From Challenge to Opportunity

Wave 2 of the East Asia Retirement Survey

Richard Jackson
President
Global Aging Institute

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The East Asia Retirement Survey is now in its second wave. The first wave 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 were limited to urban areas.

The survey universe consists of “main earners” aged 20 and over, including both current main 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.
The Future of Retirement in Indonesia
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.
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”

South Korea: 61% Retirees Themselves, 23% Government
Singapore: 48% Retirees Themselves, 30% Government
Taiwan: 40% Retirees Themselves, 36% Government
Hong Kong: 44% Retirees Themselves, 41% Government
Malaysia: 34% Retirees Themselves, 43% Government
Indonesia: 45% Retirees Themselves, 18% Government
Vietnam: 62% Retirees Themselves, 22% Government
China: 63% Retirees Themselves, 9% Government
Philippines: 66% Retirees Themselves, 10% Government
Thailand: 66% Retirees Themselves, 18% Government
Indonesians are divided about the role of government, employers, and individuals in providing retirement income.

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

Share of Indonesian Respondents Saying...

- Government: 45%
- Former Employers: 25%
- Retirees Themselves: 18%
- Grown Children: 11%
Most Indonesians are anxious about their retirement security, and with good reason.

Share of Today's Retirees and Share of Today's Workers in Indonesia Who Worry about Each of the Following Things Happening during Retirement...

- **Being in poor health and having no one to care for them**: 87% (Retirees) vs 89% (Workers)
- **Being a burden on their children**: 80% (Retirees) vs 85% (Workers)
- **Exhausting their savings**: 79% (Retirees) vs 82% (Workers)
- **Being poor and in need of money**: 75% (Retirees) vs 83% (Workers)
While state pension receipt is expected to rise in most East Asian countries, in Indonesia it is expected to fall.

<table>
<thead>
<tr>
<th>Country</th>
<th>Today's Retirees</th>
<th>Today's Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>60%</td>
<td>45%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>68%</td>
<td>49%</td>
</tr>
<tr>
<td>Thailand</td>
<td>61% 59%</td>
<td>44%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>68%</td>
<td>55%</td>
</tr>
<tr>
<td>Philippines</td>
<td>68%</td>
<td>54%</td>
</tr>
<tr>
<td>South Korea</td>
<td>86%</td>
<td>79%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>89%</td>
<td>65%</td>
</tr>
<tr>
<td>Singapore</td>
<td>89%</td>
<td>55%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>91%</td>
<td>91%</td>
</tr>
<tr>
<td>China</td>
<td>95%</td>
<td>83%</td>
</tr>
</tbody>
</table>
Very few Indonesians can count on asset income in retirement.

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.
Indonesia’s early retirement ages complicate the challenge of ensuring retirement security.

Share of Today's Retirees Who Retired at Age 60 or Later and Share of Today's Workers Expecting to Retire at Age 60 or Later

- **Today's Retirees**
- **Today's Workers***

*Includes workers who never intend to retire.*

<table>
<thead>
<tr>
<th>Country</th>
<th>Retirees</th>
<th>Workers*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>33%</td>
<td>8%</td>
</tr>
<tr>
<td>China</td>
<td>28%</td>
<td>20%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>50%</td>
<td>14%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>56%</td>
<td>39%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>60%</td>
<td>32%</td>
</tr>
<tr>
<td>Singapore</td>
<td>60%</td>
<td>49%</td>
</tr>
<tr>
<td>Thailand</td>
<td>65%</td>
<td>71%</td>
</tr>
<tr>
<td>Philippines</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>75%</td>
<td>51%</td>
</tr>
<tr>
<td>South Korea</td>
<td>76%</td>
<td>34%</td>
</tr>
</tbody>
</table>
Strategic Implications
What Indonesians Think About Retirement Reform

**Share of Indonesian Respondents Saying That Government Should or Should Not ...**

- **Increase taxes to provide a basic pension benefit to those elderly who are in financial need:**
  - Should Not: 68%
  - Should: 32%

- **Require employers to offer more jobs to the elderly:**
  - Should Not: 47%
  - Should: 53%

- **Require workers to contribute more to pay for government pension programs:**
  - Should Not: 46%
  - Should: 54%

- **Raise the retirement age:**
  - Should Not: 38%
  - Should: 62%

- **Encourage workers to save more for retirement:**
  - Should Not: 81%
  - Should: 19%

- **Require workers to save more for retirement:**
  - Should Not: 10%
  - Should: 90%
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**

- China: 5%
- Hong Kong: 9%
- Singapore: 11%
- Malaysia: 11%
- South Korea: 14%
- Philippines: 32%
- Taiwan: 32%
- Thailand: 41%
- Vietnam: 51%
- Indonesia: 55%
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 Indonesians have a low level of market-orientation, they have a high level of trust in the financial services industry.

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

![Bar chart showing the share of respondents agreeing and disagreeing that people can trust financial services companies to help them prepare for retirement across different countries.](chart.png)

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.
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 Government “Should Increase Taxes to Provide a Basic Pension Benefit to Those Elderly Who Are in Financial Need”

- Vietnam: 27%
- Indonesia: 32%
- Philippines: 43%
- Singapore: 60%
- Malaysia: 61%
- Thailand: 67%
- Hong Kong: 69%
- Taiwan: 72%
- China: 74%
- South Korea: 75%
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

![Graph showing share of respondents saying government should raise the retirement age in various countries.](graph.png)
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