

KEY POINTS

- The poor receive less social insurance benefits than the nonpoor.
- The quantity of social assistance benefits for poor and nonpoor is similar.
- Effective social assistance programs can make a significant contribution to reducing poverty and inequality.
- Although the poor represent a significant share of all potential beneficiaries, they do not receive an equitable share of the total benefit.
- Coverage of labor market programs is similar for both the poor and nonpoor.
- Broadening the coverage of social insurance to the poor, and people working in informal sector, will help to strengthen social protection programs in the Asia and Pacific.

POVERTY DIMENSION OF THE SOCIAL PROTECTION INDEX: ASSESSING RESULTS FOR ASIA AND THE PACIFIC

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INTRODUCTION

Asia and the Pacific experienced rapid economic growth over the past 2 decades. This growth has contributed to poverty reduction, lifting hundreds of millions of people out of income poverty. Based on recent estimates, the number of poor people living in extreme poverty (\$1.25 per day) has fallen but remains high at about 743 million. This estimate doubles to 1.64 billion when using \$2 per day as the benchmark. (ADB, ESCAP, and UNDP 2013). While economic growth generated employment opportunities, many people remain excluded from new opportunities due to their persistent poverty, ill health, malnutrition, and lack of education. The welfare benefits of growth do not reach everyone (ADB 2012).

Increasing attention to social protection in Asia and the Pacific is a result of many challenges that face the region—among others, inadequate social protection expenditures, persistent poverty, growing levels of inequality, presence of huge informal sectors, demographic transition, and globalization.

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This paper presents the results of the Asian Development Bank's (ADB) study on Social Protection Index (SPI) in Asia and the Pacific from the poverty dimension perspective. The SPI is a compact, simple indicator designed to help governments assess social protection programs. The paper analyzes the impact on the poor and the nonpoor of three major categories of social protection programs: social insurance, social assistance, and the labor market. The analysis of the poverty impact of social protection programs using the SPI can help governments fine-tune their social protection programs to alleviate poverty and promote inclusive growth.

The definition of social protection varies across development agencies such as the World Bank, the Inter-American Development Bank, and the International Labour Organization. However, a common thread running through these definitions is what ADB described as enabling “vulnerable groups to prevent, reduce and/or cope with risks” (ADB 2001). Hence, it is important to note that social protection covers vulnerable nonpoor groups as well as the poor.

ADB's 2001 Social Protection Strategy states that social protection is a “set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income” (ADB 2001, page 1). Social protection involves interventions that provide livelihood security to poor and vulnerable individuals to help them prevent, reduce, or cope with economic, social, climatic, and security risks.

Social protection programs can be grouped into three broad categories: (i) social insurance schemes are contributory schemes to mitigate problems for population groups that are vulnerable to common risks such as illness, unemployment, work injury, maternity, or problems associated with old age; (ii) social assistance is a noncontributory scheme and is commonly provided as transfers to groups, such as the poor who cannot qualify for insurance or would otherwise receive inadequate benefits; and (iii) active labor market programs³ help people secure employment, as through skills development and training, or special work programs (including cash- or food-for-work programs).

Within each of the three major components of social protection and within each of the subprograms as well, governments and other stakeholders can also gauge the “breadth” or extent of the coverage and “depth” or size of the benefits. For instance, they can identify the programs that cover only a few of their intended beneficiaries as well as the programs that offer relatively small benefits. Governments are also able to identify and document successes such as programs that reach many of the intended beneficiaries and/or provide them with adequate benefits.

DATA COLLECTION AND METHODOLOGY

ADB has revised the SPI to better assess, measure, and compare social protection programs in developing member countries (ADB 2008). Contrary to the initial SPI, which was a composite index, the revised SPI is one simple, unitary indicator, which can be disaggregated in various ways for analytical purposes. The revised SPI is not designed for the relative ranking of countries. It is regarded more as a useful analytical and assessment tool for social protection programs at the country level.

The revised SPI has four dimensions: depth (average size of benefits received), and breadth (proportion of potential beneficiaries actually reached); category (i.e., social assistance, social insurance, and labor market programs); poverty focus (SPI of poor vs. nonpoor); and gender focus (SPI of men vs. women) to assess gender equity.

This paper discusses the poverty dimension of the SPI. This disaggregation captures the relative impact of social protection expenditures on the poor and the nonpoor. The essential principle is that social protection expenditures per potential beneficiary (the basic ratio of the SPI) are disaggregated among the poor and the nonpoor.

The methodology presented was used to estimate the distributional impact of social protection expenditures on the poor and nonpoor using the SPI sample of 35 countries in Asia and the Pacific. Extrapolation techniques were applied in cases where data were not readily available from official administrative sources. Hence, the distributional results presented should be regarded as indicative rather than as firm results based on official data. In many cases, data could not be derived from official administrative sources and instead relied on informed estimates of government officials, program directors, and knowledgeable practitioners. In other cases, estimates were based on indirect sources such as data from censuses, labor force surveys, and household income and expenditure surveys. While these results should be regarded as provisional, they would be very useful in evaluating the poverty dimensions of social protection programs.

KEY FINDINGS AND DISCUSSIONS

The SPI across Asia and the Pacific reveals a wide range of results. Many countries, however, appear to be underperforming: a significant number, especially middle-income country, are spending far too little on social protection.

³ The SPI also includes, under social insurance, passive labor market programs such as unemployment benefits and severance payments.

1. Poverty Dimensions of the Social Protection Index

The SPI estimates for the poor are generally significantly smaller (0.024) than the nonpoor (0.086). These SPI estimates are, however, based on the respective population weights for the poor and nonpoor with the poor usually being a much smaller proportion of all potential beneficiaries than the nonpoor.

Social Insurance

Social insurance expenditures on the nonpoor in all regions of Asia and the Pacific have the largest share in the total expenditures on social protection. Social insurance refers to the pooling of contributions by individuals so they receive financial support for a range of predefined risks. It underpins more formal social protection programs for civil servant and employees in state and large-scale private enterprises in developing countries and is financed by contributions from employees, employers, and the state. Since social insurance captures a huge percentage of spending on all social protection, these results are also reflected in the distributional impact of all forms of social protection. The SPI estimates for the poor are much smaller than those for the nonpoor, particularly because of the impact of social insurance. The SPI_p is 0.006 vs. 0.068 for SPI_{np} in social insurance. In other words, public expenditure of social insurance for the poor is very minimal. The nonpoor benefit disproportionately from social insurance since such benefits are frequently tied to formal sector employment and are often based on contributory schemes.

Social Assistance

The SPI estimates for the poor and nonpoor with respect to social assistance are more evenly spread (SPI_p and SPI_{np} are 0.016),

although, across all three categories, the share of the expenditure for social assistance programs for the poor is the biggest for all regions in Asia and the Pacific. Social assistance is more focused on the poor, especially because national poverty reduction programs, since the late 1990s, have become widespread across developing countries. Social assistance is generally tax-financed and aims to support those living in poverty. The types of social assistance programs vary considerably according to their objectives. A common dilemma faced by many developing countries in Asia and the Pacific is providing more effective social assistance programs that are primarily geared toward expanding people's opportunities. Social assistance can make a significant contribution to reducing inequality. Achieving this is one of the most critical challenges in inclusive growth.

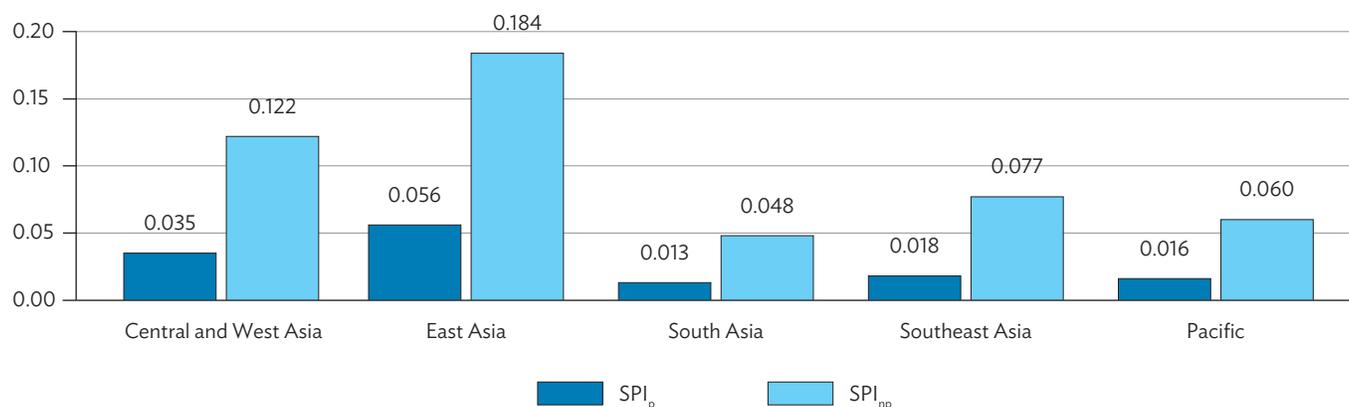
Labor Market Programs

The SPI (0.002) is very small for the poor and nonpoor with respect to labor market programs and the differences on their expenditures are negligible across all regions. Two active labor market programs are included in this study (i.e., public works programs, and skills development and training). Education and training can be valuable tools to facilitate reemployment and reduce the pressure on unemployment. Public works programs are sometimes the only concrete help from the government that the unemployed receive in times of economic and job crisis.

2. Poverty Dimensions of the Social Protection Index by Region

When the SPI_p is taken as a ratio to the overall SPI ($SPI_p + SPI_{np}$) for each region in Asia and the Pacific, the resultant proportions do not vary significantly. For example, they range from 18.7% in Southeast Asia to 23.2% in East Asia (see Figure 1).

Figure 1 Social Protection Index by Poor and Nonpoor by Region, 2009



SPI = Social Protection Index.
Source: ADB (2013).

Social insurance tends to dominate the SPI_{np} in all five regions in Asia and the Pacific. This is particularly the case in East Asia, the richest region, where the SPI_{np} for social insurance (0.169) accounts for about 91% of the overall SPI_{np} (0.184), showing that most of the social protection expenditure on the nonpoor in this region is on social insurance. In Southeast Asia, the SPI_{np} for social insurance accounts for 89% of the overall SPI_{np} .

However, this domination of social insurance is less pronounced in South Asia and the Pacific islands. In the Pacific islands, the SPI_{np} for social insurance accounts for only 66% of the overall SPI_{np} , while the SPI_{np} for social assistance is 32%. The story is similar in South Asia where the SPI_{np} is 31% of all the overall SPI_{np} . In these two regions, social assistance is important for the nonpoor as well as the poor.

In Central and West Asia, the SPI_p for social assistance accounts for about 80% of the overall SPI_p (0.029). The situation is similar in South Asia, where the SPI_p for social assistance accounts for about 68% of the overall but minimal SPI_p . In South Asia, the share of the expenditure on social assistance programs for the nonpoor (29.3%) is notably higher than that for the poor (16.3%).

In the Pacific, the SPI_p for social assistance is relatively large (87.5% of the overall SPI_p). Thus, for this region, most of the social protection expenditure goes to social assistance. In the Marshall Islands, for instance, the nonpoor receive 15.2% of poverty threshold expenditures, whereas the poor receive only 1.5%. This is a large gap. In this Pacific island country, the poor are not considered insignificant since they represent over 17% of all potential beneficiaries of social protection.

By contrast, the SPI_p for social assistance is very similar to the SPI_p for social insurance (0.028 vs. 0.026) in East Asia. However, the SPI_p for social assistance is significant in some East Asian

countries, such as the People’s Republic of China, where the SPI_p for social assistance is 0.010 and the SPI_p for social insurance is only 0.001. This is largely a result of extensive social assistance programs such as the minimum living allowance (*dibao*) program, which provides cash grants to the poorest in rural and urban households and accounts for about 47% of all social assistance (ADB 2013). Also, the share of expenditure for the poor in East Asia is much higher (12.2%) than that for the nonpoor (6%).

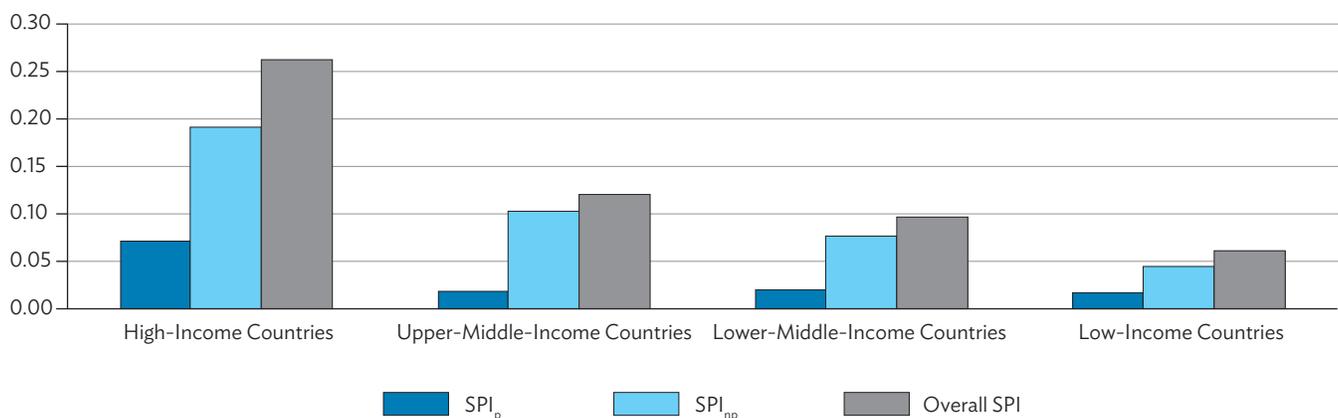
In Southeast Asia, the two SPI_p for social assistance and social insurance are the same, at 0.008. The margin on the share of expenditure to social assistance is much smaller for Southeast Asia where the difference of the share of expenditures on nonpoor and poor beneficiaries is only 1.6%.

However, there is no divergence in South Asia. The SPI_p and SPI_{np} for labor market programs is the same at 0.003 (0.075% of GDP per capita). This effect is due to the influence of large active labor market programs in countries such as Bangladesh and India. In these countries, labor market programs are likely to be more important for the poor than social assistance. Labor market programs that are most likely to reach the poor and other lower-income groupings are large cash- or food-for-work initiatives.

3. Poverty Dimensions of Social Protection Index by Income Groups

In all five income groups in Asia and the Pacific, the SPI_{np} is higher than the SPI_p for all three categories of social protection. Incidentally, as a country’s income status decreases so does their share of social protection expenditure for both the poor and nonpoor. However, the SPI_p for upper-middle and lower-middle income countries are roughly the same (see Figure 2).

Figure 2 Social Protection Index of Poor and Nonpoor by Income Groups, 2009



SPI = Social Protection Index.
Source: ADB (2013).

What might be surprising is that in 25 of the 35 countries in the SPI sample, the poor receive more benefits, relative to poverty-line expenditures,⁴ than the nonpoor. For instance, in the Republic of Korea, the poor receive about 60% of poverty-line expenditures (about 15% of GDP per capita) while the nonpoor receive about 17%. As the poor (17%) make up a smaller share of all potential beneficiaries than the nonpoor (83%), however, their share of total expenditures is smaller. In Thailand, the poor receive about 44% of poverty-line expenditures, the nonpoor about 10%.

This pattern of relative benefits is interesting since it is likely to represent a situation in which many nonpoor households receive relatively few benefits, as well as relatively small ones from social protection. They are the “missing middle” of social protection systems—households that are neither in a position to benefit from social insurance because they might not be employed in the public sector or large private sector firms, nor in a position to benefit from social assistance because they are not identified as poor who are eligible for social assistance programs.

This distribution pattern applies across countries at various income levels, even low-income countries. In Bangladesh, for instance, the poor receive 6.6% of poverty-line expenditures while the nonpoor receive 3.6%. In Cambodia, the poor receive 4% while the nonpoor receive 1.5%. However, the relative benefits received by the poor are higher in richer countries. In high-income countries, for example, the poor receive about 79% of poverty-line expenditures (about 20% of GDP per capita). In comparison, the poor receive about 2.3% of GDP per capita in low-income countries.

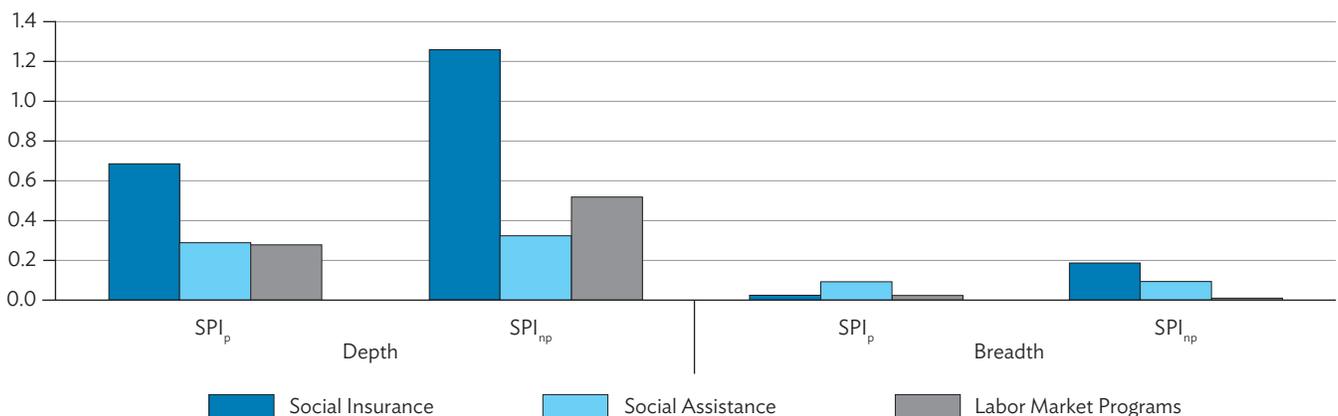
In richer countries, the poor tend to be a much smaller share of all potential beneficiaries of social protection. In high-income countries, the poor represent about 10% of this group, while in low-income countries they represent about 23%. However, the poor do not receive larger relative social protection benefits in all countries in Asia and the Pacific. In fact, they receive smaller relative benefits than the nonpoor in 10 countries in the SPI sample. For instance, in Pakistan, the poor receive 3.3% of poverty-line expenditures, the nonpoor 5.1%. Similarly, in several Pacific island countries such as the Marshall Islands, Palau, and Solomon Islands, a similar pattern is repeated.

4. Poverty Dimensions of the Social Protection Index by Size of Benefits and Coverage of Social Protection Programs

The SPI can be disaggregated into measures of breadth and depth of social protection. The depth indicates the average size of the benefits that these people receive (relative to poverty-line expenditures), while the breadth of coverage indicates the proportion of intended beneficiaries who actually receive social protection benefits.

While the poor comprises a larger share of the potential beneficiaries of social protection programs, governments direct inadequate poverty-related expenditures for programs that directly benefit the poor. This results to the poor receiving fewer benefits as compared to the nonpoor (see Figure 3). The SPI results show that social assistance does not approach the importance of social insurance. The depth of social assistance for poor and nonpoor is almost similar.

Figure 3 Depth and Breadth of the Social Protection Index for the Poor and Nonpoor by Social Protection Programs, 2009



SPI = Social Protection Index.
Source: ADB (2013).

⁴ Poverty line expenditures equal to 25% of GDP/total population (ADB 2012).

In Tajikistan, for instance, the ratio of the poor to all potential beneficiaries is about 37%. The expenditures per nonpoor potential beneficiary represent 4.8% of poverty-line expenditures whereas the expenditures for all poor persons represent only 2.5%. In this case, the general level of social protection expenditures is quite low. Even with the poor representing a significant share of all potential beneficiaries, they do not receive an equitable share of the total benefits.

In Pakistan, the situation is similar. The expenditures per potential beneficiary are 5.1% of poverty-line expenditures for the nonpoor but only 3.3% for the poor. The poor represent about 19% of all potential beneficiaries. In Nepal, where the poor also represent about 21% of all potential beneficiaries, the poor receive 4.2% of poverty-line expenditures whereas the nonpoor receive 7.5%.

The extent of coverage for both social insurance and social assistance for the nonpoor are higher than for the poor. The size of social insurance benefits (such as pensions) mainly accounts for this large depth. The dominance of social insurance is based mainly on its large share of total expenditure on social protection, which accounts for 59% of all such spending.

The coverage of labor market programs is similar for both the poor and nonpoor, and is the narrowest coverage among the three major categories of social protection. The poor and the nonpoor derive similar (though marginal) benefits from these programs. The poor receive 47% of all benefits and the nonpoor receive 53%. The results suggest that the major priority for labor market programs in Asia and the Pacific is to substantially expand their coverage.

It is also useful to compare the relationship between the two basic dimensions of the SPI_p (i.e., the size of the poor population relative to all potential beneficiaries) and the size of the benefits for the poor relative to their population size. It is apparent in Figure 4 that there is a negative relationship, which also appears to be statistically significant. The R^2 is 0.265 and the t-statistic for the parameter on the ratio of the poor to all potential beneficiaries is both negative and significant.

Thus, the larger the relative size of the poor, the lower their relative benefits as a group. Some richer countries, such as Japan and the Republic of Korea, and even middle-income countries, such as Thailand, are above the regression line since they provide relatively large benefits to the poor. Japan is clearly an outlier in this analysis, although the effect is also partly because Japan's poor represent only a small share of all potential beneficiaries.

It is much more difficult, however, for a country such as India to be positioned above the regression line because its poor population is so large. Its large employment guarantee scheme, which is targeted explicitly at poorer workers, helps place it in such a position.

Some transition economies, such as Azerbaijan, Georgia, the Kyrgyz Republic, and Uzbekistan, are also positioned above the regression line. This is likely due to the universality of some of their social insurance programs, particularly health insurance, and the widespread impact of their social assistance programs.

What is most relevant to policy making is that many countries lie clearly below the regression line. Among such countries are Armenia, Bangladesh, Indonesia, Nauru, Pakistan, Samoa, and the Philippines. The data also show that as the size of the poor population increases, the size of the benefits that they receive (relative to poverty-line expenditures) tends to diminish.

CONCLUSIONS AND POLICY IMPLICATIONS

One generally finds that the nonpoor benefit disproportionately from social insurance because such benefits are frequently tied to formal employment and are often based on contributory schemes. Broadening the coverage of social insurance would be an important contribution in reducing poverty and vulnerability of population in the Asia and Pacific.

Social assistance is more focused on the poor, especially because such assistance has often been provided through national poverty reduction schemes. Since social assistance benefits the poor and women much more than social insurance, increasing its average benefits should be a priority.

Labor market programs, both active and passive, have accounted for only a small share of total expenditures and total beneficiaries of social protection programs in Asia and the Pacific. The poor tend to receive somewhat fewer benefits than the nonpoor from active and passive labor market programs. Policy makers should also examine more closely how labor market programs could be expanded to strengthen social protection systems as a whole.

Understanding the poverty dimension of the SPI reveals the benefits received by the poor and nonpoor from social protection. This is useful in mapping targeting approaches to beneficiaries and determining the fiscal allocation for specific social protection programs.

A distinction should be made between antipoverty measures and social protection. While these two policies are often taken interchangeably because they often have the same target population, this is not always the case. Social protection concerns all individuals, including the nonpoor, as in the case for social insurance and some labor market programs. The poor are clearly more exposed to risk and usually less covered by social protection schemes, which should make them a primary target group. However, social protection schemes cover all income groups in society.

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ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to approximately two-thirds of the world's poor: 1.6 billion people who live on less than \$2 a day, with 733 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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