



ARC CENTRE OF
EXCELLENCE IN
**POPULATION
AGEING
RESEARCH**

Prospects for Sustainable Retirement Provision in Asia

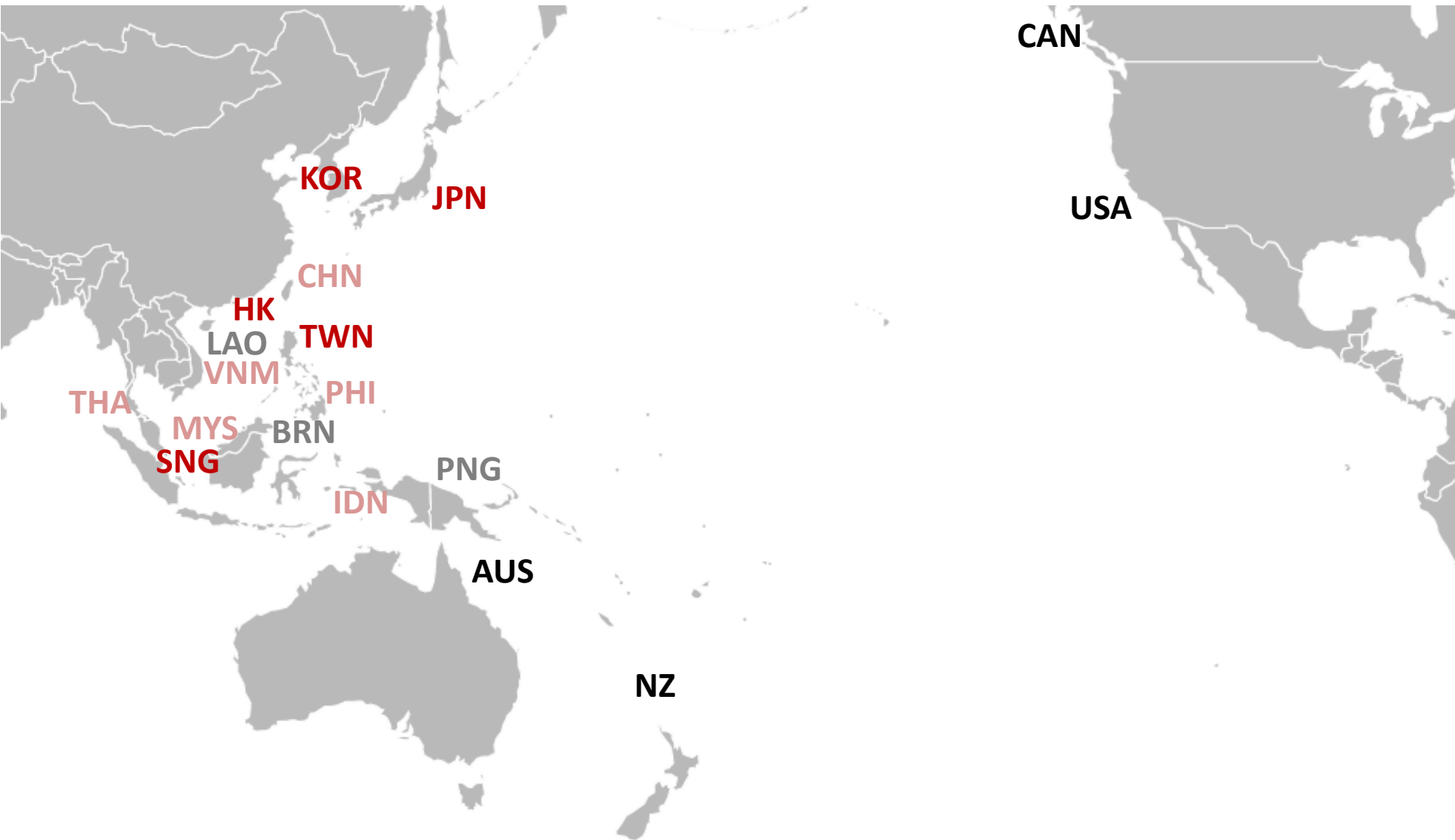
John Piggott, Centre Director



Prospects for Sustainable Retirement Provision in Asia

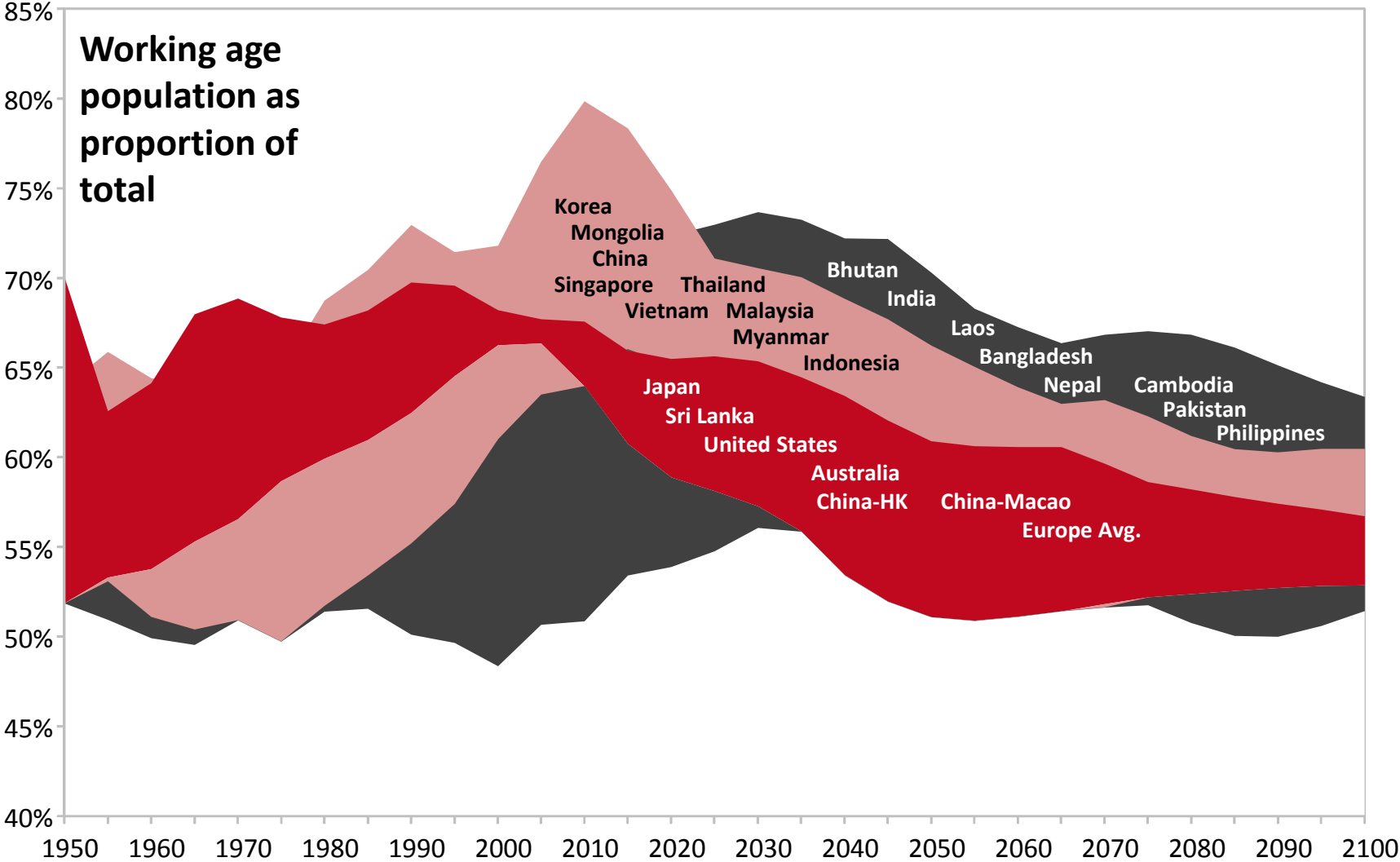
1. Demographic shift
 - Peaking labour force
 - Old before rich?
 - Mid-life longevity
2. Resources in retirement
 - You
 - Your family
 - Government
 - Your banker (actually, also you)
3. Challenges and lessons

But, first... some APEC groupings



DEVELOPED WORLD, **DEVELOPED ASIA**, EMERGING ASIA, DEVELOPING ASIA

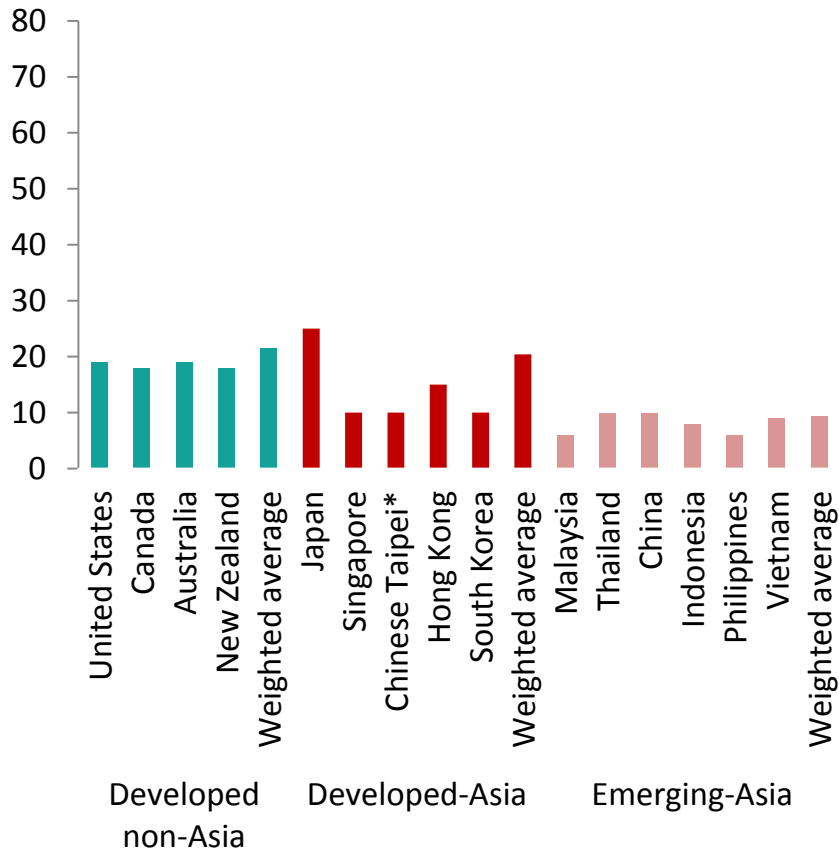
1. Demographic shift: Peaking labour force



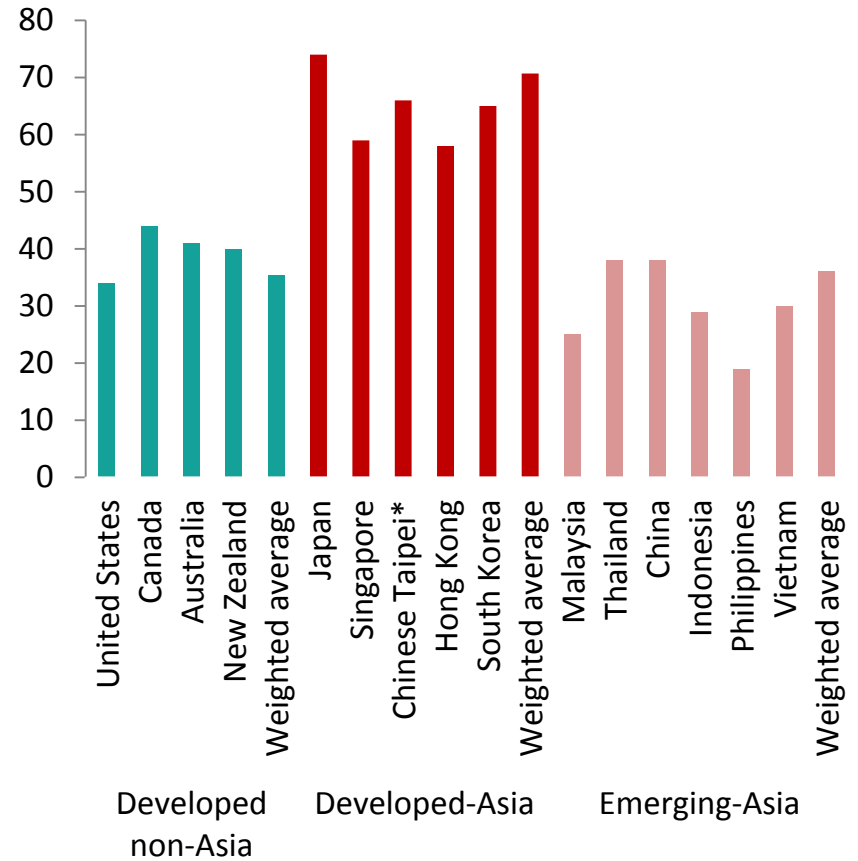
Source: Chomik & Piggott (2013) 'Asia in the Ageing Century: Part I – Population trends'

1. Demographic shift: Getting old...

Old age dependency ratio in 2000

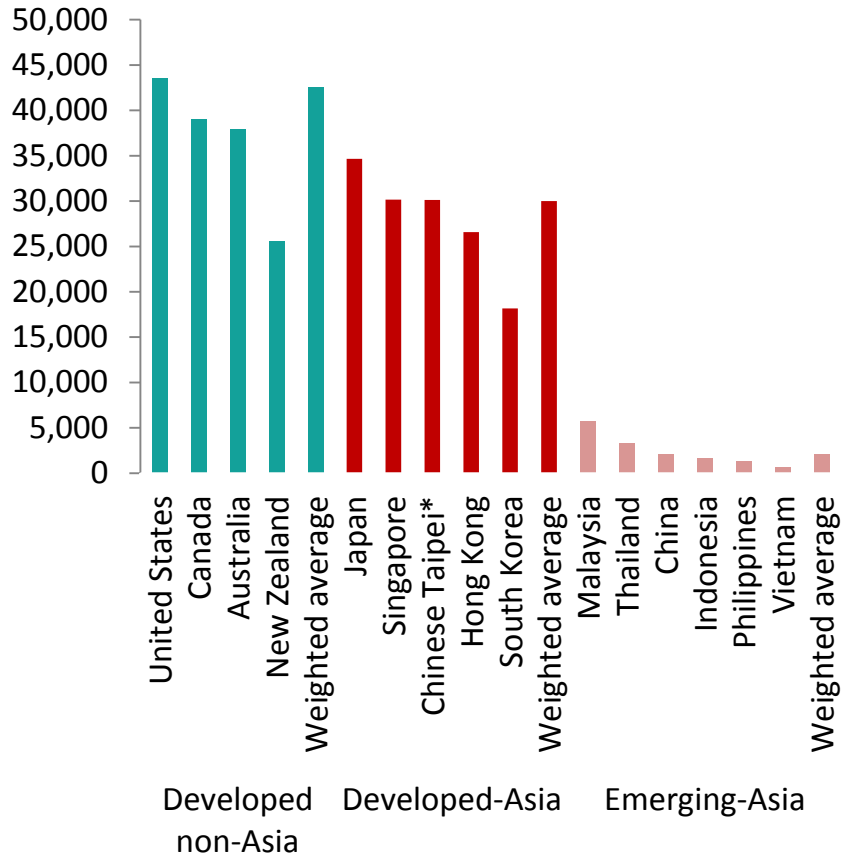


Old age dependency ratio in 2050

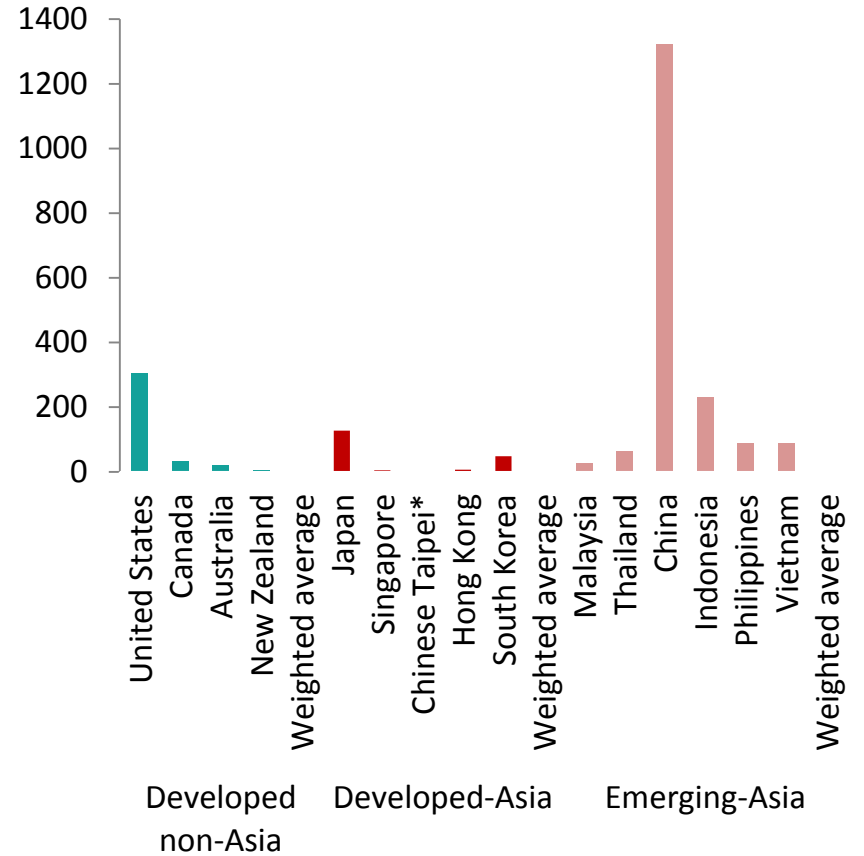


1. Demographic shift: ...not yet rich

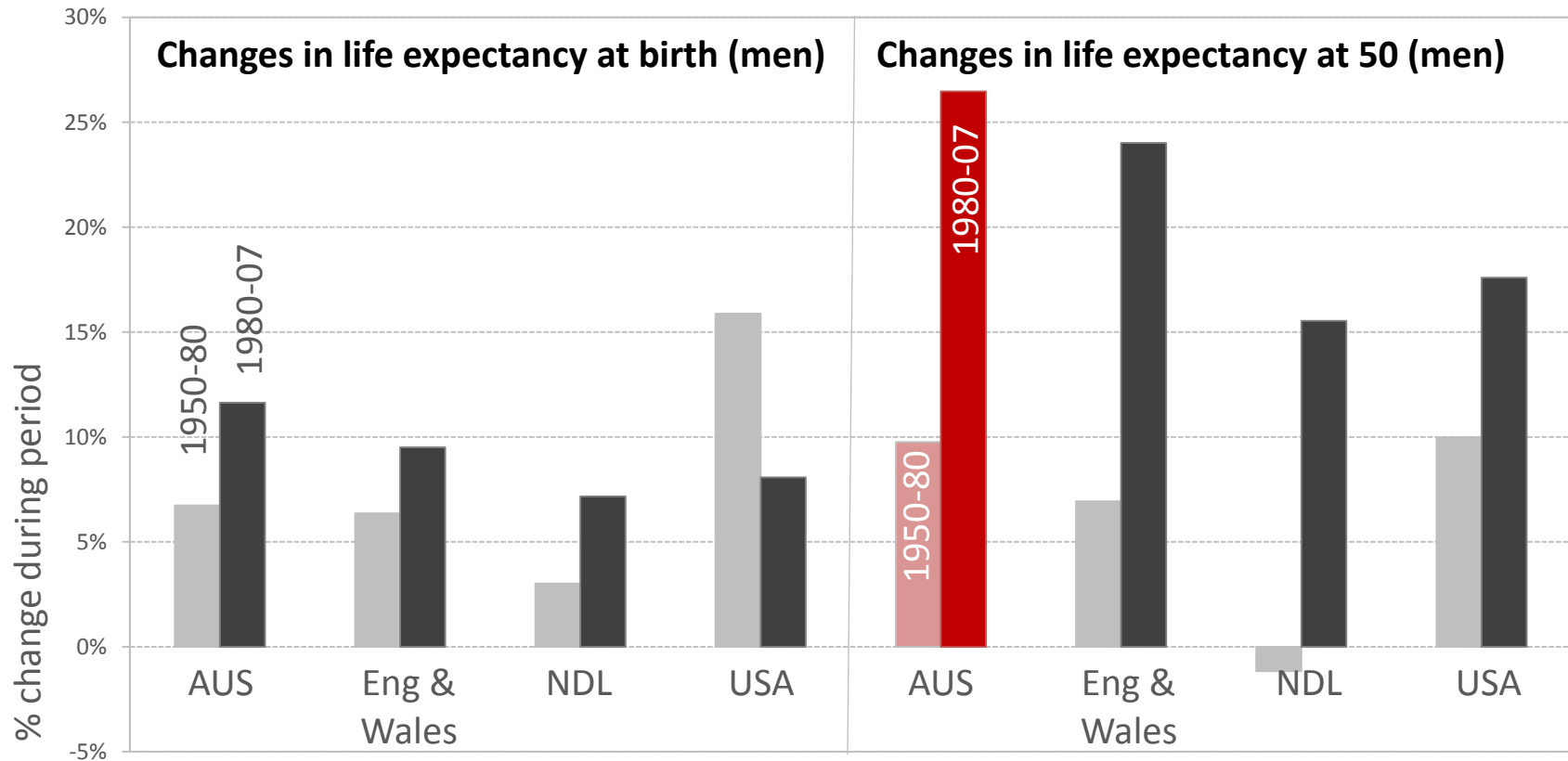
Per capita income



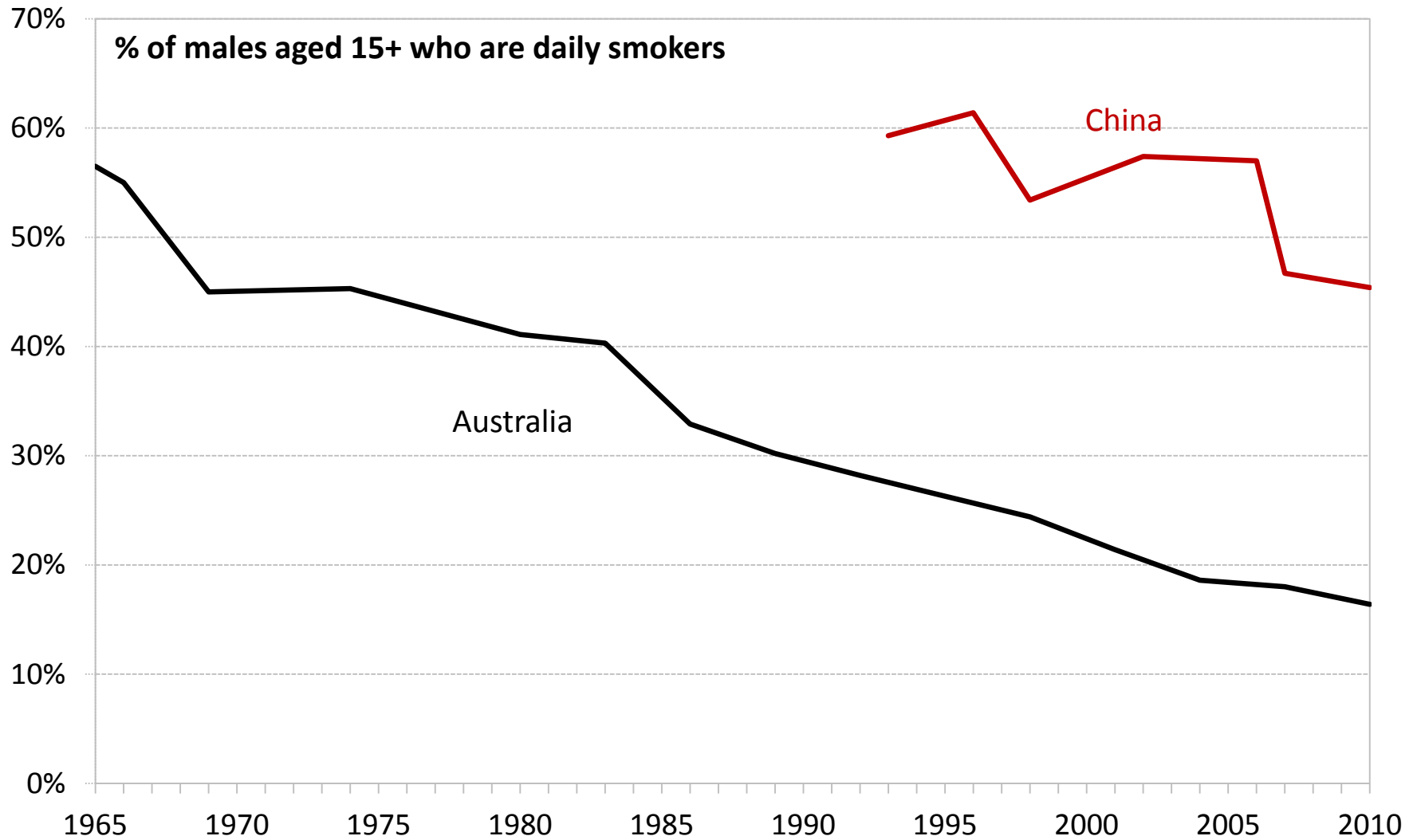
Population (2008) (in million)



1. Demographic shift: Mid life longevity



1. Demographic shift: Mid life longevity



1. Demographic shift

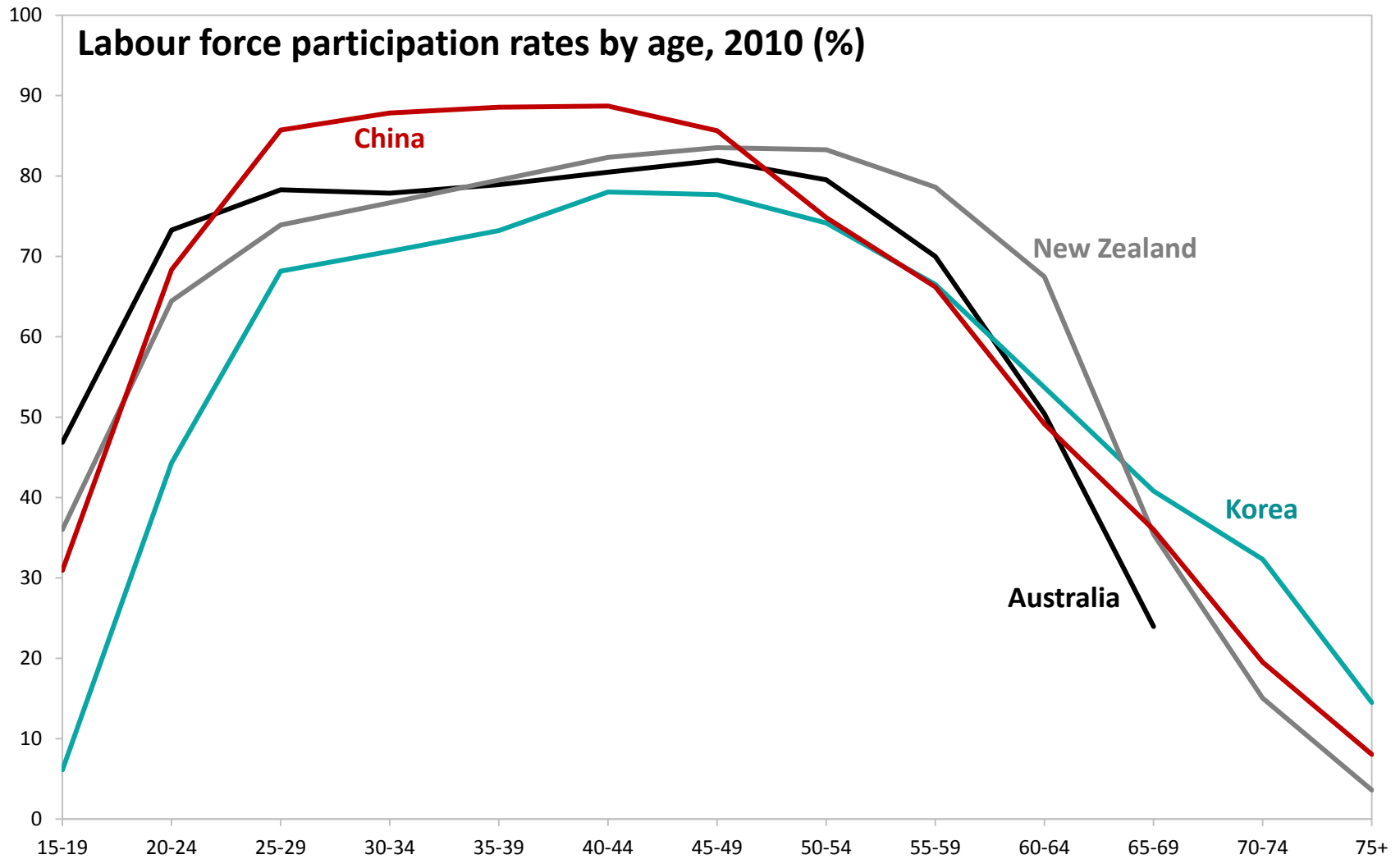
- Peaking labour force
- Old before rich?
- Mid-life longevity

2. Resources in retirement

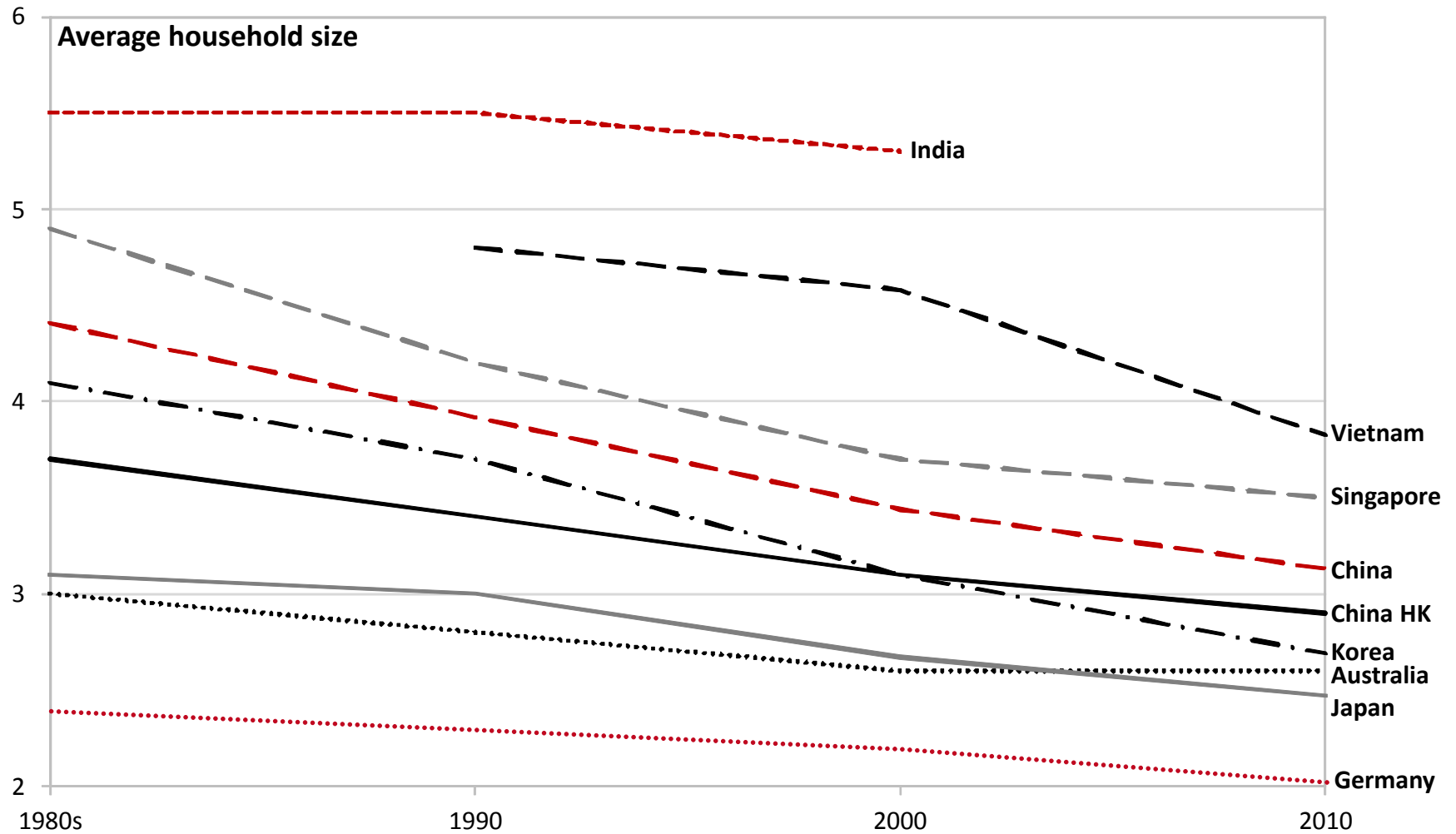
- You
- Your family
- Government
- Financial sector (also you)

3. Challenges and lessons

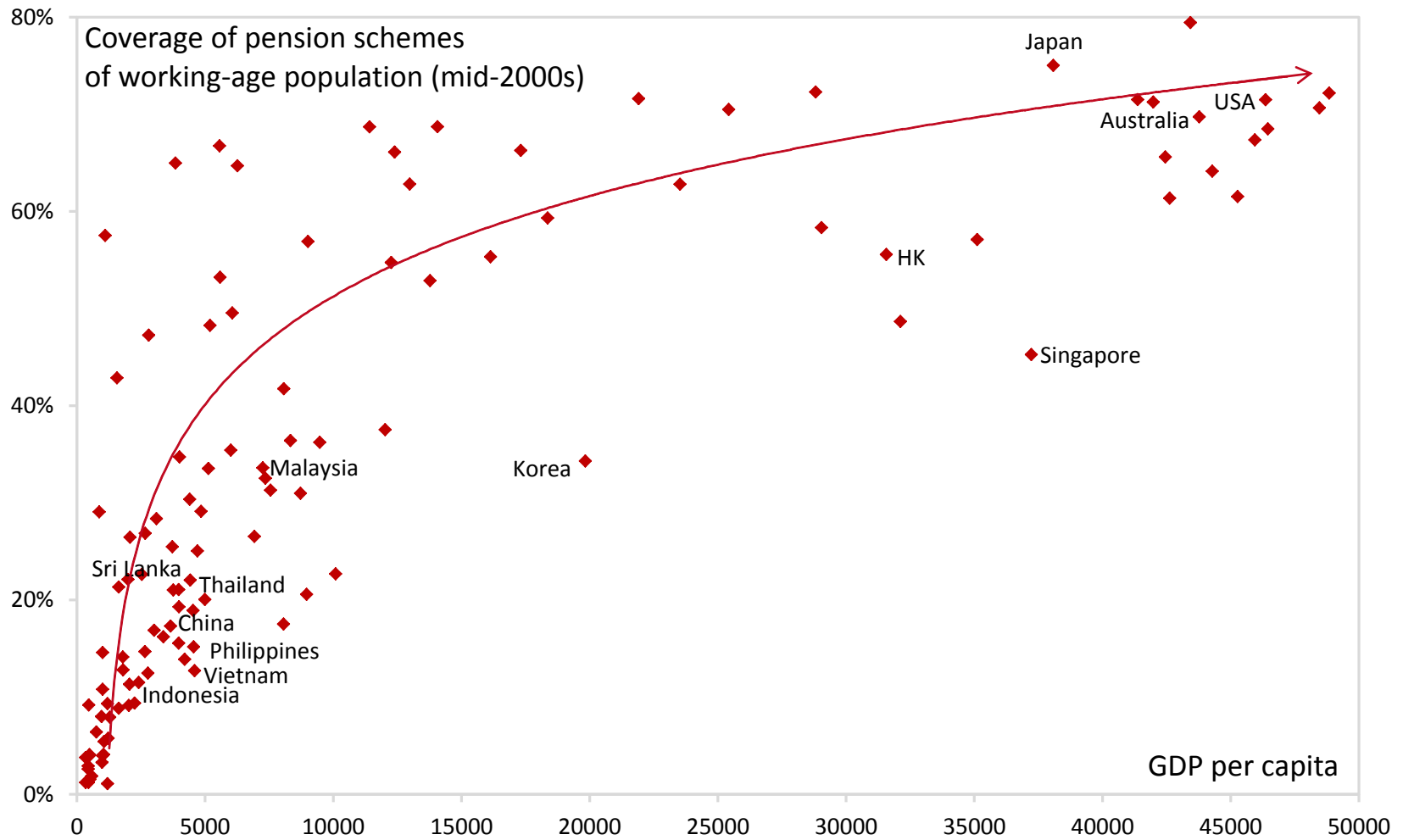
2. Resources in retirement: You



2. Resources in retirement: Your family



2. Resources in retirement: Government



Source: OECD (2011b) 'Pensions at a glance: Asia/Pacific 2011', OECD Publishing

Source: Chomik (2013) 'Asia in the Ageing Century: Part II – Retirement Income'

2. Resources in retirement: Government

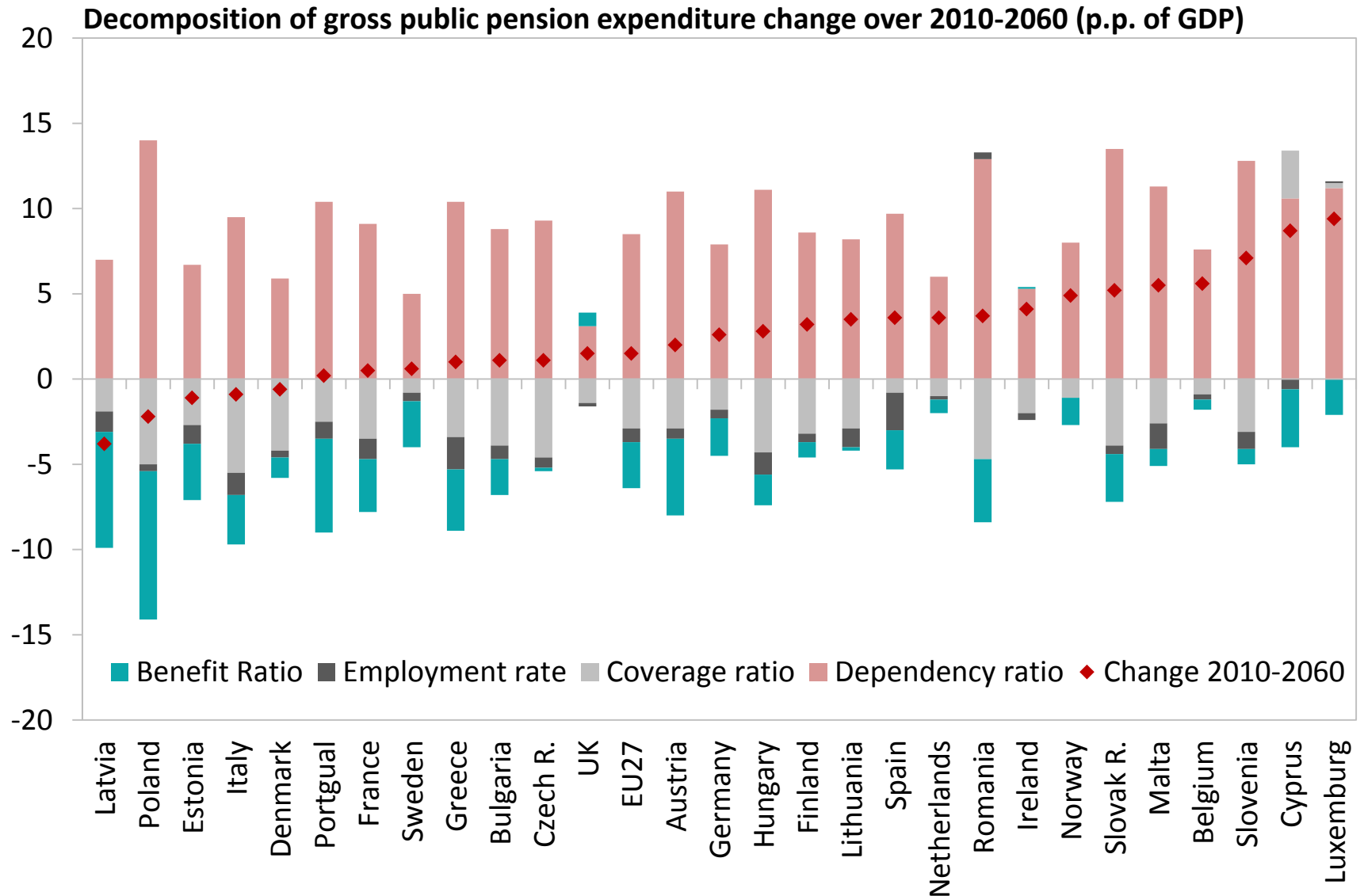
Safety net retirement income schemes

Universal

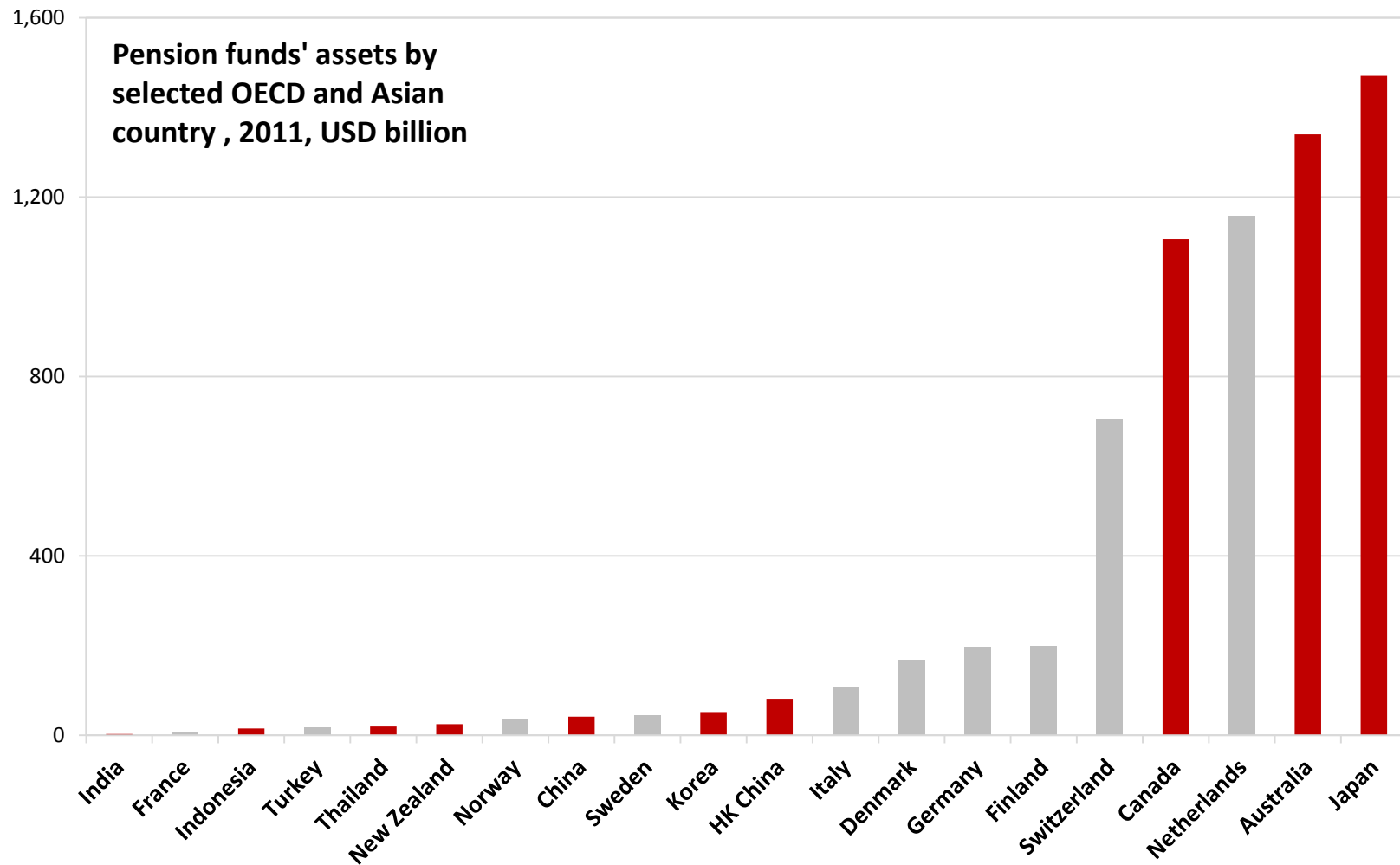
Targeted

	Universal	Targeted	
Australia		28% of AW	
Hong Kong	Age 70+, 5% of AW	Age 65-69, 5% of AW	← Exists but low
Japan	National Pension 16% of AW		
Korea	Basic Age Pension, 5% of AW		← Exists but low
China	Urban Resident Pension, Rural Pension		← Exists but low
Indonesia			
Laos			
Malaysia			
Philippines	Old Age Pension basic, 4% of AW		← Exists but low
Singapore			
Thailand	500 Baht scheme		← Exists but low
Vietnam			

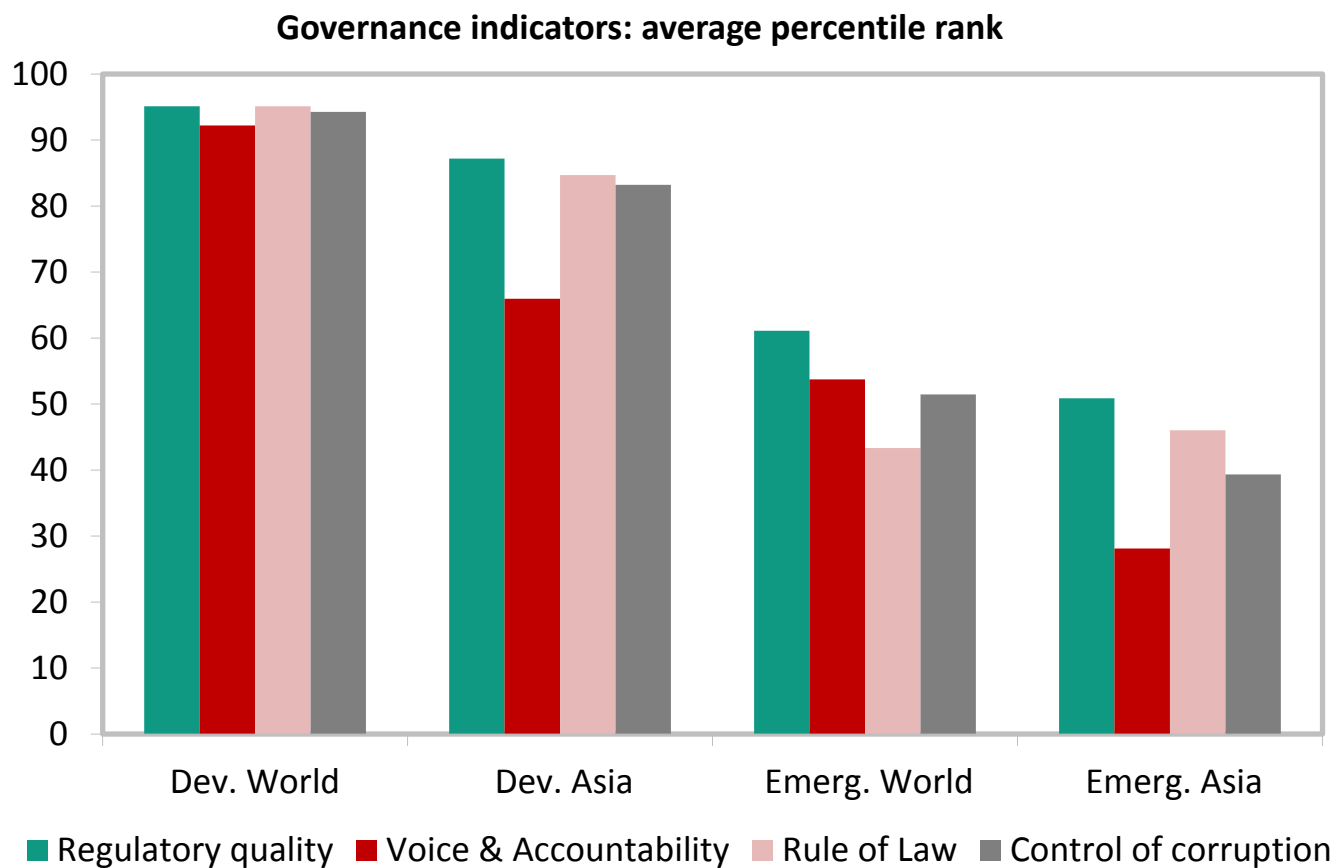
2. Resources in retirement: Government



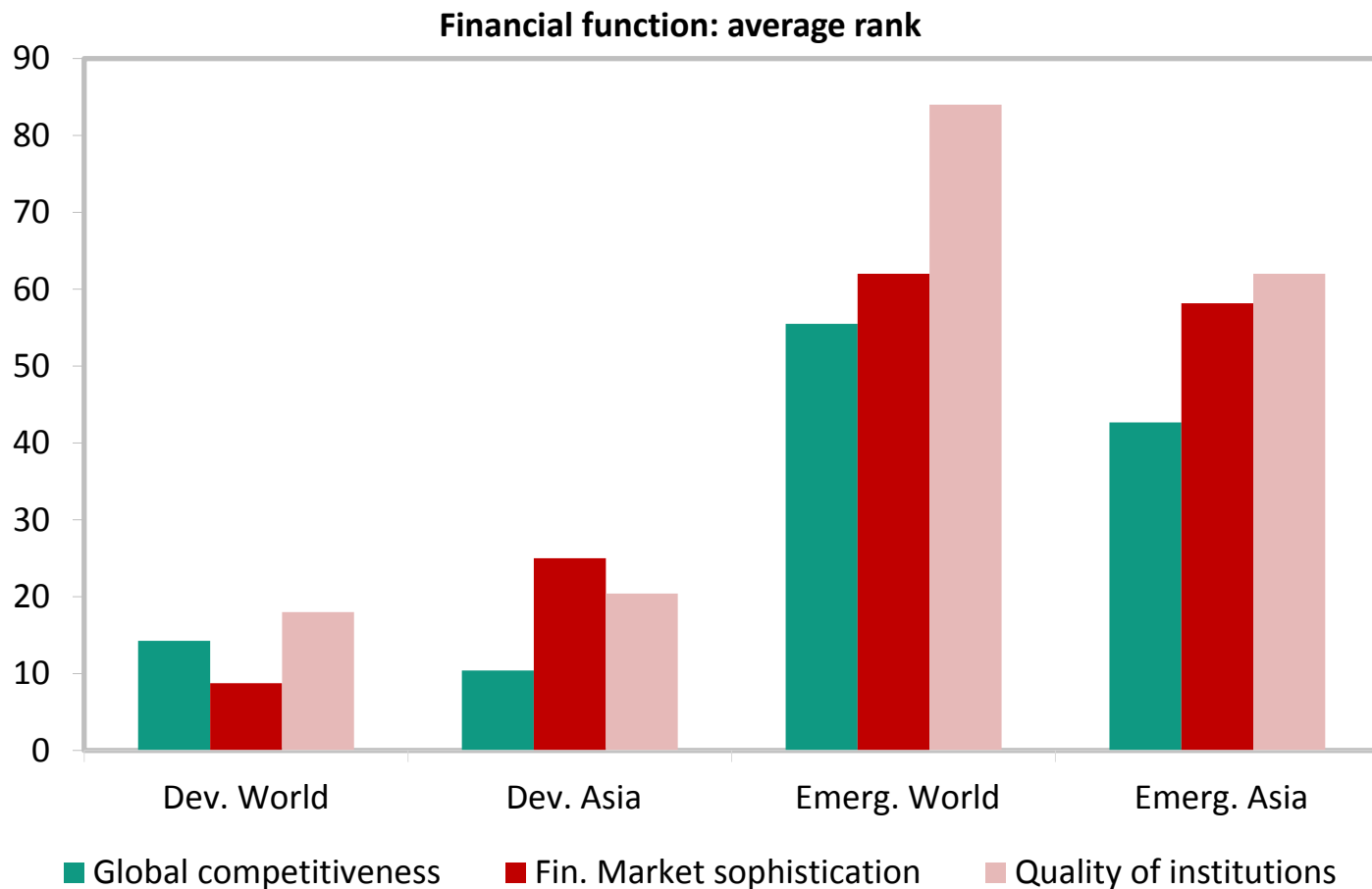
2. Resources in retirement: Your banker



2. Resources in retirement: Your banker, but



2. Resources in retirement: Your banker, but



1. Demographic shift

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3. Challenges and lessons

3. Challenges for existing arrangements in Emerging Asia

- Provident funds for the organised sector
- Easy withdrawal rules
- Patchy coverage of unorganised sector
- Limited safety nets
- Over investment in government securities
- Disparity in governance and financial market sophistication
- PAYG, DB schemes for civil servants
- Concern about fiscal stress
- Faster demographic change than when OECD set up pensions

3. Challenges for existing arrangements in Developed Asia

Hong Kong	Singapore	Korea
Mandatory Provident Fund defined contribution scheme for all workers	Central Provident Fund defined contribution scheme for all workers (incl. civil servants)	Defined benefit scheme
10% contribution but capped at HK1000/pm	35% contribution	Continuing adjustments to access age, contribution rate, and benefits
NRR 37%	NRR 20%	NRR 45%
Many face low retirement income	Many other uses of contribution (housing, health, education)	Even with adjustments, sustainable contribution rate reaches 24.3% in 2070

3. Way forward

- Working longer – obvious and inevitable
- Modest or contingent promises
- Emphasis on income streams
- Basic social pension + pre-funding for income replacement – but this requires improved governance and financial sophistication
 - May be a virtuous circle – prefunding correlates with good governance
 - No load to carry
 - Something the G20 could push for

Some useful references:

- CEPAR (2013), Asia in the Ageing Century: Part II – Retirement Income, prepared by Rafal Chomik. Available at <http://cepar.edu.au/research-briefs.aspx>.
- Moon, H. (2009), Demographic Changes and pension reform in the Republic of Korea, ADBI WP No. 35
- Fong, H. (2013) , Population Ageing and Pension Reforms in the Asian Tiger Economies, under preparation.
- OECD, Pensions at a Glance, various issues
- Piggott, J. and R. Sane (2012), “Demographic Shift and Financial Markets in APEC: New-age solutions to age-old challenges, Asia-Pacific Journal of Risk and Insurance, V 6, 1. ISSN (Online) 2153-3792, DOI: [10.1515/2153-3792.1053](https://doi.org/10.1515/2153-3792.1053).



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