ESCAP
MOVING FORWARD TOGETHER

BRIEF 7

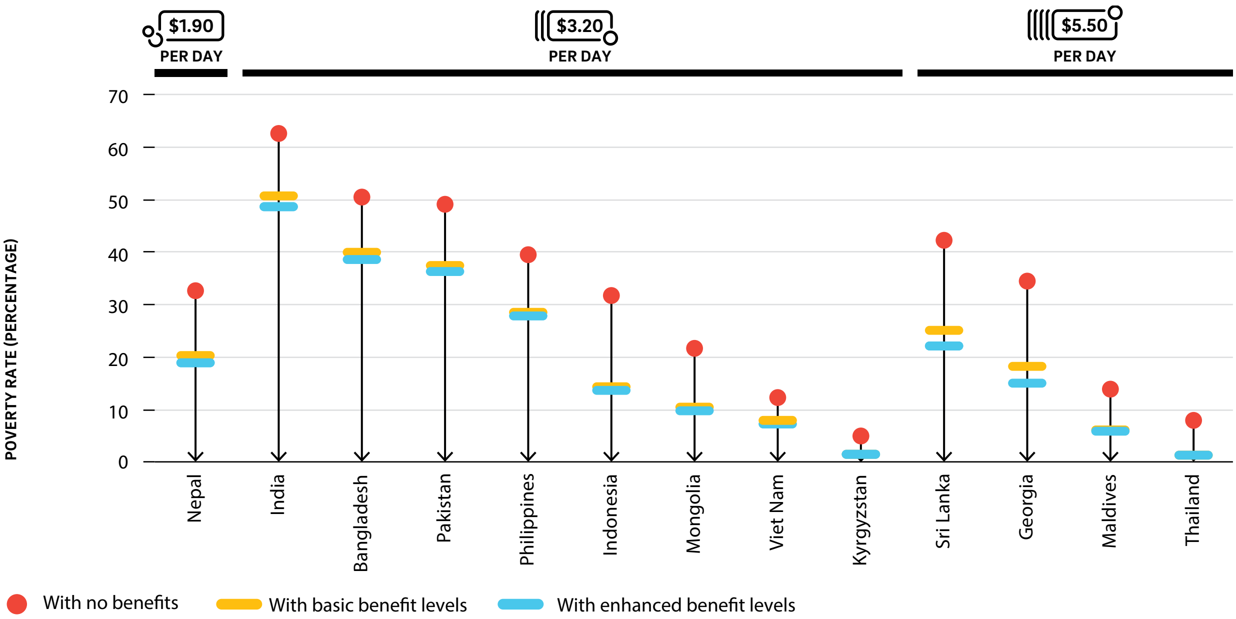
Broadening social protection: impact in Asia and the Pacific

Investing in social protection would deliver phenomenal benefits to individuals, families, societies and economies across the Asia-Pacific region. Extending universal coverage of child benefits, disability benefits and old-age pensions would significantly reduce the risk of vulnerabilities, but also lift millions of households out of poverty. The increase in public expenditures required is between 2 and 6 per cent of a country's GDP.

To demonstrate the positive impact of social protection, the United Nations Economic and Social Commission for Asia and the Pacific, together with Development Pathways, has developed the social protection simulation tool. It estimates the impact that broader social protection coverage and adequate benefit levels would have on reducing poverty and inequality and increasing household consumption. The tool simulates universal benefits for all children below the age of 18, all persons with severe disabilities aged 15 to 64 and all persons aged 65 and above. Countries covered by the tool include Bangladesh, Cambodia, Georgia, India, Indonesia, Kyrgyzstan, Maldives, Mongolia, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Viet Nam.[1]

Extending universal coverage of child benefits, disability benefits and old age pensions would reduce the proportion of households living in poverty by up to 18 percentage points. The reduction in poverty would be greatest in Indonesia, Sri Lanka and Georgia. In Thailand, the consolidated impact of the three schemes would lift 85 per cent of the recipient households above the international poverty line of $5.5 per day.

FIGURE 1 Simulated reduction in poverty rates of recipient households of consolidated benefit package



Source: ESCAP elaboration using Social Protection Simulation Tool. Details of the household income and expenditure surveys used for the estimations are in annex 2.
Note: Recipient households are all households in which at least one household member receives one of the benefits. As benefits are shared among all household members, these basic benefits would be high enough to pull some households out of poverty, but not others.

In 9 out of 13 countries, more than one third of the total population currently living in poverty would be lifted out of poverty. This would include all upper middle-income countries, for which the international poverty line is $5.5 per day. In Indonesia, more than half of the population would be lifted above the corresponding international poverty line of $3.2 per day. The impact on income inequality, measured by the Gini coefficient, would fall by 10 per cent on average in the countries covered.

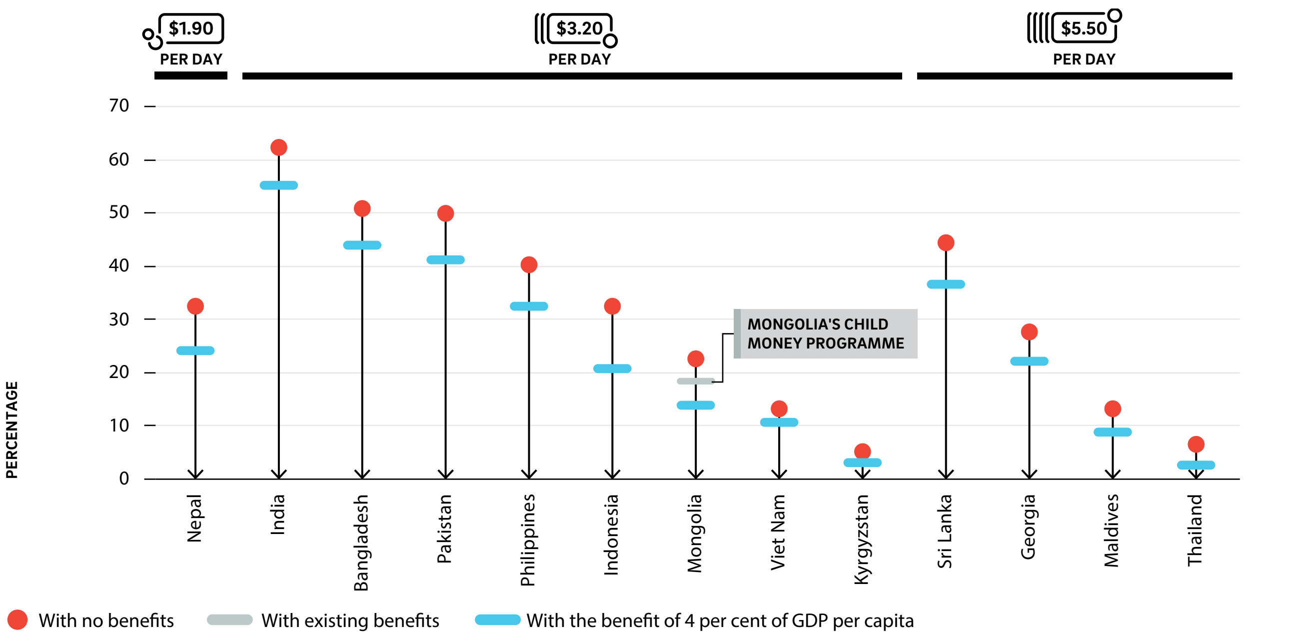
1 The tool has been used to estimate the cost of extending basic benefit levels of social protection in these countries based on global averages and the cost of enhanced benefit levels based on OECD averages. Administrative costs are assumed at 5 per cent of each scheme's total transfer cost. Child benefit levels are set at 4 per cent of GDP per capita and the disability scheme is assumed at 14 (basic) and 23 (enhanced) per cent of GDP per capita. For the old-age pension scheme, benefits are assumed at 16 (basic) and 22 (enhanced) per cent of GDP per capita. The ESCAP social protection simulation tool uses GDP per capita equivalents to benchmark benefit levels. The two different disability benefit levels and old-age pensions (basic and enhanced) used in the proposed scenarios are higher than the corresponding international poverty for all three country income groupings.

Households would also see marked improvements in their consumption. The increase would range from 7 per cent in Kyrgyzstan, to a 24 per cent increase in Indonesia and Sri Lanka. For households in the lowest income decile, consumption would increase by approximately 50 per cent in Maldives, the Philippines and Sri Lanka.

A consolidated package of the three schemes would have the maximum impact. Yet each individual scheme would alone yield considerable benefits**.**

Introducing universal child benefits to all households with at least one child below the age of 18 years would contribute to poverty reduction. With a benefit level of just 4 per cent of per capita GDP, the share of recipient households living in poverty in Indonesia would decline from 32 per cent to 20 per cent. In Nepal, it would reduce poverty by 25 per cent. Recipient households would also see an increase of their consumption levels, ranging from 5 per cent in Kyrgyzstan to 14 per cent in India.

FIGURE 2 Simulated reduction in poverty rates among recipient households of a child benefit



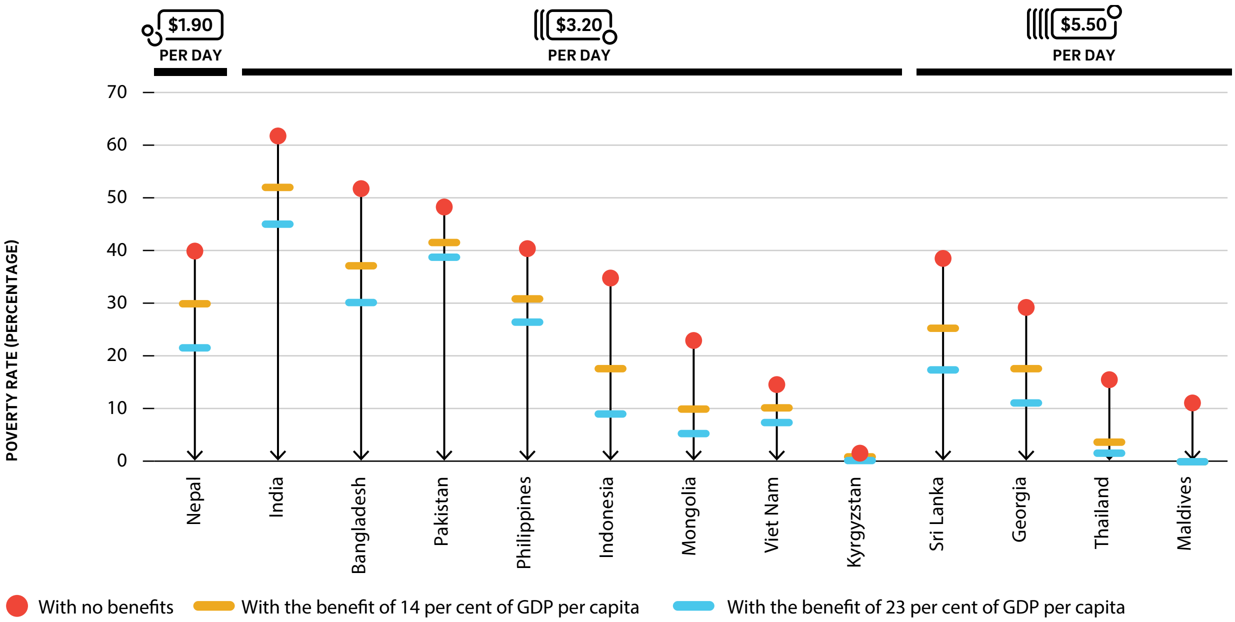
Source: ESCAP elaboration using Social Protection Simulation Tool.
Note: Recipient households are all households in which at least one household member receives the benefit. Similar to Mongolia Nepal also offers a child benefit scheme, but its impact cannot be simulated and presented, as the scheme was not captured by the respective household survey.

Introducing universal disability benefits to all persons with severe disabilities would significantly improve livelihoods. The lower benefit level of 14 per cent of GDP per capita would reduce poverty in recipient households in Bangladesh, Mongolia and Sri Lanka by approximately 14 percentage points. Consumption among recipient households would increase across the board. For recipient households in Indonesia and Thailand, the increase could be as high as 27 per cent. Among households in the lowest consumption decile, the impact would be greatest in Georgia, Indonesia and Thailand, where consumption would increase by more than 40 per cent.

Extending old-age pensions to everyone above the age of 65 would significantly reduce poverty rates. Compared to the situation with no schemes in place, a universal old-age pension at a basic benefit level of 16 per cent of GDP per capita would reduce the proportion of recipient households in Indonesia living below the $3.2 a day poverty line from 40 per cent to 16 per cent. A higher benefit level, set at 22 per cent of GDP per capita, would bring millions out of poverty in India. In Thailand, poverty would be fully eradicated for recipient households.

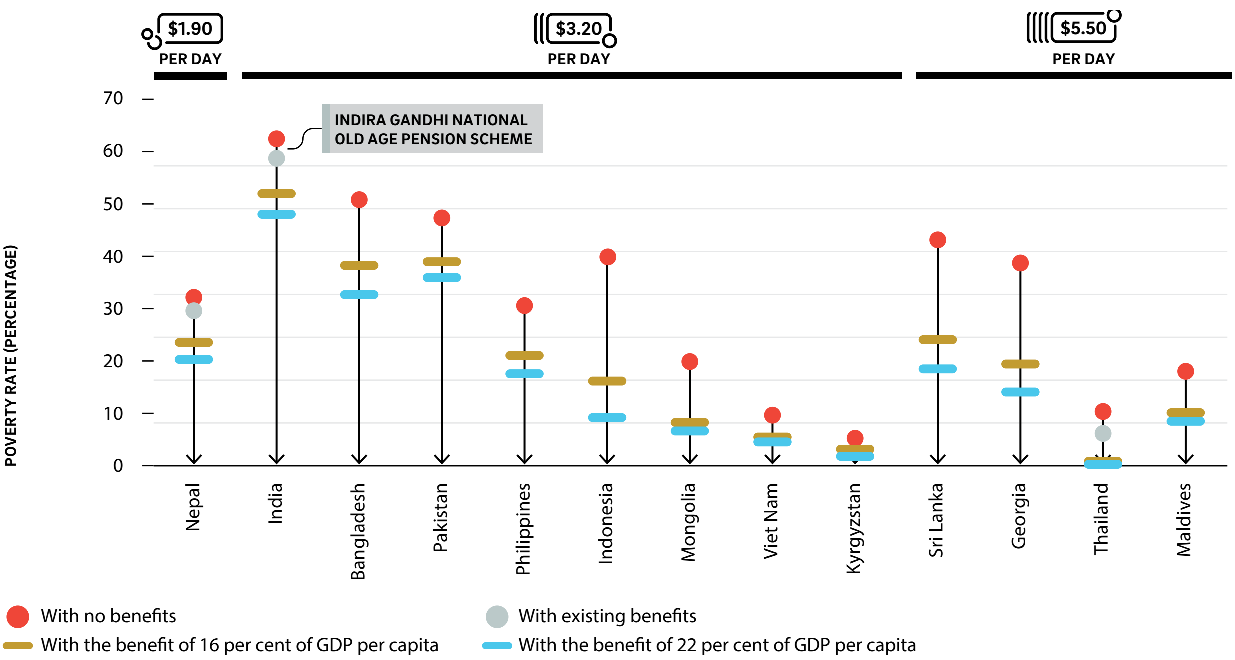
The consolidated package of child benefits, disability benefits and old-age pensions would cost between 2 and 6 per cent of GDP, a cost within reach for most countries in the region. The immediate positive impact on poverty, inequality and consumption is worth this investment, but it requires an increase in public expenditure. With political will this can be achieved by reallocating resources and identifying new revenue streams. Increasing revenues from progressive taxation in a region where many countries have low tax-to-GDP ratios must be part of the solution. This requires improving the efficiency of tax administrations but also expanding the tax base by formalizing the economy. Investing in social protection now will support a stronger recovery from the COVID-19 pandemic and lay the foundations for a more prosperous and inclusive future for Asia and the Pacific.

FIGURE 3 Simulated reduction in poverty rates among recipient households of a disability benefit scheme



Source: ESCAP elaboration using the Social Protection Simulation Tool.
Note: Recipient households are all households in which at least one household member receives the benefit.

FIGURE 4 Simulated reduction of poverty rates among recipient households of an old-age pension



Source: ESCAP elaboration using the Social Protection Simulation Tool.
Note: Recipient households are all households in which at least one household member receives the benefit

This brief presents a summary of Chapter 7 of the ESCAP-ILO publication *The Protection We Want: Social Outlook for Asia and the Pacific*, 2021. For further information, please visit https://www.unescap.org/publications/protection-we-want-social-outlook-asia-and-pacific.