

Inputs to the 11th Session of the Open-Ended Working Group for the purpose of strengthening the protection of the human rights of older persons
- Social Protection and Social Security (including social protection floors)

30 October 2019

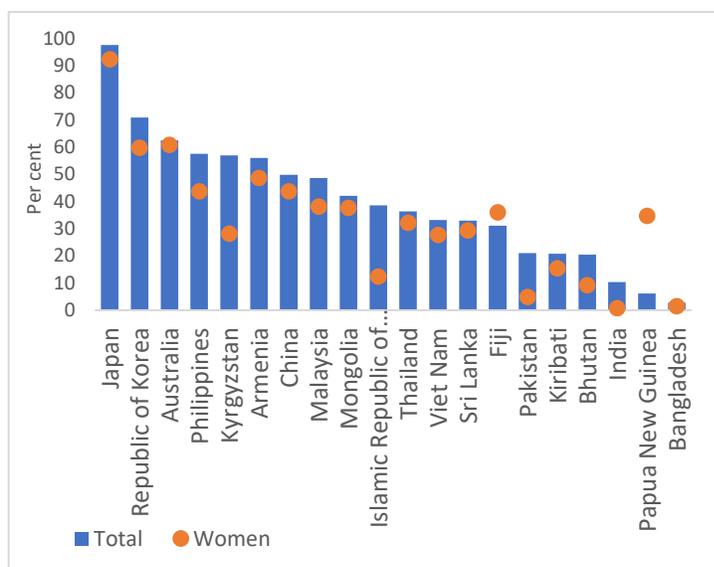
Scope of the right to social protection

Coverage of contributory pension systems overall is still low in the Asia-Pacific region. In some countries, contributory pensions are only provided for the public sector, in other countries the pension system also includes the formal private sector. However, since the informal sector plays an important role in most countries in the Asia-Pacific region, consequently, a large proportion of the labour force is not covered by pensions. In India, for example, 80 per cent of all employment is informal employmentⁱ. Less than half of the working-age population is under mandatory pension coverage in several countries of the Asia-Pacific region (Figure1). When it comes to those who effectively pay in, coverage is even lower. There are often significant gender gaps in effective coverage of pensions. In Malaysia, for example, 32.4 per cent of men in working age in 2010 contributed to a pension system, while it is the case for only 23.6 per cent of working-age womenⁱⁱ. Only few countries report data disaggregated by sex, which leads to gender imbalances in access to pensions remaining largely unreported. Many countries are making efforts to increase pensions coverage, including of the informal sector by promoting voluntary coverage, such as India, Malaysia, Thailand, and Viet Nam.

When women are covered by pension systems and actively contribute, their benefit levels are typically lower than men’s. For example, in Malaysia, in 2015, women’s average savings per contributor accounted for only 75 per cent that of men’s, which also leads to lower benefit levelsⁱⁱⁱ.

In Fiji, for example, only 38 per cent of the active compulsory members are women and 48 per cent of the active voluntary members are women, but only 33 per cent of the wealth of the pension fund (derived from positive active balances) is owned by women^{iv}.

Figure 1. Mandatory coverage of contributory pensions in selected countries of the Asia-Pacific region, as a percentage of the working-age population, latest available year

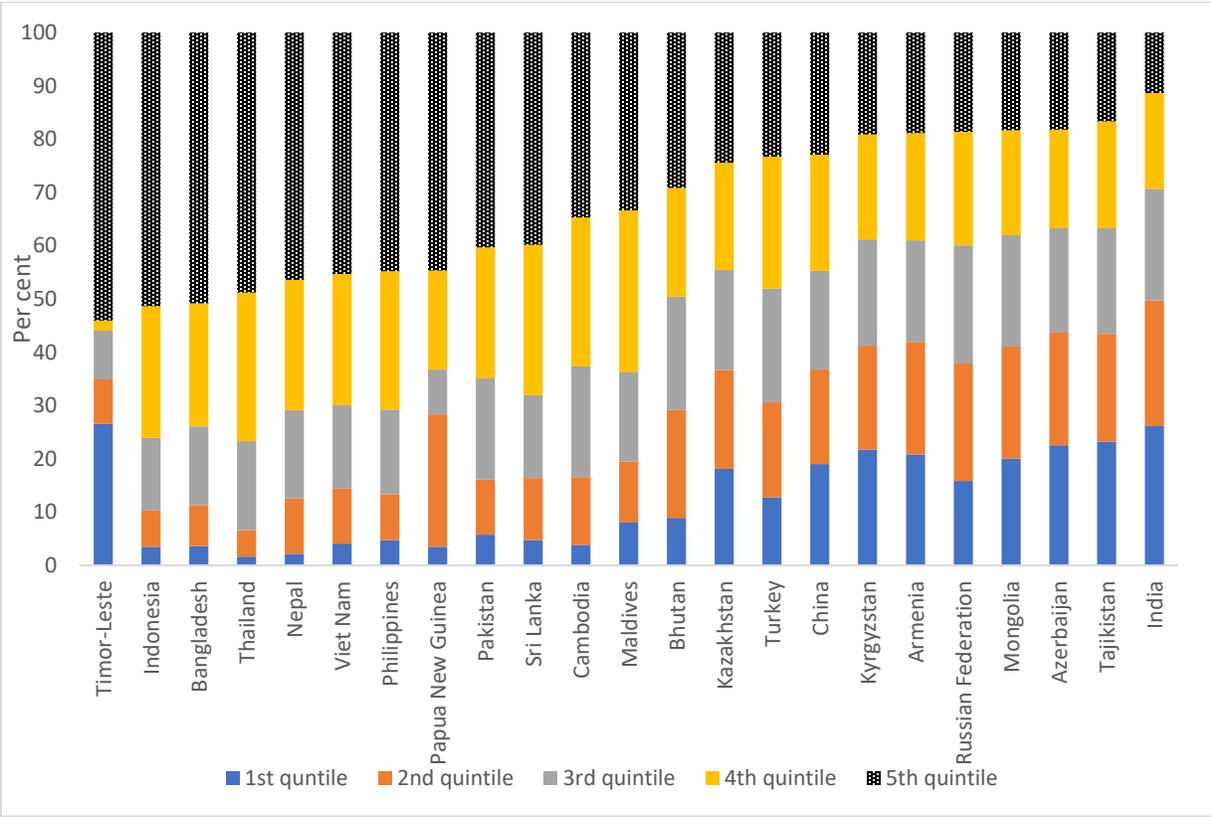


Source: International Labour Organization, Social Protection Report 2017-2019, Geneva 2018.

Most prevailing contributory pension systems in the Asia-Pacific region do not include any redistributive elements. Defined contribution systems with individual accounts dominate the pension landscape. In the Pacific and in South Asia, provident funds dominate, which often provide lump-sums instead of annuities, allowing multiple withdrawals. Thus, available funds upon retirement depend on the contributions made during the working-life, as well as withdrawals made. In Pacific island countries, it was reported that members of provident funds often have to withdraw parts of their funds to reconstruct their dwellings after disasters^v. However, several countries with provident funds are making efforts to provide options to choose a monthly annuity instead of a lump-sum. Such recent reforms have been conducted in Fiji and Singapore, for example, and is currently under discussion in Malaysia.

Pension beneficiaries are unequally distributed among income groups. In several countries of the Asia-Pacific region, around half of the pension beneficiaries are in the highest income quintile, while a much lower percentage of the pension beneficiaries are in the lowest two income quintiles (Figure 2). There is a “missing middle” in many pension systems of the region: while people in the lowest income quintile often have access to cash transfers targeted at poor people and the highest income groups have better access to contributory pensions and higher savings to sustain their living, the middle income groups, who are often very vulnerable of falling into poverty, have very limited access to social protection.

Figure 2. Beneficiary incidence by income quintile (percentage of all beneficiaries), select countries in the Asia-Pacific region, latest available year



Source: World Bank, ASPIRE database, Atlas of Social Protection Indicators of Resilience and Equity, online, accessed 6 June 2019

An increasing number of countries is implementing universal social pensions, which are typically tax funded. The following countries currently have a social pensions – some are universal, others are pensions tested: Armenia, Azerbaijan, Brunei Darussalam, Fiji, Georgia, Kazakhstan, Kiribati, Kyrgyzstan, Maldives, Myanmar, Nepal, New Zealand, Russian Federation, Samoa, Tajikistan, Thailand, Timor-Leste, Turkmenistan, Uzbekistan, Viet Nam, Social pensions are important to provide minimum income security for all, and particularly to those who have limited access to contributory pensions. Benefit levels range from USD PPP22 to USD PPP 1,106^{vi}.

ⁱ ILO ILOSTAT database, online. Accessed 3 October 2019

ⁱⁱ International Labour Organization. Social Protection Report 2017-2019, Geneva 2018.

ⁱⁱⁱ ESCAP. Income Security for Older Persons in Malaysia, Project Working Paper Series, online. Available from: <https://www.unescap.org/sites/default/files/SDD%20Working%20Paper%20Ageing%20Income%20Malaysia%20v1-1.pdf>.

^{iv} Fiji National Provident Fund (FNPF). Annual Report 2018. Suva: FNPF. Available from: <https://myfnpf.com.fj/images/Annual-Report-2018-24.10.pdf>. Accessed on 2 October 2019

^v Fiji National Provident Fund (FNPF). Annual Report 2018. Suva: FNPF. Available from: <https://myfnpf.com.fj/images/Annual-Report-2018-24.10.pdf>. Accessed on 2 October 2019

^{vi} HelpAge International, Social Pensions database online. Available from: <http://www.pension-watch.net/social-pensions-database/social-pensions-database--/>. Accessed 30 October 2019.