

Chairperson's Summary

of

Expert Meeting on Building Social Safety Nets for Employment —Strategies in Asia—

The Ministry of Health, Labour and Welfare of Japan (MHLW) organized an Expert Meeting on “Building Social Safety Nets for Employment—Strategies in Asia—” from Monday, 21 to Tuesday, 22 February 2011 at the Toki Messe (Niigata, Japan), in which a discussion was held among academic experts and others. (See attachment for the list of participants.)

The outcomes of the Meeting will be distributed as background information at the Special Session which will be hosted by the MHLW and held in conjunction with the 15th ILO Asian and the Pacific Regional Meeting (scheduled for 12 April 2011).

[The purpose of the Expert Meeting]

The objectives of the Meeting were as follows:

- 1) To deepen the understanding of the concept of social safety nets;
- 2) To deepen the understanding of the evolution and current status of social safety nets in Asia;
- 3) To share knowledge regarding social safety nets for employment, drawing on the experience of the response to the Asian financial crises and the recent economic crises;
- 4) To share the most recent findings on the challenges and strategies for the implementation of unemployment insurance and active labour market policies.

Session 1: Overview of the Evolution of Social Safety Nets for Asian Countries

1. Concept arrangement on the social safety nets

Juro Teranishi (Professor, Nihon University, Professor Emeritus, Hitotsubashi University)

The key concepts of social safety nets were clarified at the beginning of the session as the definition of social safety nets varies widely.

- (1) A discussion was held on various concepts, such as “social safety nets,” “social security,” “social protection,” and “social protection floor.”
- (2) Discussants defined these concepts in various ways by considering such points as whether they: 1) covered only short-term risks or also structural problems such as poverty; 2) took a universal approach, without targeting anyone, or were restricted to the poor; 3) had a contributory or welfare system; 4) covered which areas, such as unemployment, disability, aging, education, and health; and 5) were based

on entitlements or in the discretion of the government. Experts from the ILO and the Asian Development Bank (ADB) gave explanations on the “social protection floor” and “social protection”, respectively.

- (3) It was pointed out that the World Bank defined “social safety nets” in a restricted way as a noncontributory transfer program¹ targeting the poorest of the poor. Professor Teranishi’s opinion was that social safety nets covered a wide range of areas including unemployment insurance which addressed temporary risks. He reasoned that the term “safety net” originated from the idea of a net to protect acrobats in a circus from falling to the ground. The discussants also confirmed that the term was used in a broad sense with social security and welfare benefits in mind in the statements made at APEC, the G20, and ASEM. Furthermore, they confirmed that the ADB provided its definition of “social safety nets” together with “social protection” as follows: “‘Social safety net’ and ‘social security’ are sometimes used as an alternative to ‘social protection.’ Of the two terms, ‘social protection’ is the most commonly used internationally. The term ‘social safety net’ appears to have a less precise meaning; some people use it to mean the whole set of programs and policies discussed in this strategy, others use it to refer only to welfare programs targeted to the poor. On the other hand, the term ‘social security’ is generally used to refer to the comprehensive mechanisms and coverage in high-income countries, and is less applicable to new areas such as community and area-based schemes.”²
- (4) During this meeting, it was confirmed that a variety of definitions existed for “social safety nets” and, therefore, it was noted that the term needed to be used with its scope being clarified.

2. The evolution and current situations of social safety nets

Yasuhiro Asami (Professor, Faculty of Social Sciences, Hitotsubashi University)

Ms. Valerie Schmitt (Social Security Specialist, ILO Decent Work Technical Support Team for East and South East Asia and the Pacific (DWT-Bangkok))

In this session, the current status of the social safety nets in Asian countries was reviewed, and factors affecting the development of safety nets were explored.

- (1) Professor Asami explained as follows: In the past there was a generally accepted notion that the development of social security in Asia was underdeveloped. However, in recent years, social security in the more developed countries in this region had been increasingly expanding in terms of areas and the scope of its coverage. Professor Asami referred to such expansion as a “Two-Tier Social Security Model.”³

¹ World Bank Website:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTSAFETYNETSANDTRANSFERS/0,,contentMDK:22190130~menuPK:1551684~pagePK:210058~piPK:210062~theSitePK:282761,00.html>

² Asian Development Bank “Social Protection” 2005

³ “Two-tier Social Security Model” (a two-layer model of social security): Many Asian countries undergo a developmental process in which social security is first introduced in the formal sector (government employees and regular workers in private enterprises), and as areas and coverage of social security in the sector gradually expand, the protection extends to the informal sector. Consequently, in many countries, the social security programs for the formal and informal sectors become separate. Professor Asami calls the situation in which the former precedes and

- (2) Two driving forces behind the expansion of “social security” are: economic imperatives (i.e., giving incentives for workers to develop skills and responding to an increase in individual risks following the collapse of agricultural and regional communities) and political ones (i.e., expanding the provision of “social security” in order to broaden political support).
- (3) Ms. Schmidt stated that the first objective of the “Social Security Staircase”⁴ advocated by the ILO was to provide a guarantee of the “Social Protection Floor” (the minimum level of non-contributory benefits) to the whole population as their entitlements. On the basis of the Social Protection Floor, “social security” provided to the formal sector on a contributory basis is improved, and then the program is gradually extended to informal economy workers.
- (4) There are similarities between the models of “Social Security Staircase” and “Two-Tier Structure.” Professor Asami remarked that although the two-tier model was often criticized for being unfair, it could be actively valued as the second-best policy, in light of limitations in the capacity of administrative bodies, such as capturing of income and corruption. He also pointed out the importance of improving the effectiveness of “social security” schemes in the formal sector. A participant indicated that the expansion of social security was not necessarily easy due to financial constraints and political reasons.

Session 2: Promotion of Social Safety Nets for Employment: Challenges and Strategies

1. Social Safety Nets for Employment—Policy Implication from the Experience of the Past Two Economic Crises—

Sri Wening Handayani (Principal Social Development Specialist, ADB)

Mukesh C. Gupta (Senior Employment Specialist, ILO, Decent Work Technical Support Team for South Asia (DWT New Delhi))

During the session, the experience of the Asian countries and international organizations’ responses to the past two economic crises (the Asian monetary crisis in 1997 and the current economic crisis beginning in 2008) was shared.

- (1) Ms. Handayani illustrated the significance, cases, outcomes, and lessons of social protection provided through the ADB’s “Public Works Program” (labour intensive public works). As a poverty program, labour intensive public works constitute an important component of the “social protection.” Labour intensive public works create temporary employment and quickly mitigates the impact of a crisis. The key points for properly implementing public works programs are: an appropriate level of wage rates, inclusion of the poor, and women’s participation. Mr. Gupta described the Indian government’s crisis response measures including guaranteed rural employment. He explained that while India’s “National Rural

is developed the two-tier social security model.

⁴ “Social Security Staircase” (staged development of the social security): The coverage of “social security” expands along two dimensions simultaneously: horizontal expansion (to increase the number of people eligible to be protected by “social security”) and vertical expansion (to increase the level of “social security” benefits by introducing new security arrangements and/or increasing the amount of benefits using the existing schemes.)

Employment Guarantee Act”⁵ was an example of success, few unemployment benefits (paid in cases in which a person who wishes to work is offered no employment for more than fifteen days) had been paid in practice. Mr. Gupta also pointed out remaining problems, such as registration of job seekers and the management of benefit claims.

- (2) A question was posed regarding the limitations of labour intensive public works (i.e., prohibition of the use of construction machines and contract work) in view of the enhancement of skills and the effectiveness of public works. A view was expressed that as these public works focused on the participation of many low-skilled poor and capacity building of the community, they did not necessarily attach importance on the training of participants’ skills.
- (3) Moreover, in connection with public works, relative merits of “conditional/unconditional cash transfer” (conditional and non-conditional cash benefits)⁶ were discussed. Ms. Handayani said that the cash benefits and public works each had their own advantages. She also stated that although many of the cash benefits programs were still in the experimental stage, they seemed to be effective in specific areas such as education and health services. Public works, on the other hand, have merits in enhancing the community’s capacity.

2. Challenges and Strategies for Promoting Unemployment Insurance and Active Labour Market Policies in Asia

Part 1

Noriyuki Suzuki (General Secretary, International Trade Union Confederation-Asia Pacific (ITUC-AP))

Fasihul Karim Siddiqi (Managing Committee Member, Employers’ Federation of Pakistan)

During this session, views and efforts regarding the introduction of unemployment insurance and other measures were shared from the standpoints of labor and management, respectively.

- (1) Mr. Suzuki explained the labour union’s view, role and efforts in establishing social safety nets. He offered the labour union’s definition of “social safety nets” which was very broad and comprehensive⁷. Mr. Suzuki presented the labour union’s main activities carried out for implementation of better “social safety nets” at the community level (1) dialogue with international financial institutions, 2) regional seminars, review meetings, and other awareness raising and advocacy events. He pointed out

⁵ “National Rural Employment Guarantee Act”: Public works aiming at rejuvenating the natural resource base in sustainable rural areas (water conservation, renovation of water bodies, land development, rural connectivity) provides at least 100 days of guaranteed wage employment per year to the poor.

⁶ “Conditional/Unconditional Cash Transfer” (conditional and non-conditional cash benefits): Measures that offer cash benefits to the poor, either on the condition that a child is put in school (conditional) or without any condition attached in particular (non-conditional).

⁷ The ITUC-AP defines social safety nets as a comprehensive mechanism encompassing employment insurance with unemployment benefits, vocational and skills training and retraining for employment and job placement, retrenchment benefits, retirement/old age benefits, occupational safety and health benefits, guaranteed minimum wage, maternity benefits and other benefits specific to women; and general social development covering basic medical care and treatment, education, housing, social assistance programmes for special groups, community development and natural disasters.

that as an outcome of these activities, the term “social safety nets” was quoted many times in the ASEAN, APEC, ADB, and G20 documents. According to Mr. Suzuki, the challenges which the trade union faces are: the continuing low level of social protection, low coverage, lack of funding, and pressure from globalization to cut down on “social security”. He emphasized that it had been statistically proven that the improvement of “social safety nets” was effective for the fair distribution of incomes and correction of disparities. Moreover, Mr. Kamimura remarked that in recent years, there had been progress in parts of Asia in regard to social safety nets. However, the more developed countries in the region have become defensive in their efforts in the midst of the globalization of the economy.

- (2) Furthermore, Mr. Suzuki pointed out that in order to promote “social safety nets,” it was important that, as preconditions, trade unions freely operate under a fair labour union law system and that the sound industrial relations is promoted.
- (3) Mr. Siddiqi presented the characteristics of the labour market in Pakistan. He also explained that the introduction of the unemployment insurance had been proposed to the Pakistani government based on the social dialogue. Moreover, he said that in Pakistan employers’ interest in unemployment insurance had emerged in the course of the privatization of many state-owned enterprises.

(Part 2)

Yasuhiro Kamimura (Associate Professor, Nagoya University)

Valerie Schmitt (Social Security Specialist, ILO DWT)

Naoki Hamada (Former Expert of Japan International Cooperation Agency (JICA), Secretariat of Central Labour Relations Commission)

This session reviewed the theoretical need and the possibility of and explored strategies for introducing unemployment insurance and active labour market policies in Asia.

- (1) Mr. Kamimura and Ms. Schmitt’s presentations contained many points in common. They each provided explanations for the justification (need) for unemployment insurance, various existing unemployment insurance schemes and alternative policies, “legal coverage” (the ratio of legally insured persons as a percentage of the total labour force), and “effective coverage” (the ratio of the beneficiaries to all those unemployed).
- (2) Mr. Kamimura pointed out that the GDP per capita and the size of the agricultural sector varied when comparing the data of countries that had introduced unemployment insurance and those that had not. He suggested that limited economic development and a large population engaged in agriculture did not necessarily give countries reasons for refusing the introduction of the unemployment insurance schemes, as was often said. Mr. Kamimura also indicated that there was no evidence that unemployment insurance systems contributed to an increase in the unemployment rate, as was frequently pointed out. Mr. Kamimura explained that a country’s decision to adopt an unemployment insurance system was based on its philosophy and political leadership. Mr. Kamimura suggested that

it was thus theoretically possible to consider the adoption of unemployment insurance schemes in some Asian countries.

- (3) Ms. Schmitt stressed that the main challenge was the employment of vulnerable populations in the informal sector. She presented an overall picture of income security provided to the whole integrated formal and informal sectors and reintegration of them into labour market. Ms. Schmitt, citing the case of the Republic of Korea, presented an approach, in which the protection of unemployed workers (income security) and the measures to promote reintegration into labour market (the active labour market policy) were linked, as a step forward from unemployment insurance.
 - (4) Mr. Hamada illustrated Japan's experience in technical cooperation for the improvement of employment services in Indonesia (a technical cooperation project to improve the services of the public employment exchange agency) and explained the significance of improving employment services based on that experience.
 - (5) During the discussion, a question was raised as to whether unemployment insurance could lower the unemployment rate. Professor Asami likened unemployment insurance to the safety belts of automobiles. He said that safety belts could not reduce the number of traffic accidents even if they alleviated the damage of the accidents. Likewise, unemployment insurance can reduce the impact of temporary loss of individuals' incomes, but it cannot lower the unemployment rate. On that basis, he stressed that the risk of unemployment was on the rise due to globalization, and unemployment insurance enhanced the flexibility of the labour market needed for economic development without putting too much burden on the workers. Just as we should not drive cars without wearing safety belts, it is dangerous to operate an economy without unemployment insurance.
 - (6) According to Professor Kamimura, unemployment insurance gives incentives for job change and may possibly increase the unemployment rate. Nevertheless, he mentioned that it provided time for the unemployed to find jobs that fit them and acquire new skills. When they finally secure the most suitable job that maximizes their individual abilities, a positive effect will be produced to the utility of individuals and macroeconomics.
 - (7) Next, the validity of severance pay (which is legally required for employers) and provident funds as alternatives to unemployment insurance were discussed. It was indicated that it was difficult to ensure enforcement for the former, while the latter was insufficient to be an alternative measure of unemployment insurance because it failed to fully protect low-wage earners.
 - (8) Furthermore, it was pointed out that employment services including vocational training played a great role in promoting the skills development that fit the needs of the market.
- Finally, Mr. Sakurada mentioned that social dialogue and the tripartism played big roles in expanding "social safety nets," in response to the economic crisis in Japan.

List of Participants

(Experts)

- Prof. Yasuhito Asami (Professor, Faculty of Social Sciences, Hitotsubashi University)
- Mr. Mukesh C. Gupta (Senior Specialist, Employment Intensive Investments, ILO, DWT New Delhi)
- Mr. Naoki Hamada (Former Expert of JICA, Secretariat of Central Labour Relations Commission)
- Ms. Sri Wening Handayani (Principal Social Development Specialist, ADB)
- Mr. Shinichi Hasegawa (Director, ILO Office in Japan)
- Dr. Yasuhiro Kamimura (Associate Professor, Nagoya University)
- Mr. Hiroyuki Matsui (Co-Director, International Cooperation Bureau, Nippon Keidanren (Japan Business Federation))
- Mr. Takaaki Sakurada (Adviser on International Affairs, Japanese Trade Union Confederation (JTUC-RENGO))
- Ms. Valerie Schmitt (Social Security Specialist, ILO DWT-Bangkok)
- Mr. Fasihul Karim Siddiqi (Managing Committee Member, Employers' Federation of Pakistan)
- Mr. Noriyuki Suzuki (General Secretary, ITUC-Asia Pacific)
- Prof. Juro Teranishi (Professor, Nihon University, Professor Emeritus, Hitotsubashi University)

(MHLW)

- Mr. Taro Muraki, Assistant Minister for International Affairs, Minister's Secretariat, MHLW
- Ms. Chihoko Asada, Deputy Assistant Minister for International Affairs, Minister's Secretariat, MHLW
- Mr. Shojiro Yasui, Deputy Director for International Cooperation in Labour International Affairs Division, Minister's Secretariat, MHLW