From Challenge to Opportunity

Wave 2 of the East Asia Retirement Survey

Richard Jackson
President
Global Aging Institute

University of Indonesia
Jakarta
September 2, 2015

Gap.GlobalAgingInstitute.org
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.

![Bar chart showing share of today's retirees and workers in different countries.](chart.png)
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”
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.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Share of Today's Retirees</th>
<th>Share of Today's Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being in poor health and having no one to care for them</td>
<td>87%</td>
<td>89%</td>
</tr>
<tr>
<td>Being a burden on their children</td>
<td>80%</td>
<td>85%</td>
</tr>
<tr>
<td>Exhausting their savings</td>
<td>79%</td>
<td>82%</td>
</tr>
<tr>
<td>Being poor and in need of money</td>
<td>75%</td>
<td>83%</td>
</tr>
</tbody>
</table>
While state pension receipt is expected to rise in most East Asian countries, in Indonesia it is expected to fall.

![Bar chart showing the share of today's retirees and workers expecting to receive income from the state pension system in various countries.](chart)

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

<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>55%</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.
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: 32% Should Not, 68% Should
- Require employers to offer more jobs to the elderly: 53% Should Not, 47% Should
- Require workers to contribute more to pay for government pension programs: 54% Should Not, 46% Should
- Raise the retirement age: 62% Should Not, 38% Should
- Encourage workers to save more for retirement: 81% Should Not, 19% Should
- Require workers to save more for retirement: 90% Should Not, 10% Should
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 the share of today's workers who do not expect to receive a state pension benefit.](image)
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.

![Chart showing the share of respondents agreeing and disagreeing that "People can trust financial services companies to help them prepare for retirement." The chart compares different countries, with Indonesia having the highest percentage of agreement at 63% and Hong Kong having the highest percentage of disagreement at 16%.](chart)

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

Share of Respondents Saying Government Should Raise the Retirement Age

- Philippines: 23%
- China: 38%
- Taiwan: 40%
- Vietnam: 43%
- Malaysia: 53%
- Singapore: 54%
- Thailand: 60%
- Indonesia: 62%
- Hong Kong: 68%
- South Korea: 83%

GAI Global Aging Institute
GLOBAL AGING INSTITUTE

Gap.GlobalAgingInstitute.org