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Social Protection in APEC: In Pursuit of Inclusive Growth

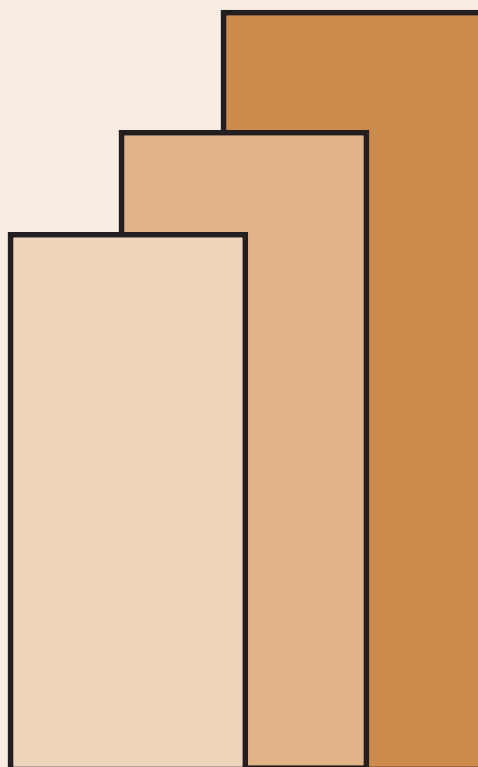
Janet S. Cuenca

DISCUSSION PAPER SERIES NO. 2016-03

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Social Protection in APEC: In Pursuit of Inclusive Growth

Janet S. Cuenca



Philippine Institute for Development Studies

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SOCIAL PROTECTION IN APEC: IN PURSUIT OF INCLUSIVE GROWTH

Janet S. Cuenca

ABSTRACT

The paper seeks to take stock of some of the key APEC documents/reports relevant to social protection and safety net programs and also, of the experience of APEC member economies, with special focus on the Philippines, in implementing social protection measures. In particular, it attempts to identify and analyze social protection issues and challenges within the APEC context. In addition, it aims to provide insights, policy guidelines, and recommendations to improve social protection.

Keywords: social protection, social security, labor market policies, pension, social insurance programs, social assistance, social safety nets

SOCIAL PROTECTION IN APEC: IN PURSUIT OF INCLUSIVE GROWTH

Janet S. Cuenca¹

I. INTRODUCTION

In the aftermath of the 2008/2009 global financial crisis, the APEC Leaders recognized the need to draw up a new growth paradigm (i.e., comprehensive long-term growth strategy) “that supports more balanced growth within and across economies, achieves greater inclusiveness in our societies, sustains our environment, and which seeks to raise our growth potential through innovation and knowledge-based economy (APEC Secretariat 2009).”

In 2010, the APEC Leaders’ Growth Strategy² was launched with the end view of attaining balanced growth, promoting inclusive growth, achieving sustainable growth, enhancing innovative growth, and creating secure growth. By inclusive growth, the APEC Leaders meant broadening access to opportunities resulting from economic growth and spreading the benefits of growth among a larger segment of society. In this regard, they “seek to ensure that all our citizens have the opportunity to participate in, contribute to, and benefit from global economic growth.”

One of the two key thrusts in APEC’s inclusive growth agenda is the strengthening of social resilience to enable individuals to “overcome short-term difficulties while providing the incentive for long-term effort, with a focus on the most vulnerable in our economies (APEC Secretariat 2009).” In this light, the APEC Leaders committed to undertake the following:

1. We will improve outcomes in education and skills-training to enhance long-term economic security.
2. We will consider income supplements or earned income tax credits that encourage work and enterprise.
3. We will design social safety nets that provide short-term economic security but avoid long-term dependency.

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² http://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010_aelm/growth-strategy.aspx

The list of actions to achieve inclusive growth includes the following:

1. Promote job creation, human resource development, and active labor market policies;
2. Promote SMEs, MEs, and entrepreneurship development
3. Promote more inclusive access to finance and financial services;
4. Enhance social resilience and social welfare through means such as improving social safety nets and supporting vulnerable groups;
5. Create new economic opportunities for women, elderly, and vulnerable groups; and
6. Promote tourism

In terms of improving social safety nets and supporting vulnerable groups, APEC has been staunch in its commitment in this regard that can be traced back to as early as 1998. In this context, the paper seeks to take stock of some of the key APEC documents/reports relevant to social protection and safety net programs and also, of the experience of APEC member economies, with special focus on the Philippines, in implementing social protection measures. In particular, it attempts to identify and analyze social protection issues and challenges within the APEC context. In addition, it aims to provide insights, policy guidelines, and recommendations to improve social protection.

The paper is organized as follows. Section II provides a review of various APEC documents/reports relating to social protection and safety nets. It also presents an overview of social protection in APEC, with highlights on the issues and challenges faced by member economies in the area of social protection. Section III presents the Philippine case. The paper ends with recommendations based on existing studies in Section IV.

II. SOCIAL PROTECTION IN APEC

A. SOCIAL PROTECTION DEFINED

Social protection refers to policies and programs that are aimed at preventing, managing, and overcoming the risks (e.g., economic recession, political instability, unemployment, disability, old age, health problems, sudden death of breadwinner, climate change, etc.) confronting the poor and vulnerable people. It is intended to reduce poverty and vulnerability through effective

and efficient implementation of policies and programs, which the Asian Development Bank (ADB) categorizes as follows:³

1. Labor market policies and programs designed to promote employment, efficient operation of labor markets, and protection of workers;
2. Social insurance programs to cushion the risks associated with unemployment, ill health, disability, work-related injury, and old age;
3. Social assistance and welfare service programs for the most vulnerable groups with no other means of adequate support, including single mothers, the homeless, or physically or mentally challenged people;
4. Micro- and area-based schemes to address vulnerability at the community level, including microinsurance, agricultural insurance, social funds, and programs to manage natural disasters; and
5. Child protection to ensure the healthy and productive development of children.

Similarly, the World Bank defines social protection as a set of instruments meant to reduce, mitigate, and cope with various types of income risks that affect the poor. As such, social protection is comprised of pension reforms, labor market policies, social safety nets (social assistance) programs, and social insurance, among others.

From the APEC perspective, it is defined differently across member economies. In this sense, there is no consensus in APEC on its definition as can be gleaned in **Table 1**. Nevertheless, it should be noted that the concept of social protection is often understood in the context of broad theme such as risks and contingencies such as unemployment, old age, work injuries, health problems, and other vulnerabilities (e.g., persons with disabilities, women, and children).

Table 1. Social Protection Defined: Select APEC member economies	
APEC Member Economies	Definition
Australia	Social protection refers to programs that address risk, vulnerability, inequality, and poverty through a system of transfers to people in cash or in kind. It has three core functions: 1) protection of the poor from the worst impacts of poverty, 2) prevention against income shocks and drops

³ <http://www.adb.org/SocialProtection/default.asp>

	in well-being, 3) promotion of opportunities and livelihoods. ⁴
Brunei Darussalam	Social protection system includes existing features catering for retirement such as the pension schemes, the employee trust fund (TAP), and the supplementary contribution pension (SCP) [Haji Saim 2010].
Chile	Social protection “system” is broadly defined to include policy interventions, public institutions, and the regulation of private institutions that lower the welfare costs of adverse shocks to income from job loss and extended unemployment, health episodes, old age, and life-time poverty. ⁵
People’s Republic of China	Social protection includes three basic systems, namely, a social insurance system, a social assistance system, and a social welfare system (Juwei 2010).
Indonesia	Social protection refers to an integrated system of protective measures against risks, in order for individuals, households and communities to minimize the normal day to day risks that can occur in life, mitigate the impact of economic shock, and to support vulnerable groups within society. Social protection includes several public intervention instruments, such as social insurance, social assistance and social safety nets, with additional space for private and community-based initiatives. Social protection is broken-down into social security and social assistance (Widjaja and Simanjuntak 2010).
Japan	The concept of social protection should be associated with the Japanese terms Shakai Hoshō, the literal translation of which is social (Shakai) security (Hoshō). The MHLW schematizes policy for “social security” in terms of (1) social insurance (public pensions, public health insurance, long-term care insurance, work-related insurance), (2) public assistance (poverty relief), (3) social welfare (personal social services and income support for the elderly, the disabled, children and single mothers), (4) health (medical service delivery, health promotion, and epidemic prevention) and (5) medical care for the elderly (Hayashi 2010).
Malaysia	The social protection schemes can be described as multipillar, with reliance on certain pillars depending on an individual’s occupational history. The major formal social protection schemes include the Civil Service Pension Scheme, the Employees Provident Fund (EPF), the Social Security Organisation (SOCSO), the Armed Forces Fund (LTAT) and the Workers’ Compensation Scheme. There are also the public welfare programmes administered by the Ministry of Women, Family, and Community Development which can be classified into social assistance (means-tested) and social pension schemes. Non-formal pillar comprises homeownership, personal savings, and

⁴ <http://dfat.gov.au/about-us/publications/Documents/strategy-for-australias-investments-in-social-protection.pdf>

⁵ <http://elibrary.worldbank.org/doi/abs/10.1596/0-8213-5953-3>

	other financial or non-financial assets (Ong and Hamid 2010).
Papua New Guinea	The social protection is defined in PNG as policies, programs, and services, which allow for some form of protection and assistance to be provided directly, either in-cash or in-kind to individuals, families and households that are vulnerable to risks and shocks. At the same time, it empowers these groups to cope with the demands of daily life, leading towards the transformation of their lives in the long term. ⁶
Philippines	Social protection refers to policies and programs that seek to reduce poverty and vulnerability to risks and enhance the social status and rights of the marginalized by promoting and protecting livelihood and employment, protecting against hazards and sudden loss of income, and improving people's capacity to manage risks. ⁷
Russia	The formal system of social protection includes labor pensions, unemployment compensation, family allowances, sickness and maternity benefits, and housing allowances. ⁸
Singapore	The social protection model in Singapore fits into what can be loosely referred to as the Confucianist welfare model, with emphasis on individual and family self-reliance and on community support. The model is represented as a pyramid with "many helping hands." Individuals are at the base of the pyramid which means that individuals must first help themselves. Family comes next in the pyramid. Welfare assistance is given to households and families that are expected to work together. At the top of the pyramid is the government which, in partnership with community and voluntary organizations, offers help in a public-private partnership (Choon 2010).
Thailand	Social protection system is a multi-pillar system, with a few schemes to cover different sectors of the population (Paitoonpong et al. 2010).
Vietnam	According to the draft of the Social Protection Strategy 2011-2020, social protection in Vietnam includes three main pillars: (1) labor market; (2) social insurance and social health insurance; and (3) social assistance. These three pillars aim to deal with various risks which are present in a person's life (Giang 2010).

B. SOCIAL PROTECTION AS PRIORITY AREA IN APEC

In view of a highly globalized setting, the Asia and Pacific Region is faced with a challenge of

⁶ <http://www.adb.org/sites/default/files/project-document/76074/44152-012-reg-tacr-19.pdf>

⁷ Philippine Operational Framework on Social Protection (will be discussed later)

⁸ <https://www.imf.org/external/pubs/ft/seminar/2000/invest/pdf/sederlof.pdf>

ensuring that all members of society especially the marginalized sector are included in the economic development process fueled by trade liberalization. Ideally, all sectors of the population must be able to reap the benefits of a globalized economy and well-functioning markets. However, trade liberalization may expose economies to external shocks which have adverse impact on poor and vulnerable households and individuals. If not properly addressed, social problems may outweigh or at worse, diminish the benefits globalization brings. It is thus crucial that social protection mechanisms be put in place to mitigate the adverse effects of globalization.

In response, the Asia-Pacific Economic Cooperation (APEC) recognized the importance of establishing social safety nets⁹ before a crisis occurs as they address the needs of the poor in good economic times and they provide coping mechanisms during a crisis.¹⁰ The importance of establishing and strengthening social safety nets is highlighted in the many APEC declarations and joint statements. A number of APEC documents reflected the strong commitment of APEC to address the social dimension of globalization through social safety nets. To wit,

- In the 1998 APEC Economic Leaders' Declaration, Economic Leaders firmly resolved to strengthen social safety nets given the ramifications of the Asian financial crisis. As a matter of high priority, they agreed that APEC should intensify efforts to address the social impact of the crisis.
- In the 1999 APEC Economic Leaders' Declaration, Economic Leaders recognized "that income and wealth disparities between and within economies can pose a challenge for social stability. Appropriate social safety nets play a role in facilitating economic and social adjustment."
- In the 2000 APEC Economic Leaders' Declaration, Economic Leaders asked the Finance Ministers "to include ways to look after those disadvantaged by economic change including through continued work on social safety nets."

⁹ Non-contributory transfer programs that are aimed at protecting individuals or households against either a chronic incapacity to work and earn (chronic poverty) or a decline in this capacity due to adverse events like the sudden death of a breadwinner, economic recession/transition or bad harvests. They are meant to redistribute income and resources to vulnerable groups and help the poor to proactively manage risks so that they are better able to engage in activities which may involve some risks but which can yield higher returns. Additionally, they are also viewed as effective programs in reaching those who are not covered by traditional social insurance programs, which are often linked with formal sector employment.

¹⁰ http://www.adb.org/Documents/Policies/Social_Protection/social202.asp

- In the report entitled “Social Safety Nets in Response to Crisis: Lessons and Guidelines from Asia and Latin America,” APEC Finance Ministers recommended to put in place social safety nets before a crisis occurs as they address the needs of the poor in good economic times and they provide coping mechanisms during a crisis¹¹
- In the 2001 APEC Economic Leaders’ Declaration, Economic Leaders reiterated their commitment to maintain and improve social safety nets in all member economies. Such commitment was clearly expressed in the Shanghai Accord of 2001 which emphasized that “developing the social safety net is a high priority, as it can make an important contribution to reducing the harmful effects of economic shocks on vulnerable groups.”
- In the Joint Statement of the 13th APEC Ministerial Meeting in Shanghai in October 2001, the importance of social safety nets to the APEC process was highlighted when the Ministers endorsed the proposal of the Ad Hoc Task Force on Strengthening APEC Social Safety Nets to establish an APEC Social Safety Net Capacity Building Network (SSN-CBN)¹².
- In the 2002 APEC Economic Leaders’ Declaration, Economic Leaders noted “the importance of addressing the social dimensions of globalization and acknowledged the need for developing social safety nets to minimize the costs of structural change.”
- Likewise, in the Joint Statement of the 15th APEC Ministerial Meeting in Thailand in 2003, the Ministers emphasized “the need for addressing the social dimension of globalization and the importance of developing social safety nets to minimize the costs of structural change.” They commended the initiatives undertaken by APEC which aim to empower vulnerable people, especially the jobless workforce, and to better manage the impact of structural change and ensure more equitable distribution of the benefits brought about by globalization.

¹¹ http://www.adb.org/Documents/Policies/Social_Protection/social202.asp

¹² The APEC Social Safety Net Capacity Building Network (SSN CBN) was established to promote effective capacity building within the APEC region in the area of social safety nets. The SSN CBN was established in 2002 as a virtual network following the discussion of social safety net issues in APEC which started in 1997. (http://www.apec.org/content/apec/apec_groups/som_special_task_groups/old/apec_social_safety.html)

- Addressing the social dimension of globalization¹³ is one of the four APEC-wide ECOTECH priorities set and endorsed by APEC Leaders and Ministers in 2003. It is also one of the priorities endorsed by the SOM Steering Committee on Economic and Technical Cooperation in September 2006.¹⁴
- As part of the APEC Human Resources Development Working Group (HRDWG), the Labor and Social Protection Network (LSPN) is geared towards fostering strong and flexible labor markets and strengthening social protection including social safety nets through evidence-based interventions, collaboration, technical cooperation, and the provision of labor market and social protection information and analysis.¹⁵
- In the 2009 Leaders' Declaration, the APEC Leaders resolved to overcome the crisis (i.e., the 2008/2009 global financial and economic crisis) within eighteen months through economic stimulus policies. Also, they recognized the need to develop a new growth strategy that includes inclusive and balanced growth as pillars.
- In the 2010 Leaders' Declaration, the APEC Leaders launched the APEC Leaders' Growth Strategy that is aimed at promoting inclusive growth, which involves enabling all segments of economies – from micro-enterprises to women – to participate in the economy and global trade.
- In the 2014 APEC Human Resources Development Ministerial Meeting, the Ministers responsible for human resources development emphasized the significance of appropriate labor and social protection measures. With regard to supporting inclusive and sustainable growth that is critical in addressing the social dimensions of globalization, including equality and needs of vulnerable groups, the Ministers' statement include the following:
 - We support enhancing the effectiveness and sustainability of social protection measures and systems...
 - We promote safe and secure workplaces... We are committed to reducing the number of workplace fatalities, injuries, and illnesses...

¹³ 2007-2008 Workplan: HRDWG Labor and Social Protection Network, 29th HRDWG Meeting, Brisbane, Australia, April 17-20, 2007

¹⁴ http://www.apec.org/apec/apec_groups/som_committee_on_economic.html

¹⁵ [http://hrd.apec.org/index.php/Labour_and_Social_Protection_Network_\(LSPN\)#cite_ref-AEMM_2-0](http://hrd.apec.org/index.php/Labour_and_Social_Protection_Network_(LSPN)#cite_ref-AEMM_2-0)

- We acknowledge that the informal economy is sizeable in some APEC economies.... Vulnerable populations such as persons with disabilities, youth, children engaged in labor, and women make up a disproportionately high number of workers in the informal economy... We encourage the extension of social protection systems, as appropriate, to cover informal workers, taking into account relevant ILO standards and within each member economy's capacity and existing laws and regulations.
 - We recognize that migrant workers, despite their economic contributions, may find themselves in vulnerable situations including a lack of adequate legal and social protection. We should consider ways that APEC could enhance the protection of migrant workers' rights through a balance of responsibilities across economies.
 - We commit to ensuring that persons with disabilities can participate more fully in the labor market and can be employed in disability-inclusive workplaces...
 - We commit to taking steps to better track the number of persons with disabilities in our labor markets, to inform and improve the evidence base for our policy decisions.
- In the 2015 Leaders' Declaration, the Leaders reiterated their "commitment to ensure that future growth is strong, balanced, sustainable, inclusive, driven by innovation, and secure against natural disasters and other threats." In addition, they reaffirmed their "commitment to implementing the 2030 Agenda for Sustainable Development ("2030 Agenda"), which sets a comprehensive, universal, and ambitious framework for global development efforts for the next 15 years, and to ensuring that no one is left behind in our efforts to eradicate poverty and build an inclusive and sustainable future for all." Moreover, they reaffirmed their "commitment to implementing the Addis Ababa Action Agenda, which provides a comprehensive roadmap to help economies implement policies to attract and mobilize diverse sources of financing critical for the realization of the Sustainable Development Goals."
 - In the 2015 APEC Ministerial Meeting, the Ministers supported the APEC HRDWG 2015-2018 Action Plan and its initiatives directed towards vulnerable and disadvantaged groups in society, such as persons with disabilities, women and youth, as well as mobile workers. They called on the APEC HRDWG to identify policy priorities concerning global workers and address gaps in enhancing their social protection.

In the same vein, various APEC seminar-workshops and activities on social safety nets were conducted in the past to build capacity in strengthening social safety nets in the region. Some of these activities are as follows:

1. 1st International Meeting of Experts on Social Safety Nets held in July 2001 in Korea to share experiences on social safety nets and the future development of the Social Safety Net Capacity Building Network (SSN CBN);
2. 2nd International Meeting of Experts held on April 8-9, 2004 in Bangkok, Thailand to discuss the activities implemented by the SSN-CBN;
3. APEC High-Level Seminar on Social Safety Nets held on July 14-16, 2004 in Shenyang, China “to discuss and deliberate on ways to strengthen ability to respond to the increasing need for social safety nets with capacity to cushion the impact of economic volatility, and thereby contribute to enhanced productivity;”¹⁶
4. Workshop on the APEC Social Safety Net Capacity Building on March 23, 2005 in Korea Institute for Health and Social Affairs;
5. APEC Symposium on Social Safety Nets Under Rapid Socio-economic Changes held on August 23-24, 2005 in Lotte Hotel Seoul, Korea to “promote a comprehensive discussions on the role of safety nets for the vulnerable people under the diverse socio-economic impact of globalization;”¹⁷
6. Training the Trainers Program on Social Safety Net Capacity Building held on March 12-16, 2007 in Seoul, Korea to train government officials working in relevant ministries and institutes to train their colleagues and junior officials using the course contents and techniques used in the training;
7. Symposium on Using Social Safety Nets to Meet Extreme Challenges Faced by Communities held on June 24-25, 2007 in Cairns, Australia “to showcase successful approaches and practices that could be used by economies in times of economic crisis and/or natural disasters;”

¹⁶ Welcoming Remarks by Mr. Chang Jin Moon, Director General of the Ministry of Health and Welfare, Korea during the APEC High-Level Seminar on Social Safety Nets

¹⁷ http://www.kihasa.re.kr/html/english/sub04_01_01.jsp?bid=81&ano=22

8. Labor and Social Protection Network (LSPN)-sponsored social protection seminars with the theme “Advancing Inclusive Growth through Social Protection” held in San Francisco and Manila on September 12-13, 2011 and July 25-26, 2012, respectively; and
9. Seminar on Facilitating Human Resource Mobility by Enhancing Social Protection held at the Howard Civil Service International House in Taipei, Chinese Taipei on 31 August-1 September 2015 “to gather insights from government officials of various APEC economies, representatives, and experts from labor study agencies to facilitate collaboration in identifying effective measures to address emerging issues on human resource mobility and social protection.”¹⁸

The eighth activity was part of a project titled “Advancing Inclusive Growth through Social Protection” (AIGSP) that was implemented by the United States and Philippines in 2011-2013.¹⁹ The said project aimed to advance APEC’s understanding on how to strengthen the effectiveness and sustainability of social protection measures and systems, particularly in developing economies. More specifically, it aimed to (i) share promising practices and enhance understanding of social protection programs and policies within APEC economies; (ii) promote best practices and develop recommendations to improve social safety net programs and coverage; and (iii) develop effective strategies to reach vulnerable populations.²⁰

The AIGSP Report highlights the benefits of social protection as well as the major challenges faced by economies that participated in various seminars held for the Project. Other existing studies point out the same. This will be discussed in the following section.

C. SOCIAL PROTECTION: ISSUES AND CHALLENGES

Enhancing social protection system is critical in achieving inclusive and balanced growth. APEC Secretariat (2013) discusses the channels by which social protection advances inclusive growth. To wit:

1. Social protection enhances the capacity of vulnerable people to participate in the labor

¹⁸ <http://ilsdole.gov.ph/portable-social-protection-in-the-region-sought-in-apec-seminar-in-taiwan/>

¹⁹ http://hrd.apec.org/index.php/Advancing_Inclusive_Growth_through_Social_Protection

²⁰ <https://aimp2.apec.org/sites/PDB/Lists/Proposals/DispForm.aspx?ID=340>

market, builds human capital, and reduces economic risks faced by the poor and the near-poor, making growth more inclusive.

2. During an economic downturn, social protection serves as a counter-cyclical force that protects individuals from falling into or further into poverty.
3. Social protection programs have broader benefits as they serve to support the economy and bolster aggregate demand as beneficiaries infuse the economy with program funds.
4. Social protection can mitigate the impacts of disasters and reduce risks associated with household investments in higher-profit/higher-risk livelihood activities. This can result in a positive reinforcing cycle in which wealth and assets are accumulated and households are better able to adapt to changes and shocks.
5. Social protection serves to strengthen human capital through programs that invest in education, health, and social services. These programs enhance individuals' capability to participate in the labor market, leading to a more productive and competitive labor force.
6. Social protection programs improve individuals' participation in the labor market by giving them the resources to conduct a job search until they locate a position which takes advantage of their capabilities, enhancing labor market efficiency and reducing underemployment.

Nevertheless, these benefits do not come without costs. Strengthening social protection is associated with issues and challenges that APEC member economies have to contend with. These issues and challenges can be categorized into broad themes as follows:

1. Choice of program and its design

Coudouel et al. (2002) discuss the steps in choosing an appropriate mix of social protection policies as follows:

- i. Analyze the main sources of risk and vulnerability of the population and identify the population groups most affected by these risks. Once the groups and their characteristics are identified, the role that SP can play, in conjunction with interventions in other sectors and at the macroeconomic level, can be investigated. Policies to ensure macroeconomic stability, rural development, and human capital formation are especially important and will complement social protection programs.

- ii. Determine which of the identified groups are covered by existing social protection programs and policies and assess the effectiveness of these instruments individually and in combination. Special attention should be paid to the compatibility of the policy context and the expenditure programs, and the specific objectives of each intervention, its effectiveness at achieving these objectives, and its cost effectiveness in delivering the observed outcomes.

The aim is to reveal both gaps in coverage and the cost-effectiveness of existing interventions. If full cost-effectiveness analysis cannot be done, then consideration of partial indicators such as sustainability, targeting effectiveness, administrative costs and unintended effects, and constraints can be used. This analysis of existing programs and policies, together with information on alternative interventions and the constraints faced (for example, budget constraints, administrative capacity, and political economy), provides the basis for determining the most effective mix of interventions. In all cases, the full SP strategy will be composed of a mix of policies and programs. The appropriate mix, of course, will vary by country.

- iii. Develop an action plan that specifies the actions, resource requirements, timetable, and parties responsible for each action.

Cook (2009) argues that “social protection strategies need to create the possibility of redistribution – whether across regions or social groups – in order to protect basic livelihoods and promote equal citizenship rights and greater social cohesion.” On the other hand, Subbarao et al. (1997) argue that programs should be designed with a clear appreciation of the country situation - not crowding out private safety nets and growth promoting investments and cognizant of political economy constraints. Likewise, Skoufias (2012) points out that social protection and labor policies and programs should be tailored to countries and evidences.

Country-specific conditions that should be taken into account include macroeconomic conditions, socio-economic profile/demographics, infrastructure constraints, administrative constraints, and political constraints. For instance, “choices between universal and targeted schemes need to be context specific, and depend on a range of political, fiscal and administrative considerations and constraints (UNESCAP 2011).

The country-specific conditions and attributes explain why social protection mix varies across countries and thus, the difference in how countries define social protection. Edes (2012) opines that “the social protection system that Asia adopts may be somewhat different than in other parts of the world, depending more on individuals, families, communities and the private sector.” In the case of pension systems in Southeast Asia, Asher and Bali (2015) note the significant heterogeneity among the systems “in terms of their social protection philosophy, institutional features, macroeconomic sustainability, and coverage rates.”

A number of existing studies (e.g., Asher 2010a; Choon 2010; Chung 2010; Giang 2010; Handayani 2010; Hayashi 2010; Juwei 2010; Paitoonpong et al. 2010; Widjaja and Simanjuntak 2010; Edes 2012; Asher and Bali 2015) underscore the issue of ageing population. As Handayani (2010) puts it, income support for the elderly is one of the Asia’s biggest social and economic challenges in the 21st century due to aging population, urbanization, globalization of the labor market and sociocultural change. Demographic trends in Asia are expected to exacerbate social and political constraints to sustained high growth without well-functioning pension systems. The said report attributes the failure in Asian pension systems to “high transaction costs,²¹ lack of strong governance, poor design, low coverage, insufficient coverage of informally employed workers, low contribution rates, and low replacement rates.”

Asher (2010a) reiterates that rapid ageing and large informal labor markets challenge the Asian social protection systems. The study points out that the “fairly elaborate social protection programs in Asia” does not necessarily mean well-designed, high-coverage, and financially sustainable schemes. Handayani (2010) argues that a “well-designed pension system should adequately cover the populace and the risks it faces.” In general, Leyton (2012) opines that “the best social protection system is one that allows its users to overcome poverty by their own means.”

In similar vein, Asher and Bali (2015) point out that the demographic trends in most economies in Southeast Asia indicate ageing at relatively low incomes.²² In addition, there is limited

²¹Strategic negotiation process with public or private banking sector must be explored to lower the transaction cost of making payments to beneficiaries.

²² Giang (2010) considers poverty during old age as one of the emerging issues in Vietnam.

opportunity for adjustments in the design of pension programs and reforms in institutions supporting social protection systems. The authors argue that there will be longer financing of retirement expenditure for an ageing population. This implies a higher share of society's resources for the elderly and changes in the financing mix used to provide pensions due to the additional funding required. The authors note the relatively small contribution of the public or government-organized pension schemes in ensuring old-age income security.

In the case of Korea, Chung (2010) mentions that the elderly tend to be sick and the high medical costs cause them to slip into poverty. In this regard, an aging population has been increasingly a concern for the social protection of the elderly, particularly during the 2008/2009 economic crisis. In the case of Singapore, Choon (2010) raises concern over the adequacy of retirement savings that is required in financing the needs of the elderly. The study opines that compulsory savings must yield returns that compensate for inflation rates, especially medical inflation.

Moreover, Handayani (2010) raises the issue on a number of people working in the informal sector uncovered by the formal social protection system, particularly in developing countries (Orbeta 2010, Paitoonpong et al. 2010). Conversely, Edes (2012) points out that "social protection coverage in developing Asia and the Pacific is strongly concentrated in the formal sector." In addition, "a key challenge for countries will be to find ways of reaching those in the informal sector, which is very large in some countries." Handayani (2010) argues that "at the micro level, one major challenge is a lack of information on social protection products and lack of capacity of the providers during start-up." It highlights the importance of promoting microinsurance and its benefits to low-income groups. Nevertheless, Bauer (2012) opines that "employment is neglected in Asia's social protection programs."

With regard to the design of social protection schemes, the coverage and the level/size of benefit are important considerations. However, existing studies point to the issue of low coverage and worse, non-coverage (e.g., vulnerable groups, informal sector) as well as the question on the appropriate level/size of the benefit. In the case of Vietnam, Lan Huong (2012) regards the low level of labor protection for majority of workers in the informal sector as one of the shortcomings of social protection policy. In the case of the Philippines, Orbeta (2010) notes the persistence of lack of coverage of informal-sector workers. Also, the study points out

that majority of formal wage-workers in the private sector continue to have low coverage despite the system's expansion of statutory coverage to include own-account, overseas, domestic workers, and even housewives. In the case of Malaysia, Ong and Hamid (2010) emphasize the positive correlation between per capita income and social protection. In this light, the authors mention that increasing coverage through formal sector growth poses a challenge to the country.

In contrast, Widjaja and Simanjuntak (2010) reveal that the Indonesian government has not offered any protection for the aging population, particularly for those outside the government sector. In the case of China, Juwei (2010) mentions that most people are not covered by any pension insurance despite the country's rapid aging population. In the case of Thailand, Paitoonpong et al. (2010) note the non-coverage of a huge sector of informal workers in any income security system. On the other hand, Haji Saim (2010) mentions that unemployed people in Brunei are not covered in social protection schemes.

In addition, Hayashi (2010) notes the holes in the safety nets in Japan, which refer to the inability to include those needy people left without help due to fragmented social safety nets, which is brought about by a rapidly aging population, labor market structural change, and increasing poverty. Similarly, Juwei (2010) notes the holes in China's social insurance system, leaving migrant workers unprotected. As regards many low-income countries, Handayani (2010) mentions the case of financing social health insurance wherein "much effort is needed to achieve universal coverage and acceptable benefits." It points out the challenge of covering the informal sector and balancing costs to the insurer and the insured, which is constrained by affordability. At the global level, Bockstal (2012) mentions that 80 percent of the population do not have access to comprehensive social security coverage. This is a cause for concern because of the link between growing inequality and access to social protection.

The kind and appropriate level of benefit to be provided (whether in cash or in-kind) is dependent on the type of need being addressed. It should be noted, however, that the benefit level highly depends on fiscal capacities of the countries. Handayani (2010) raises concern over the insufficient funding of most social assistance programs for children and in turn, the low benefits provided despite the persistent and pervasive poverty among children in most developing member countries (DMCs).

In the case of Korea, Chung (2010) considers the adequacy of pension benefits required to support the elderly as an additional challenge to the National Pension Scheme (NPS). In the case of Brunei, Haji Saim (2010) mentions that adequacy and sustainability of benefits pose a challenge to the country's very limited social protection schemes. In the case of Vietnam, Lan Huong (2012) finds that benefits from social insurance and assistance account for only 4 percent of household's total income. In the case of Malaysia, Ong and Hamid (2010) reveal that the (Employees Provident Fund) EPF's benefits level has always been questionable even though EPF has the highest percentage of coverage among major social protection schemes.

In general, Paitoonpong et al. (2010) argue that "most of these social protection schemes are imperfect due to their problems with regards to coverage, adequacy of benefits and management." On the other hand, Handayani (2010) point out that "social security systems are not well developed, statistics on expenditure and coverage are not produced at the national level, and information is dispersed and available only at the level of individual social security schemes. Household surveys, if done on a regular basis, usually do not look deeply into the situations of people covered by social security schemes." Asher (2010) opines that "the construction of multitiered social protection systems will require much greater professionalism, experimentation, political and organizational leadership, and vision."

Furthermore, gender issues should be factored in the program design as vulnerabilities to risk vary significantly by gender. Adverse events can affect men and women as well as boys and girls differently. According to the World Bank²³, it is important to incorporate gender considerations in the design of social safety nets due to these reasons: "men and women may be vulnerable or exposed to different types of risks; there is evidence that women are often more disadvantaged than men and therefore should benefit more assistance programs;²⁴ programs that take into account the gender dimension of transfer programs may be desirable because of added benefits to other members in the household; and this approach might help to increase the impact of safety nets programs on poverty and human development outcomes."

²³ <http://www1.worldbank.org/sp/safetynets/Gender.asp>

²⁴ Bockstal (2012) points out that women's access to comprehensive social security coverage is more difficult, owing primarily to employment patterns.

The World Bank enumerated some ways on how to integrate gender considerations in safety nets strategies and they are as follows: “1) designing specific projects for women, like micro-credit programs and promotion of crèches and day care centers; 2) enhancing the direct or indirect (e.g. distributing resources in kind) targeting of existing programs towards women; and 3) ensuring that projects accommodate the needs of participating women.”

2. Cost and financing of social protection

The direct cost of a program is determined by the size of the benefit, the number of beneficiaries reached, and the administrative cost of implementing the program. On the other hand, indirect or opportunity cost is measured in terms of 1) reduced labor supply as income transfers may result in disincentive to work, 2) increased government size in case public works programs are undertaken; and 3) poor investment decisions when social safety net programs crowd out long-term investments for growth.

UNESCAP (2011) cites the International Labor Organization (ILO)’s methodology for estimating the cost of a package of measures to serve as basis for a social protection floor.²⁵ These measures include universal basic old-age and disability pensions, basic child benefits, and universal access to essential health care. Adopting the ILO methodology, the study estimates the cost of the same package for select (i.e., 24) developing countries in the Asia-Pacific Region. Based on the UNESCAP estimates, the total cost of a basic social protection package mostly ranges from 1 percent to 3 percent of gross national income (GNI). The observed intercountry cost differences are attributed to the per capita GNI and the demographic composition. Cost tends to be high for countries with high proportion of children or older persons.

UNESCAP (2011) argues that “the costs of social protection programmes are relatively small compared with the benefits.” In this sense, social protection can be viewed as an investment, i.e., a key insight pointed out in Handayani (2010). As for ADB (2013), “investments in social protection reduce vulnerability, mitigate chronic poverty, and nurture inclusive growth. They

²⁵ Social protection floors are nationally defined sets of basic social security guarantees that should ensure, as a minimum that, over the life cycle, all in need have access to essential health care and to basic income security which together secure effective access to goods and services defined as necessary at the national level.

also help households to invest in their future and manage risks, such as extreme environmental events, sudden illness, and economic shocks.”

Nevertheless, financing social protection schemes poses a great challenge to some APEC member economies, particularly due to fiscal consolidation concerns and rapidly aging population. Ong and Hamid (2010) opine that Malaysia’s fiscal capacity should be considered in social protection reform. In the case of pension reform, program design should factor in the current and future capabilities of the country. In addition, it should take into account the delivery mechanism, including the management and the governance issues of reform. In particular, the said study notes the very conservative investment policy for Kumpulan Wang Persaraan (Diperbadankan) (KWAP) or the Retirement Fund (Incorporated), Employees Provident Fund (EPF) and the Social Security Organisation (SOCSO), which focus mostly on government bonds and securities. In this regard, it suggests the need for policy change that allows investment in high-yielding investments.

In the case of the Philippines, Orbeta (2010) raises concern over the continuing threat to sustainability in social security because contributions and benefits are not strongly linked. The study also points out the issue on the increasing operating costs associated with social security in the Philippines, which is considered as among the highest in the region. In the case of China, Juwei (2010) notes the very high nominal social insurance contribution rates which results in a serious problem of contribution evasion.

It is noteworthy that Handayani (2010) describes a well-designed pension system as “affordable from individual, business, fiscal, and macroeconomic perspectives; financially sound and sustainable; able to withstand macroeconomic and other shocks; and able to provide a reasonable level of post-retirement income with a safety net for the elderly poor.” In this light, the said report argues that “most Asian pension systems need strengthened institutional and administrative capacity, improved governance and regulation, expanded coverage, enhanced financial sustainability, and safety nets for the elderly poor.”

On the other hand, Edes (2012) argues that strengthening social protection is constrained by limited fiscal space but natural resource endowments can help finance social protection if countries will use them wisely. In similar vein, Balisacan (2012) regards tight fiscal space as

one of the challenges confronting the Philippine's social protection system. Lan Huong (2012) reveals that State budget finances social insurance and assistance in Vietnam and thus, resources are not sufficient to meet the growing demand for social protection. In this sense, low financial sustainability of social protection policies is an issue in Vietnam. In contrast, Morola (2012) points out that there is no specific source of funds for social protection programs in Papua New Guinea.

However, Asher and Bali (2014) note the increasing national and fiscal resources allotted to social protection in developing Asia. In this light, the authors raise a critical issue on the sharing among different sectors of the burden to finance social protection expenditure. Addressing this issue is important in securing sustainable financing for social protection. Financial sustainability cannot be overemphasized as this has serious implications. For instance, financial sustainability considerations can mean reduction in the level of benefit.

Chung (2010) points out that reducing the benefit levels and/or increasing the contribution levels of social protection schemes can enhance financial sustainability. However, the study caveats about the implication of these changes on inter-generational and intra-generational equity. In particular, it explains that "policies to reduce benefits will have a greater influence on the current generation, while policies to increase contributions will have a greater influence on the future generation. Similarly, changes in the relative benefit-contribution ratios across different income groups and employment status groups will affect intra-generational equity." To address financing issues, Cook (2009) brings up the possibility of expanding social protection through tax funded systems, particularly in East Asian Countries. The study points out that the benefits that come along with social protection justify the shift from "selective" to "inclusive" forms of provision. Also, the experience in East Asia can serve as basis to argue for "the benefits and necessity of inclusive growth through publicly financed social policies." In addition, it indicates the importance of source of financing for social protection, including the actual amount and its use, in creating political alliances and broad-based support for more redistributive policies and in turn, achieving greater equity and inclusion.

In similar vein, UNESCAP (2011) argues that it is crucial to provide a basic low-level pension to all that is financed by general taxation, particularly in the poorest countries. The study opines that this is beneficial for women, especially for those who are not involved in paid economic

activity. In addition, a society's willingness to finance social transfers through taxes and contributions determines affordability of social protection.

3. Targeting

Targeting is a tool that is meant to concentrate the benefits of transfer program to the poorest segments of the population. It is key to the cost-effectiveness of any program. All targeting mechanisms have the same objective: to correctly identify which households or individuals are poor and which are not. However, the inevitability of errors of inclusion and exclusion remain to be a cause of concern.²⁶ Targeting involves costs: administrative costs, private costs, social costs, and incentive costs. These costs mean that less of the program budget will be available for distribution as benefits to the beneficiaries. Thus, in evaluating which targeting method is appropriate, one has to weigh the benefits from reduced leakage against the cost of implementing finer targeting methods.

Different targeting mechanisms are adopted in select APEC member economies (APEC Secretariat 2013). To wit:

- i. Geographical targeting - China and Australia
- ii. Multidimensional Index - Mexico and Peru
- iii. Proxy Means Testing – Philippines
- iv. Income-based Targeting – Chinese Taipei
- v. Self-targeting by beneficiaries - Thailand

APEC Secretariat (2013) mentions some critical factors to consider in program design. These factors are as follows:

- i. Definition of informal sector workers to be adopted
- ii. Assignment of unique ID number for all citizens and respect for privacy

²⁶ de la Briere, Benedicte and Laura Rawlings. 2006. Examining Conditional Cash Transfer Programs: A Role for Increased Social Inclusion? SP Discussion Paper No. 0603. World Bank. Washington, D.C.

- iii. Use of new technology (e.g., low-cost ID cards, web-based monitoring systems, and use of existing social or financial structures to distribute benefits) in beneficiary management
- iv. Gender considerations in social protection programs

In addition, Morola (2012) raises concern over the lack of reliable and readily available data as well as the high cost required for identifying the most vulnerable groups in Papua New Guinea. Handayani (2010) underscores the importance of improved targeting of the poor as well as efficient spending in view of its DMCs' limited resources. On the other hand, Cook (2009) mentions that imposing program conditionalities enhance targeting effectiveness. Specifically, the study states:

“Conditionalities are largely a response to problems of targeting: in countries that are more fiscally constrained, poor targeting of unconditional (means-tested) programmes has led to efforts to focus on more narrowly defined and directly observable groups, with the dual aim of meeting other development objectives (such as maternal and child health). Where fiscal constraints are less severe, the movement appears to be towards programmes that provide universal entitlement with eligibility based on income or economic status (as in Korea and China). Such programmes do pose technical and implementation difficulties, particularly in the identification of those in need, flexibility and responsiveness to changing household circumstances, and monitoring and accountability of financial flows.”

4. Coordination among institutions, line ministries/agencies, and local stakeholders

The Central and local governments can forge new accountability relationship for the implementation of social protection measures. Such relationship can vary depending on the program design particularly on the degree of program decentralization. In this sense, the success of the program becomes a shared goal between national and local authorities. It should be emphasized, however, that social protection programs must be free of political influence especially when it comes to targeting and selection of beneficiaries. This calls for transparency in the eligibility criteria and selection of program recipients.

Inter-institutional coordination, on the one hand, is critical to avoid duplication of programs and wastage of limited government resources. It will also strengthen synergies in protecting the poor and vulnerable. In addition, encouraging community participation and engaging civil society in consultative councils fosters transparency in the program implementation and it can be viewed as one way of establishing a good feedback mechanism.

In this light, Cook (2009) points out the importance of integrating fragmented systems through institutional arrangements. The study notes “the trajectory in some countries towards more integrated systems.” It argues that moving towards greater integration and policy coherence are essential for ensuring coverage of all. Skoufias (2012) shares the same view that social protection should be developed collaboratively, i.e., through broad and synergistic partnerships across sectors and actors.

Similarly, Hayashi (2010) opines that “a set of social safety nets should operate as a system, effectively connecting basic services and assistance together.” On the contrary, the study notes that safety nets in Japan are “disjointed” due to rapidly aging population, structural changes in the labor market, and increasing poverty in the country. In contrast, the Philippine government, with the Department of Social and Welfare and Development (DSWD) as lead agency, formulated an operational framework to harmonize all social protection schemes. Nonetheless, Balisacan (2012) highlights the challenge of weak institutional capacity and the need to strengthen capability of local government units in the area of social protection in the country. In the case of Korea, Chung (2010) recognizes the importance of coordination among schemes over time, particularly coordination of the National Pension Scheme with the newly introduced Basic Age Pension as well as the coordination between the National Health Insurance and Long- term Care Insurance.

On the other hand, Handayani (2010) raises concern over the fragmentation of social protection schemes in terms of geography and population groups as well as the inadequacy of legal and policy frameworks for safeguarding child protection. The study enumerates some challenges to protect children such as (i) finding ways to include children in social protection, (ii) ensuring sufficient capacity at the local level for children’s inclusion, and (iii) donors’ effective engagement in building the capacity of governments to tackle poverty among children.

5. Monitoring and evaluation

There is a need to ensure that resources indeed reach the target beneficiaries. Also, it is important to evaluate the social protection programs in terms of targeting mechanism used; appropriateness of the benefit and its level; cost, operational efficiency and cost-effectiveness; and administrative feasibility. A good monitoring and evaluation mechanism should be in place. Such mechanism provides useful information that can be used as basis for program expansion (e.g. geographic expansion and scaling up of effective programs) and modification.

The operational efficiency of a program depends on whether inputs of a given quality are procured at the lowest possible price, whether there is no wastage in the delivery of the transfers, and whether administrative cost is not excessive, among other considerations. Programs are said to be effective if they actually achieve their goals. It should be emphasized that the cost-effectiveness of a program is different from cost. As the cost of the program increases with the size of the benefit, so does its effectiveness. Also, there should be a balance between the need to protect the poor and the desire to maintain economic efficiency in the long run.

The ADB recognized the importance of putting in place a monitoring and evaluation system to provide policy-relevant information on social protection that is critical for policy directions and reforms. It developed the Social Protection Index (SPI) that is meant “to help governments monitor their progress on social protection, as well as to facilitate cross-country comparisons.” The SPI covers social insurance, social assistance, and labor market programs.

As explained in ADB (2013), the SPI “is a relatively simple indicator that divides total expenditures on social protection by the total number of intended beneficiaries of all social protection programs. For assessment purposes, this ratio of expenditures to beneficiaries is compared with poverty-line expenditures. For example, if the SPI were 0.100 in country X, this index number would mean that total social protection expenditures (per intended beneficiary) represent 10% of poverty-line expenditures. The higher this index number, the better a country’s performance.”

Based on ADB (2013), the derived SPI indicate significant disparity among countries in Asia-

Pacific region. To wit, the derived SPI for Papua New Guinea is 0.005 (i.e., representing 0.05% of poverty-line expenditures) while that for Japan is 0.416 (i.e., representing about 42% of poverty-line expenditures). The said percentages indicate 0.125% and 10.5% of per capita GDP, respectively. In contrast, comparison of the average SPI for seven upper-middle-income countries (0.122) and that for 19 lower-middle-income countries (0.096) shows a difference in SPI, albeit not that substantial. For the 35 countries covered in the SPI project, the average SPI was estimated to be 0.110 (11% of poverty-line expenditures).

In addition, Korea, along with Japan, is one of the four countries that have SPIs of at least 0.20 (i.e., representing 20% or more of poverty-line expenditures). To wit, Korea's SPI is 0.20 (i.e., 5% of its per capita GDP), which is set as "a realistic medium-term objective for middle-income countries in Asia and the Pacific." ADB (2013) points out that a number of middle-income countries have not financed adequate social protection systems.

In addition to ADB's SPI, it is critical for countries to have a monitoring and evaluation system. This entails overcoming the obstacles in this regard. In the area of social insurance and assistance, Vietnam lacks effective monitoring and management system (Lan Huong 2012). In the case of the Philippines, lack of database that informs sound policies and effective programs is highlighted (Balisacan 2012). In addition, lack of reliable data and information sharing that is essential for systematic national evaluation confronts Papua New Guinea (Morola 2012). In similar vein, Handayani (2010) points out that only a few of ADB's DMCs produce high-quality statistics, including social security. It recognizes that in most of DMCs, "social security systems are not well developed, statistics on expenditure and coverage are not produced at the national level, and information is dispersed and available only at the level of individual social security schemes. Household surveys, if done on a regular basis, usually do not look deeply into the situations of people covered by social security schemes. Some methodological refinements are necessary, notably regarding the original sources of data used."

6. Exit/graduation from the program

A culture of dependency among beneficiaries of social assistance or social safety net programs must be avoided. This can be done by limiting the size and duration of benefits. In addition, building work incentives into social protection programs helps prevent dependency. However,

many APEC member economies are confronted with the challenge of effectively integrating work incentives into social protection programs (APEC Secretariat 2013). For instance, Morola (2012) enumerate some difficulties and challenges that the government in Papua New Guinea has to address such as (i) no national employment policy; (ii) no national labor market policy; (iii) inadequate and unreliable labor market data that are needed in designing programs that promote beneficiary independence; and (iv) high level of illiteracy.

In sum, it is noteworthy that Asher (2010b) points out that “while demographic, institutional and fiscal challenges are many, the crisis underscores the political necessity of sustaining the process of expanding social protection.” More specifically, UNESCAP (2011) considers budgetary decisions as political also, aside from being financial. The study argues that in addition to fiscal space, political space and commitment in the executive branch to reallocate funds is necessary for new social protection programmes.” To elucidate, the study points out that political attitudes influence budget allocation. As the study puts it, “Many people agree on the usefulness of social protection, but disagree on its content, scale, delivery and cost.”

III. SOCIAL PROTECTION IN THE PHILIPPINES²⁷

The Department of Social Welfare and Development (DSWD) is the Philippine government’s lead agency in social welfare development, policy development, and program implementation as emphasized in Executive Order 221, series of 2003. It was created by virtue of Republic Act 5416 of 1968 with the mandate to set standards and policies to ensure effective implementation of public and private social welfare programs. In particular, the DSWD is responsible for, among others, (i) formulating policies and plans which provide direction to intermediaries and other implementers in the development and delivery of social welfare and development services; and (ii) providing social protection to the poor, vulnerable, and disadvantaged sector. It envisions “a society where the poor, vulnerable, and disadvantaged are empowered for an

²⁷ Paper presented at the Network of East Asian Think Tanks (NEAT)’s Working Group Meeting on Inclusive Growth (Phase II) titled “Social Welfare Policies in East Asia: Sharing Experiences for a New Ground of Regional Cooperation” held in Depok, Indonesia on July 11, 2013. The author acknowledges with thanks the Department of Social Welfare and Development (DSWD) for providing the materials used in the preparation of this paper.

improved quality of life” by developing, implementing, and coordinating social protection and poverty reduction solutions for and with the poor, vulnerable, and disadvantaged.

The President’s Social Contract with the Filipino People reiterates DSWD’s role as the active lead in social protection, which is a priority area of the Aquino government as reflected in the overall goal of inclusive growth in the 2011-2016 Philippine Development Plan. Inclusive growth is encompassed in the President’s Social Contract, which envisions “a country with an organized and widely shared rapid expansion of our economy through a government dedicated to honing and mobilizing our people’s skills and energies as well as the responsible harnessing of our natural resources.” It is expected to result in reduced poverty and increased employment through three broad strategies such as (i) high and sustained economic growth; (ii) equal access to development opportunities; and (iii) effective and responsive social safety nets.

Achieving inclusive growth entails development of human resource by improving access to quality social services, and enhancing social protection that is intended to empower the poor and vulnerable and in turn, enable them to participate in the growth process (PDF Working Group on the MDGs and Social Progress 2013). DSWD plays a crucial role in this regard especially in the area of social protection. In an effort to formulate the DSWD’s sectoral reform agenda in 2006, the agency defined its critical role and contribution in rationalizing social protection in the Philippines. As a result, social protection in the Philippine context gained formal definition on February 13, 2007.

On the other hand, several studies assessing social welfare and protection programs in the country suggest the need to harmonize social welfare programs to avoid overlaps and improve targeting of areas and beneficiaries. Also, there is a need for the government to harmonize and coordinate poverty reduction with social protection especially in crafting interventions and strategies. In response, DSWD, in collaboration with the National Economic and Development Authority (NEDA) and the Social Security System (SSS), formulated an Operational Framework to harmonize all social protection programs. To date, the NEDA Social Development Committee (SDC) approved the use of the framework “by all stakeholders involved in recommending and implementing social protection policies, programs, and projects in the country” (NEDA-SDC Resolution No. 3, series of 2012).

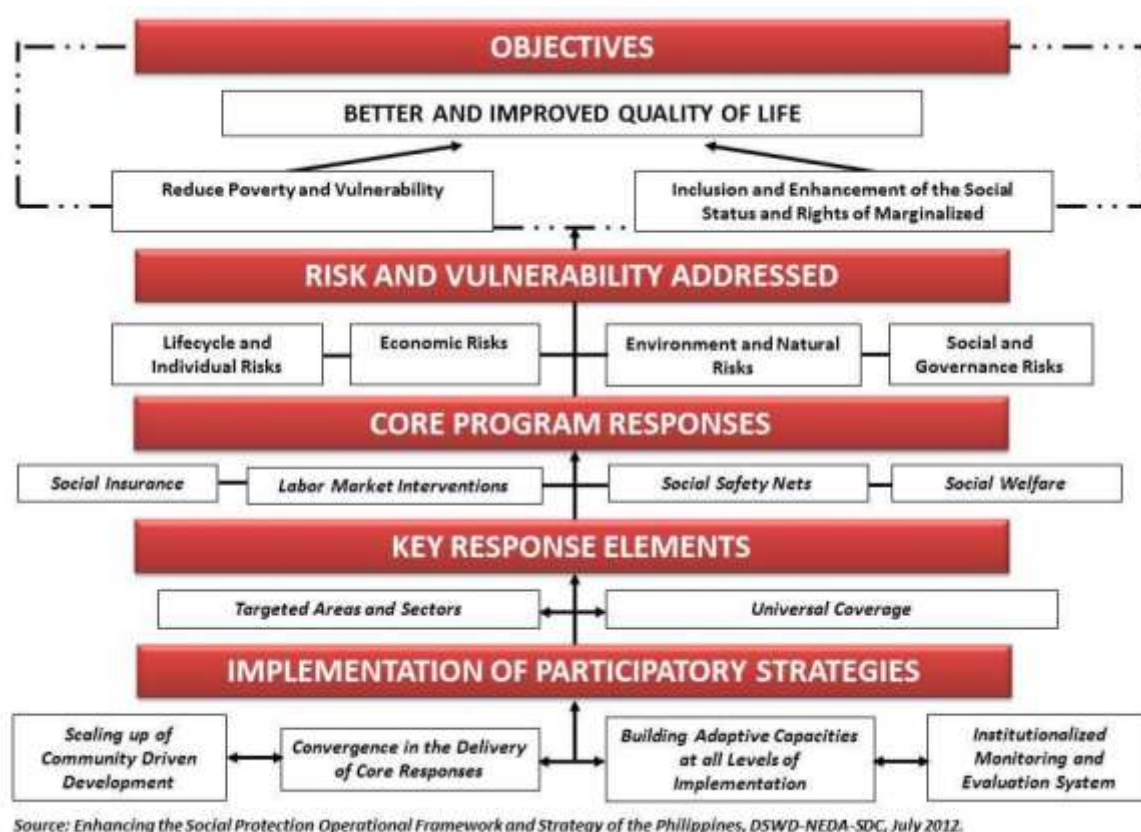
Section III aims to share the Philippine experience on social welfare policies, which are embodied in the said Operational Framework. The section is organized as follows. Subsection A provides an overview of the Operational Framework on Social Protection. Subsection B presents the country's experience on social welfare policies, particularly in terms of DSWD's Convergence Strategy, which orchestrates the agency's core social protection programs. In addition, it discusses some of the successes as well as issues and challenges confronting the Philippine government with regard to social welfare policies. Section III ends with the concluding remarks in Subsection C.

A. OVERVIEW OF THE SOCIAL PROTECTION OPERATIONAL FRAMEWORK²⁸

As mentioned earlier, the social welfare policies in the Philippines are embodied in the Social Protection Operational Framework (**Figure 1**), which is a common guiding framework in proposing, implementing, monitoring, and evaluating social protection policies, programs, and projects to avoid duplication of interventions (NEDA-SDC Resolution No. 3, Series of 2012). The framework was formulated cognizant of the need to harmonize all social protection policies, programs, and projects to ensure greater impact on the poor and vulnerable. The need springs from the fact that multiplicity of programs and government agencies involved tends to bring about poor coordination, redundancy in providing services, and overlapping of program beneficiaries (DSWD 2012).

²⁸ Draws heavily on DSWD and NEDA (2012) and PDF Working Group on the MDGs and Social Progress (2013)

Figure 1. Enhanced Social Protection Framework and Strategy



SOCIAL PROTECTION DEFINED

The Operational Framework on Social Protection defines social protection as “policies and programs that seek to reduce poverty and vulnerability to risks and enhance the social status and rights of the marginalized by promoting and protecting livelihood and employment, protecting against hazards and sudden loss of income, and improving people’s capacity to manage risks.”²⁹ It is regarded as one of the pillars of poverty reduction (**Figure 2**) considering that “exposure to risks and the inability of individuals/families to manage and cope with these risks lead to poverty.” As such, it forms part of the overall inclusive development goals and overall poverty strategy of the country.

²⁹ The Operational Framework adopts the definition used by the Sub-committee on Social Protection (SCSP) as follows: (i) Poor refers to individuals and families whose income, fall below the poverty threshold as defined by the government and/or those that cannot afford in a sustained manner to provide their basic needs of food, health, education, housing and other amenities of life; (ii) vulnerable refers to households confronted by ex-ante risk that, if they are currently non-poor, will fall below the poverty line, or if they are currently poor, will remain in poverty. It is also defined in terms of exposure to adverse shocks to welfare and not only in terms of exposure to poverty; and (iii) marginalized are those groups in society who, for reasons of poverty, geographical inaccessibility, culture, language, religion, age, gender, migrant status or other disadvantage, have not benefited from health, education, employment and other opportunities, and who are relegated to the sidelines of political persuasion, social negotiation, and economic bargaining.

Figure 2. Enhanced Analytical Framework for Poverty Reduction



NOTE: Analytical framework taken from RA 8425, Social Reform and Poverty Alleviation Act was enhanced to include social protection.

Source: Enhancing the Social Protection Operational Framework and Strategy of the Philippines, DSWD-NEDA-SDC, July 2012

The core of the Operational Framework is the objective of social protection, i.e., better and improved quality of life for its beneficiaries, which can be achieved by reduction in poverty and vulnerability and inclusion and enhancement of the social status and rights of marginalized (**Figure 1**). The other elements/features of the Framework are discussed below.

Identifying and responding to major risks and vulnerabilities

The Operational Framework envisions social protection to respond to various types of risks and vulnerabilities (e.g., lifecycle and individual risks; economic risks; environment and natural risks; and social and governance risks) confronting households and individuals. **Table 2** provides the responses that can emanate from different sectors (e.g., households, government, private sector, and civil society).

Table 2. Types of Risks/Vulnerability and Responses *

Assessment		Responses	
<i>Types of Risks/ Vulnerability</i>	<i>Household or Informal Mechanisms</i>	<i>Government</i>	<i>Private and Civil Society Sector</i>
Individual Lifecycle			
Hunger and malnutrition	Support from relatives, subsistence farming	Health and nutrition policy, programs, and projects	Provision of nutrition services, soup kitchens, etc
Illness, injury, disease (including HIV-AIDS)	Extended family, community support	Social security, health insurance, and micro-insurance	Private insurance schemes
Disability	Hygiene, preventive health	Social security, social assistance, employees compensation	Private insurance and microinsurance
Old age	Asset/savings reduction	Pension plan	Old age annuities, private pension
Death	Debt	Social security	Private life insurance
Economic			
End of source of livelihood	Diversified sources of livelihood	Sound macro and sector policies for job generation; emergency and guaranteed employment	Private sector investments that are job-generating
Unemployment	Private transfers, child labor	Regional and rural development policies, emergency and guaranteed employment	Private job search institutions
Low and irregular income	Depletion of assets/savings	Labor market policies, social assistance, conditional cash transfers	Banking services to the poor, microfinance
Price instability of basic commodities	Reduced consumption of basic goods	Price control inflation management	Sales discounts
Economic crisis	Migration	Social funds, subsidies, emergency employment	
Environmental and Natural			
Drought Rains and floods Earthquakes Volcano eruption and landslides	Migration Community action Private transfers Extended family support Asset/savings depletion	Environmental policy, programs, and projects Infrastructure investments Relief and rehabilitation Relocation-temporary and permanent Disaster prevention and mitigation measures Geo-hazard mapping Insurance against disasters	Relief and rehabilitation programs
Social/Governance			
Social exclusion	Community networks	Inclusive growth, good governance, transparency,	Good corporate governance Corporate social

Corruption	Community pressure	and accountability Public information, transparency and accountability campaign; bottoms-up budgeting	responsibility Strengthening participation of NGOs and CBOs
Crime and domestic violence	Women's groups and watchdogs	Providing security and equal access to justice	Peace and order promotion (e.g., anti-drug campaigns)
Political instability and armed conflict	Migration	Participation of citizens and civil society groups; peace negotiations	Advocacy for democracy and democratic transitions

Adopted mainly from the ADB Social Protection Strategy Paper, 2001 and Aldaba (2008)

** Lifted from DSWD and NEDA (2012)*

I. Core Program Responses

The responses to the risks and vulnerabilities listed above are categorized into four core programs as follows:

- (i) social welfare - social welfare programs providing basic protection to the poor, excluded, discriminated against, and marginalized; preventive and developmental interventions aimed at supporting the minimum basic requirements of the poor (e.g., Pantawid Pamilyang Pilipino Program (4Ps), Department of Labor and Employment (DOLE)-coordinated National Convergence Plan Against Child Labor in the Philippines, DSWD's Supplementary Feeding Program, and DSWD's Social Pension for Indigent Senior Citizens)
- (ii) labor market interventions - include employment facilitation schemes, active labor market programs (ALMPS), and emergency and guaranteed employment; examples include DOLE's free placement and job-assistance services, career guidance and counseling, and skills training; DOLE's convergent programs (e.g., institutionalization of the Philippine Qualifications Framework, strengthening of Public Employment Service Offices, and improvement of Phil-Job Net through the integration of the Skills Registry System and DOLE Human Resource Data Warehouse) to address job-skills match and to increase employability of the Filipino workforce

- (iii) social safety nets – refer to time-bound (i.e., short-term) stop-gap and bridge measures (e.g., cash transfers, food-for-work programs, and emergency and employment programs) meant to assist and tide over affected families during crisis until such time that they have developed their potential to earn income and meet their future needs
- (iv) social insurance and related programs – include premium-based schemes protecting households from lifecycle and health-related risks (e.g., old age, illness, and disability); examples include expanded PhilHealth coverage and expanded coverage for work-related contingencies under the Employees Compensation Program

II. Key Response Elements

i. Identifying and responding to priority target areas and sectors

The Operational Framework expects social protection to be able to identify and focus its target areas and target groups because prospective beneficiaries may include both poor and non-poor. To ensure better targeting of social protection programs, the DSWD established the National Household Targeting System for Poverty Reduction (NHTS-PR), which is a targeting system based on proxy means test that unified the criteria for the selection of the poorest segment of the population and created a database of poor households. In 2010, the government mandated all national government agencies to adopt the NHTS-PR as mechanism for identifying poor households that will be beneficiaries of social protection programs (Executive Order No. 867, series of 2010).

In addition, based on various indicators, the government should target priority areas that have concentration of poverty, conflict, and disasters for the provision of programs and projects. Also, it should target areas that are exposed to potential risk due to climate change. Likewise, it should aim social protection programs at marginalized sectors that include but are not limited to women, children, youth, elderly, families, indigenous peoples (IPs), and persons with disabilities (PWDs). The Operational Framework emphasizes that the target areas and target sectors are not mutually exclusive, thus addressing concerns on cross-cutting sectors such as gender.

ii. *Working towards universal coverage*

Due to limited resources, the government can only target households and individuals who are poor and highly vulnerable (i.e., based on NHTS-PR) as beneficiaries of social protection programs. Nevertheless, increases in government's resource base may enable major social protection programs, particularly those reducing or mitigating education- and health-related risks, to reach universal coverage and to form part of the delivery of basic social services.

III. Implementation of Participatory Strategies

The Operational Framework identifies key participatory strategies for implementation. They are as follows:

i. *Scaling up of community driven development (CDD)*³⁰

Community-driven development is viewed as important strategy considering that implementation of social protection programs starts at the ground level. In the Philippines, Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) and Makamasang Tugon are leading CDD programs. According to the Operational Framework, the Philippine government is scaling-up CDD activities including institution building (e.g., formation of CDD units within sectors and departments, developing CDD modules for use by existing training institutes, and conducting inter-agency CDD pilots).

ii. *Convergence in the delivery of core responses (i.e., social protection)*

Convergence entails the synchronization and coordination of all interventions of government (i.e., both national and local) and the private sector in a particular geographical area with the objective of ensuring that reforms pertaining to poverty alleviation are realized. Operationalization of convergence requires convergence (i) in the target areas/municipalities; (ii) with the private sector in the delivery of social protection programs; (iii) in the package of intervention to be delivered in the target areas/municipalities; (iv) of coordinating mechanisms/feedback systems from the top to the ground and vice-versa; and (v) of resources that are available for the implementers from the national to the local levels, more importantly in budgeting.

³⁰ An approach helping poor communities (i.e., barangays) to develop necessary skills and providing them with resources to be able to select, implement, and sustain small-scale community infrastructure projects and key social services

iii. *Building adaptive capacities at all levels of implementation*

The Operational Framework requires that social protection programs at all levels should include crucial assessment of adaptation in view of the various types of risks as well as their negative consequences.³¹ Adaptation, as used in the Framework, is more than the physical provision of better infrastructure and warning systems and it necessitates an integrated participatory process involving individuals and their social networks, local units and national agencies, thus consistent with the convergence approach of the overall Framework. **Table 3** provides the mechanisms by which social protection can build adaptive capacity.

Table 3. Promoting Adaptation through Social Protection *

SP Category	SP Instruments	Adaptation Benefits
Protective (coping strategies)	<ul style="list-style-type: none"> - Social service provision - Social transfers (food/cash) including safety nets - Social pension schemes - Public works programmes 	<ul style="list-style-type: none"> - Protection of those most vulnerable to climate risks, with low levels of adaptive capacity
Preventive (coping strategies)	<ul style="list-style-type: none"> - Social transfers - Livelihood diversification - Weather-indexed crop insurance - Social insurance 	<ul style="list-style-type: none"> - Prevents damaging coping strategies as a result of risks to weather-dependent livelihoods
Promotive (building adaptive capacity)	<ul style="list-style-type: none"> - Social transfers - Access to credit - Asset transfer or protection - Starter packs (drought/flood resistant) - Access to common property resources - Public works programmes 	<ul style="list-style-type: none"> - Promotes resilience through livelihood diversification and security to withstand climate-related shocks - Promotes opportunities arising from climate change
Transformative (building adaptive capacity)	<ul style="list-style-type: none"> - Promotion of minority rights - Anti-discrimination campaigns - Social funds - Proactively challenging discriminatory behavior 	<ul style="list-style-type: none"> - Transforms social relations to combat discrimination underlying social and political vulnerability

Source: Davies et al. "Climate Change Adaptation, Disaster Risk Reduction and Social Protection," in Promoting Pro-Poor Growth Social Protection, OECD, 2009, p. 205 as cited by UP CSWCD (2012)

* *Lifted from DSWD and NEDA (2012); Protective measures provide relief from deprivation.*

³¹ A process consistent with improving human capital, better governance, and rights-based conditions

Preventive measures avert deprivation. Promotive measures aim to enhance real incomes and capabilities of the poorest and most vulnerable populations. Transformative measures aim to address vulnerabilities arising from social inequity and exclusion of the poorest and most marginalized groups.

iv. *Institutionalized monitoring and evaluation system*

Institutionalization of monitoring and evaluation systems is deemed important for the rationalization of various social protection programs. In particular, a regular monitoring and evaluation system is critical in adjusting, refining, or even terminating programs to ensure that appropriate responses to the various types of risks are implemented and sustained. Also, it is useful in assessing how convergence among stakeholders at all levels is achieved.

B. PHILIPPINE EXPERIENCE IN SOCIAL WELFARE POLICIES

As mentioned in the previous section, convergence in the delivery of core responses (i.e., social protection) is one of the key participatory strategies identified in the Operational Framework. In this regard, the DSWD launched in 2010 the Convergence Framework/Strategy,³² dubbed as “Tatsulo” or “Tatlong Sulo Laban sa Kahirapan,”³³ which reflects the complementation of strategies such as the country’s conditional cash transfer program (i.e., Pantawid Pamilyang Pilipino Program or 4Ps), community-driven development program (i.e., Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services or KALAHI-CIDSS), and sustainable livelihood program (i.e., Self-Employment Assistance-Kaunlaran [SEA-K] Microenterprise Development and the Guaranteed Employment Program).

The 4Ps is a human investment program that aims to improve the living conditions of the poor by providing cash grants subject to some conditionalities, thus inducing poor households to invest in human capital and in turn, break the intergenerational cycle of poverty among them. On the other hand, the KALAHI-CIDSS is a community-driven development project that seeks to reduce poverty by empowering communities and promoting good local governance through community projects. On the one hand, SEA-K Program and Guaranteed Employment Program are intended to sustain and expand the benefits provided to 4Ps beneficiaries by ensuring the sustainability of income after they graduate/exit from the program.

³² Draws heavily on the 2010 DSWD Annual Report and DSWD Memorandum Circular 18, series of 2012 (i.e., Guidelines on Internal Convergence of the DSWD Core Social Protection Programs)

³³ English Translation: Three Torches Against Poverty

The Convergence Framework/Strategy that orchestrates these core social protection programs is geared towards maximized use of government's resources and capacity and also, empowerment of the Filipinos out of poverty. As DSWD (2012) puts it, the said strategy "maximizes the complementary aspects of the Department's three core social protection programs, which in sum provides parallel micro and macro level interventions to address poverty." It should be noted that while DSWD strengthens its own convergence strategies, it also strengthens external convergence strategies with other national government agencies. In particular, DSWD works together with the Department of Education (DepEd) and Department of Health (DOH) for the delivery of the package of interventions under the 4Ps. In addition, DSWD collaborates with the Department of Public Works and Highways (DPWH) and the Department of Environment and Natural Resources (DENR) to implement guaranteed employment programs for the same target beneficiaries (DSWD and NEDA 2012).

To date, DSWD has gained success in the complementation of social protection programs, particularly in terms of harmonization of 4Ps with DepEd and DOH operations and coordination with LGUs on the supply side of the program; convergence in DSWD's three major programs (i.e., 4Ps, KALAHI-CIDSS, Sustainable Livelihood Program) at the operational levels, thus maximizing resources and fast-tracking delivery of services for greater impact; and DSWD's partnership with DPWH, Department of Agriculture (DA), and DENR for employment facilitation and livelihood opportunities for Pantawid Pamilya beneficiaries (DSWD 2013a). As of the first quarter of 2013, 4,634 4Ps beneficiaries were hired under the Employment Facilitation Program, which is in partnership with DPWH. In addition, 117,388 families were provided with capital seed fund in connection with the SEA-K Program (DSWD 2013b).

Nevertheless, DSWD (2013a) recognizes some challenges confronting the government in the area of social protection. On coordination, there is a need for synchronization and harmonization of program implementation/operations across sectors and institutions to raise the number of self-sufficient social protection beneficiaries. Although the DSWD has gained some success in this regard, more work is required to operationalize the existing policy of convergence of anti-poverty and social protection programs ((PDF Working Group on the MDGs and Social Progress 2013). In addition, there is a need for strengthening/enhancing of governance and mechanisms to improve access to social protection interventions especially at the local level. Moreover, the lack of timely and disaggregated data delays implementation of interventions and hinders better targeting of beneficiaries of social protection programs.

C. CONCLUDING REMARKS

Subsection A highlights the Operational Framework on Social Protection, which embodies the social welfare policies in the Philippines. In particular, it delves into the key features/elements of the said framework, particularly the risks and vulnerabilities addressed, core program responses, key response elements, and key participatory strategies. The formulation of the Operational Framework is indicative of the Philippine government's commitment in ensuring that social protection programs are well-designed (e.g., programs drawn-up address the identified risks and vulnerabilities) and well-implemented (e.g., key participatory strategies) and in turn, the ultimate goal of better and improved quality of life for program beneficiaries is achieved. In addition, it also shows the government's effort in ensuring efficient and effective use of limited resources, i.e., by harmonizing all social protection programs.

It should be noted that due to scarce government resources, many of the social protection programs in the country are targeted to priority areas and groups. For instance, the Pantawid Pamilyang Pilipino Program (4Ps) is a targeted social welfare program whose beneficiaries are identified through the National Household Targeting System. Nevertheless, the lack of financial resources did not preclude the government to implement social protection program with universal coverage. In June 2013, Pres. Aquino signed Republic 10606 (i.e., National Health Insurance Act of 2013) or "An Act Amending Republic Act 7875 otherwise known as the National Health Insurance Act of 1995, as Amended and for Other Purposes." Such Act is aimed at ensuring that all Filipinos, especially the poor and persons with disabilities are covered by health care insurance.

IV. RECOMMENDATIONS

The ability of APEC member economies to address the issues and challenges (as discussed in Section II) has serious implications on their commitment to achieve inclusive growth through social protection as highlighted in the 2009 Leaders' Declaration and also, to achieve the Sustainable Development Goals as set in the 2030 Agenda. One of the specific targets to hit is Target 1.3 (i.e., implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable), which is critical in achieving SDG #1 (i.e., end poverty in all its forms everywhere). In this light, this section summarizes some of the recommendations that are identified in existing

studies and deemed as useful or having potential in addressing the issues and challenges confronting social protection systems.

Strengthening social protection systems is crucial in achieving inclusive growth. In this regard, based on country papers, Asher (2010b) identifies some avenues that have potential to strengthen social protection systems. These avenues are as follows:

1. Modernizing and professionalizing existing formal social security organizations in performing core functions³⁴ – modernization includes the use of information technology in improving administration and compliance efficiency and in generating management information systems that support better decisionmaking; professionalization refers to the capability of countries to invest social security funds more aggressively and professionally (e.g., diversification of investment risks geographically by investing internationally, diversification among asset classes)
2. Parametric and/or systemic reforms of some components of existing systems (such as Civil Service Pensions) – reforms in pension systems that are needed to fully reflect developments in financial and capital markets and changes in labor market dynamics (e.g., reduced fertility, longer life expectancy)
3. Using different types of retirement income transfers, which do not entirely depend on formal labor market relationships – these transfers include social pensions and co-contributions by the State; for poverty alleviation, the transfers include social assistance targeted at poor in all age groups
4. Other Avenues – broadening of sources of retirement financing and risk sharing through occupational private pension plans and/or individual retirement accounts; linking of pension with microfinance; participating in paid economic activity, even during retirement

More specifically, three broad reform directions should be considered in efforts to strengthen

³⁴ Asher (2010b) mentions the core functions of provident and pension fund such as (i) reliable collection of contributions, taxes, and other receipts (including any loan payments in the security systems); (ii) payment of benefits; (iii) ensuring good financial management and productive investment of fund assets; (iv) maintaining an effective communication network; and (v) production of financial statements and reports

public pensions according to Asher and Bali (2015). These reform directions include the following:

1. Enhancing the professionalism of the existing provident and pension fund organizations, including their governance practices – The five core functions of provident and pension funds should be carried out with greater professionalism.
2. Strengthening the role of noncontributory budget-financed pensions (e.g. social pensions)
3. Adopting a systemic perspective to pension reform that includes reforms in complementary areas (labor markets, public financial management practices, and the civil service); developing a financing-mix of pensions; and lastly, improving effective coverage by exploring complementarities between health care and pension programs

On financing social protection, Asher and Bali (2014) provide three broad options to finance social protection expenditure as follows:

1. Realizing efficiency gains in managing provident and pension fund organizations
2. Design and service delivery innovations including better policy coordination and coherence within and amongst healthcare and pension programmes
3. Developing capabilities to obtain resources from conventional and unconventional sources of budgetary revenue.

In addition, the study emphasizes the importance of complementary reforms in fiscal, labor market, financial and capital markets in managing rapid ageing in developing Asia. In this sense, “the issue of ageing should be viewed as involving several economic and social arrangements, and not in isolation.”

On the other hand, UNESCAP (2011) recommends the integration of social protection with economic development which is geared towards balanced decisions supportive of social protection and fiscal consolidation at the same time. As the study puts it, “social protection thus has to be considered not as a separate budgetary exercise but as part of the overall investment in development.”

At the APEC level, Balisacan (2012) recommends (i) strengthening of capacity of APEC members to measure and monitor social protection (e.g. Social Protection Index); (ii) creation of climate-related disaster insurance (catastrophe insurance coverage, crop insurance, etc.); and (iii) documentation and sharing of good practices and technical know-how. APEC Secretariat (2013) also recommends the last one. To wit, “good practices and case studies documenting examples of successful social protection interventions should be regularly shared across APEC economies to ensure continued support from the public and policymakers.”

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