

# Promoting Social Cohesion in the Asia Region: Lessons from the EU Experience

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B A N G L A D E S H

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# 1. Social Cohesion: The EU Model

- **Inspiration of the EU model: Philosophy of Social Democracy and the Social Market economy.**
- **Principles of the European social democratic welfare state:**
  - ✓ **High levels of employment**
  - ✓ **Universal access to education**
  - ✓ **State provisioning of safety nets for unemployment pay, sickness insurance, old age pensions, housing and infrastructure provisions**
- **EU definition of social cohesion: *fight against poverty, inequality and social exclusion.***
- **EU programmes for promoting social cohesion**
  - ✓ **Provisions for ensuring labour mobility within the EU**
  - ✓ **Investments from the EU budget in bridging regional disparities across the EU.**

# 1. Social Cohesion: The EU Model

## ■ The EU model provided:

- ✓ **Income security through unemployment benefits and old age pensions**
- ✓ **Access to quality public education to all which bridged the social divide and ensured scope for upward mobility**
- ✓ **Universal access to quality health care**

## ■ Problems with the EU model:

- ✓ **Built on transfer payments predicated on buoyant economic growth and macro-economic stability**
- ✓ **Structural problems of aging populations enhanced pressures on public budgets**
- ✓ **Unsustainability of commitment to full employment**
- ✓ **Fiscal unsustainability of the contemporary welfare state**
- ✓ **Current reforms aim to share state's fiscal burden with employers and individuals**
- ✓ **EU model did not address the structural sources of inequality**

## 2. The Asian Approach to Social Cohesion

- **Social cohesion: Conceived as social protection (SP)**
- **SP: Traditionally the responsibility of the family – this approach victimized the poor and particularly women who were the principal unpaid care givers in the family**
- **SP: State provision on a modest scale but systemic commitment to SP, a more recent phenomenon**
- **SP agenda: Driven by prevailing political circumstances and resource availability in the respective countries**
- **State programmes vulnerable to externally driven variables such as the current global recession and/or availability of ODA**
- **Attempts to follow EU model of burden sharing for SP**
- **Increasing presence of NGOs and CSOs to provide SP**
- **Rights based approach to SP in India is a more recent innovation:**
  - **right to work**
  - **right to education**
  - **right to food**

## 2. The Asian Approach to Social Cohesion

- **Main focus of Asian model on realizing social cohesion by providing social protection in the form of:**
  - ✓ **Public employment generation**
  - ✓ **Provision for food security**
  - ✓ **Pensions for target groups**
  - ✓ **Public provision of education and health care**
  - ✓ **Targeted subsidies for agricultural inputs and utilities**
  - ✓ **Targeted income transfer programmes**
  - ✓ **Micro-credit**

### 3. Impact of Social Protection in the Asia region

- **Coverage of SP is limited and varies widely among Asian countries (Table 1)**
- **Apart from ROK and Mongolia coverage below 40%**
- **China, in particular, has expanded coverage of SP in some areas in its post-crisis recovery programmes (Table 2).**
- **A few other Asian countries have also enhanced SP on a lesser scale.**
- **Programmes in most Asian countries quite well targeted to poor but meet only part of their needs (Table 1)**

### 3. Impact of Social Protection in the Asia region

**Table 1: Social Protection Index (composite) and summary indicators for Selected Asian Countries**

<b>Countries</b>	<b>SPI</b>	<b>SPEXP (%)</b>	<b>SPCOV</b>	<b>SPDIST (%)</b>	<b>SPIMP (%)</b>
<b>Bangladesh<sup>b</sup></b>	<b>0.33</b>	<b>n.a.</b>	<b>0.23</b>	<b>53</b>	<b>24</b>
<b>Mongolia<sup>b</sup></b>	<b>0.60</b>	<b>9.8</b>	<b>0.67</b>	<b>78</b>	<b>33</b>
<b>India<sup>b</sup></b>	<b>0.46</b>	<b>4.0</b>	<b>0.33</b>	<b>100</b>	<b>26</b>
<b>PRC</b>	<b>0.45</b>	<b>4.6</b>	<b>0.39</b>	<b>69</b>	<b>44</b>
<b>Viet Nam</b>	<b>0.38</b>	<b>4.1</b>	<b>0.40</b>	<b>71</b>	<b>17</b>
<b>Malaysia<sup>a</sup></b>	<b>0.35</b>	<b>3.9</b>	<b>0.36</b>	<b>44</b>	<b>36</b>
<b>Indonesia</b>	<b>0.33</b>	<b>1.9</b>	<b>0.40</b>	<b>71</b>	<b>8</b>
<b>Philippines<sup>a</sup></b>	<b>0.21</b>	<b>2.2</b>	<b>0.33</b>	<b>30</b>	<b>6</b>
<b>Cambodia</b>	<b>0.19</b>	<b>1.4</b>	<b>0.18</b>	<b>43</b>	<b>4</b>
<b>Lao PDR</b>	<b>0.19</b>	<b>1.3</b>	<b>0.21</b>	<b>40</b>	<b>7</b>
<b>Pakistan</b>	<b>0.07</b>	<b>1.6</b>	<b>0.07</b>	<b>8</b>	<b>3</b>
<b>ASIA</b>	<b>0.36</b>	<b>4.8</b>	<b>0.35</b>	<b>56</b>	<b>23</b>

**Source:** Social Protection Index, Vol. 2, Asian Development Bank

**SPI (0-1):** Social Protection Index (composite)

**SPEXP (%):** Social Protection Expenditure as % of GDP

**SPCOV (0-1):** Social Protection Coverage weighted for each target group

**SPDIST (%):** Social Protection targeted to the poor

**SPIMP (%):** Social Protection impact on incomes of the poor

### 3. Impact of Social Protection in the Asia region

**Table 2: Fiscal Stimulus Package: Programmes Promoting Social Cohesion**

<b>Country</b>	<b>Total size of fiscal stimulus (in US\$ billion)</b>	<b>Policy Composition</b>
<b>China</b>	<b>790.94</b>	<ul style="list-style-type: none"> <li>❖ <b>Low income housing</b></li> <li>❖ <b>Improving rural living standards</b></li> <li>❖ <b>Healthcare, education</b></li> <li>❖ <b>Expedited investment spending on scientific and technical innovation/upgrades</b></li> <li>❖ <b>Healthcare reform to provide basic medical security to everyone; improve the quality of medical services; and make medical services more accessible</b></li> </ul>
<b>India</b>	<b>39.54</b>	<ul style="list-style-type: none"> <li>❖ <b>Petrol and diesel prices cut by Rs 5 and 3 per litre respectively</b></li> </ul>
<b>Indonesia</b>	<b>14.50</b>	<ul style="list-style-type: none"> <li>❖ <b>Energy subsidy and financing for the support of small business activities</b></li> <li>❖ <b>Poverty reduction</b></li> <li>❖ <b>Education and health development</b></li> </ul>
<b>Malaysia</b>	<b>20.18</b>	
<b>Philippines</b>	<b>7.08</b>	<ul style="list-style-type: none"> <li>❖ <b>Job creating programmes expected to provide 824,000 temporary jobs at government departments by July 2009</b></li> <li>❖ <b>Waiver of penalties of loans from social security institutions</b></li> </ul>

### 3. Impact of Social Protection in the Asia region

**Table 2: Fiscal Stimulus Package: Programmes Promoting Social Cohesion**

Country	Total size of fiscal stimulus (in US\$ billion)	Policy Composition
Thailand	45.09	<ul style="list-style-type: none"> <li>❖ One time living cost allowance for of THB 2000 for those earning &lt;THB 15,000 per month</li> <li>❖ Extension of 5 public service subsidies programme for 6 months</li> <li>❖ Support given to unemployed workers</li> <li>❖ Free education for students</li> <li>❖ “Sufficient Economy Fund for Improvement in Quality of Life” fund for rural villages</li> <li>❖ Old-age support payment of THB 500 per month</li> <li>❖ Education; healthcare; housing; water resources</li> </ul>
Vietnam	16.60	<ul style="list-style-type: none"> <li>❖ 4% interest subsidy on loans to SMEs</li> <li>❖ Reduction of corporate income tax for SMEs</li> <li>❖ Projects designed to support social security and welfare</li> </ul>
Pakistan		<ul style="list-style-type: none"> <li>❖ Punjab and Sindh launching an income support programme</li> <li>❖ Large subsidies are allocated to the provision of wheat and wheat flour to poorer segments of the society at substantially reduced rates</li> <li>❖ Subsidies are provided both at federal and provincial level for agricultural tractors and fertilizers.</li> <li>❖ Federal scheme of providing loans to small business start-ups</li> </ul>

### 3. Impact of Social Protection in the Asia region

- **How far do programmes for social protection actually promote social cohesion in the Asia region?**
  - ✓ **PRSPs and social protection programmes have not arrested increasing income inequality in many Asian countries**
  - ✓ **Social fragmentation and alienation in individual countries is growing.**
  - ✓ **Sectarian disparities are persisting and accentuating communal tensions**
  - ✓ **South Asia particularly divided. Increasing resort to violence as an instrument of political expression reflects these growing social tensions.**
  - ✓ **Current crisis and attendant violence in Thailand: A manifestation of social divisions and consequent tensions.**

## 4. Problems with the Approach to Social Cohesion

### ■ Problem lies in the approach to social cohesion:

- ✓ **Prevailing approach in Asia, partly derived from the European model, seeks to alleviate poverty and bridge social divisions through welfare related transfer programmes for social protection.**
- ✓ **With the exception of a few countries this approach remains resource constrained rather than rights based**
- ✓ **This approach addresses symptoms of the problem not its sources.**
- ✓ **Underlying sources of poverty and inequality remain unaddressed within the programmes of most Asian countries.**

## 4. Problems with the Approach to Social Cohesion

■ **Lack of social cohesion in Asia originates from an unjust social order which provides inequitable access to opportunities in the form of:**

- ✓ **Insufficiency of productive assets**
- ✓ **Unequal competition in the market**
- ✓ **Educational disparities**
- ✓ **Information asymmetries**
- ✓ **Inequitable access to health care**
- ✓ **Undemocratic working of the democratic process**



## 5. Conclusion: Promoting Social Cohesion in Asia

**To build social cohesion in Asia structural change is needed to correct the injustices which create and perpetuate social disparities, through policies and programmes which:**

**■ Integrate the working population and income poor into the production and distribution process through opportunities for:**

- ✓ **Expanding their asset ownership at all levels**
- ✓ **Widening opportunities for primary producers of goods and services to share in the value addition process.**
- ✓ **Enabling workers to share in the value added by their enterprise.**

**■ Compensate for the weakness and isolation of the poor and excluded through building institutions for collective action.**

**■ Channel credit, budgetary resources towards underwriting the above programmes.**

**■ Design financial instruments for delivering credit and investing the savings of the poor**

**■ Direct ODA towards programmes which increase the asset base of the resource poor and enhance their competitiveness in the market.**

**■ Use concessions for access to EU markets to ensure that the poor and workers in the export sector can benefit directly from such export privileges.**

**■ Ensure that the democratic process is more representative of the voice and concerns of the excluded.**