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The Political Economy of Social Pension Reform in Asia

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Social pensions are expanding in rapidly ageing Asia as a means to protect older persons from poverty and social exclusion. Although social pensions are widely viewed as useful instruments to reduce old-age poverty and to include those traditionally excluded from contributory pension insurance, little attention has been paid to why certain initiatives get onto political agendas, who or what drives reform, and which factors determine the nature of reform or whether proposed reforms are implemented and consolidated, particularly in the Asian context.

One way to understand the drivers of social policy reform is to analyse them in relation to the broader development and welfare regime of each country, with several external and internal factors and actors influencing the feasibility and results of reform processes. Important variables to consider in such an analysis include: relevant **actors** and their strategies—for example, policymakers, advocacy groups and NGOs, external donors or international organisations; **contextual variables** such as the economic, political and social system and demographic trends; and **conjunctural variables** such as external shocks and crises.

Evidence from Latin America and sub-Saharan Africa suggests that social pension reform is usually part of either:

- a wider package of reforms of the existing pension system in countries with extensive formal provision: this would include privatisation of the public contributory scheme, downsizing of benefits/entitlements or the creation of a multi-pillar pension programme, as in several Latin American and Eastern European countries in the 1990s, or coverage expansion as a result of democratisation processes, as in South Africa; or
- broader anti-poverty policies—for example, when introduced alongside child benefits to establish a basic income scheme, or as part of poverty reduction measures for the rural sector, as in the case of Brazil, People's Republic of China or Bangladesh.

The Asian experience with social pensions reflects considerable diversity linked to the diverse 'welfare geography' of the region. Asia consists of a number of geographical sub-regions with distinct characteristics: much of Northeast and part of Southeast Asia share some features of a Confucian heritage, a developmental growth path, traditionally low public welfare expenditures and heavy reliance on the family, although with movements toward higher spending and more inclusive welfare regimes in recent years. South Asia is generally characterised by higher levels of chronic poverty, structural forms of exclusion related to caste, religion and gender, and limited and fragmented state provisions. In addition, countries in transition from a planned economy were forced to dismantle generous provisions to select population groups while expanding protection to others (People's Republic of China, Viet Nam, Mongolia and former Soviet republics of central Asia) in a general context of rising pension fund deficits and declining coverage.

Across these countries, there have clearly been markedly different patterns of growth and liberalisation, different levels of exposure to economic or financial shocks, and different degrees or types of influence of domestic civil society or the international/donor community and its ideas. This diversity of conditions and actors not surprisingly translates into significant variation in approaches to social protection. A common agenda or set of instruments around social protection or pensions, whether from regional or international experience, has thus been slow to emerge.

We can, however, identify some convergence toward a combination of older formal social security schemes covering a minority of the population, an expansion of social insurance and a rationalisation of multiple targeted social assistance schemes into large cash transfer programmes. Led by the more developed East Asian economies such as the Republic of Korea, some economies at varying levels of income and economic development are expanding their social protection arrangements toward more universal, integrated systems. Social pensions are rarely an early priority in this process, but when introduced are usually linked either to reform of existing pension programmes (Central Asia, Thailand, Republic of Korea, Viet Nam) or to poverty reduction strategies (Bangladesh, Nepal, Thailand, People's Republic of China, India).

Despite clear differences in reform trajectories, a political economy analysis of these diverse experiences suggests a number of factors that appear to be conducive to the introduction of social pensions:

- **clear problem analysis and affordability/feasibility studies** – involving robust problem analysis through research on existing social protection systems and outcomes for elderly people, including the costs and benefits of different pension pillars and reform options, clear arguments for non-measurable benefits for elderly people (participation, status in community etc.), emphasis on the beneficial impact on household well-being, and calculation of implicit debt/liabilities of current systems (opportunity costs of non-reform);
- **reform bundling** – comprehensive reform packages that link contributory and non-contributory pillars, or the creation of a long-term strategy (for example, toward a basic citizenship income);
- **poverty reduction agenda** – clear links with the national poverty agenda, whether as part of donor-led Poverty Reduction Strategy Papers (PRSPs) or national development plans; and
- **political support** – a clear political strategy and broad-based coalitions pushing for reforms; leadership at the highest level; and change teams that involve key actors in government.

However, there are also major challenges to adopt social pensions in other Asian countries as part of national efforts to expand social protection systems. Key questions include:

- How can basic protections be expanded to low-paid or informal urban workers, migrants and the rural laubor force and financed in a sustainable way?
- How can popular support be built for the extension of programmes; how can the representation of elderly people be ensured in political decision-making processes?
- How should comprehensive and integrated systems be designed that are financially sustainable while creating synergies?

Reference:

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