

Social Security Reform Imperatives in Developing Asia

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Abstract

The main objective of this paper is to discuss broad imperatives for effective social security reform in developing Asia. The current demographic trends strongly suggest that Asia will become old before it becomes rich. It is Asia's response to managing rapid ageing of its population that will determine how the world copes with this challenge. This paper argues that the objective function of social security for the individual and for the country is multidimensional and complex, involving difficult technical and political trade-offs.

In addition, issues involved in transitioning from the current to the reformed system are also politically difficult. Nevertheless, constructing and sustaining adequate social security and social safety net systems are essential for managing the challenges of the 21st century. In the social security reform literature, no single model or framework has emerged. Nevertheless, the World Bank's five-tier framework may be useful for thinking about social security reform in developing Asia.

This paper suggests that for effective social security reforms in Asia, greater attention should be paid to professionalism, a systemic perspective, transition issues, financial education, pension regulators, and indigenous research capability. Each country however must develop its own strategy for reform which takes into account initial conditions, economic, financial, and fiscal capacities, and political economy. Finally, this paper suggests establishing an Asian forum for dialogue on social security issues and experiences.

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