

Social Protection in Asian Countries

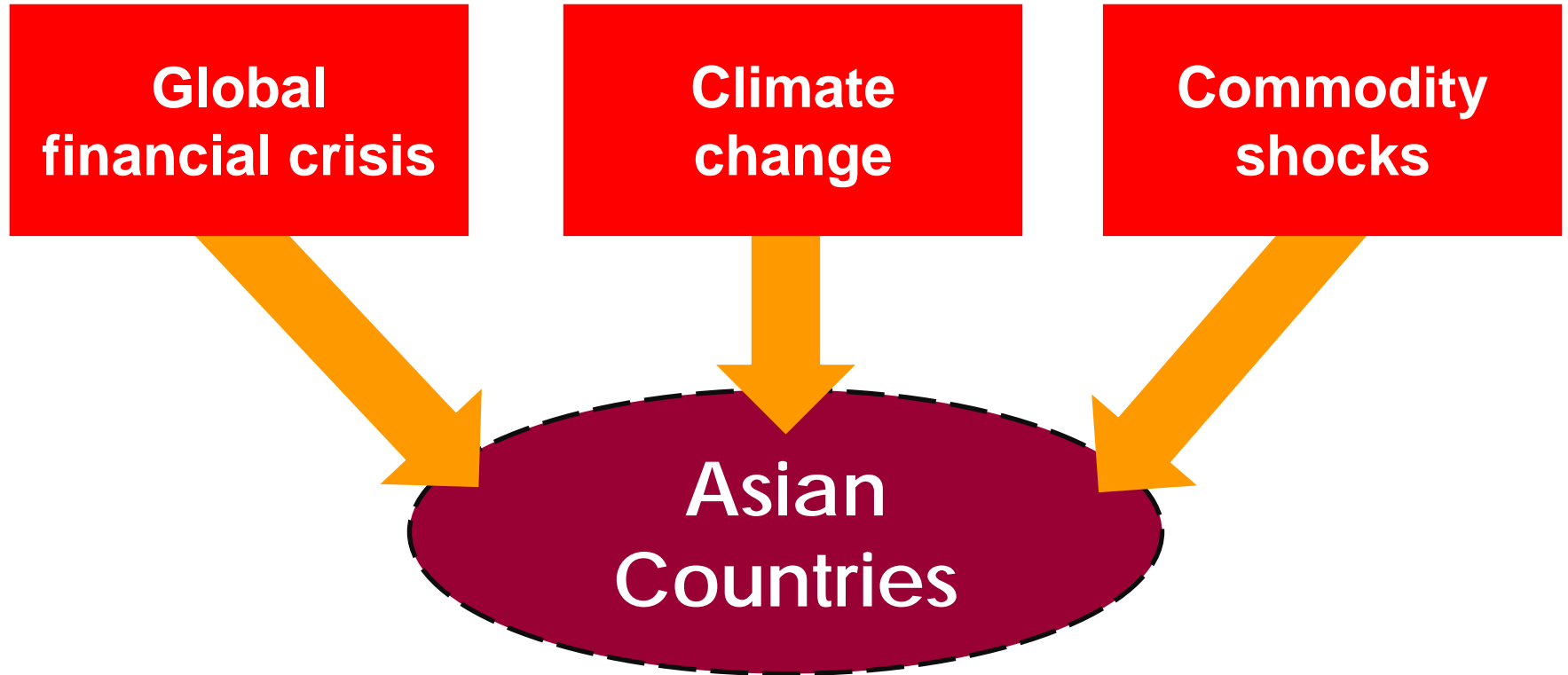
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Strategic Asia

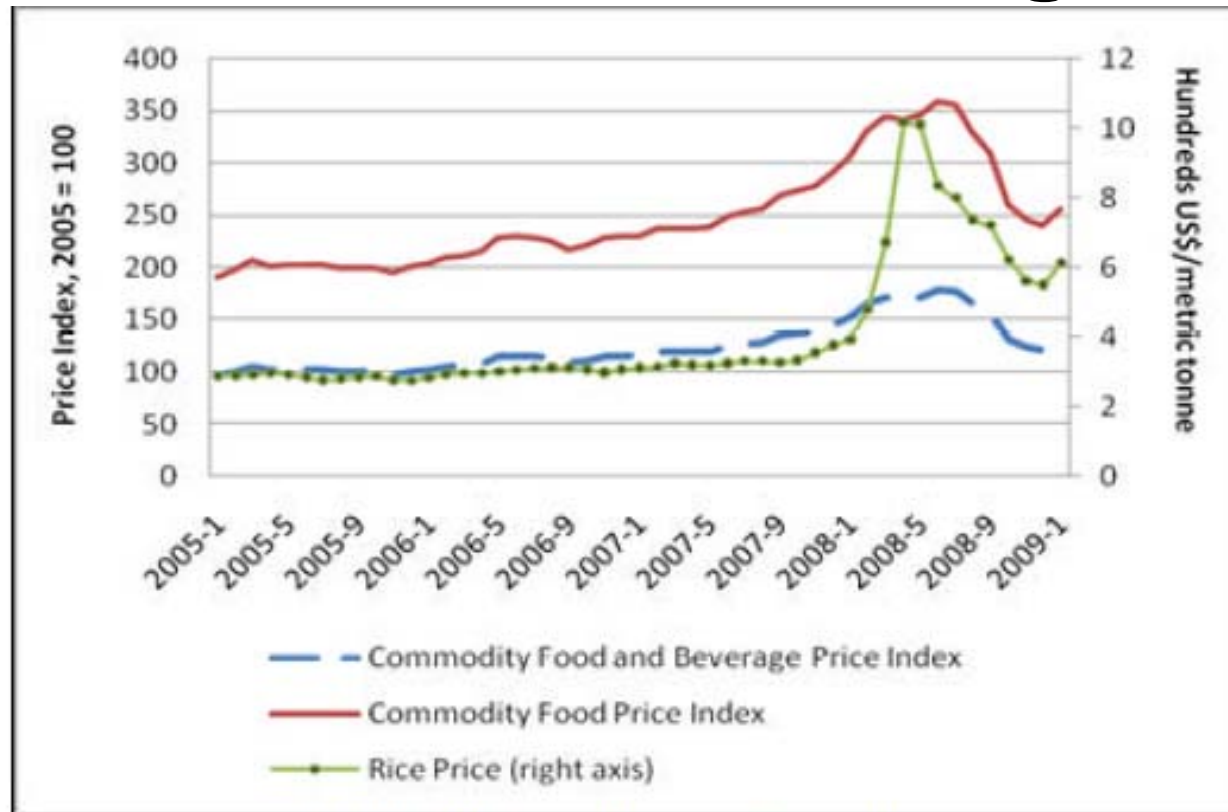
- **There is no universally accepted definition of the terms social protection. In fact, it is sometimes used interchangeably with social security, social safety nets, and social assistance.**
- **Social protection mechanism function not only as a protective but also productive factors.**
- **Social protection may also contribute to economic growth by raising labor productivity and enhancing social stability.**
- **Overall objectives of social protection policies are to maximize social justice and human well being (direct and indirectly).**

- **Lack of social protection programmes in Asia-Pacific region**
- **Social protection schemes make individuals feel more secure and less inclined to increase their savings to protect themselves from possible income losses in times of crisis, contributing to domestic demand and macroeconomic stability.**

- **Most populous region**
- **Poverty rate high**
- **Unemployment and youth unemployment are major problem**
- **Growth of urbanization**
- **Inadequate public services and poor infrastructure**
- **Low public budget and government expenditure**
- **Social and political instability**
- **Vulnerable to environmental and food security problems**



Food Price Challenge



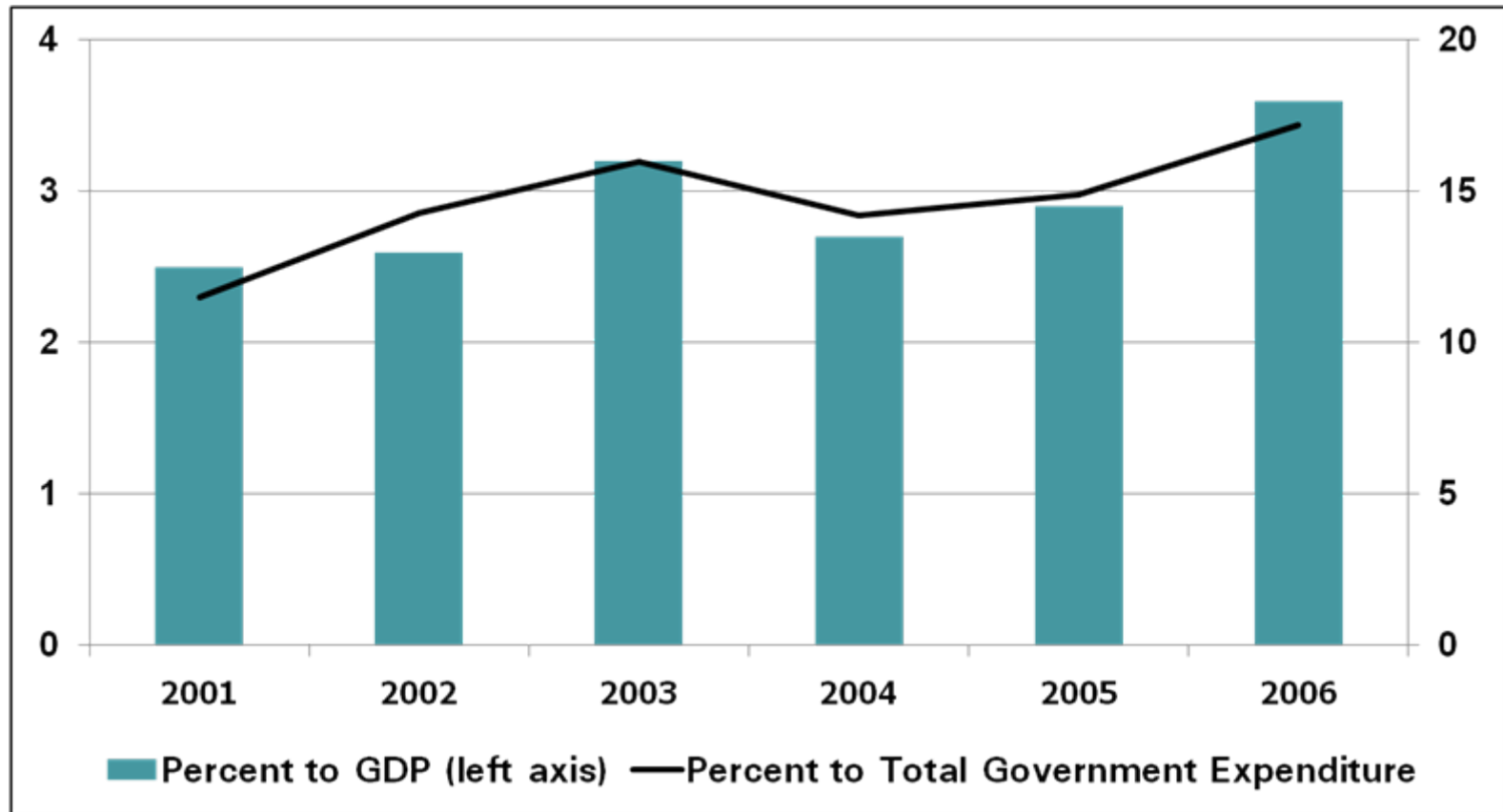
Source: IMF commodity price online database

Notes: Commodity food price index includes Cereal, Vegetable Oils, Meat, Seafood, Sugar, Bananas, and Oranges; commodity food and beverage price index includes all food commodities and coffee, tea and coca; rice price based on 5 percent broken milled white rice, Thailand nominal price quote, US\$ per metric tonne.

- The 1945 Constitution of the Republic of Indonesia places high emphasis on social protection. Sub-section 2 of Article 34 states that the state shall develop a social security system for all citizens.
- According to Law No 40, 2004 about National System on Social Guarantee: every citizens should have their minimum life needs, benefits and social protection. The proposed types of benefits include:
 1. *health benefits*
 2. *employment accident benefit*
 3. *old-age benefits*
 4. *pension benefits*
 5. *death benefits*

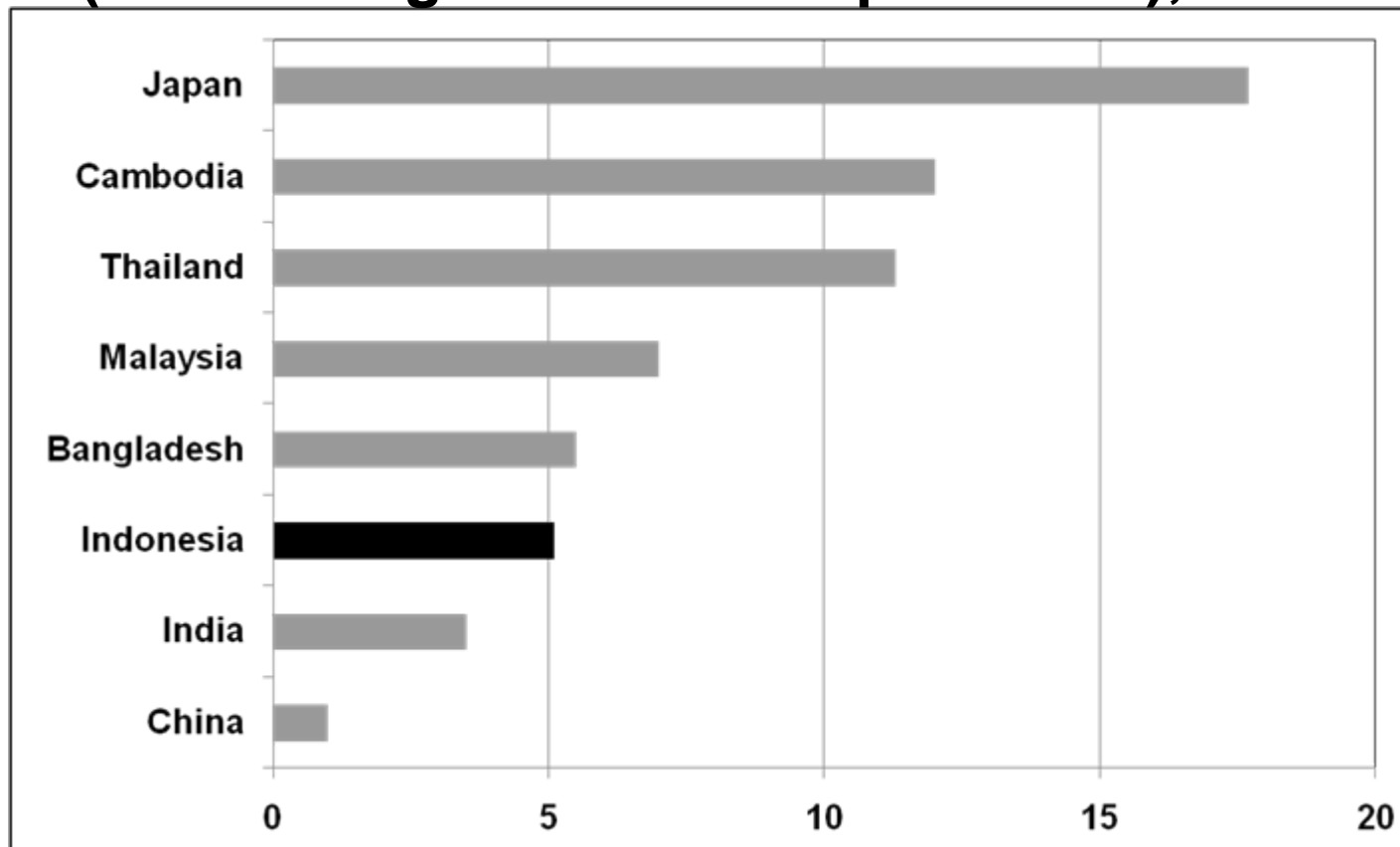
- The social protection coverage of existing programs is low. It includes a minority of the Indonesian population, i.e. civil servants, armed forces, and part of the private sector employees; the existing social security programs cover less than 20% of the total population.
- In other hand, social protection in Indonesia not just based on worker benefits, but also via: food price control, health and education budget allocation, open labor opportunity, etc

Public expenditure on education Indonesia: 2001 - 2006



Source: UNESCAP (2009). Asia Pacific Statistical Yearbook 2008

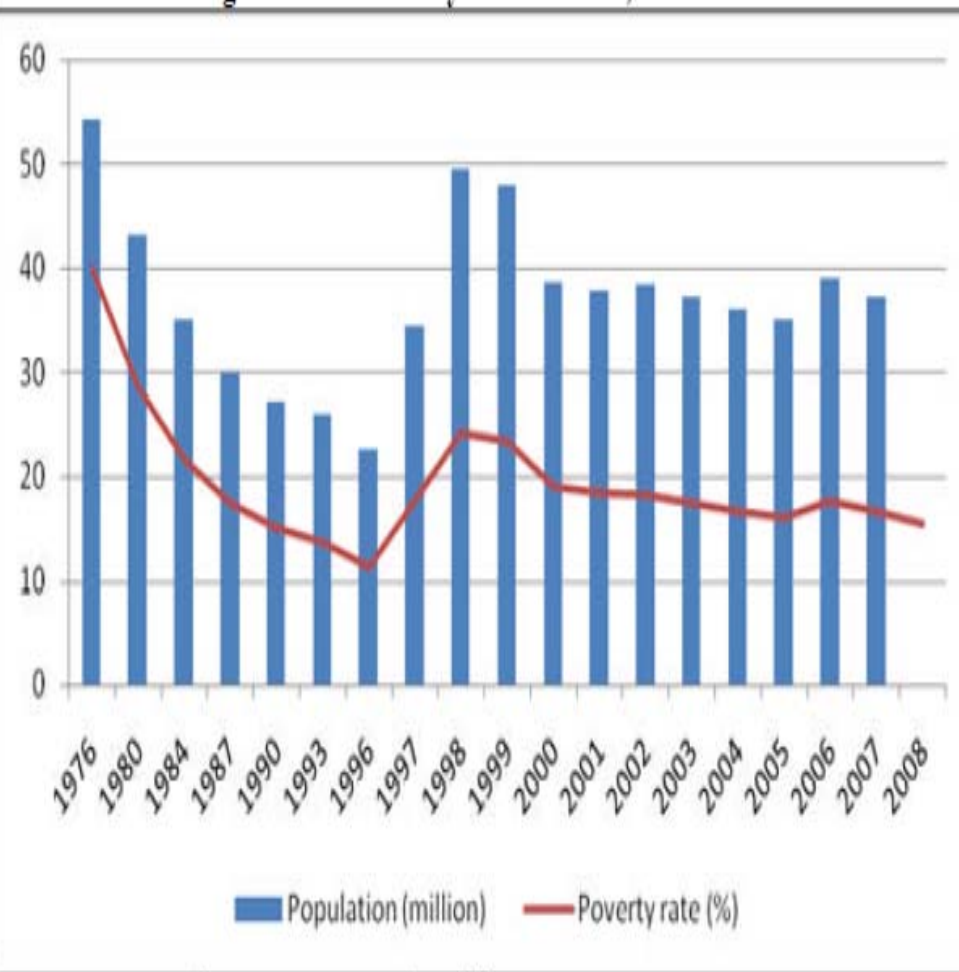
General government health expenditure in selected Asian countries (% of total government expenditure), 2005



Source: UNESCAP (2009). *Asia Pacific Statistical Yearbook 2008*

- Since 2005, Government announced new type of social protection program: Cash Transfer and Conditional Cash Transfer to avoid the impact of fuel price rise.
- Government also launched new type of social protection and poverty reduction program → PNPM (National Program on Community Empowerment).

Poverty rate in Indonesia, 1976-2008



Source: constructed from BPS data, various edition

Unemployment rate in Indonesia, 1971-2008



Source: BPS, Sakernas various years

Gol scenarios of unemployment, 2009

	I	II	III
GDP growth prediction (%)	5.5	5.0	4.5
Unemployment rate (%)	7.9	8.3	8.6
Numbers of unemployment (million)	9.09	9.46	9.82
Numbers of firing / PHK (persons)	100,000	150,000	200,000
Growth of employment opportunity (%)	2.20	1.87	1.53
Employment elasticity to growth (persons)	400,000	375,000	350,000

Source: Bappenas (February 2009) "Unemployment and Poverty Estimation in 2009"

Gol scenarios of poverty rate, 2009

	I	II	III	IV	V	VI
GDP growth (%)	4.5	4.5	5.0	5.0	5.5	5.5
Inflation (%)	6.0	9.0	6.0	9.0	6.0	9.0
Numbers of poor ('000)	29,995.3	33,714.8	29,074.1	32,766.8	28,505.0	32,181.1
Poverty rate (%)	13.23	14.87	12.82	14.45	12.57	14.19

Source: Bappenas (February 2009) "Unemployment and Poverty Estimation in 2009"

Assumption: economic growth will drive income level with the same percentage

- Special Market Operations (distributing 10 kg of rice each month to eligible households at subsidized price) as part of social safety net program;
- Employment Generation (Padat Karya Program). Objectives: (a) provide income support to the unemployed and the poor; (b) obtain production of benefits in the form of lasting social capital, including people's skills and enterprise
- Fuel subsidy
- Health card program

- Social Protection and Support Cluster on Government Workplan 2009 with target to 19.1 million households. Programs under this cluster:
 1. Raskin (Rice for the Poor)
 2. Jaskesmas (Public Health Insurance)
 3. Cash Transfer Program (Bantuan Langsung Tunai/BLT)
 4. School Operational Assistance (BOS)
 5. Program to Increase Farmer Welfare and Program Keluarga Harapan (Family Hope Plan)
→ Conditional Cash Transfer

- The Indonesian government provides services to the poor based on subsidies. Social assistance is provided primarily as: subsidies for fuel, mainly kerosene; subsidized rice (RASKIN program); agricultural sector: fertilizer and seed; credit for program; cooking oil; etc.
- Subsidies had gigantourus proportion in central government budget along New Order era.
- Commodity shocks impact to subsidy policies.

Subsidies in Indonesia 2005-2009 (% to GDP)

	2005	2006	2007	2008	2009
Energy Subsidy	3.8	2.8	3.0	5.7	4.9
Fuel	3.4	1.9	2.1	3.9	3.4
Electricity	0.3	0.9	0.8	1.9	1.5
Non-energy Subsidy	0.6	0.4	0.8	1.3	1.2
Food	0.2	0.2	0.2	0.3	0.2
Fertilizer	0.1	0.1	0.2	0.3	0.4
Others	0.3	0.1	0.4	0.7	0.6
Total	4.3	3.2	3.8	7.0	6.1

Source: Financial Notes 2009, MoF Republic Indonesia.

**THANK
YOU**