

## Executive summary

**S**ociety at a Glance Asia/Pacific 2019 presents 25 key indicators on general socio-economic context, self-sufficiency, equity, health and social cohesion for 36 countries and territories in Asia and the Pacific. The report also includes a chapter focusing on the issues associated to the extension of coverage and the future of social protection in the region.

### **Economic growth has been substantial across Asia and the Pacific in recent years, but it has not always been inclusive**

Over the 2013-2017 period, countries in the region grew at 4.4% on average in real terms. For comparison, this is twice as high as the OECD average. Substantial economic growth across Asia and the Pacific over the past 10 years has contributed to a decline in absolute poverty as the share of people with incomes below USD 1.9 per day has almost halved to 6.0%. Nevertheless, income inequality remains high, – the Gini coefficient on income inequality is around 0.36 on average in Asia and Pacific countries as compared with 0.32 in the OECD area.

### **Public social expenditure and tax revenue remain low in Asia and the Pacific**

Social protection systems are underdeveloped in most countries of the region. Public social expenditure across Asia and the Pacific was just 7% of GDP in 2015, compared with 21% of GDP on average in the OECD countries. Furthermore, the redistributive power of social spending is limited as most of it concerns payments to (former) workers with a formal employment contract – a group that is relatively well-off compared to those in the informal sector. The differences in social spending levels between the Asia/Pacific region and the OECD are mirrored in different tax revenues: In Australia, Japan, Korea and New Zealand the tax-to-GDP ratio ranged from 26 to 33%, while in Indonesia, Kazakhstan, Malaysia, Papua New Guinea, the Philippines, Singapore and Thailand they were between 12 and 18% in 2016.

### **Informal employment is widespread across most of Asia and the Pacific**

The share of informal employment varies across countries, but almost 70% of workers in the Asia/Pacific region are in informal employment, often self-employed without employees (own-account workers) and/or contributory family workers (especially in low-income countries), often working long hours for little money and in jobs that are not covered by social protection and health insurance. Youths (age 15-24) and elderly workers (over age 65) are most likely to be in informal employment. Only 30% of those with tertiary education work informally. Across Asia and the Pacific, the informal economy absorbs a large share of low-skilled workers, partly explaining its low overall level of productivity.

## **Digitalisation and changes in the nature of work and labour markets can further challenge social protection development**

The already considerable challenge of extending social protection coverage to informal workers is exacerbated by changes in the nature of work and labour markets. In some economies in developing Asia, about half of the jobs could be affected by automation: some may disappear altogether while many others will be transformed. Many of the low-productivity jobs in Asia and the Pacific are technically “automatable” but automation may not be economically attractive given relatively low wages and high costs of investment in ICT. However, as automation will increase the demand for higher skills there is a real possibility of further labour market polarisation and increased economic inequality in the future. The response to this challenge is to increase investment in education and training in order to develop the appropriate skills for jobs complementing the new technology.

## **Technological advancements can also help administration of benefits and their delivery**

The digital transformation also provides new opportunities for the extension of social protection as they can help overcome some of the administrative barriers to the receipt of benefit, payment of taxes and social security contributions. Advances in technology have at least the potential to contribute to a reduction in informality and the improvement of benefit delivery. This is important for the countries in Asia such as Bangladesh, China, India, Indonesia and Pakistan with very large populations as well as countries in the Pacific with very small populations, as in both cases natural environments pose challenges to the development, implementation and administration of social programmes.

## **Population ageing is another social policy challenge affecting many countries in the region**

Population ageing is an another important policy challenge, particularly in North East Asia, where rapid increases in life expectancy and even more rapid declines in fertility have resulted in the fastest rates of population ageing in history. At the same time, traditional family ties are weakening, leaving gaps in social protection that need to be addressed quickly. A further factor is that rapid income and wage growth can lead to wide gaps emerging between the retired and those working in the newer and more prosperous economy.

## **Scaling up social investment and increasing tax revenue is needed to effectively combat poverty**

Countries in Asia and Pacific should do more to protect poor families from poverty. This includes scaling up investment in social protection systems, better targeting of supports, and where possible linking these with existing education, health and employment policies. Countries could build on the existing social protection infrastructure, but given the low level of spending and taxation overall, widening the tax base and greater progressivity in taxation and financing of social insurance schemes would help to make national tax/benefit systems more effective in combating poverty.



**From:**  
**Society at a Glance: Asia/Pacific 2019**

**Access the complete publication at:**  
[https://doi.org/10.1787/soc\\_aag-2019-en](https://doi.org/10.1787/soc_aag-2019-en)

**Please cite this chapter as:**

OECD (2019), "Executive summary", in *Society at a Glance: Asia/Pacific 2019*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/4ec8dca9-en>

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