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Social Protection in ASEAN:
Challenges and Initiatives for Post 2015 Vision

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Abstract

ASEAN (Association of Southeast Asian Nations, comprising ten countries) is engaged in the task of framing Post 2015 vision for social protection in ASEAN which would facilitate productive ageing. This paper assesses existing social protection systems in ASEAN and suggests initiatives which the policymakers and other stakeholders could consider for progressing towards more robust social protection system. The paper argues that progressing towards the Post 2015 vision of social protection will require greater coordination between ASEAN's economic and social sector groups, as weak social protection systems existing today will increasingly constrain future economic growth. ASEAN as a group will also need to substantially lessen its reliance on outside donors for funding and expertise. The specific initiatives suggested in the paper for facilitating productive ageing in ASEAN are: creating ASEAN social protection Forum for developing more robust databases, encouraging communication and indigenous research, and for rendering technical assistance to members; pursuing measures to reduce expenditure needs of the elderly, including well-designed discount system for public amenities and basic needs; giving greater priority to cross-border worker agreements to improve their living conditions, and encourage totalization agreements and; enhancing professionalism and systemic perspective.

Key Words: ASEAN, Social Protection, Cross-border workers, Pensions, severance Payment, Workmen Compensation, Labour Market, Demographic trends

JEL Classification: H55, J18, J21, E26

1. Introduction

ASEAN countries in the past have demonstrated high rates of economic growth, creating capacities to take advantage of demographic dividend offered by their young and growing populations. However, as ASEAN countries exhibit ageing populations at relatively lower per-capita income (Asher and Bali, 2015), and as they further integrate with the global community, they are not immune to structural challenges, including slower median term growth, and older and in some cases shrinking labour force. Rising longevity and falling fertility rates, along with urbanization, reduced family sizes and growing non-wage employment are expected to increase economic and societal insecurity, resulting in pressure on budgetary resources. Strong social security systems will thus be crucial in sustaining economic and political stability, and in ensuring social cohesion (Asher and Zen, 2013). This implies that ASEAN's economic integration activities must be effectively co-ordinated with its social sector initiatives.

There also appears to be growing divergence among ASEAN member states in their economic and security orientation. Bhaskaran (2015) has argued that member states are placing greater emphasis on strategic bilateral ties over the multilateral engagements, including commitments as ASEAN members. This will be a challenge for ASEAN as an institution as it seeks progress towards its visions as a Community in economic, socio-cultural, security and other spheres.

Social protection is defined as preventing, managing, and overcoming situations that adversely affect people's well-being[2]. They therefore consist of policies and programmes that are designed to reduce the incidence of poverty, limit the exposure of risks such as unemployment, sickness, disability, and smoothen consumption throughout the economic lifecycle. This is indeed a complex objective function and requires fiscal and administrative capacities, policy coordination across multiple sectors, and organizations. The above implies that social protection is not synonymous with ad-hoc crisis related social assistance and related services.

[2] See United Nations Research Institute for Social Development, "Combating Poverty and Inequality: Structural Change, Social Policy and Politics", *UNRISD Flagship Report: Combating Poverty and Inequality* (August, 2010).

This papers main focus is on pensions or old-age income arrangements component of social protection[3]. However other areas of social protection, such as healthcare, workmen compensations and severance/retrenchment benefits, are briefly discussed where appropriate.

The goal of any pension system should be to enable people in old age to obtain a bundle of services in a manner which is adequate, affordable by the society, and accessible. Countries use different financing-mix and differing methods of social and household risk pooling arrangements to enable the elderly to obtain retirement income for financing the bundle of services needed. The above has been the case in ASEAN countries. Singapore, Malaysia, and Thailand thus, mostly rely on compulsory savings; Indonesia, Philippines, and Viet Nam have employed social insurance principles to organize their pension system.

These programme-mixes or instrument-mixes reflect historical legacies, institutional choices, and country-specific administrative and fiscal capacities. ASEAN countries are heterogeneous in terms of level of economic development and economic structures, economic and institutional capacities, and in priority given to social protection goals. Thus no single blueprint is appropriate for organizing and reforming the pension system. Member countries will have to design their own reform path, including appropriate instrument-mix based on country-specific circumstances such as formality of labour markets, fiscal space to finance public pensions, professionalism of social protection organizations, and regulatory capacity to supervise social protection organizations, albeit guided by sound pension economics and policy principles and practices (Asher and Bali, 2015).

It is in the above context that the paper assesses the current pension system in ASEAN member countries in the context of the ASEAN vision on social protection, identifies challenges, and suggests specific initiatives meriting consideration. The rest of this paper is organized as follows. Section 2 provides an overview of the ASEAN vision on Social Protection and its implementation. The current status of social protection schemes and is discussed in Section 3. Section 4 concerns suggested

[3] Given the large share of informal sector workers in ASEAN, social protection can play and important role in strengthening the livelihoods of informal sector workers including those working in the agricultural (farming, fisheries, etc.) This however is not discussed in this paper.

initiatives meriting consideration if progress towards social protection vision for ASEAN is to be attained.

2. ASEAN Vision on Social Protection

The ASEAN vision for Social Welfare and Protection is to "enhance the well being and livelihoods of the people of ASEAN through alleviating poverty, ensuring social welfare and protection, building a safe, secure and drug free environment, enhancing disaster resilience and addressing health development concerns" (ASEAN, 2009). There are seven elements to this: poverty alleviation, social safety nets and protection from negative impacts of integration and globalization, enhancing food security and safety, access to healthcare and promotion of healthy lifestyles, improved capability towards controlling communicable diseases, a drug-free ASEAN, and building disaster-resilient nations and safer communities (ASEAN, 2013). The notion of productive ageing is consistent with the above ASEAN vision. Productive ageing can be defined as focusing on public policies and private behavior to enable individuals to have a good quality life in old age (Asher, 2014).

ASEAN (2013) highlights that the implementation of the social protection vision was "satisfactory", and that the initiatives implemented have been reviewed to have "potential to improve quality of life through better social protection mechanisms institutionalized regional mechanism in addressing emerging infectious diseases; promotion of healthy lifestyles; adequate, accessible, affordable, and quality healthcare and services; access to adequate and safe food at all times and being better prepared to respond to pandemic diseases and disasters." Table 1 highlights milestones recorded as sectoral and cross-sectoral achievements for social welfare and development, and health as reported in the mid-term assessment document (ASEAN, 2013).

Table 1: Elements and Milestones under Social Welfare and Protection

Elements	**Milestones**
1. Poverty alleviation	**Social Welfare and Development**

2. Social safety net and protection from the negative impacts of integration and globalization 3. Enhancing food security and safety 4. Access to healthcare and promotion of healthy lifestyles 5. Improving capability to control communicable diseases 6. Ensuring a drug-free ASEAN 7. Building disaster-resilient nations and safer communities	2010: Establishment of the ASEAN Social Work Consortium (Dec 2008) with its Terms of Reference and Work Plan were then endorsed in Jan 2010 2010: Hanoi Declaration on the Enhancement of Welfare and Development of ASEAN Women and Children (May 10) 2011: Bali Declaration on the Enhancement of the Role and Participation of the Persons with Disabilities (Nov 11) 2011: ASEAN Decade of Persons with Disabilities (2011- 2020) (Nov 2011) 2012: Mobilisation Framework of the ASEAN Decade of Persons with Disabilities (2011-2012) (Sep 2012) **Health** 2010: ASEAN Strategic Framework on Health Development for 2010-2015 (July 2010) 2010: Establishment of Regional Mechanisms in Responding to Emerging Infectious Diseases including: ASEAN Plus Three EID Website (2008), ASEAN Plus Three Field Epidemiology Training Network (2010); ASEAN Plus Three Partnership Laboratories (2010); ASEAN Risk Communication Centre (2010) 2010: Endorsement of ASEAN Strategic Framework on Health Development for 2010 to 2015 2011: ASEAN Declaration of Commitment: Getting to Zero New HIV Infections, Zero Discrimination, Zero AIDS Related Deaths (Nov 2011) 2011: Launching of 15 June as ASEAN Dengue Day (15 June 2011 Jakarta, Indonesia) as endorsed by the 10th AHMM, July 2010) 2011: Policy on Smoke-free ASEAN Events (July 2011) 2011: ASEAN Position Paper on Non-Communicable Diseases at the High Level Meeting on Non-Communicable Diseases: Prevention and Control, UN General Assembly, September 2011, New York

	□□2011: Four new Task Forces: Traditional Medicine, Mental Health, Non-Communicable Diseases, Maternal and Child Health □□2012: ASEAN Health Publications: ASEAN Health Profile; ASEAN Tobacco Control Report; ASEAN E-Health Bulletins □□2012: Signed Memorandum of Understanding Between the Governments of the Member States of The Association of Southeast Asian Nations (ASEAN) and the Government of the People's Republic of China on Health Cooperation (6 July 2012, Phuket - Thailand) □□2012: Establishment of ASEAN Plus Three Universal Health Coverage (UHC) Network (11 - 12 December 2012, Bangkok - Thailand) □□2012: Declaration of the 7th East Asia Summit on Regional Responses to Malaria Control and Addressing Resistance to Antimalarial Medicines Phnom Penh, Cambodia, 20 November 2012 □□2012: Nomination of 13 sites for the ASEAN Cities Getting to Zeros Project in eight (8) ASEAN Member States □□2013: Four (4) ASEAN Focal Points on Tobacco Control (AFPTC) Recommendations and One (1) Endorsed Sharing Mechanism of Pictorial Health Warning. The four (4) Recommendations namely: 1) AFPTC Recommendations on Providing Protection from Exposure to Tobacco Smoke; 2) AFTPC Recommendations on Protecting Public Health Policy with Respect to Tobacco Control Industry Interference; 3) AFPTC Recommendations on Price and Tax Measures to Reduce the Demand for Tobacco Products; 4) AFPTC Recommendations on Banning Tobacco Advertising, Promotion, and Sponsorship (TAPS) (May 2013) □□Bandar Seri Begawan Declaration on Non-communicable Diseases in ASEAN endorsement at the 8th SOMHD Meeting. (August 2013)

Source: *Mid-Term Review of the□ASEAN Socio-Cultural Community Blueprint,* ASEAN Report (2013).

It is important to underscore the variation in progress made in achieving the ASEAN vision across member countries. This is due to vast differences in fiscal and administrative capacities, and policy priorities given to social protection in the scale of aged people in various ASEAN countries. For instance, Indonesia has to provide old-age income security for 33.9 million people by 2030, but Singapore has to cater to 1.6 million individuals above the age of 65 (Table 2).

3. Current Status of Social Protection in ASEAN

Current demographic trends suggest that most economies in ASEAN will age at relatively low incomes, and at a pace that will allow a smaller window of opportunity in terms of time for adjustments in the design of pension programmes and reforming institutions that support social protection systems. Pension systems will have to finance retirement expenditure for an ageing population for a longer duration, and will therefore have to increase the share of society's resources devoted to the elderly. Additional funding will require changes in the financing-mix used to provide pensions in these countries[4] (Asher and Bali, 2015).

Table 2: Demographic trends for select ASEAN countries

	Population (millions)		**Share of Pop >65 (share in total population)**		**Share of Pop >80 (share in total population)**	
	2010	**2035**	**2010**	**2035**	**2010**	**2035**
Brunei Darussalam	0.40	0.51	0.015 (3.7)	0.086 (16.6)	0.002 (0.6)	0.014 (2.6)
Cambodia	14.36	20.10	0.723 (5)	2.1 (10.6)	0.15 (1.1)	0.55 (2.7)
Indonesia	240.7	303.4	12.1 (5.0)	33.2 (10.9)	1.9 (0.8)	4.4 (1.4)
Lao People's Democratic Republic	6.39	9.31	0.23 (3.7)	0.59 (6.4)	0.033 (0.5)	0.085 (0.9)
Malaysia	28.3	38.5	1.4 (4.8)	4.3 (11.2)	1.8 (0.6)	0.7 (1.8)
Myanmar	51.92	59.26	2.6 (5.1)	6.3 (10.6)	0.37 (0.7)	0.77 (1.3)
Philippines	93.4	135.9	3.5 (3.7)	9.6 (7.0)	0.4 (0.4)	1.4 (1.0)

[4] Funding refers to a proportion or a share of the total economic resources available to meet age-related spending. This will necessarily imply trade-offs with competing public and private expenditure priorities. Financing refers to the various instruments or mechanisms through which resources are accessed or allocated. These include for example social insurance contributions, mandatory and voluntary savings, general budgetary revenue, family and community support, and others.

Singapore	5.1	6.8	0.5 (9.0)	1.6 (23.0)	0.1 (1.9)	0.4 (6.3)
Thailand	66.4	66.8	5.9 (8.9)	15.3 (22.9)	1.1 (1.6)	3.4 (5.1)
Viet Nam	89	103.3	5.8 (6.5)	15.9 (15.4)	1.6 (1.8)	3.3 (3.2)
World	**6916.2**	**8743.5**	**530.1 (7.7)**	**1118.5 (12.8)**	**108.3 (1.6)**	**240.1 (2.8)**

Source: Compiled from the Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, http://esa.un.org/wpp/unpp/p2k0data.asp .; and Asher and Bali (2015)

Even in a relatively confined geographical area of ASEAN there is significant variation in total population and the level and pace of ageing. The total population in most economies except Thailand and Brunei Darrussalam are projected to increase significantly over the next two decades. Data in Table 2 portends a very rapid pace of ageing. This share is projected to more than double in most economies (except Philippines and Lao) over the next two decades. This is a relatively short period of time to ensure adequately preparing for the ageing population. The data also suggests different scaling-up challenges across these economies. For instance, Singapore and Malaysia's pension arrangements will have to cater for between 1 and 3 million *additional* individuals entering retirement; Philippines, Thailand, and Viet Nam between 5 and 10 million; and Indonesia about 20 million. This suggests that there is relatively small window for reform in not only pension design to adapt to rapid ageing, but also in supporting institutions such as labour markets and in public financial management practices. The last two columns depict the share of those aged about 80 in the population. These shares will also more than double in most economies, with the exception of Indonesia, Lao, and Viet Nam. The consumption patterns of those about age 80 can be expected to differ significantly from those at age 65. This suggests that adequate infrastructure to take care of the old-old (traditionally defined as those above age 80) such as health and palliative care will need to be developed rapidly.

Table 3: Employment and Labour Force Participation Rates (LFPR)

	LFPR (15-64) in 2010	LFPR (65+) in 2010	Change in LFPR (15-64) from 2010 -2020	Change in LFPR (65+) from 2010-2020	% Change in the share of Economically Active in Population 2010-2035
Brunei	70.3	4.3	0.1	-1.9	-4.0
Cambodia	81.3	44	0.5	0.9	2.0
Indonesia	70.4	52.7	0.3	1.7	2.5
Lao	80.9	34.6	1.1	2	8.0
Malaysia	64.7	23.8	-0.7	0.4	0.6
Myanmar	74.8	60	0.9	-0.1	1.5
Philippines	66.1	37.4	-0.2	-2.4	4.1
Singapore	71.5	18	1.6	2.0	-10.3
Thailand	77.8	30.6	0.1	1.0	-8.0
Viet Nam	77.9	13	0.0	-1.3	-1.5
World	**69.9**	**19.5**	**1.0**	**0.4**	**-1.2**

Source: Complied from United Nations Secretariat and ILO (2010), and Asher and Bali (2015)

Table 3 presents labour market trends. Greater lifecycle labour supply enables individuals to sustain (for given trade-off) higher annual consumption during retirement. Theories of economic growth assume a strong role of employment in driving increased savings and investment, and contribution to the demographic dividend. While not illustrated in the table, in most economies labour force participation rates (LFPR)[5] for men is higher than for women. If pension programmes are designed on principles of commercial insurance and not on social insurance or solidarity principles, such trends will give rise to lower replacement rates[6] for women and inequity within the pension system. This is because women (as a group) have lower lifecycle labour supply and lower incomes and therefore lower resources, but (as a group) live longer than men and will have to finance retirement spending for a longer period. The LFPR numbers also mask trends between rural and urban areas. In developing economies of Indonesia, Philippines, Thailand and Viet Nam it is a reasonable assumption to make that improved access to basic amenities such as water, electricity and sanitation will improve LFPR, in turn helping to plan for retirement savings.

In most economies in Table 3 the gains in LFPR both for age groups 15-64 and above 65 will be marginal over the next decade. Philippines and Viet Nam are expected to experience a reduction in LFPR for those above age 65. The last column in Table 3 is particularly relevant for pension systems. The share of economically active (i.e. those between 15-64 years) is expected to decline for Singapore, Thailand and Viet Nam, grow marginally for Indonesia and Malaysia and significantly for Philippines over the next decade. When this is viewed in the context of data presented in Table 2 it suggests that a smaller number of individuals can be part of the labour force and potentially employed to support the elderly population. While this share is a function of mortality and fertility rates and cannot be adjusted in the medium term, the policy goal is to improve sustainable livelihoods or gainful employment for the vast majority of those in the economically active age group so that the elderly population can be supported for a longer period of time. This would require separating institutional retirement age which often difficult to alter, from economically active retirement age which is subject to policy initiatives such as exempting persons above a certain age from contributing to provident or pension programs.

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[5] Labor force participation rate is the proportion of the population aged 15 years and older that is economically active.

[6] A replacement rate is the share of income during retirement from all sources (including personal savings, pension income, family, government transfers, property income,etc.) relative to an individuals salary prior to retirement.

The above demographic trends suggest that greater funding. i.e. higher proportion of GDP, will have to be made available to meet old-age expenditure needs. With increasing longevity, current age-specific contributions by individuals and households to national savings, consumption, and investment may change. As individuals will have to sustain consumption for a longer period of time, without transfers, this will have to be balanced with participation in the labour market for a longer period of time, or through higher savings, or reduced levels of current consumption, or a combination of the above (Poterba, 2014).

The data presented in this section suggests that there will be marginal improvements over the next decade in labour force participation in both the economically active age groups and those above age 65, and therefore greater funding through transfers, particularly from the state, will play an important role providing old-age income security to economies in ASEAN.

There are three broad dimensions to coverage. The first refers to the number of people or retirees that are enrolled in a programme that provides some form of insurance against various risks during old age. The second refers to the range of risks covered. In pensions these usually include longevity, survivors', and disability risks. The third dimension of pension coverage refers to the adequacy of pension benefits in providing a replacement rate that not only covers inflation risks and mitigates old-age income poverty, but also helps to prevent too large a fluctuation in consumption level over life-time.

Table 4: Legal and Effective Coverage of Pensions and Healthcare Programmes

	Estimate of Health Coverage as a % of total population	**Healthcare Spending not financed by OOP spending (2011)**	**Estimate of Legal Coverage for Old Age (% of working age population)**	**Active Contributors to a Pension Scheme (% of working age population)**	**Proportion of Elderly Population above statutory pensionable age that receive old-age pensions**
Indonesia	59.0	50.1	<25	14.1	8.1
Malaysia	100.0	64.6	NA	63.8	19.8
Philippines	82.0	44.1	50-75	54.7	28.5

Singapore	100.0	39.6	50-75	NA	NA
Thailand	98.0	86.5	50-75	21.3	81.7[a]
Viet Nam	42.0	43.9	<25	12.4	34.5

[a] These proportions refer only to beneficiaries of the old-age or disability social pensions. NA= not available. Source: Asher and Bali (2015)

In ASEAN countries coverage is mostly focused on increasing the number of individuals that are 'covered' under a statutory programme and the range of risks covered. This is commonly referred to as legal coverage. The data in Table 4 suggests that there is universal legal healthcare coverage in all economies except Indonesia and Viet Nam, however these programmes do not provide adequate benefit levels as most of healthcare spending is financed out of pocket (except in Thailand). This will reduce the real value of pension benefits, as retirees will have to draw down their pension balances to pay for healthcare. For pension programmes, Philippines, Singapore, and Thailand have between half and three-fourths of the current working age population covered by social security laws, while the ratio is much smaller for Indonesia, Malaysia, and Viet Nam. However, there is wide variation in the active contributors to the pension programme. In most direct contribution-type pension programmes the density of contributions is important to ensure adequate replacement rates. The share of active contributors is much lower than those covered by the programme. The last column in Table 4 is the share of elderly population that receives pensions, again demonstrates large variation. It is very high in Thailand, but less than 40 per cent in other ASEAN economies. This suggests that there is considerable scope to improve effective coverage. Given the low effective coverage, this suggests that significant shares of retirement expenditure and healthcare expenditure will have to be financed from individual and household savings. Improvements in organizational effectiveness and coverage ratios of public pension schemes are an urgent imperative in economies such as Indonesia, Philippines and Viet Nam.

The above analysis suggests that the challenge for ASEAN countries is to substantially increase the effective coverage of social protection programmes, particularly pensions, healthcare, and work injury or workmen compensation both in terms of population and coverage of workers of various risks. A related challenge is to improve benefit levels under each of these programmes.

Workmen's Compensation and Severance Pay

This area of social protection has received relatively little attention of the policymakers and researchers, but it merits greater importance in social protection arrangements. Workmen's compensation is defined as "social insurance, which in effect extends the no-fault principle to share the costs of employment injury across society (or at least that part represented in the formal labour market) as a whole. Underpinning this approach is the principle that employers must provide their workers with a safe and healthy working environment, and that failure to do so renders them liable for the consequent losses suffered by workers or their family members," (ILO, 2014, p.46). Severance pay is defined as "form of income protection available to workers dis- missed from certain forms of formal employment." It is a "lump-sum payment to laid-off workers proportionate to their prior job tenure", (ILO, 2014, p.32).

The extent to which the actual burden of all social protection programs is distributed between workers, employers, government, and other stakeholders can only be ascertained with economic analysis incorporating behavioural adjustments by each of the economic agents in response to specific social protection programs, and not apriori. The notion of Cost-to- Company (CTC) in determining remuneration levels is consistent with this proposition. Empirical analysis of the actual economic burden of social protection programs in ASEAN merits serious consideration.

It should also be stressed that along with pensions these two social protection programmes constitute the cost of hiring and retrenching labour. Thus for all social protection programmes– costs to the employers, to society, and to the workers of all social protection programmes, should be considered together. Thus, Guérard (2012) has argued that Indonesia's severance pay and long service leave benefits substantially increase employer cost without commensurate benefits to the workers. As may be expected, practices regarding this area of social protection in ASEAN countries vary.

Table 5: Generosity of Severance Payments and Length of Service in Sample Countries

	Length of service				
Countries	**9 months (1)**	**4 years (2)**	**20 years (3)**	**3/1 (4)**	**3/2 (5)**
India[a]	12 days (approx.)	2 months	10 months	25	5
Malaysia	8 days (approx.)	2 months	13.5 months	45	6.8
Philippines	1 month	2 months	10 months	10	5
Singapore[b]	12 days (approx.)	4 months	20 months	50	5
Sri Lanka[c]	1.7 months (approx.)	9 months	46 months	27.1	5.1
Thailand[d]	1 month	6 months	10 months	10	1.7

Notes: a These refer to retrenchment benefits. The "layoff" benefits are different. For firms employing more than 50 workers the layoff compensation is at the rate of 50 percent of the basic pay plus dearness allowance. This is in addition to the worker's wages during the layoff period. This applies for those who have been employed for one year or more. For firm employing less than 50 workers, only the wages need to be paid**.;** b Severance payments are not mandatory in Singapore. The figures used are based on recent retrenchment exercises in large companies; c While the severance payments are mandatory, the benefit level is not indicated in the Act but is at the discretion of the Labor Commissioner. The figures in the table indicate an average awards for year 2000 and 2001. These levels therefore may not represent other years; d In Thailand, if the employer terminates the employment contract due to adoption of new labor- saving technologies, the employer must make a special severance payment, in addition to the normal severance payment, to employees serving the firm for more than six years. The benefit is calculated at the rate of half a month's wages per year of service with a cap of 12 months wages. In the event that the employer relocates its place of business that essentially affects normal living of the employee or his/her family, the employer must notify the employee of the relocation at least 30 days in advance or pay an amount in lieu of the advance notice equal to 30 days' wages. In this connection, if the employee refuses to move and work in new location, the employee has the right to terminate the employment contract and is entitled to receive a special severance pay of not less than 50 per cent of the prescribed rates of severance pay. Source: Asher and Mukhopadhaya (2004).

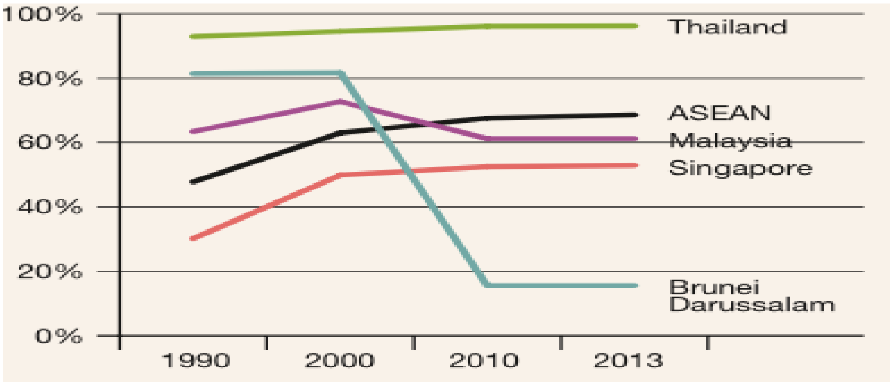
Table 5 highlights the range of severance payments across countries. Sri Lanka stands out as having the most generous severance payments benefits among the sample countries for all three cases of length of service. Sri Lanka's severance payment of 46 months (for 20 years of service) is nearly three and a half times that of Malaysia, and four and a half times that of Philippines, and Thailand. For workers with 20 years of service, Malaysia's benefits of 13.5 months of salary are moderately higher than the 10 months level by Philippines and Thailand. Singapore's benefits levels at 20 months are substantially higher but not mandatory. Comparatively benefit levels for 20 years of service (as multiple of 9 months of service) are substantially higher in Malaysia and Singapore than in other countries (Asher and Mukhopadhaya, 2004). Asher and Mukhopadhaya (2004) have argued that there is greater consistency between severance pay and other systems and the growth strategy in Malaysia and Singapore. While this has enabled emphasis on job creation it has also had adversely impacted on labour rights and jobs protection.

There are two additional areas that merit a separate discussion in social protection. These are cross-border workers and social protection floor.

Cross-Border Workers

The ASEAN is an open region has a stake in cross-border flows of workers. Open region, with both receiving and sending countries as ASEAN members. The intra-ASEAN flow of migrants has been steadily increasing from 1.5 million to 6.5 million from 1990 to 2013 (Figure 1).

Figure 1: Intra-ASEAN share of Member States total migrant stocks



Source: ILO and ADB (2014), p.84.

The key destinations for intra-ASEAN migration are Singapore, Malaysia, and Thailand, accounting for 97 per cent of intra-ASEAN migration. For Singapore this accounts to 52.9 per cent, for Malaysia 61.2 per cent, and for Thailand 96.2 per cent. Intra-ASEAN migrant from countries of origin has also increased from Myanmar, Lao People's Democratic Republic, and Cambodia by around 40 percentage points each in terms of their total nationals abroad. Most intra- ASEAN migrant workers are employed in low and medium-skills jobs, such as domestic work, construction, agriculture, and fishing sectors (ILO and ADB, 2014; Baruah, 2013).

Given the large flows of migrant labour in AEC, member countries receive significant remittances from foreign workers. The remittances, as share of GDP, ranged between 0.4 and 9.8 per cent (Table 6). In countries such as the Philippines and Viet Nam remittances by foreign workers are approximately equivalent to government expenditure on healthcare and pension programmes.

Table 6: Migrant Remittances Inflow for ASEAN, Selected Years (US $ million)

	1990	2000	2010	2013	**Remittances as a share of GDP in 2013 (%)**
Brunei Darussalam	NA	NA	NA	NA	NA
Cambodia	NA	121	153	176	1.2
Indonesia	166	1190	6916	7615	0.9
Lao	11	1	42	59	0.5
Malaysia	185	342	1103	1396	0.4
Myanmar	6	102	115	566	NA
Philippines	1462	6957	21557	26700	9.8
Singapore	NA	NA	NA	NA	NA
Thailand	973	1700	3580	5690	1.5
Viet Nam	NA	NA	8620	11000	6.4
Total	2803	10413	42086	53202	NA

Note: All numbers are in current (nominal) US $. NA= not available. Source: Annual Remittances Data, The World Bank, Various Years.

The provisions concerning the social protection services, particularly healthcare and workmen compensation for foreign workers varies across AEC (Figure 2). For instance, foreign workers in Thailand can access the public healthcare systems at similar costs as citizens, but not so in Singapore. Foreign workers in ASEAN working in the manufacturing and construction sector have limited access to workman compensation. The recipient's countries, particularly Singapore and Brunei, receive considerable fiscal benefits yet are not providing social protection services.

Figure 2: Coverage of migrant workers under social security by country and branch, 2014

Country	Branch of social security provided overall									Do these cover migrants?
	Medical care	Sickness	Unemployment	Old age	Work injury	Family	Maternity	Invalidity	Survivors	
Main destination countries										
Singapore	•	•		•	•		•	•	•	No
Brunei Darussalam	•	•		•	•		•	•	•	No
Malaysia	•			•	•			•	•	Yes[b]
Thailand	•	•	•	•	•	•	•	•	•	Yes
Main source countries										
Cambodia[a]	•	•		•	•		•	•	•	Yes
Indonesia	•	•		•	•			•	•	Yes
Lao PDR[a]	•	•	•	•	•	•	•	•	•	Yes
Myanmar[a]	•	•	•	•	•	•	•	•	•	Yes
Philippines	•	•		•	•		•	•	•	Yes[b]
Viet Nam[a]	•	•	•	•	•		•		•	Yes

Note: Information is based on social security laws and acts but does not consider any sub-level decrees or regulations that might hold relevant provisions; (a) Social security laws have been adopted though the implementing legal texts are still in draft form. (b) Excludes medical care. "Yes" means migrant workers are covered equally with non-migrants. "No" means only nationals and/or permanent residents are eligible. "•" indicates a branch of social security is provided within a given country.

Source: ILO and ADB (2014),p.98.

Different member states also impose varying constraints that may restrict such movement. These constraints come in forms of levies, permits, and quotas[7]. It is unclear as of January 2015 whether the AEC post-2015 arrangements will continue to permit such high levies on foreign workers. It is also unclear at this point whether the ASEAN countries would use such levies to constraint the flow of professional workers among ASEAN countries. ASEAN policymakers are reportedly discussing a draft on working conditions and other issues of migrant issues. But no official

[7] For example, Singapore levies on Foreign Workers vary by sector from SGD 250 to 750 per month. The Foreign Domestic Workers levy ranges from SGD 125 to 265 per month (Ministry of Manpower, Singapore). In addition, ratios are specified for hiring local Singaporeans in relation to hiring of foreign workers. The enforcements of these ratios have reportedly become much stricter in recent months. Separate revenue data on levies on foreign workers are not published by the Singapore Authorities.This may impact the business climate of Singapore, which is already regarded as being among the most expensive cities in the world (The Economist, 2014).

document has emerged. In 2007, ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers was signed to ensure migrant worker rights for both sending and receiving countries (ASEAN, 2007).

If AEC is to be coherent economic community it is essential that the flow of workers within ASEAN is managed in a manner consistent with the overall interest of the AEC, rather than each country trying to maximum their own interests. Labour laws and management of regional flow is and will be a critical challenge for ASEAN to overcome. As these economies continue to grow need for labour will only increase, with most demand likely to be met from within the region. Hence, governments must progress towards easing constraints for such flows, and enact legislation to ensure proper working and living conditions for migrant workers. Social protection, involving access to basic health and other services in their country of work, and labour rights will be need to be a key focus for the AEC. This highlights the importance of building a social protection floor.

Social Protection Floor –The role of Social Pensions

The second challenge for strengthening social protection refers the importance of building a Social Protection Floor (SPF) in the AEC, but in a context specific and gradual basis, without making formal commitments as it will increase demand immediately, but supply of services take much longer, and be subject to various constraints, creating distortions and unduly raise expectations. The implications of SPF on fiscal demands which are likely to be less predictable due to potential for political economy environment leading to growing benefit levels, and due to future inflation risk in these services being borne by the government. The opportunity costs of SPF in terms of other expenditure priorities such as education, and infrastructure, can also be better managed if the SPF is not mandatorily established through legislation.

There is however increasing recognition of the role of social pensions, i.e. non-contributory retirement income benefits that are financed form budgetary sources, in mitigating old age income poverty and ensuring that inequalities present during the working age are not aggravated during the retirement period. But this should also be calibrated in line with capacity to deliver social pensions with low transaction costs, and without unduly large errors of inclusion (i.e. those who should not receive the benefit do), and of exclusion (those who should receive the benefit are not).

The UN's 2015 "Road to Dignity" report also stresses the need for countries to increase domestic public revenue to develop core social functions as such the SPF." The report highlights "key sustainable development gaps left by the MDGs" such as social protection and labour rights (p.14).

Table 7 provides an overview of the main features of social pension schemes in the selected ASEAN countries.

Table 7: Non-Contributory Pension Schemes: Main Features (latest available year)

	Date	Means Test	Name of Programme	Age	Monthly Benefit (as share of average wage)	# of Recipients (as share of population above age 65)
Indonesia	2006	Asset, Income, Pensions	Elderly Social Security Programme	60	32.0 (23.2)	13250 (0.1)
Malaysia	1982	Income, Pensions	Elderly Assistance Scheme	60	94.4 (12.7)	15252 (8.0)
Philippines	2011	Income, Pensions	Social Pensions Scheme	77	11.5 (6.0)	148768 (4.0)
Singapore	Singapore does not have a social pension					
Thailand	1993	Income, Pensions	Old Age Allowance	60	20.0 (6.0)	612370 (100%)
Viet Nam	2004	Income, Pensions	Social Assistance Benefit	60 -79 80	6.3 (4.8) 9.4 (7.1)	808773 (2.4) 139338 (13.8)

Source: Asher and Bali, 2015.

All economies except Singapore have some element of social pensions in their financing-mix. However, there is large variation in the number of beneficiaries and the benefit level. While the benefit level (as share of average wage) is relatively low in Thailand, all individuals above age 60 receive social pension. Indonesia's social pension is approximately a fourth of wages, but less than 0.1 per cent of the population above age 65 receive it. Singapore does not have a social pension scheme. The data suggests that there is room to develop social pensions as an integral component in the financing-mix to support retirement. Social pensions would provide an element of retirement security to those that have not been able to participate in formal contributions-based social security programmes.

How much would social pension schemes cost? Estimates in a recent paper on financing social pensions in developing Asia (which included most economies in ASEAN except Singapore) suggests that a universal social pension (covering everyone over age that is indexed to per capita income (i.e. benefit level is 15 per cent of per capita income) would cost between 0.6 per cent (Philippines) and 1.33 per cent (Thailand) of GDP in 2010 and rapidly growing to between 1.4 per cent (Indonesia) and 2.9 per cent (Thailand) by 2030[8].

In advanced economies such as New Zealand, fiscal costs in 2009–10 were 4.3 per cent of GDP and are expected to increase to 8 per cent of GDP by 2050; in Australia, the fiscal costs of means-tested pensions were 2.7 per cent of GDP in 2009, and are projected to be 3.9 per cent of GDP in 2050 (Bateman & Piggott, 2011). For Singapore, Asher and Bali (2014) estimate that for a benefit level of 30 per cent of median annual wage, the fiscal cost will range from about 1.16 per cent of GDP in 2012 to 2.60 per cent by 2030 (for a universal social pension for all citizens above age 65). If the benefit level is indexed to 20 per cent per capita income, the estimate cost of the social pension scheme will range between 1.26 per cent in 2012 to 3.46 per cent in 2030.

Table 8: Average Resource Position: Select Economies in ASEAN (2005-2011)

	Government level	Total Revenue and Grants	Total revenue current, and capital	Current revenue	Taxes	Non-taxes	Capital receipts	Overall budgetary surplus/ deficit	Public Debt to GDP in 2014 (percentage point increase over past three years)
1	2	3	4	5	6	7	8	10	11

[8] See (M. G. Asher & Bali, 2014, p. 77)

Indonesia	Central	17.4	17.4	17.4	12.1	5.3	N	-0.9	25.5 (1.2)
Malaysia	Central	20.8	20.8	20.8	14.6	6.2	N	-4.3	62.3 (8.9)
Philippines	Central	14.8	14.8	14.5	12.9	1.6	0.3	-2	47.4 (-3.8)
Singapore	Central	21.9	21.9	18.4	12.7	5.7	3.5	6.8	94.3 (-4.8)
Thailand	Central	16.9	16.9	16.9	14.9	2.0	N	-1.4	53.1 (8.6)
Viet Nam	Central	28.5	28.1	25.9	23.6	2.4	2.1	-1.6	47.3 (-5.1)

Note: Columns 3-5, and 7 are as per cent of GDP. Column 6 is as per cent of current revenue tax. N= negligible. Source: Das-Gupta (2014) and Economist Intelligence Unit

The above fiscal cost of social pensions should be weighed against the resource position of ASEAN countries. Thus, Indonesia's tax to GDP ratio was 12.1 per cent during 2005-2011. The projected social pension cost of 1.4 per cent of Indonesia will be one-eights of its total tax revenue. This requires significantly large tax mobilization efforts. Moreover there are other claimants for any revenue increase whose merits will need to be weighed against merits of social pensions. Social pensions will have an opportunity cost in terms of other expenditure not being given a priority.

5. ASEAN Social Protection Vision: Suggested Initiatives

The issue of whether to create a social protection forum at AEC level for technical and other assistance is an issue which merits serious consideration. It is essential that ASEAN as a group create mechanisms and modalities whereby individual countries can be supported in their reform efforts. This is to ensure that all ASEAN countries are able to construct minimum social protection capabilities and support systems. This requires ASEAN to put much greater weight on the social protection agenda in its functioning then has been the case until now.

To be a coherent Economic Community it is essential that the flow of workers within AEC are managed in a manner consistent with the overall interest of the AEC, rather than each country trying to maximum their own interests. In analysing labour migration, Holzman and Koettl (2014) have argued that "… legal and human rights based considerations are increasingly joined by economic considerations that help underpin the social policy objectives with a more analytical and empirical framework". They propose a framework for analysing portability of pension and health benefits across borders which incorporates risk pooling, pre-funding, and redistribution to improve efficiency and fairness. Such a framework can be used both as a substitute and compliment to totalization agreements.

The vision should have as its outcome in enabling the elderly in all ASEAN countries to pursue productive ageing. Productive ageing can be defined as focusing on public policies and private behaviour to enable individuals to have a good quality life in old age (Asher, 2014). The role of ASEAN as an institution is to enable individual members to plan and develop capacities for taking initiatives towards realising productive ageing of its population merits consideration. Planning must be outcome based. This implies that outcomes be clearly stated, compared to the current situation and roadmap, in as concrete initiatives as possible, and achieved within a stated timeframe. It is not just about funds allocation, but producing desired outcomes, in terms of creating a bundle of services, which the elder population can access and afford. The rest of this section enumerates some of the initiatives to enable pursuit of productive ageing in ASEAN:

1. ***Reducing expenditure needs***

Policies conducive to productive ageing facilitate following avenues for reducing the expenditure needs. First, they could lead to better understanding the underlying reasons for certain diseases more prevalent in the elderly, reducing their incidence and treatment costs.

Second, they could assist in keeping individuals economically (and socially) active for a longer period. Increasing the effective retirement age[9] has been one of the significant policy responses in Europe, U.S., Japan, Singapore, and the U.K. Other Asian countries, most notably China, India and Indonesia, may also consider reforms designed to increase effective retirement age to reduce the number of years for which financing is needed in old age. Facilitating gradual rather than abrupt shift from full time work to retirement also merits serious consideration.

[9] This is usually lower than the institutional or statutory retirement age.

Third, awareness of productive ageing facilitates more informed debates about ageing and equitable sharing of resources and amenities between generations. This is an area where ILCs are playing a vital role. The state also has a responsibility to initiate high quality expertise and empirical-evidence based debate among all the stakeholders.

Fourth, a well-considered system of discounts for public amenities such as for transport services, utilities, museums and parks, etc. could help reduce expenditure needs of the elderly. Having public spaces in community centres etc for the elderly could provide low cost safe places for the elderly to gather and exchange information.

Fourth, Social Security needs of increasing number of cross border workers also need to be addressed. Officially recorded remittance flows to developing countries reached an estimated $401 billion in 2012, growing by 5.3 per cent compared with 2011. Remittance flows are expected to grow at an average of 8.8 per cent annual rate during 2013-2015 to about $515 billion in 2015. Stock of immigrants is projected to increase from about 216 million in 2010 to 400 million by 2040 (Sutherland, 2013).

Cross border workers provide vital economic services and fiscal benefits to the receiving community, but often do not receive commensurate public services. This issue serves to be addressed in individual countries, and by ASEAN as a group.

2. Creating Fiscal Space:

Avenues to generate resource savings and fiscal space, and finance for funding expenditure on the aged are briefly noted below.

- There is considerable scope for economic resource savings, which can be obtained through increased professionalism in the design, administration and structure of provident and pension funds, and health care systems, among others. The Philippines SSS (Social security system), for example, exhibits administrative costs of around 7 per cent of contributions, while the estimate for Malaysia's EPF (Employee Provident Fund) is around 3 per cent. A reduction in costs of the SSS through process and system reforms could thus improve benefits. The SJSN Law of Indonesia (2004) has insufficient clarity on financing, benefits etc., and does not adequately address the need for appropriate organizational incentive structures. This neglect may generate contingent fiscal liabilities. Skypala (2014) has argued that separating charges for fund investments and for administration by pension fund managers could reduce pension management costs in the UK, thus improving benefits. There is a strong case for exploring various avenues for reducing administration and compliance costs of pension and health care programs.

- Enhancing competence to generate resources from unconventional sources such as utilizing state assets (land, property rights such as air-space, oil and mining resources, and carbon trading, among others) efficiently. This is likely to involve better coordination among and between pension and healthcare sectors for increased resource savings and greater policy coherence (Bali and Asher, 2012).
- Conventional tax reforms, and improving compliance levels and efficiency. In Europe, US, and the U.K, corporate tax reforms, particularly those provisions designed to protect the tax base have become a priority. The aggressive corporate tax planning is exemplified by reports that Google shifted **€** 9 Billion to Bermuda as part of its global tax planning (Houlder, 2013.) In 2012, OECD created a forum on VAT (Value Added Tax) to help counter aggressive tax planning of VAT by the businesses.
- Sovereign Wealth Funds (SWFs); set up to smoothen excess of current receipts over expenditure arising from energy resources, trade surpluses, and other sources, and between generations represent another avenue for funding old age needs. In Asia, South Korea, China and Singapore have been adept at using the SWFs to fund future expenditure needs, including those of the aged. Countries such as Malaysia may also consider this avenue for enhancing social protection spending.
- Financial innovations, particularly at the pay-out phase, are accumulation schemes. The conventional practice of relying on annuities will be inadequate given limited financial instruments to mitigate longevity risk, and due to uncertainties in longevity trends due to uncertainties in medical technology breakthroughs. Such innovations, which reduce transaction costs of service

delivery and provide better risk sharing between the insurance company, the individual, and the government, will be needed. Some high income countries have attempted to finance old age by developing instruments which convert real estate into a retirement consumption stream. They have had some success, but greater research and innovations in this area is essential for it to play a significant role. In developing Asia, individuals and households will need to bear a greater proportion of increased share devoted to old age financing.

Promoting its secure and stable policy and regulatory environment for long term savings by the individuals should therefore be an important instrument for financing old age. But this needs to be undertaken without creating fiscal risks which ultimately must be borne by the citizens.

3. Enhancing Professionalism

It is imperative that the five core functions of provident and pension funds must be done with greater professionalism than has been the case so far in many ASEAN economies[10]. This, in conjunction with strong regulation, would enable the ASEAN countries to provide much higher levels of pension benefits from lower contribution rates than is the case now. The focus of these organizations should be on providing benefits to their members, which are commensurate with the contribution rates and the transactions costs of administration and compliance.

Some members such as Thailand and Malaysia have high administrative and compliance costs (Table 9). They have not been able to undertake record keeping and management information system tasks adequately, even for a relatively small proportion of the labour force comprising formal sector workers. Their plans to sharply expand the coverage to include informal sector workers may therefore be severely undermined by their inadequate record-keeping capabilities.

[10] The core functions of any pension or provident fund may be stated as reliable collection of contribution/taxes and other receipts; payment of benefits for each of the schemes in a correct way; efficient financial management and productive investment of provident and pension fund assets; maintenance of an effective communication network, including development of accurate data and record-keeping mechanisms to support collection, payment and financial activities; and production of financial statements and reports which contribute to effective and reliable governance, fiduciary responsibility, transparency and accountability of old-age institutions (Ross, 2011).

Table 9: Administrative and Compliance Costs of Select Pension and Provident Fund Organizations in ASEAN

Variable	Employees Provident Fund (Malaysia) 2012	Social Security System (Philippines) 2012	Central Provident Fund (Singapore) 2012	Social Security Organization (Thailand) 2012
Operating Expenses as share of Gross Income	1.77	6.03	2.48	3.65
Operating Expenses as Share of Contributions	2.92	8.20	0.77	4.77
Operating Expenses as share of Assets	0.25	2.13	0.09	0.63

Source: Asher and Bali, 2015.

Investment policies and performance also remains a challenge in ASEAN. Limitations of domestic financial and capital markets, legal restrictions on international diversification (e.g. Malaysia, Indonesia), and relatively low importance given to fiduciary responsibilities (which require maximizing returns of provident and pension fund balances for the benefit of the members) have contributed to this outcome.

As pre-funding arrangements, through retirement savings or accumulation of reserves, become increasingly common (pension assets are expected to grow significantly in ASEAN countries), development of domestic financial and capital markets has become essential. Provident and pension funds will need to increasingly acquire competencies to deal with sophisticated investment strategies using diverse asset classes (e.g. debt, equity, real estate and currencies) and diverse players (such as hedge funds, private equity investors and sovereign wealth funds).

Such sophisticated strategies however should not be attempted without adequate preparation; and without understanding downside risks. In many low and middle income countries, it may be prudent to not fully attempt to obtain upside potential from investments or from financial innovations such as credit-default risks, in order to minimize downside risks.

4. Systemic Perspective

There are four aspects of this perspective that need to be addressed. The *first aspect* involves complimentary reforms in other areas such as labour markets, fiscal policy and financial and capital markets are essential for effective for social security reform.

Effective social security reform is greatly facilitated by sustainable macro-economic policies which lead to high and stable growth whose benefits are distributed widely. This is because the single most important variable for the economic security of both the young and the old is the long term trend of economic growth. The labour market regulations and functioning must provide an appropriate balance between creating new jobs and preserving existing jobs. High employment is negatively correlated with poverty, and therefore creating economically viable and sustainable jobs is essential.

Civil service pension reform should form a part of the fiscal policy reforms. These should be based on the full cost (including unfunded liabilities) of pension (and health) benefits being provided to the civil servants; and to improve the delivery of government services (including social assistance or social pensions for the elderly). Without full and explicit costing of civil service benefits, it would be difficult to allocate society's resources devoted to the elderly equitably, and efficiently. In many countries, without civil service pension (and healthcare) reforms too large a share of national income devoted to all elderly will accrue to civil servants. This creates intra-generational inequities, and may strain social cohesion.

Financial and capital market reform is essential as the demand for quality investments by provident and pension funds should be matched by the corresponding supply of financial assets, based on both debt and equity. Unlocking the value of state enterprises through partial or full divestments will be an important avenue in many ASEAN countries for increasing the supply of such assets.

The *second aspect* of the systemic perspective concerns the multi-tier framework to provide social security. While such a framework may have theoretical limitations (Barr and Diamond, 2008), it is essential for managing risks of financing old age in any realistic political economy setting, particularly in ASEAN[11]. In a multi-tier framework, different tiers provide a balance between social risk pooling and individuals bearing investment, longevity and other risks; between contributory and non-contributory schemes; and flexibility in managing and accessing retirement contributions or savings. The World Bank (2005) has suggested a five tier framework but it should be adapted to specific country needs and contexts.

The relative weight of each tier however may vary from country to country. Initial conditions would have an important bearing on these weights. Thus, the Philippines, Thailand and Viet Nam have pension (and health) systems based on social insurance principles (though coverage of population in each country is far from being universal). Malaysia has primarily relied on a single tier of mandatory savings, which is also used for housing and healthcare. Countries also need to expand their social assistance programmes, and introduce social insurance and solidarity principles into their pensions systems.

These countries need to consider building other tiers, particularly social assistance (or social pension) type programmes financed from the budget, and individual retirement savings (Palacios and Sluchynsky, 2006). ASEAN countries such as Thailand and the Philippines have however found it difficult to implement individual retirement accounts, whether mandatory or on a voluntary basis. Developing robust annuity markets, which are particularly important for defined contribution pension systems, has been a major challenge.

The main constraints arise due to limited investment instruments to manage longevity and inflation risks during the pay-out phase. Uncertainties about longevity trends are also a constraining factor, as these lead to conservative pricing of annuities, making them unattractive in comparison to other investments (and in some cases unaffordable, creating adverse selection problems). Therefore, greater attention will have to be given to the pay-out phase, including phased withdrawals, with some social risk pooling in the form of above-market interest rates, financed from the budget. Greater experimentation and research on group annuities phased withdrawal

[11] Recent reforms in Chile which have considerably strengthened and widened the coverage of social pensions financed from the budget are instructive in this regard (Asher and Vasudevan, 2008). There has been growing interest in design and implementation of social pensions financed from the budget and in co contributing schemes involving pension savings by low income individuals which are matched by governments (Holzmann, D. Robalino,and N. Takayama, 2009)

programmes and other such instruments merits serious consideration as alternatives to individual purchase of annuities. Lower fertility rates, urbanization, changing values and expectations of both the young and the old are significantly increasing the need for more formal pension systems in ASEAN, consistent with the experiences of current industrialized countries who faced these trends earlier.

Nevertheless, public policies in ASEAN should continue to promote traditional family oriented values and allocate requisite resources and energies towards this goal. This is however unlikely to reverse the trend towards the need for more formal pension systems but it may reduce the rate of transition, and somewhat reduce the scope of the formal systems.

It is also essential to recognize the importance of personal savings, home ownership, investing in human capital, including for children, and opportunities for participating in livelihood activities in old age as integral elements of any pension system. If their importance is reflected in tax, regulatory and government expenditure allocation decisions, these can play a useful supplementary role in addressing pension challenges. In some countries with well-developed micro-finance institutions, micro-pensions could also play a useful role.

It is important that policy makers enable households to utilize all the tiers, albeit to a varying extent, to obtain the required replacement rate for financial security in retirement. While the precise share cannot be prescribed *a priori,* both the policy makers and the households must consciously strive to make full use of all five tiers.

Regardless of whether social security systems of a country is primarily based on social insurance and social solidarity principles or on individual and family responsibility, a significant proportion of retirement financing needs in the 21st century will have to be met from individual savings (Spivak, 2008). This strongly suggests that social norms and financial regulation should be so structured in a way that does not undermine thrift and saving habits. The credit culture must be kept in reasonable check lest it undermine household saving which is the main component of national saving in countries such as India. It is also essential that the responsibilities of families and immediate communities taking care of the elderly are not too rapidly substituted by the state. This will require nurturing appropriate social norms and regulations.

The *third aspect* of the systemic perspective concerns public policies in ASEAN need to consider pension and health care financing arrangements in an integrated manner (Bali and Asher, 2011). As most healthcare services in ASEAN are paid for by Out of Pocket expenditure, it erodes the real value of pension benefits. Further, coordination between healthcare and pension policies can help better manage the total resource costs devoted to age related expenditure. A significant proportion of individuals above 80 years of age have difficulty performing daily functions. With decreased fertility and greater mobility, health care givers for the aged have become scarce. Developing countries such and Indonesia, Philippines and to a lesser extent Thailand also will also have to address the challenge of long-term care.

The *fourth aspect* includes accounting and budgeting reforms, including procurement; and a move from accounting-based budgets to accrual-based budgets. This would enable governments to better manage their fiscal risks that stem from inadequate appreciation of current and future (including) contingent liabilities.

5. Financial Education and Literacy

Provident and pension schemes require greater degree of financial education and literacy on the part of all the stakeholders, particularly individual members. The growing complexity of financial products and multiplicity of new financial players underscore the importance of financial education and literacy. Financial education and literacy should not be interpreted narrowly as only provident and pension funds in providing leadership and finances in designing and delivering these services to members. The lessons of financial education and literacy should be incorporated in the design and governance structures of the provident funds. This unfortunately is not the case with many provident funds in ASEAN.

ASEAN member countries need to make much more systematic efforts in promoting financial education. Such education is needed at all levels, general public, officials and trustees of provident and pension fund organizations, those involved in designing, marketing and advising of pension products, media and the policymakers. National campaigns for enhancing financial literacy will be needed, with a greater emphasis on literacy for government officials, trustees and management of social protection agencies. An important aspect of literacy in this regard concerns the need to impress on those involved in ASEAN economic initiatives do consider social protection as an integral part of sustaining economic growth with social cohesion and not as an afterthought. Without such education which is effective in changing mind-sets. ASEAN's post-2015 vision of Social protection will be severely constrained.

6. Indigenous Research Capability

Member countries will need to substantially enhance their capacity to undertake rigorous empirical evidence based policy-relevant research on pensions and healthcare issues. This will require considerable strengthening of the existing database on morbidity and mortality patterns; and behaviour of individuals and firms concerning saving, and retirement. The challenges of ageing are too immense and complex to delay building such capacity, and not adopting a mind-set which translates research findings into timely policy measures. ASEAN countries may benefit from studying the experiences of the OECD countries, such as Sweden and Germany, and of Chile's experience in encouraging a culture of solid analytical, policy-oriented indigenous research on pension issues and making available a robust database to undertake such research.

Finally, consideration could be given to establishing a social protection forum at AEC level to discuss technical and other assistance for member states,. Such a forum should bring together not only public officials, but also other stakeholders such as trade unions, employer organizations, academics, researchers, and pension industry representatives.

The ASEAN vision will require a construction of a robust social security system. To this extent each member will have to rely on a multi-tiered approach (Holzmann and Hitnz, 2005). The weight assigned to each of the tiers, and the organisational and institutional capacity required to support them will vary between member countries. To this extent, each country will have to develop its own financing-mix relying on multiple instruments. Relying on a blue print or a replicating a pension system from another economy will serve limited use.

Concluding Remarks

The analysis in this paper suggests that ASEAN as an organization and its individual member countries may consider the following initiatives in progressing towards its Socio-Cultural Community Vision 2025. These are broad initiatives under which countries can contextualize various sub-initiatives:

1. Consider creating a ASEAN Social Protection Forum to enable development of a more robust database on social protection in ASEAN to undertake policy relevant research, to enable regular communication in exchange of ideas and information among all the stakeholders to provide technical and other assistance to members as needed. Such a forum should have adequate and secure funding, preferably from the member countries themselves;
2. There must be a Cross- Border Worker Agreement which recognizes the social protection needs of these workers. Totalization agreements among ASEAN members involving formal social security programs, should also be encouraged;
3. Consideration by each ASEAN member of how it can enhance professionalism in core function of its social protection systems and how it can incorporate systemic perspectives in social protection merits serious consideration;
4. Initiatives policies to reduce expenditure needs of the elderly through productive ageing, and through a well-considered system of discounts for public amenities, such as transport, health care, utilities, etc. merits serious consideration. Such initiatives could also be considered at an ASEAN-wide level.
5. There is merit in not separating the social sector in general, and social protection programmes in particular, from the ASEAN Economic Community deliberations. This is because increasingly without progress in social protection adequacy and coverage, essential reforms needed to sustain growth and economic restructuring while maintaining social cohesion is and will be progressively difficult. So compartmentalization and overwhelming priority of the economic aspects has become inappropriate in the current and foreseeable global economic, technological, and political environment.

   Post 2015, ASEAN should also consider reducing the reliance on donors for funding and for expertise, and create mechanisms for generating resources for progressing towards the social protection vision from sources within the region.

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