter, and Personal Safety.
- Foundation of Wellbeing: Access to Basic Knowledge, Access to Information and Communications, Health and Wellness, and Environmental Quality.
- Opportunity: Personal Rights, Personal Freedom and Choice, Tolerance and Inclusion, and Access to Advanced Education.

Unprotected People and Regional Mobility

Except for Thailand, Singapore, Brunei, and Malaysia (with Indonesia rapidly moving towards universal coverage), the rest of AMS have yet to realise actual universal coverage of the healthcare system. Furthermore, pension systems still lag well behind universal coverage in most AMS, especially for informal workers. Another challenge is tackling migrant workers issues in the context of social protection. The current system has yet to be regionally integrated, thus portability of social security is still an issue. Additional challenges arise in terms of the handling of healthcare for undocumented migrant workers, an issue that Thailand in particular will have to tackle.

Paitoonpong et al. (2015) wrote that in 2014, 3 million migrant workers and dependents from Cambodia, the Lao PDR, and Myanmar lived in Thailand. About 1.3 million are classified as legal through the process of National Verification and MOU (Memorandum of Understanding). Only about 400,000 migrants (2013) are insured under the Social Security System (SSS), while there is no figure for those insured under the Workmen's Compensation Fund (WFC). Under the SSS, migrant workers are not eligible for four benefits – maternity, child support grants, unemployment, and old age – due to the nature of their employment and migration status.

On the other hand, according to the ASEAN Mutual Recognition Agreements (MRAs) in services, as of March 2015, there are eight types of skilled workers allowed to move around ASEAN to work in the following professions: medical doctors, dentists, nurses, architects, engineers, accountants, surveyors, and tourism professionals. These eight professions account for about 1.5% of the total ASEAN workforce, which is far from having a flexible regional labour market. Most countries embrace a 'locals first' labour policy, which is normal. But to become a caring and strong region, ASEAN needs to go beyond this. Issues of workers mobility tend to be difficult to address because the government needs to explain the benefits of opening up the labour market to the people who may be concerned their jobs will be taken by foreign workers. This issue can easily be politicised by taking advantage of nationalist sentiment, which can happen in any country. One approach is to agree mutual policies with other countries based on comprehensive coverage for a bundle of professions to balance uneven distribution of workers and improve labour market efficiency amongst countries. Knowledge and technological transfers can also be facilitated by cross-border exchange of workers and cross-border investments.

Given the social protection situation in AMS described above, the most central issues to be addressed in the future ASEAN are: ageing population, shrinking labour market, large number of uncovered people in the social protection system, and matching skills with future demand.

Most challenges have been viewed as national issues, where a country has to work individually to transform a window of opportunity into a demographic dividend and at the same time anticipate future challenges. Rising longevity and falling fertility rates, along with urbanisation, reduced family sizes, and growing non-wage employment are expected to increase economic and societal insecurity, resulting in increasing pressure on budgetary resources. Strong social security systems will thus be crucial in sustaining economic and political stability, and in ensuring social cohesion (Asher and Zen, 2014). This implies that ASEAN's economic integration activities must be effectively coordinated with its social sector initiatives.

Transforming the Region's Potential into the Region's Advantages – What Have We Achieved?

Southeast Asia has been successfully moving to the next stage of development. During the last two and a half decades, the poverty rate has fallen significantly in all member states, income levels have increased, and Human Development Index indicators have improved. All member states have achieved Millennium Development Goals targets on poverty, although the Philippines and the Lao PDR have been less successful. Social protection programmes have clearly contributed significantly to reducing poverty and improving basic health indicators.

As discussed in the first part, not all member states have adopted universal healthcare and income security, having been constrained by limited resources. Countries may also have various and fragmented programmes that sometimes overlap and are less effective. In decentralised countries such as Indonesia and the Philippines, serious efforts are needed to harmonise inter-governmental social security programmes. A reliable, updated, integrated, and standardised database is essential for fixing many problems currently faced – especially those related to mistargeting, miscalculation of required funds, and wide equality gaps – and programme prioritisation. Further, as previously pointed out, the problems of social protection have so far been dealt with by countries individually.

What Can We Achieve as a Region?

During the next 2 decades, some countries will become ageing populations with different characteristics and at different levels. Singapore will reach that point as a high-income country; Thailand, Malaysia, Brunei, and possibly Indonesia will become middle-income countries; while Viet Nam and Myanmar will be ageing at relatively

low middle-income levels. Cambodia, the Lao PDR, and the Philippines, on the other hand, will still be relatively young and growing. One needs to put into the context the following relevant considerations: a shrinking labour market in Thailand and Singapore; sunset industries in Thailand and the Mekong area that needs relocation and structural adjustments; and high demand for specific skills in countries like Singapore, Indonesia, and Malaysia, and probably Brunei.

All of these factors will shape the future of the region, as they influence the level of development progress. In future, Asia will be the world economy's vital region, which provides it with a great opportunity to reap its potential benefits. If AMS adopt a 'business-as-usual' approach on social protection and relevant labour market policies, the future of the region could be envisaged as an unequal society with an inefficient labour market. There will be an excess of productive workers in some parts of the region, but short labour supplies in other parts of the region – a situation that results in economies paying higher cost and producing less output. Additionally, barriers to and incompatibilities in the movement of people and interrupted social protection ownership will hamper mobility and add extra costs to finance overlapping programmes. While the migration of skilled workers is regulated and well documented, this is not the case for low-skilled workers, including undocumented ones. In fact, even without MRAs, low-skilled migrants will keep flowing across borders following the laws of supply and demand. Some of them are undocumented. If we do not recognise this as a fact and as an inevitable situation, in future we should accept all unforeseen costs as a consequence. The costs are both tangible and intangible costs, such as ad hoc and irregular costs for unprotected people when they are in need, additional healthcare costs especially in ageing and small labour market countries (e.g. extra care costs), uncontrolled contagious diseases (poor monitoring because they are outside the system), non-optimal contributions from productive aged persons, etc.

How to Address the Challenges and Reach the Ultimate Goals?

We can either look at the uneven distribution of demographic layers across the region combined with different levels of income/development stages as individual countries' problems or as the region's opportunity. When we see them as a single country's problems, that country should struggle on its own to address the issues of lack of workers of productive age, lack of specific skilled workers, lack of or excess of low-skilled workers, low social protection coverage, etc. Countries like Malaysia and Thailand threaten to fall into a middle-income trap many scholars have warned (it is debatable but worth considering). They need to maintain steady and sustainable growth, which means they are constantly in need of adequate capital accumulation, continuous improvement of skills of workers, and replacements for filling low-skilled jobs.

All of the abovementioned issues are centred on two big topics: optimising the regional labour market; and providing protection for marginal groups, especially children, women, and older persons. The objective is to create a prosperous, safe, and sustainable region that cares for its people while maintaining its global competitiveness.

The mission to optimise the regional labour market requires smooth and harmonised regulatory systems across jurisdictions that support freer movement for workers. It can address the problems of demand shortages for low-skilled workers in the countries with abundant labour, while, in contrast, the neighbour countries experience shortages in labour supply to fill low-skilled jobs. New emerging economies will soon need skilful workers to quickly adapt to new technologies or managerial capabilities that in the short term can be fulfilled by other ASEAN workers, and in the medium term they can nurture local talents.

The region needs to expand MRAs in services, including bilateral MRAs to provide greater mobility for professionals. Apart from that, a general agreement on the exchange of low-skilled workers may help to speed up the process, reduce transaction costs, and decrease the numbers of undocumented cross-border workers. Countries can cap the numbers of foreign low-skilled workers if they need to, but should officially recognise them as formal workers with attached eligibilities and responsibilities. Such an arrangement would support formalisation of undocumented workers, increase social protection coverage, acquire better health and mobility monitoring, and promote safety and security.

The current regional centres established by AMS in the specific areas of cooperation have provided valuable support for education and training, knowledge exchange and certification, standards development, etc. A reliable, updated, and integrated database for ASEAN will be very useful to reduce disputes and overlapping costs of acquiring data, while at the same time improve the monitoring system, provide a rationale for negotiations and agreements, and support suitable mobility. Companies too can utilise the data for more effective and efficient hiring of employees and their expansion plans. A good database also tends to be attractive for researchers, to conduct research, and their findings can be useful for stakeholders as well. An open database system will be monitored by interested parties, thus making it more reliable and up-to-date.

The first step is to agree on the standardised indicators that should not be detached from relevant labour market and social protection policies. The data should be consistent and comparable across jurisdictions. On the other hand, countries can also try to reach agreement on basic social protection for all ASEAN workers that can guarantee the portability of basic social protection programmes across the region. For example, if it is

obligatory that every worker is insured under his/her national system before moving to another country, then in exchange there is a guarantee that the insurance will be continued under the equivalent host country's system.

The second mission of protecting marginal groups, especially children, women, and old-age persons, needs to be well prepared by each country, including those that still have young populations. They have to avoid a dramatic increase in future liabilities caused by unanticipated ageing challenges through carefully designed insurance systems and programmes to promote healthy, happy, and productive old-age persons. On the other hand, rapidly ageing countries have to intensify their programmes to cover old-age persons and make optimal utilisation of society efforts.

Above all, ASEAN needs to act as a strong and solid region in handling this issue. There are still large numbers of marginal groups in need of support and protection. Some countries need to be supported in many ways, especially those that are struggling to expand basic protection systems. One of the examples that show a commitment to humanity is the agreement to protect and shelter all children and women regardless of their nationalities, ethnic origins, religions, etc. The regional fund can be raised to compensate the nations that provide that kind of protection for non-citizens. As a region, we need to be aware that the failure in some parts of the region will affect the whole region, and in turn will diminish other parts' achievements. We can avoid that by instead multiplying individual outputs by synergising them. ASEAN can become a strong, prosperous, solid, and caring region.

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