From Challenge to Opportunity

Wave 2 of the East Asia Retirement Survey

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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 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 ten of the countries have at least two things in common: underdeveloped welfare states and retirement systems in which the extended family continues to play a far more important role than it does in the West.
The Future of Retirement in Hong Kong
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

- China: 9% Retirees, 6% Workers
- Taiwan: 16% Retirees, 6% Workers
- South Korea: 17% Retirees, 6% Workers
- Malaysia: 20% Retirees, 14% Workers
- Indonesia: 25% Retirees, 12% Workers
- Vietnam: 27% Retirees, 21% Workers
- Singapore: 29% Retirees, 12% Workers
- Thailand: 32% Retirees, 14% Workers
- Hong Kong: 37% Retirees, 16% Workers
- Philippines: 40% Retirees, 10% Workers
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: 18% Retirees Themselves, 22% Government
- Vietnam: 62% Retirees Themselves, 63% Government
- China: 9% Retirees Themselves, 10% Government
- Philippines: 66% Retirees Themselves, 66% Government
- Thailand: 66% Retirees Themselves, 18% Government
Hong Kongers are divided about who should be responsible for retirement income.

Share of Hong Konger Respondents Saying "Government" Should Be Mostly Responsible for Providing Retirement Income versus Share Saying "Retirees Themselves, through Their Own Savings," by Income Bracket*

* Income brackets are defined as multiples of the median household income.
For today’s retirees, retirement can be a time of insecurity in Hong Kong.

The chart shows the share of today's retirees who have "a lot less income" now than when working in various countries. The data is as follows:

- China: 14%
- Vietnam: 14%
- Indonesia: 15%
- Malaysia: 29%
- Thailand: 33%
- Singapore: 43%
- Philippines: 45%
- Taiwan: 47%
- Hong Kong: 61%
- South Korea: 69%
With rates of pension receipt due to rise as the MPF matures, the outlook for today’s workers is improving.
Compared with today’s retirees, a much larger share of today’s workers also expect to receive income from financial assets.

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 further improve their retirement prospects.

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of Today's Retirees Who Retired at Age 60 or Later</th>
<th>Share of Today's Workers Expecting to Retire at Age 60 or Later</th>
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<tbody>
<tr>
<td>Malaysia</td>
<td>8%</td>
<td>33%</td>
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<tr>
<td>China</td>
<td>28%</td>
<td>50%</td>
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<tr>
<td>Indonesia</td>
<td>20%</td>
<td>56%</td>
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<tr>
<td>Vietnam</td>
<td>14%</td>
<td>60%</td>
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<td>Taiwan</td>
<td>39%</td>
<td>60%</td>
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<tr>
<td>Singapore</td>
<td>32%</td>
<td>65%</td>
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<tr>
<td>Thailand</td>
<td>49%</td>
<td>71%</td>
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<tr>
<td>Philippines</td>
<td>29%</td>
<td>71%</td>
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<tr>
<td>Hong Kong</td>
<td>51%</td>
<td>75%</td>
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<tr>
<td>South Korea</td>
<td>34%</td>
<td>76%</td>
</tr>
</tbody>
</table>

* Includes workers who never intend to retire.
Despite the positive trends, today’s workers remain anxious about their retirement security.
Three Reasons for Workers’ Retirement Insecurity

- Although pension receipt rates are rising in most countries, replacement rates are generally low.

- Most workers are not saving enough for retirement on their own to make up for the likely gap in pension income.

- In countries with pay-as-you-go state pension systems, workers are concerned about the security of government benefit promises.

*Includes all classes of household financial assets; ratios are averages for respondents aged 45-54.
Strategic Implications
What Hong Kongers Think About Retirement Reform

Share of Hong Konger Respondents Saying That Government Should or Should Not ...

- Require workers to contribute more to pay for government pension programs: 68% Should, 32% Should Not
- Raise the retirement age: 68% Should, 32% Should Not
- Increase taxes to provide a basic pension benefit to those elderly who are in financial need: 69% Should, 31% Should Not
- Require employers to offer more jobs to the elderly: 87% Should, 13% Should Not
- Require workers to save more for retirement: 90% Should, 10% Should Not
- Encourage workers to save more for retirement: 93% Should, 7% Should Not
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
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”
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