



From Challenge to Opportunity

Wave 2 of the East Asia Retirement Survey

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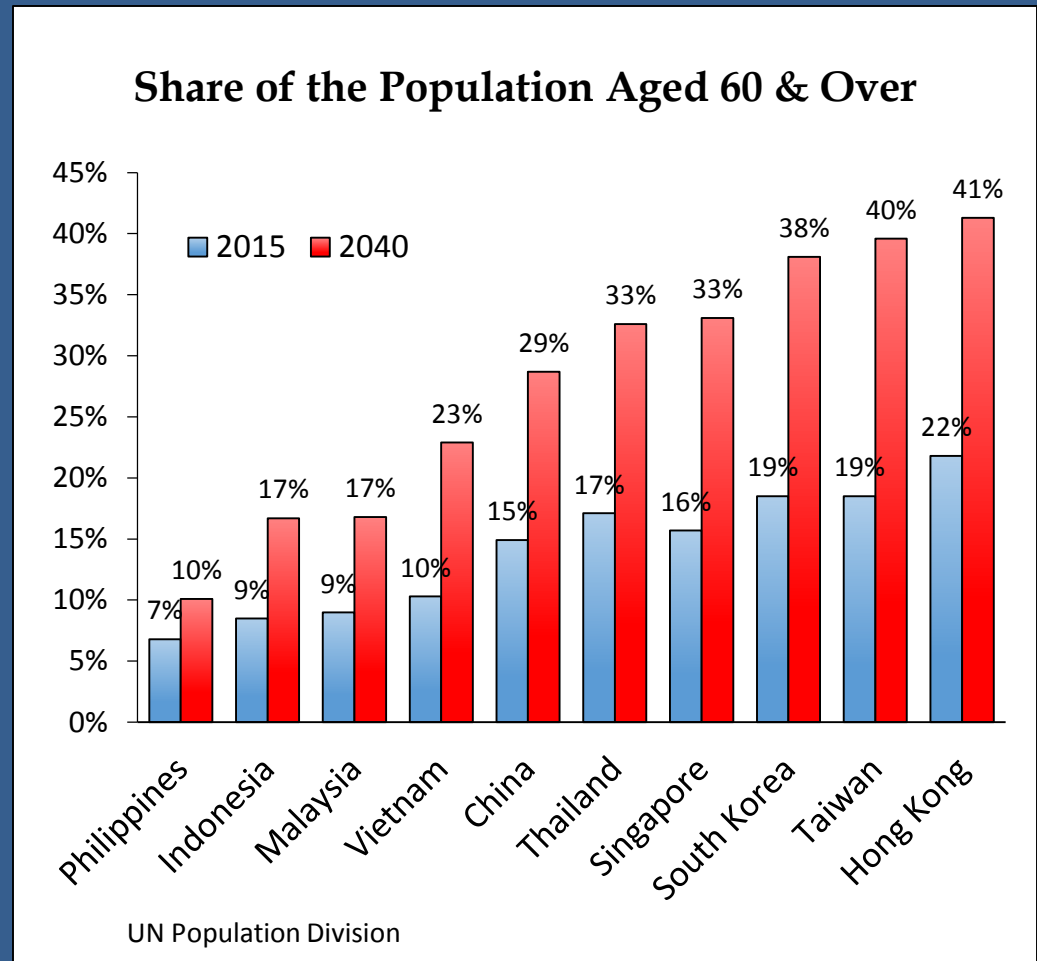
World Bank & GAI Policy Forum
Washington, DC
February 23, 2016

Survey Framework

- ❑ The first wave of the East Asia Retirement Survey was conducted in 2011 in China, Hong Kong SAR, Malaysia, Singapore, South Korea, and Taiwan. The second wave was conducted in 2014 in the six first-wave countries plus Indonesia, the Philippines, Thailand, and Vietnam.
- ❑ The survey is nationally representative, except that the samples for China, Indonesia, the Philippines, Thailand, and Vietnam are limited to urban areas.
- ❑ The survey universe consists of “main earners” aged 20 and over, including both current main earners and retired main earners.
- ❑ Respondents were asked about their general attitudes toward retirement, as well as about their own retirement experience and expectations.
- ❑ Current retirees were asked about their current retirement experience, while current workers were asked about their retirement expectations.

Although the ten countries surveyed differ in important respects, they also have important things in common.

- ▣ There are enormous differences in per capita income, institutional capacity, degree of market orientation, and extent of population aging across the ten countries surveyed.
- ▣ Yet all of the countries have in common large informal sectors and underdeveloped welfare states. In all of the countries, moreover, the extended family continues to play a far more important role in retirement security than it does in the West.

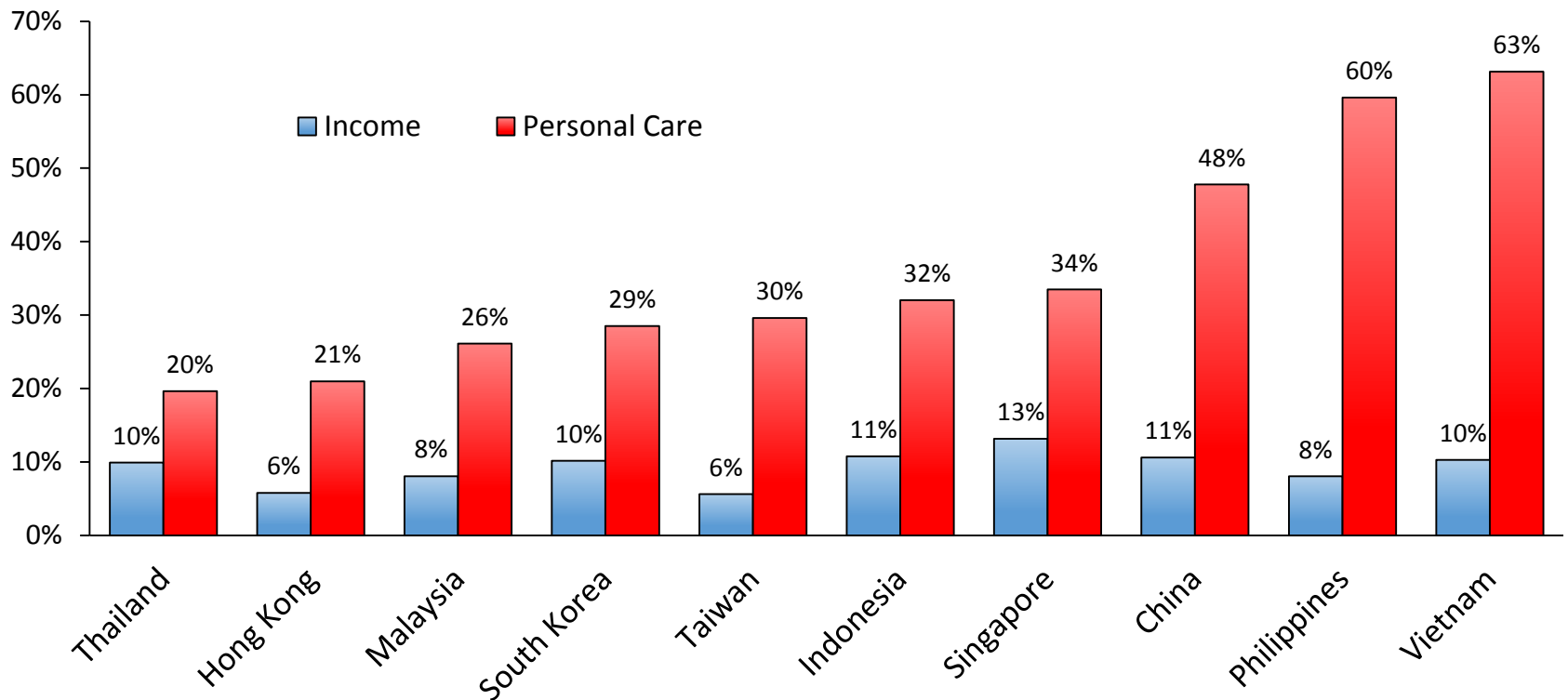


What Kind of Retirement System Do East Asians Want?

By overwhelming majorities, East Asians reject the traditional model of family-centered retirement security.

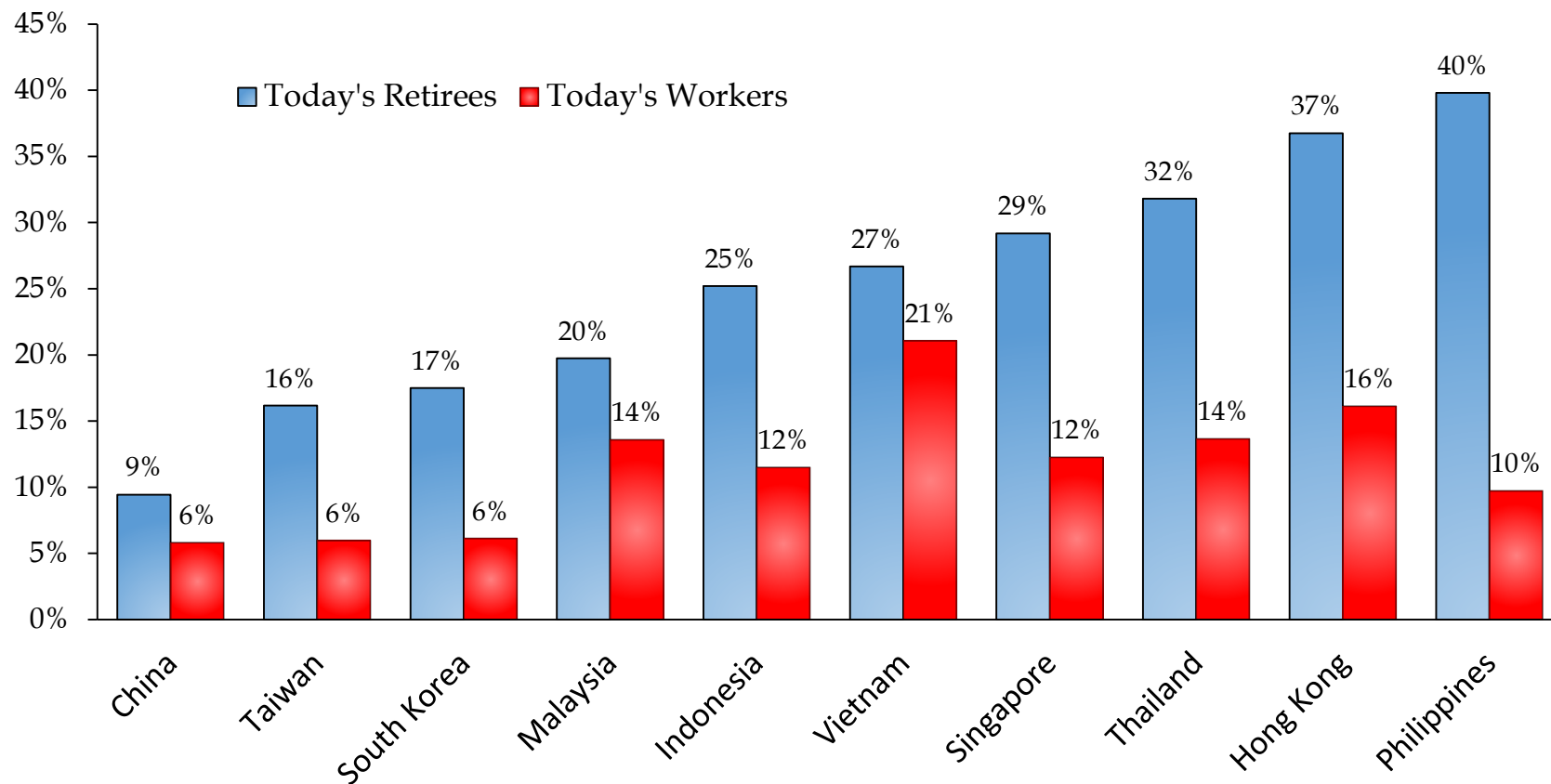
"Who, ideally, should be mostly responsible for providing *income* to retired people?" and "Who, ideally, should be mostly responsible for providing *personal care* to retired people?"

Share of Respondents Saying "Grown Children or Other Family Members"



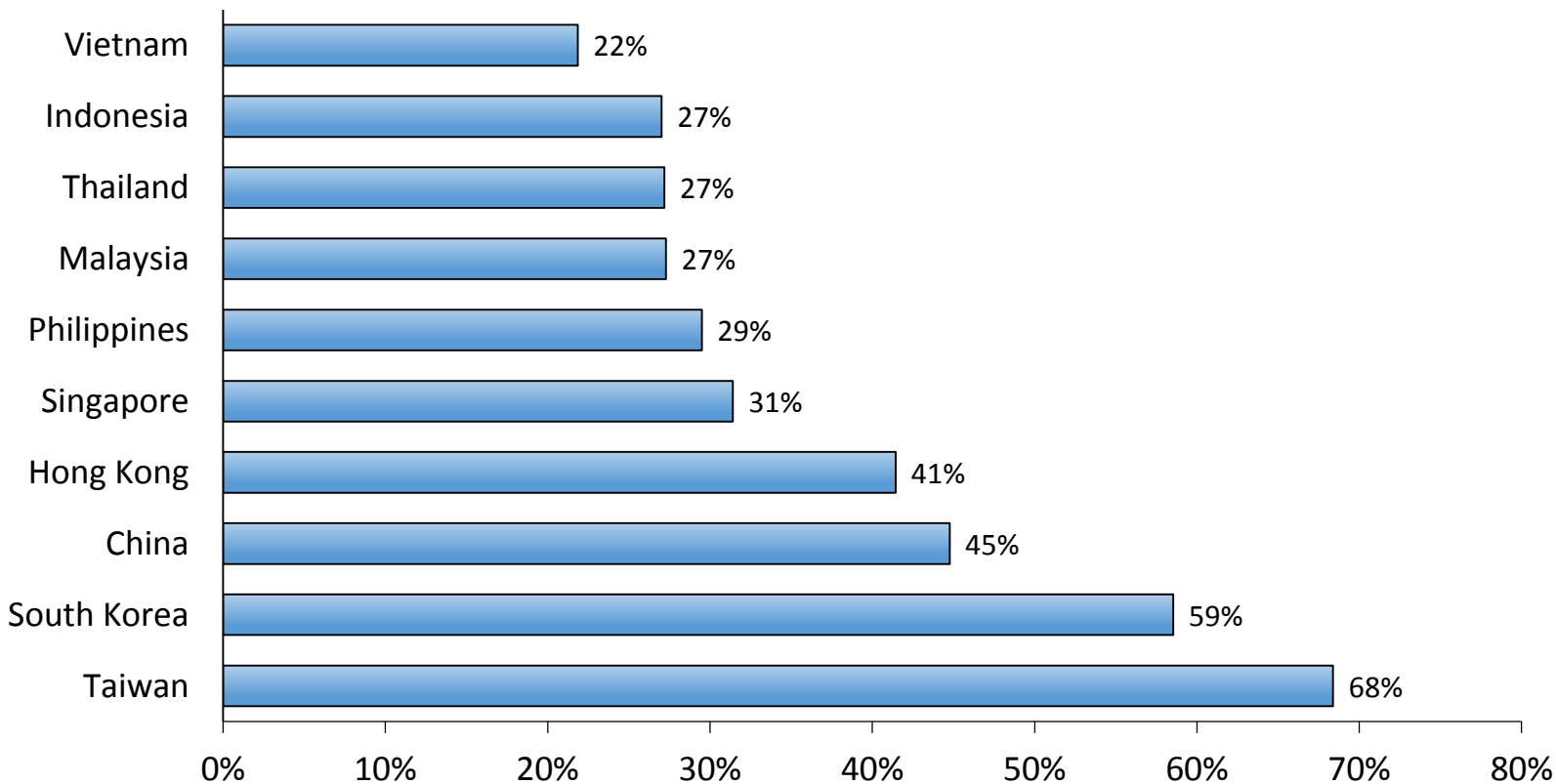
Looking to the future, today's workers expect to be less dependent on the family than today's retirees are.

Share of Today's Retirees Who Are and Share of Today's Workers Who Expect to Be Financially Dependent on Their Grown Children



Along with declining family size, the shift is being driven by the diffusion of more individualistic “western” values.

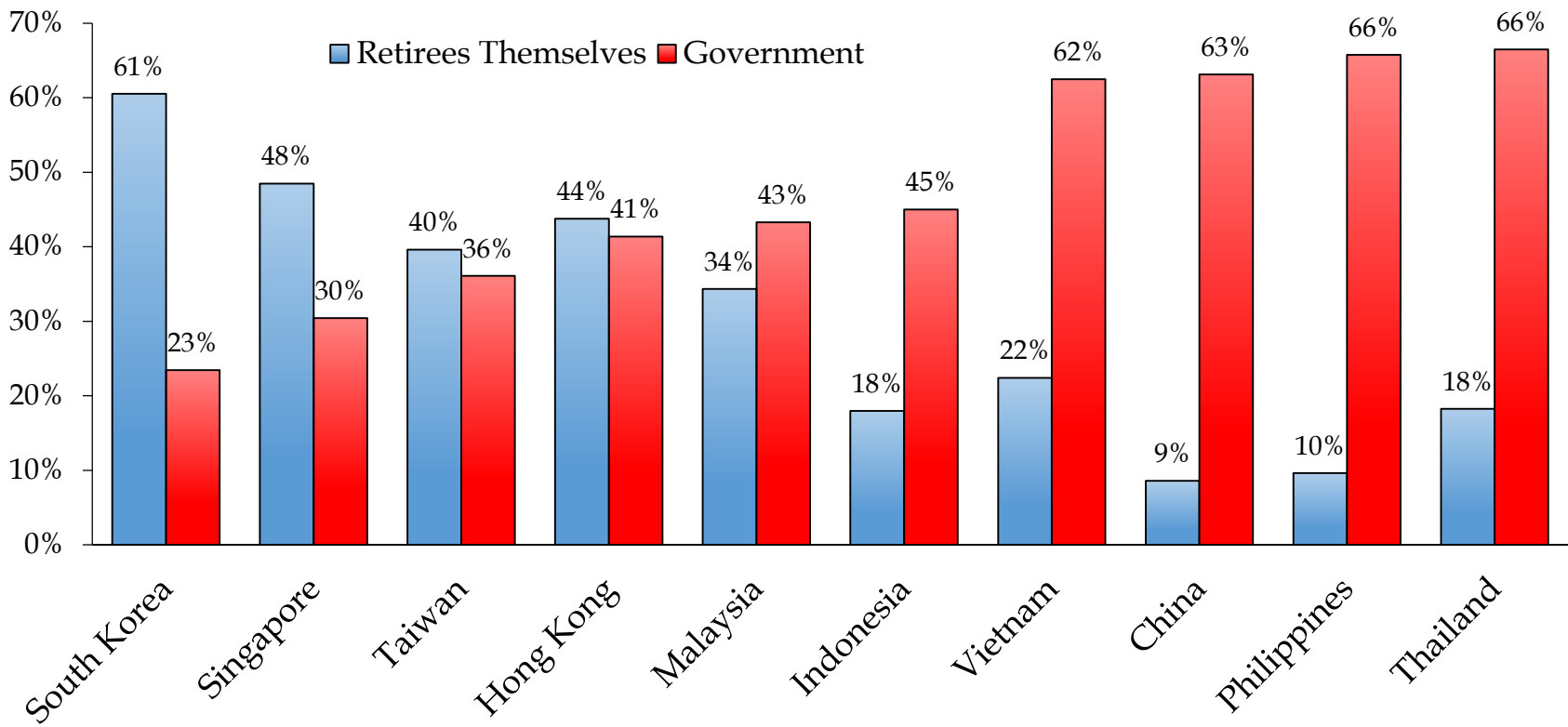
Share of Respondents Agreeing that “Both parents and children are generally happier when they are more independent and self-sufficient.”



Views differ greatly across East Asia about who should replace the family as guarantor of retirement security.

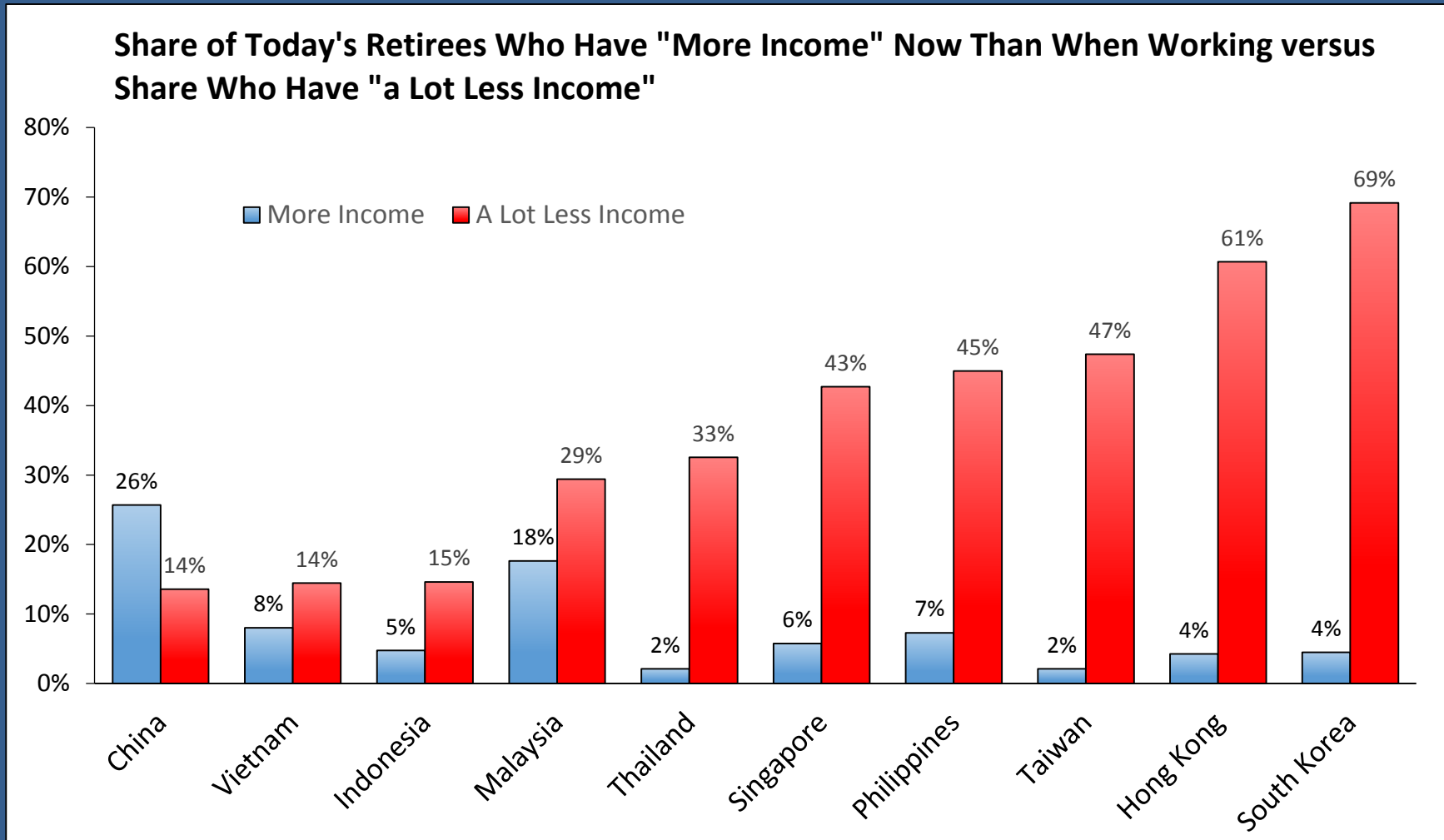
"Who, ideally, should be mostly responsible for providing income to retired people?"

Share of Respondents Saying "Retirees Themselves, through Their Own Savings" versus Share Saying "Government"



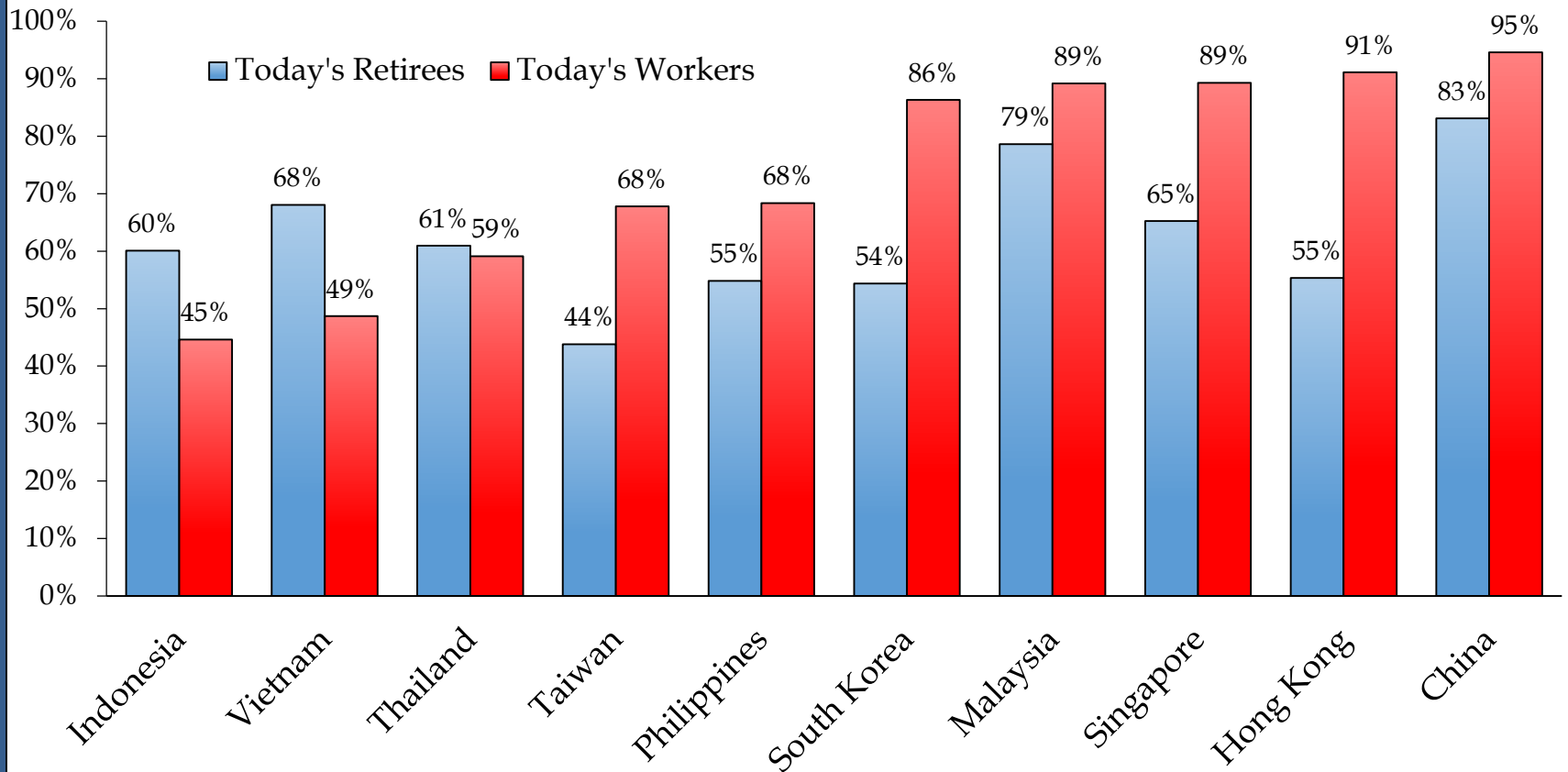
The Outlook for Retirement Security

For today's retirees, retirement is frequently a time of economic insecurity and social marginalization.



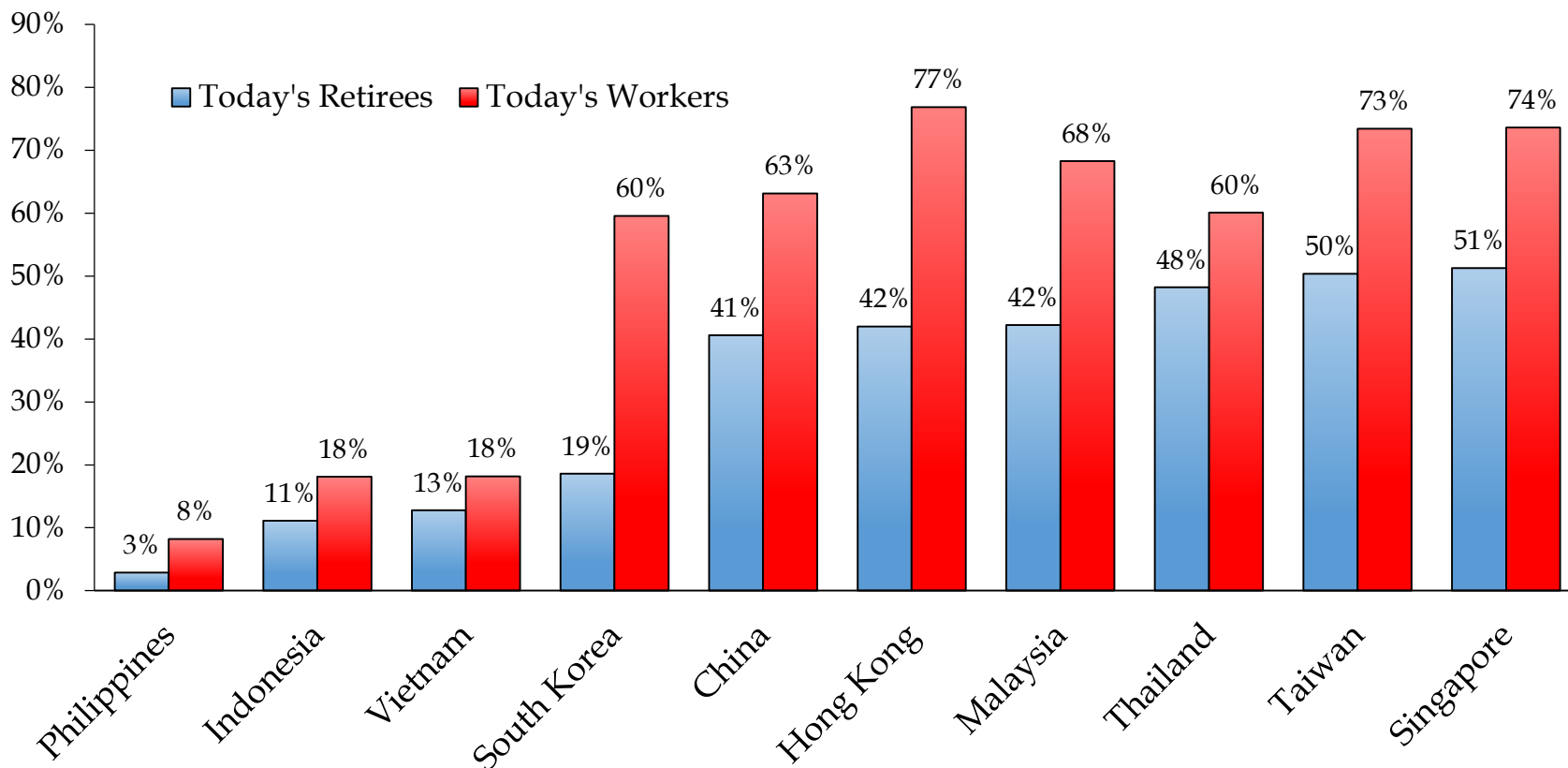
With rates of state pension receipt due to rise in most countries, the outlook for today's workers is improving.

Share of Today's Retirees Receiving and Share of Today's Workers Expecting to Receive Income from the State Pension System



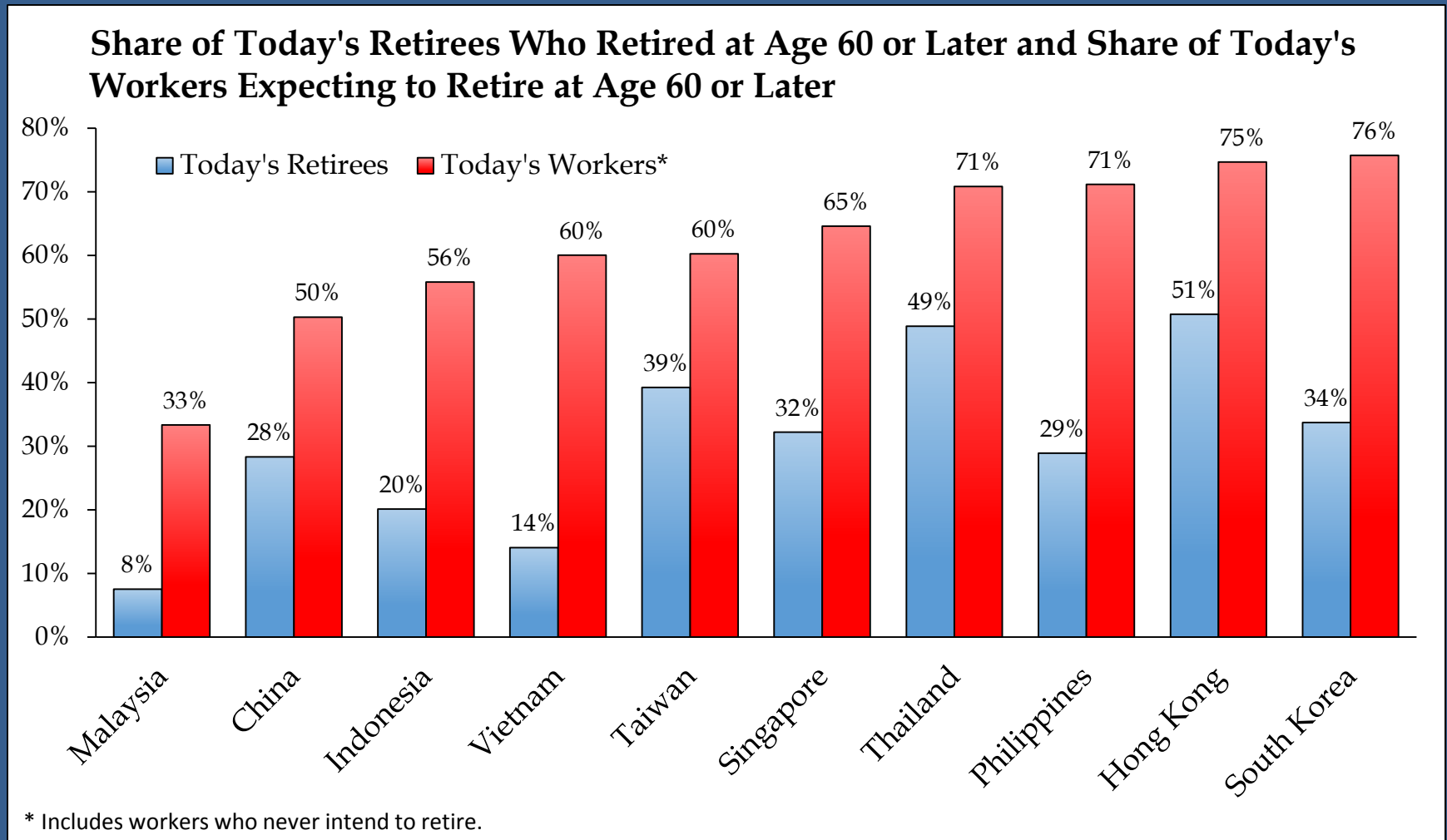
Rates of asset income receipt are also due to rise, though vast differences in market-orientation will persist across East Asia.

Share of Today's Retirees Receiving Income and Share of Today's Workers Expecting to Receive Income from Financial Assets*



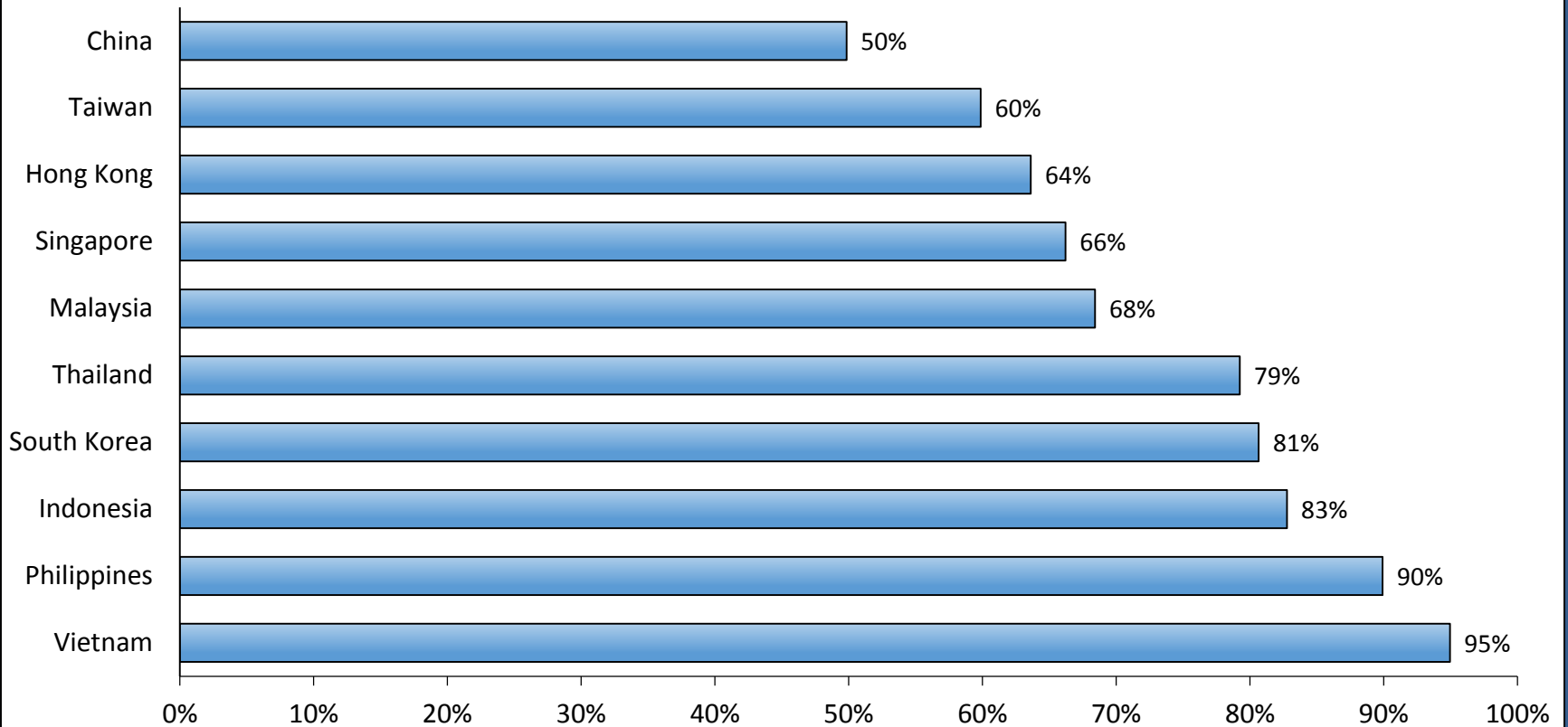
* Includes insurance and annuity policies and stocks, bonds, and mutual funds, but excludes bank deposits.

Today's workers expect to work longer than today's retirees did, which should also improve their retirement prospects.



Despite the positive trends, today's workers remain extremely anxious about their retirement security.

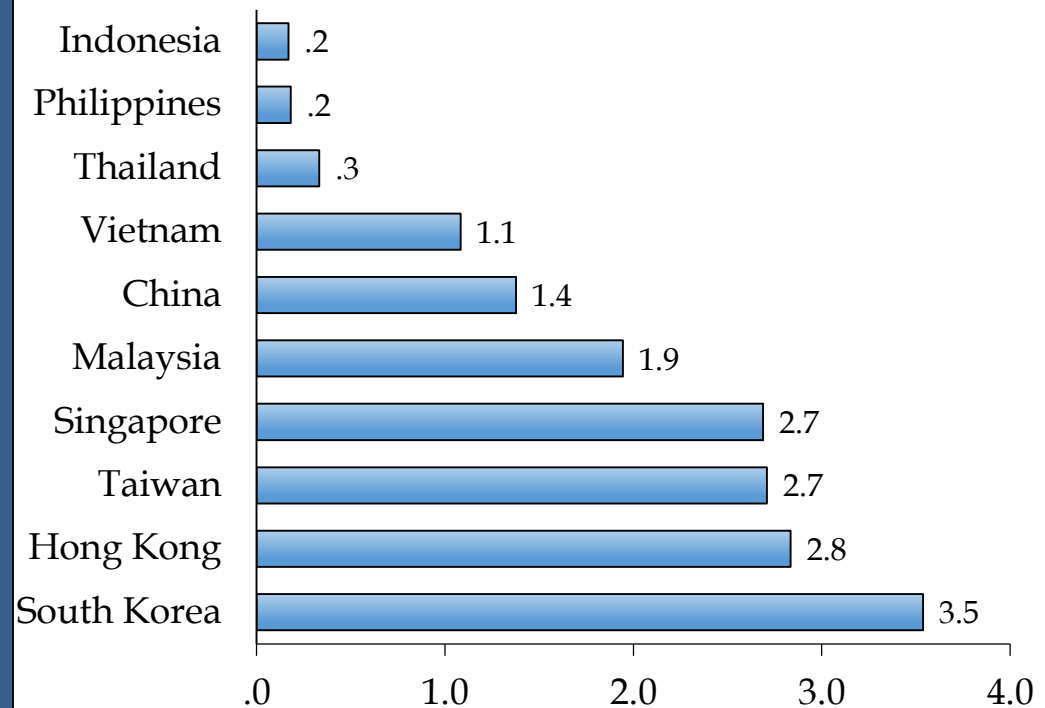
Share of Today's Workers Who Worry about Being "Poor and in Need of Money" during Retirement



Three Reasons for Workers' Retirement Insecurity

- Although pension receipt rates are rising in most countries, replacement rates are generally low.
- In countries with pay-as-you-go state pension systems, workers are concerned about the security of government benefit promises.
- Most workers are not saving enough for retirement on their own to make up for the likely gap in pension income.

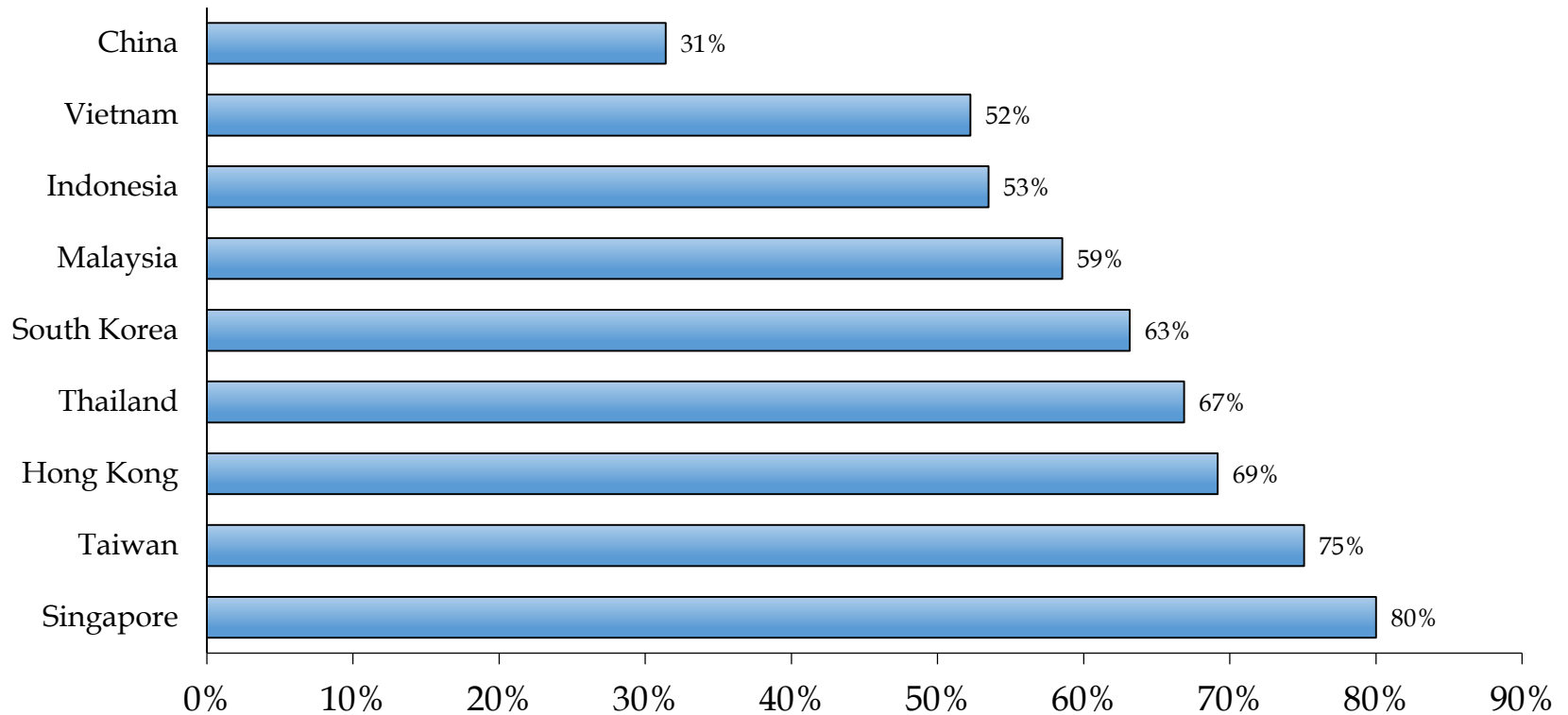
Average Net Financial Asset-to-Income Ratio of Survey Respondents at Age 50*



* Includes all classes of household financial assets; ratios are averages for respondents aged 45-54.

Workers' retirement savings expectations are often just aspirations.

Share of Today's Workers Aged 20-39 Who Have Purchased Financial Assets as a Percent of All Workers Aged 20-39 Who Expect to Receive Income from Financial Assets* in Retirement

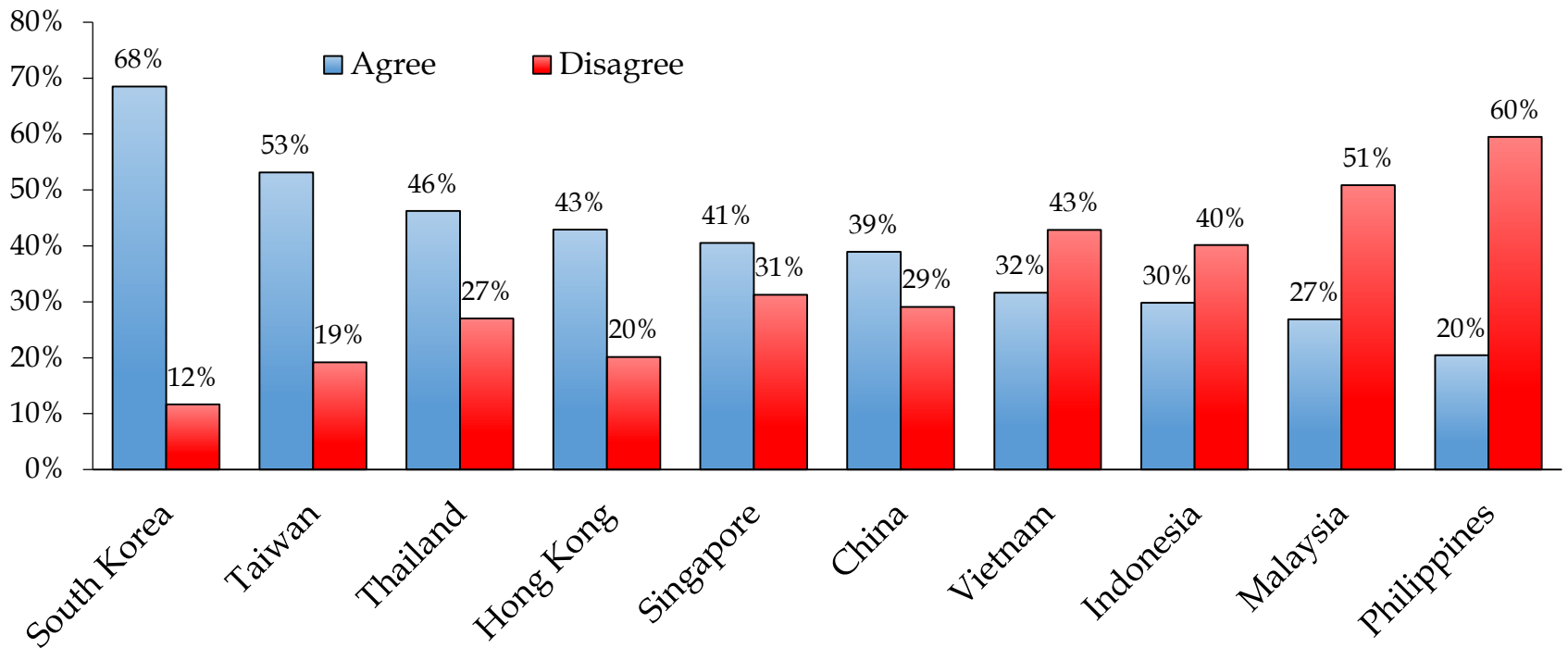


* Includes insurance and annuity policies and stocks, bonds, and mutual funds, but excludes bank deposits.

Note: The Philippines is excluded from the chart because of insufficient data.

In addition to their own retirement security, respondents in faster-aging countries worry about the growing burden of supporting the elderly on tomorrow's workers and taxpayers.

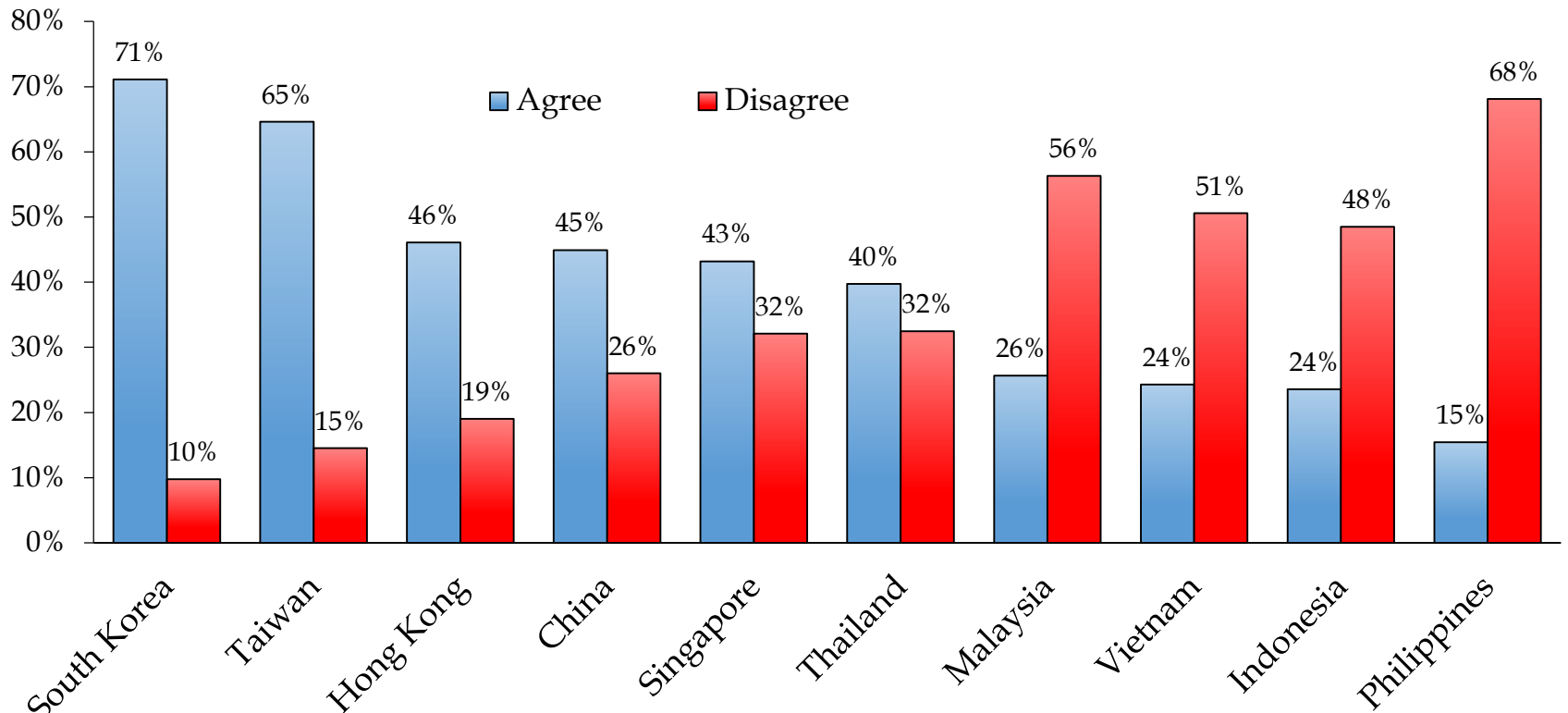
Share of Respondents Agreeing and Disagreeing That "Supporting the Growing Number of Elderly Will Be a Large Burden for Tomorrow's Workers and Taxpayers"



Note: The question used a five-point scale, with 1 being strongly disagree and 5 being strongly agree. "Agree" = 4 + 5 and "Disagree" = 1 + 2.

Respondents in faster-aging countries also worry about the growing burden on tomorrow's families.

Share of Respondents Agreeing and Disagreeing That "Supporting the Growing Number of Elderly Will Be a Large Burden for Tomorrow's Families"



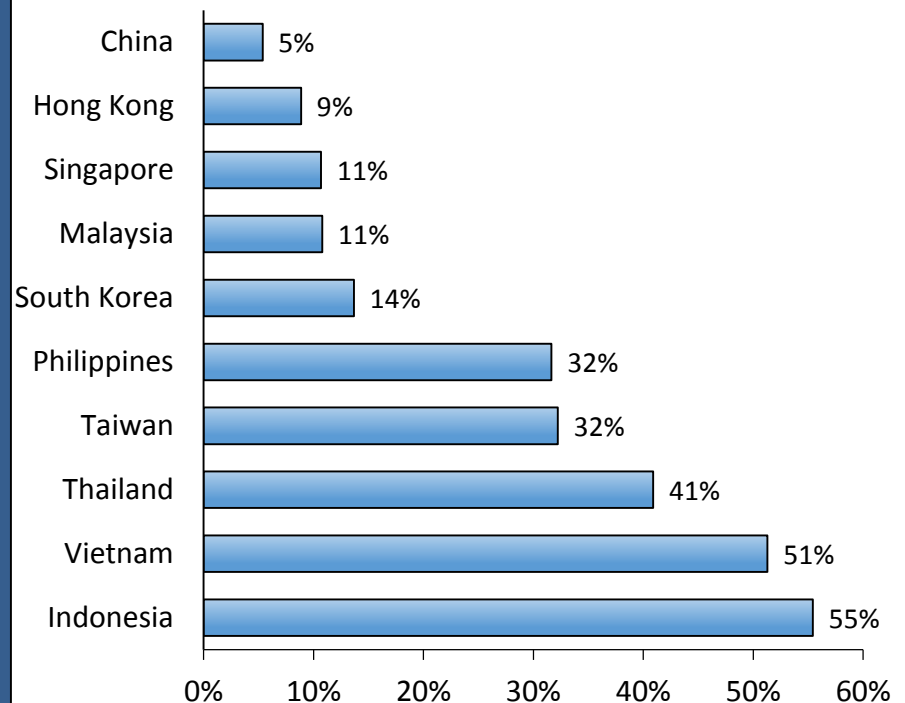
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Strategic Implications

Directions for Reform

- ▣ **Improve the adequacy of state pension systems**
- ▣ Encourage or require workers to save more for their own retirement
- ▣ Establish more robust floors of old-age poverty protection
- ▣ Raise retirement ages and encourage longer work lives

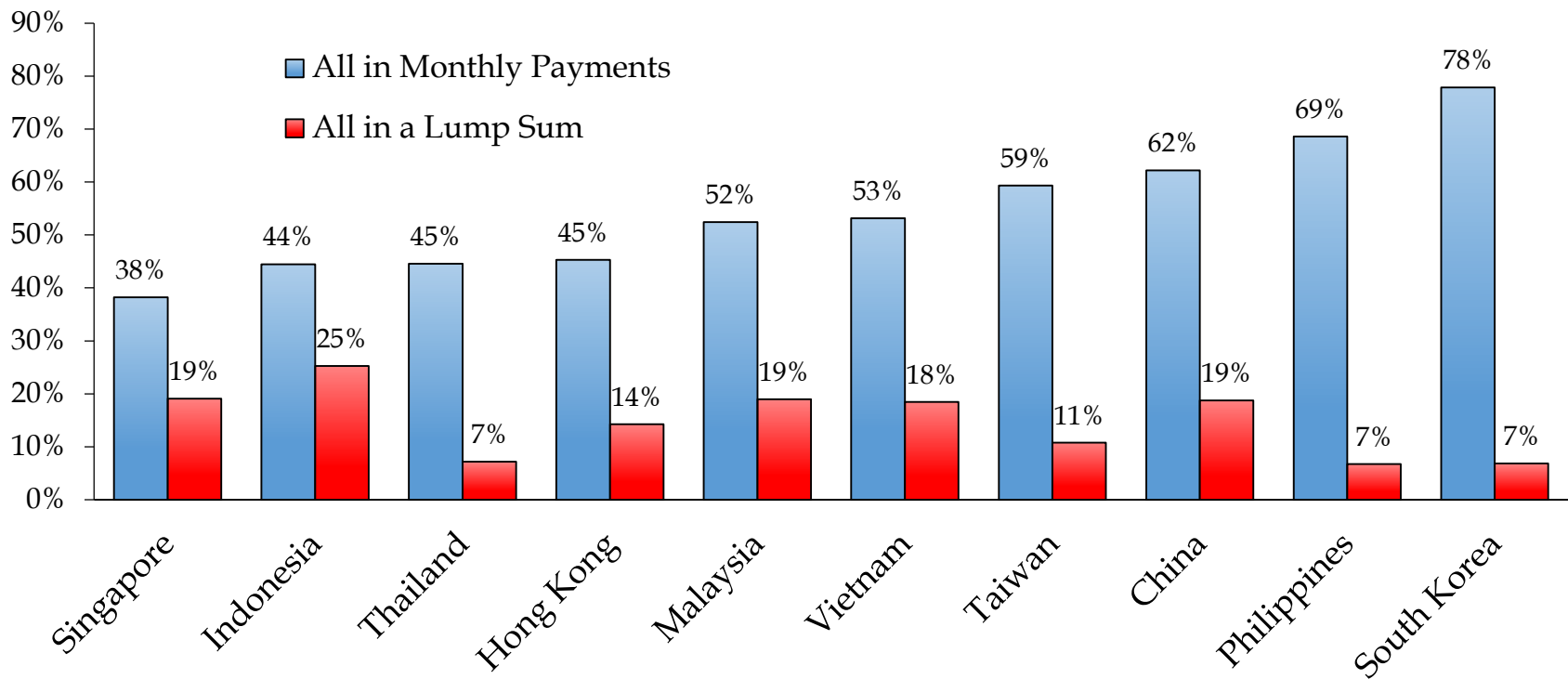
Share of Today's Workers Who Do NOT Expect to Receive a State Pension Benefit



There is widespread demand for translating lump-sum pension payments into retirement income streams.

“If you could choose how pension benefits will be paid to you, please indicate which of the following ways you would prefer to receive the benefits.”

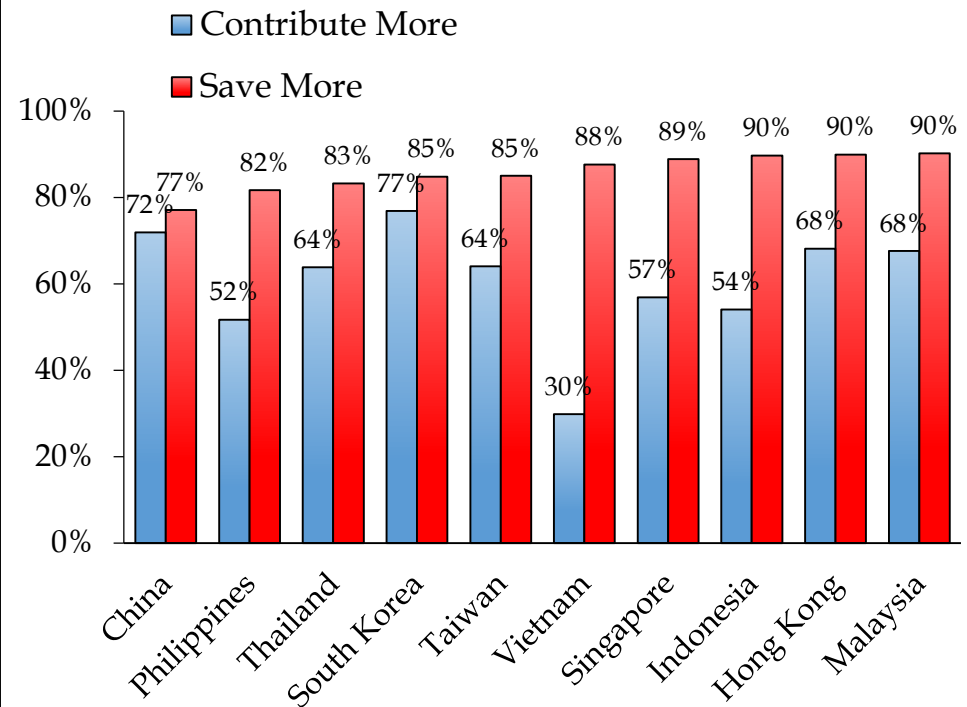
Share of Today's Workers Saying “All in Regular Monthly Payments” versus Share Saying “All in a Single Lump Sum”



Directions for Reform

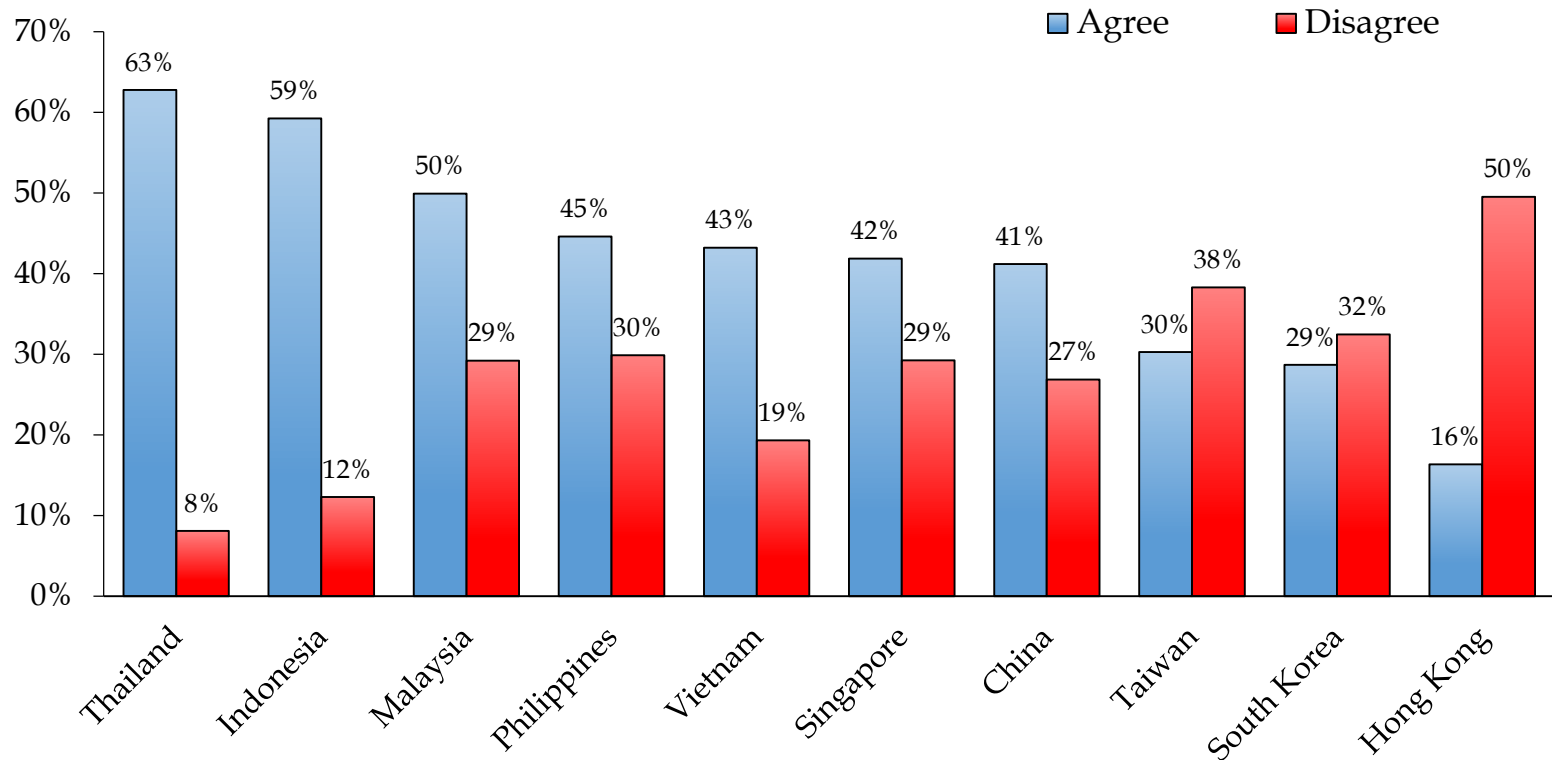
- Improve the adequacy of state pension systems
- **Encourage or require workers to save more for their own retirement**
- Establish more robust floors of old-age poverty protection
- Raise retirement ages and encourage longer work lives

Share of Respondents Saying “Require Workers to Contribute More to Pay for Government Pension Programs” versus Share Saying “Require Workers to Save More for Their Own Retirement”



Although the public favors new savings mandates, attitudes toward the financial services industry could be an obstacle to reform.

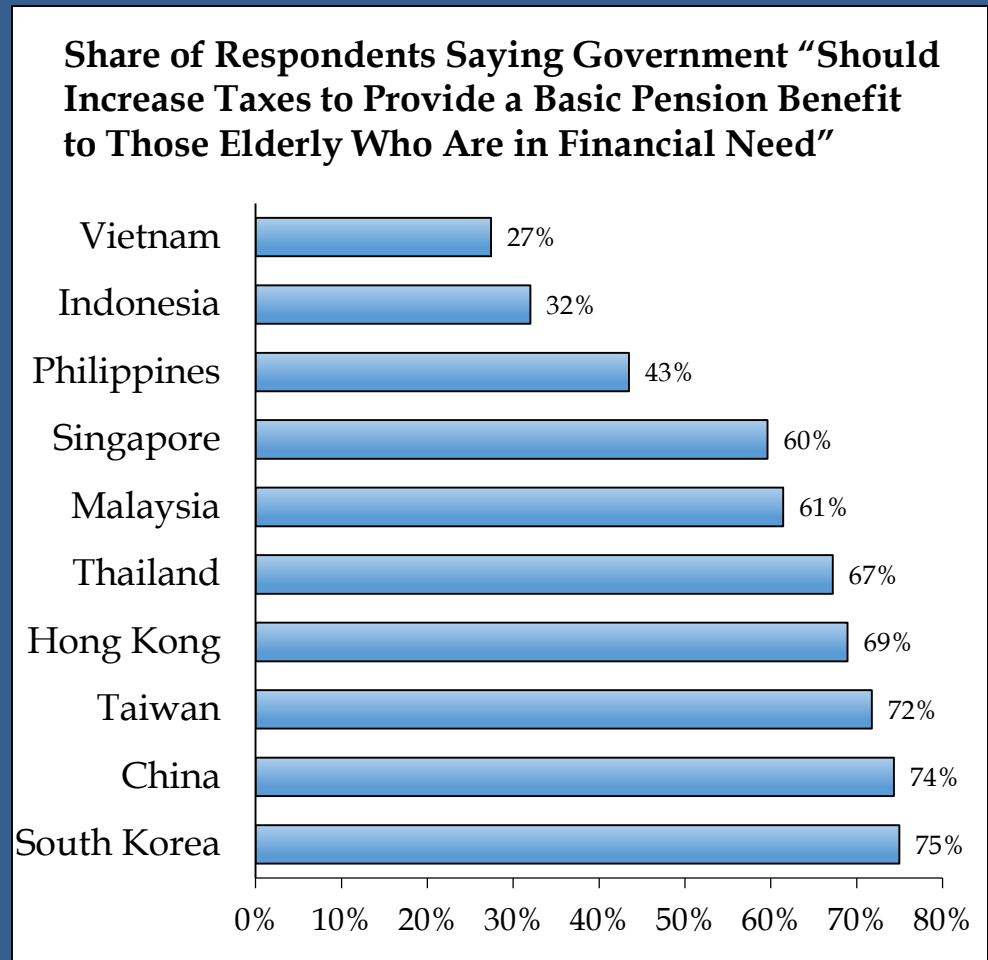
Share of Respondents Agreeing and Disagreeing That "People Can Trust Financial Services Companies to Help Them Prepare for Retirement"



Note: This question used a five-point scale, with 1 being strongly disagree and 5 being strongly agree. "Agree" = 4 + 5 and "Disagree" = 1 + 2.

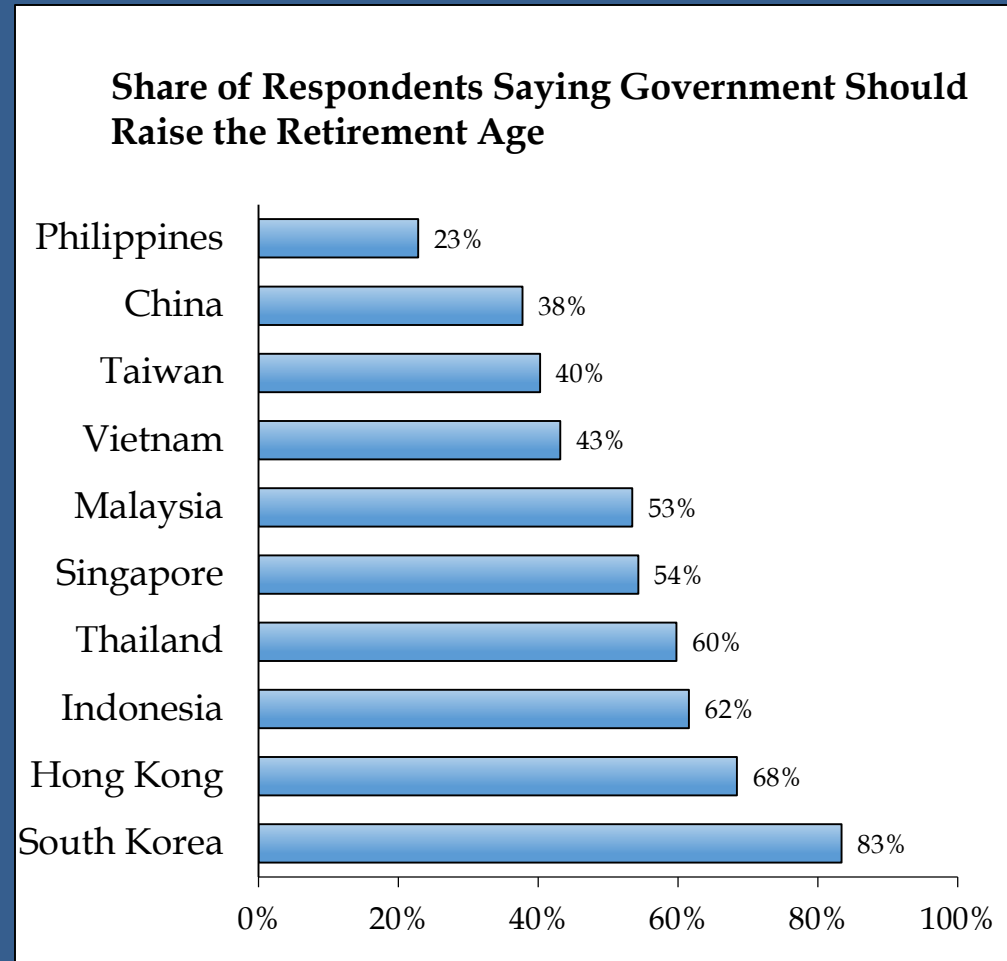
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