



From Challenge to Opportunity

Wave 2 of the East Asia Retirement Survey

Richard Jackson
President
Global Aging Institute

Conference & Media Workshop
Hanoi
September 8, 2015

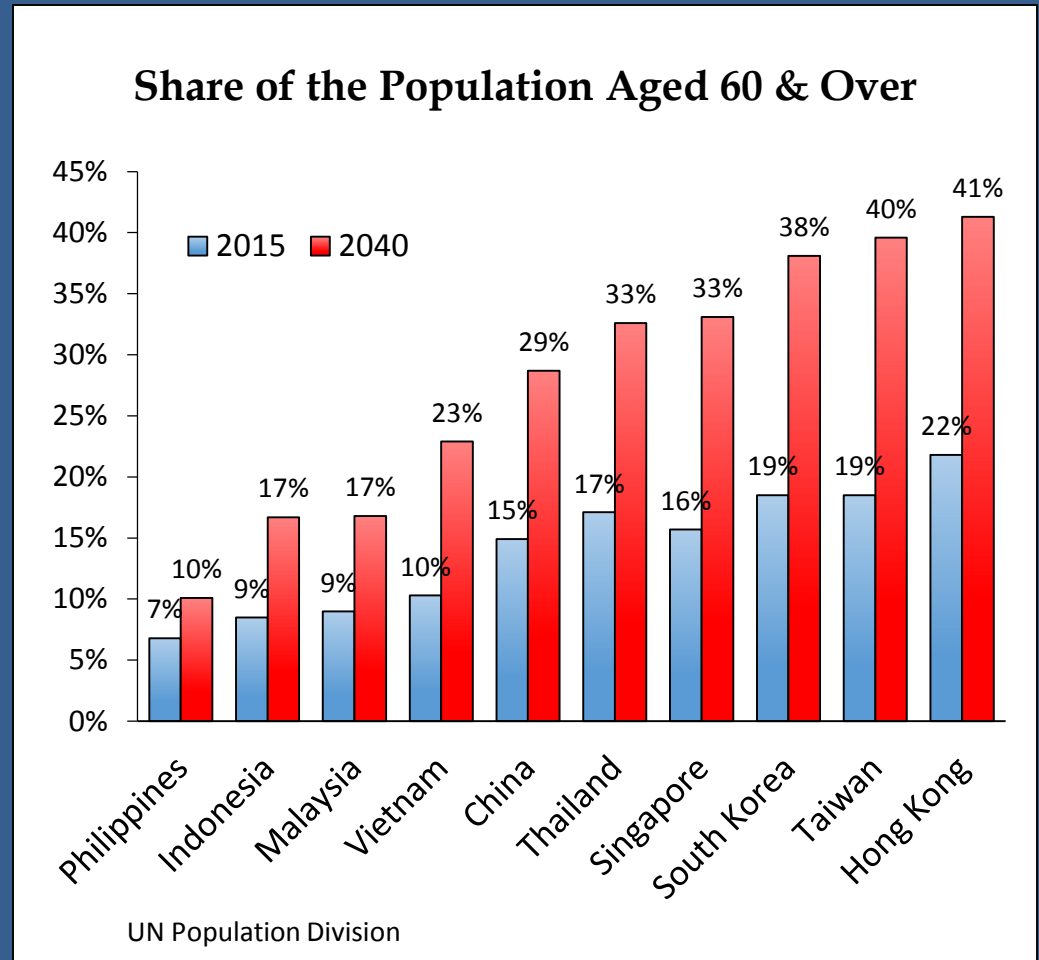
Gap.GlobalAgingInstitute.org

Survey Framework

- ▣ 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 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.

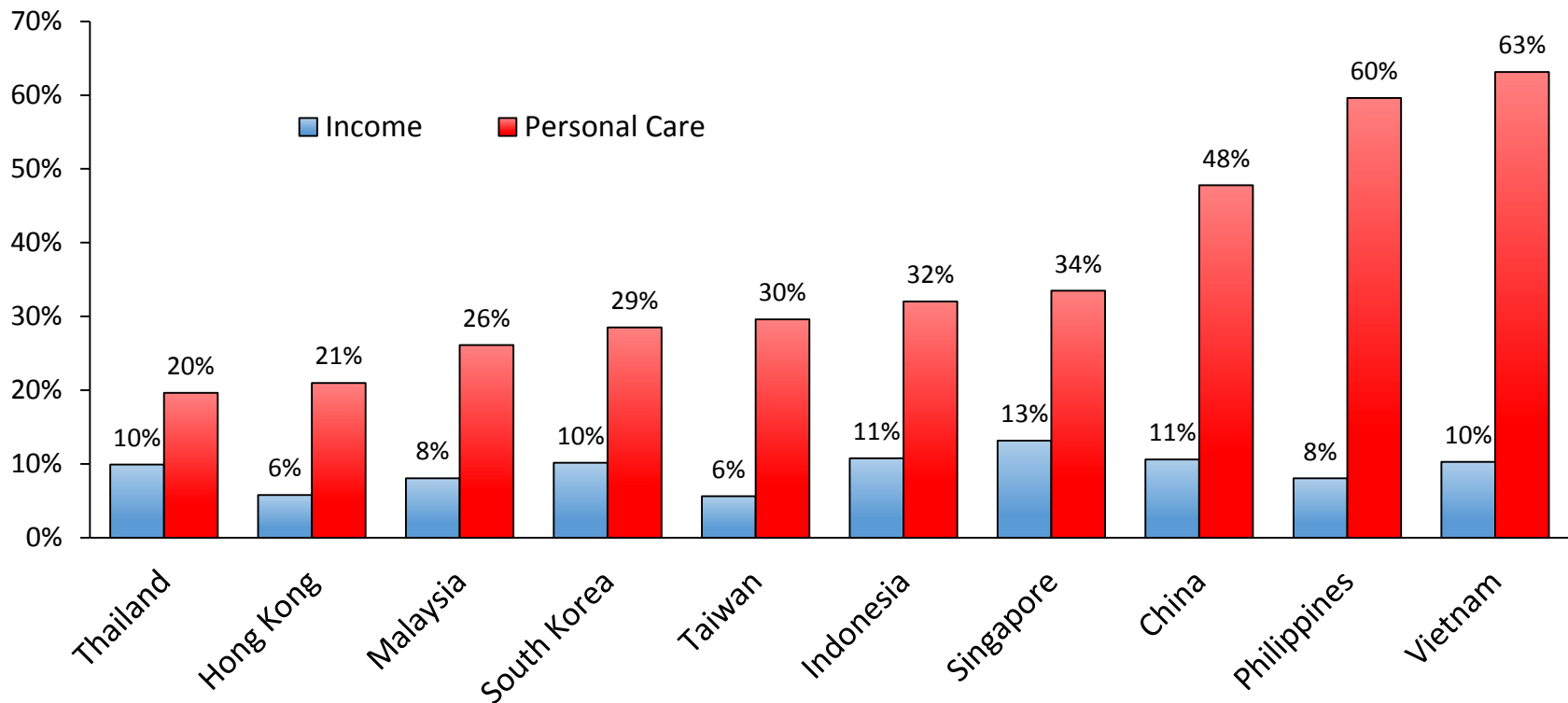


The Future of Retirement In Vietnam

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

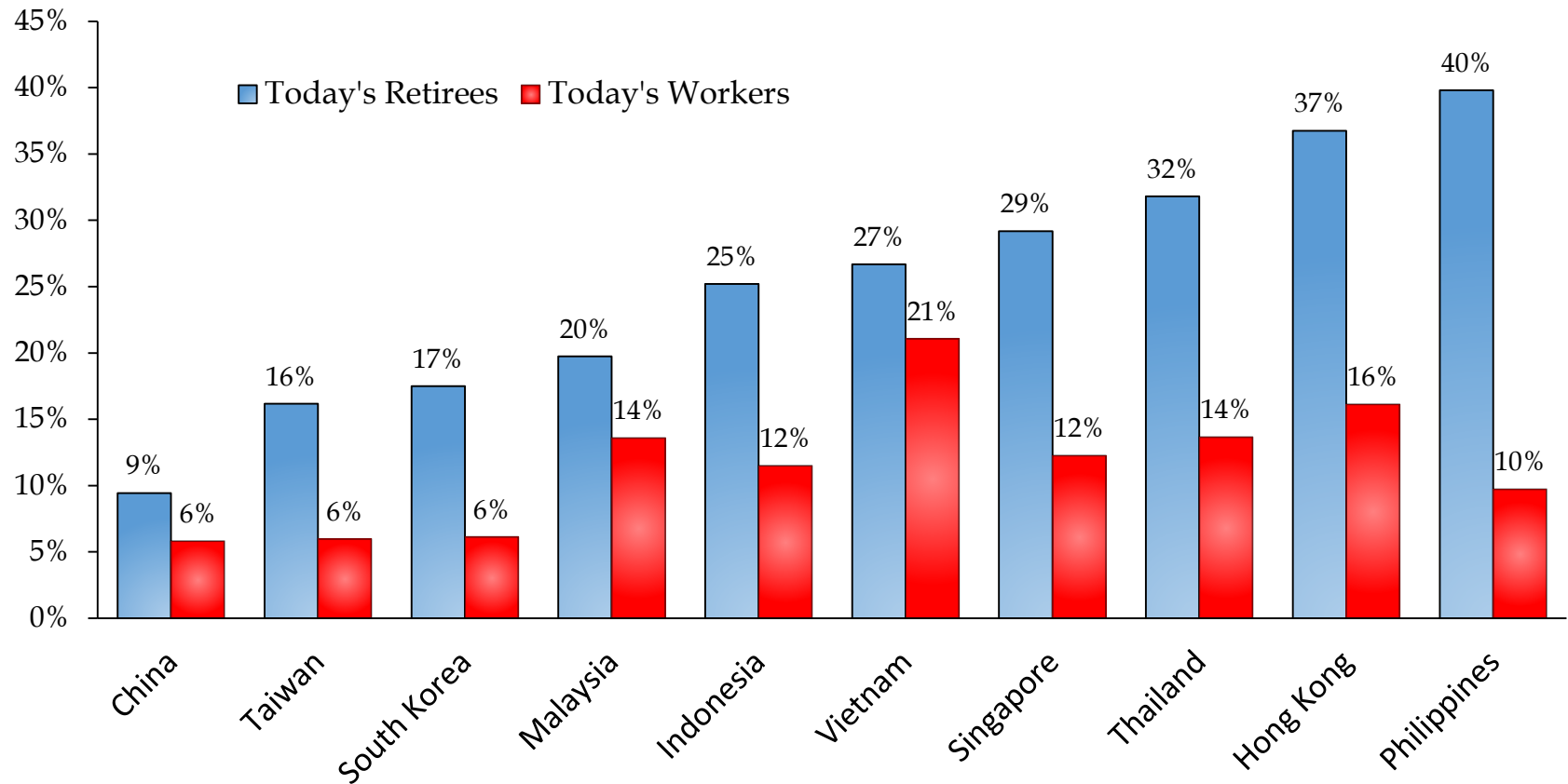
"Who, ideally, should be mostly responsible for providing *income* to retired people?" and "Who, ideally, should be mostly responsible for providing *personal care* to retired people?"

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.

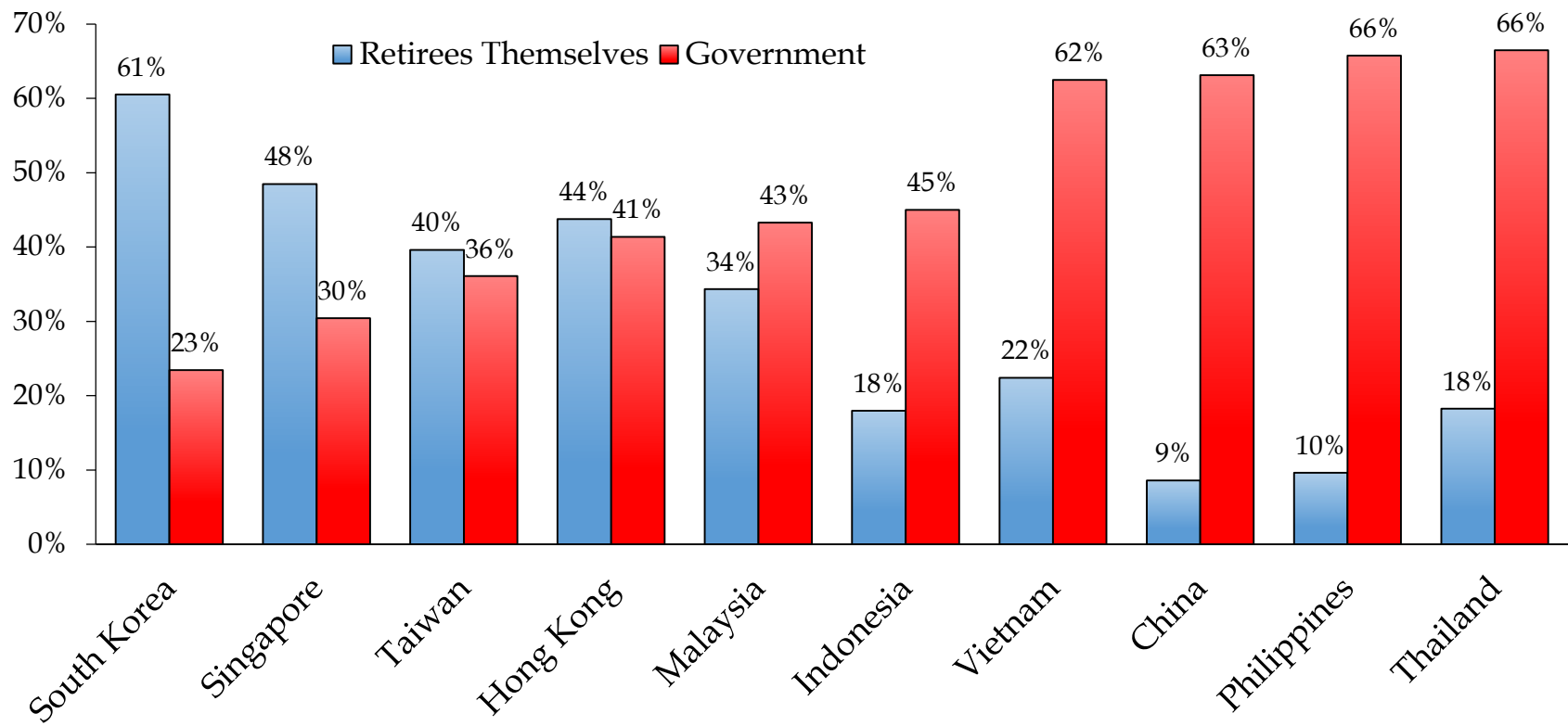
Share of Today's Retirees Who Are and Share of Today's Workers Who Expect to Be Financially Dependent on Their Grown Children



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

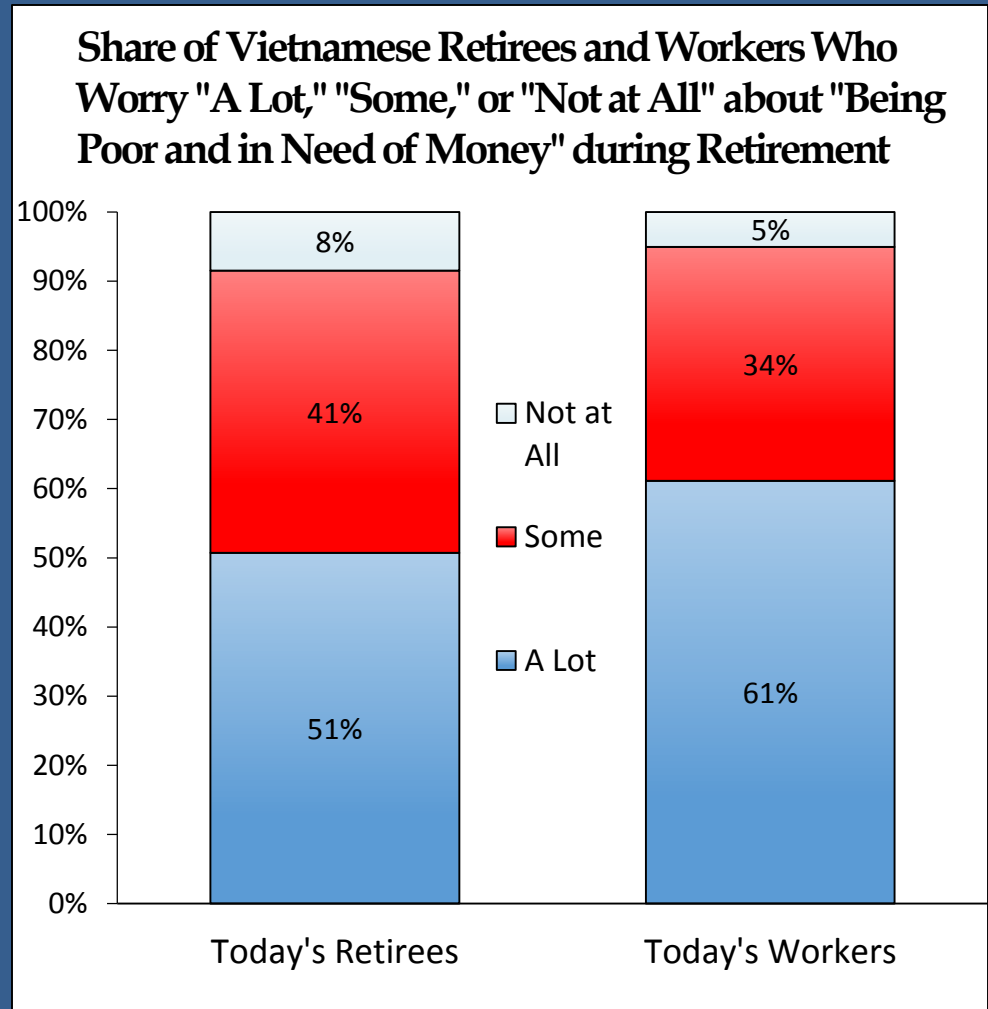
"Who, ideally, should be mostly responsible for providing income to retired people?"

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

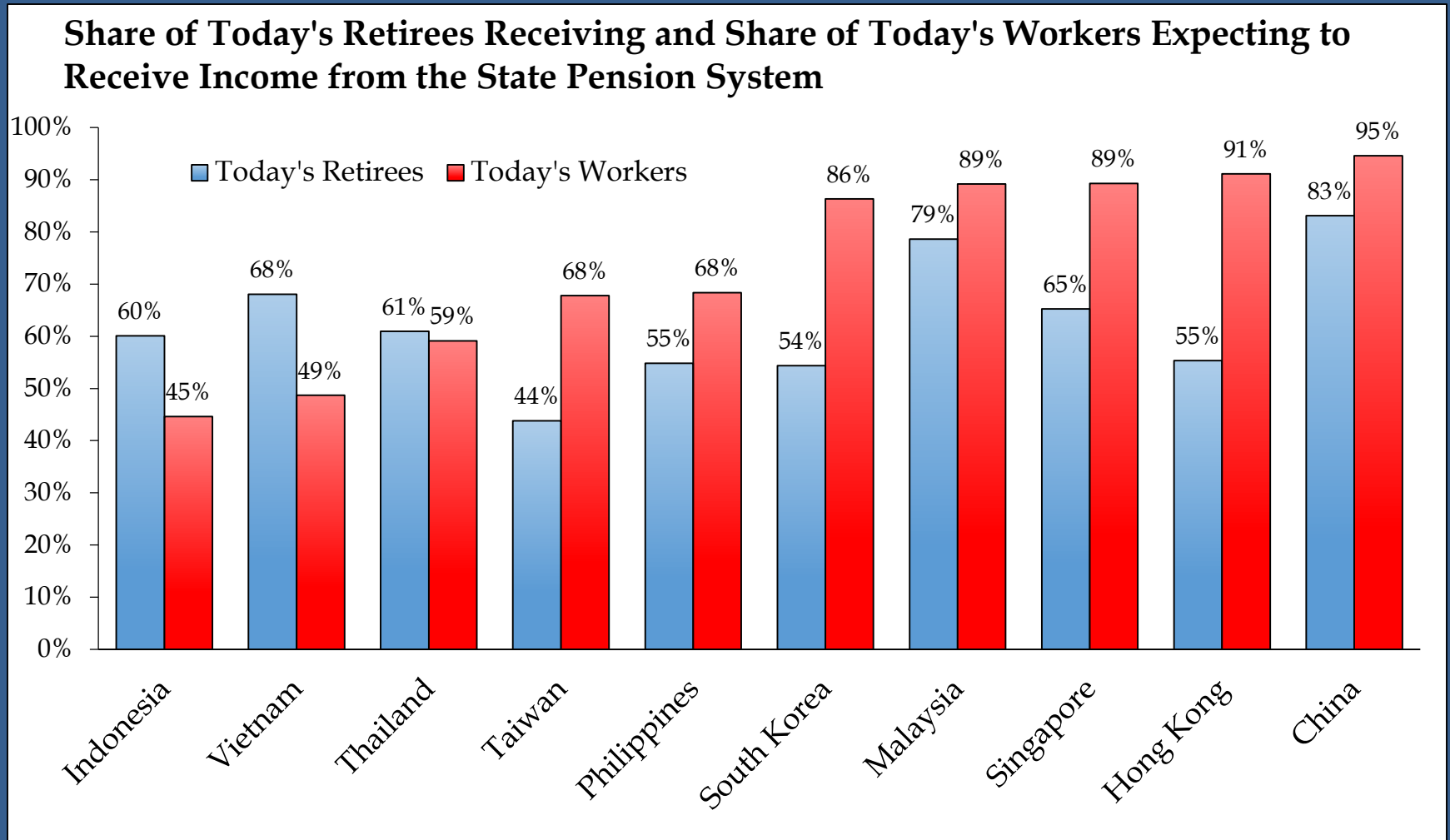


Although the Vietnamese are optimistic about the future, they are anxious about their own personal retirement prospects.

- ▣ Periods of rapid economic and social change often engender both hopes and fears about the future.
- ▣ By 30-to-1, the Vietnamese agree that “each new generation of workers will have a higher living standard than the previous one.” By 17-to-1, they agree that “each new generation of retirees will have a more secure retirement than the previous one.”
- ▣ Yet when it comes to their own personal retirement prospects, they worry more than people in any other country surveyed.

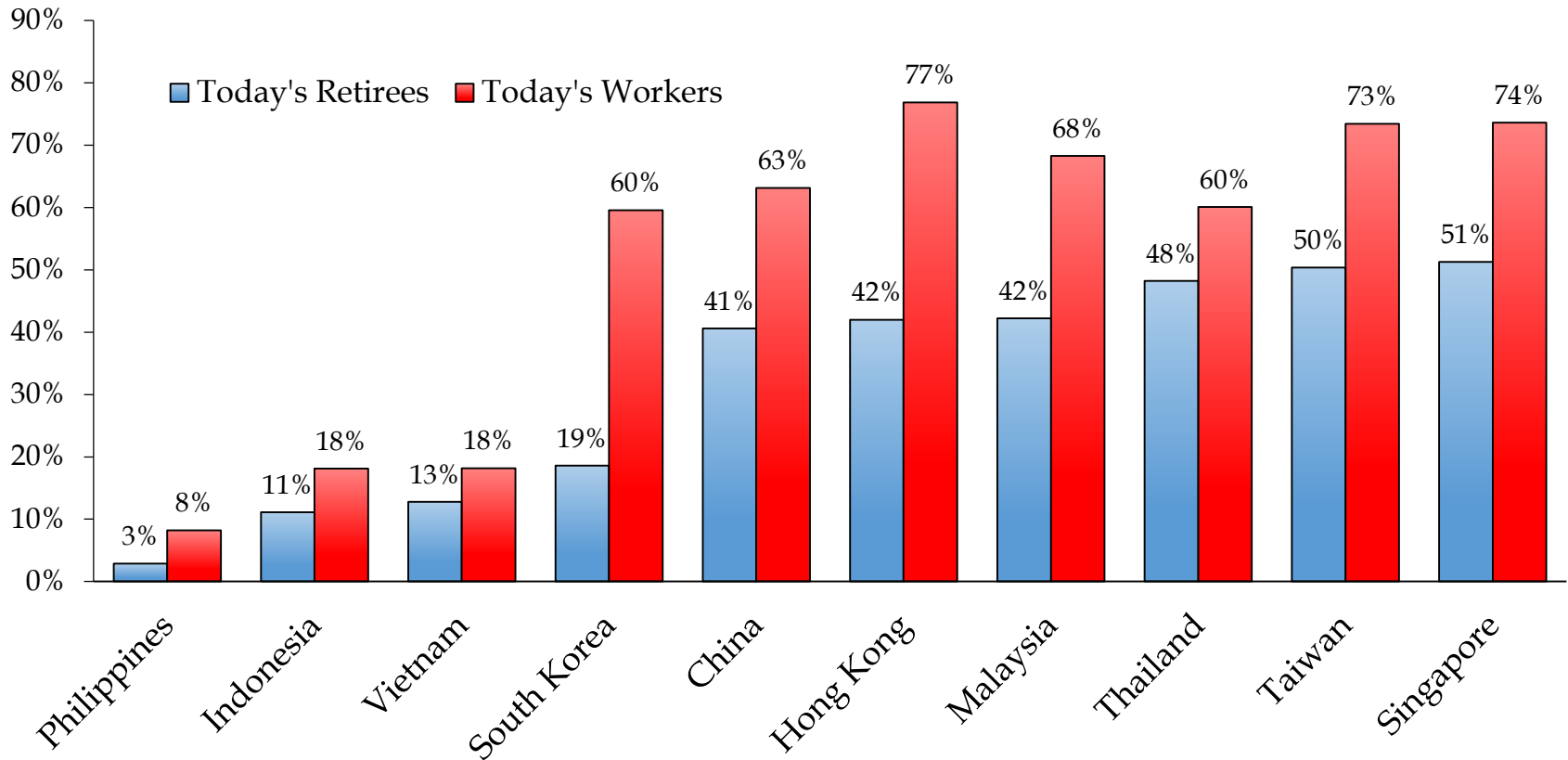


While state pension receipt is expected to rise in most East Asian countries, in Vietnam it is expected to fall.



Very few Vietnamese can count on asset income in retirement.

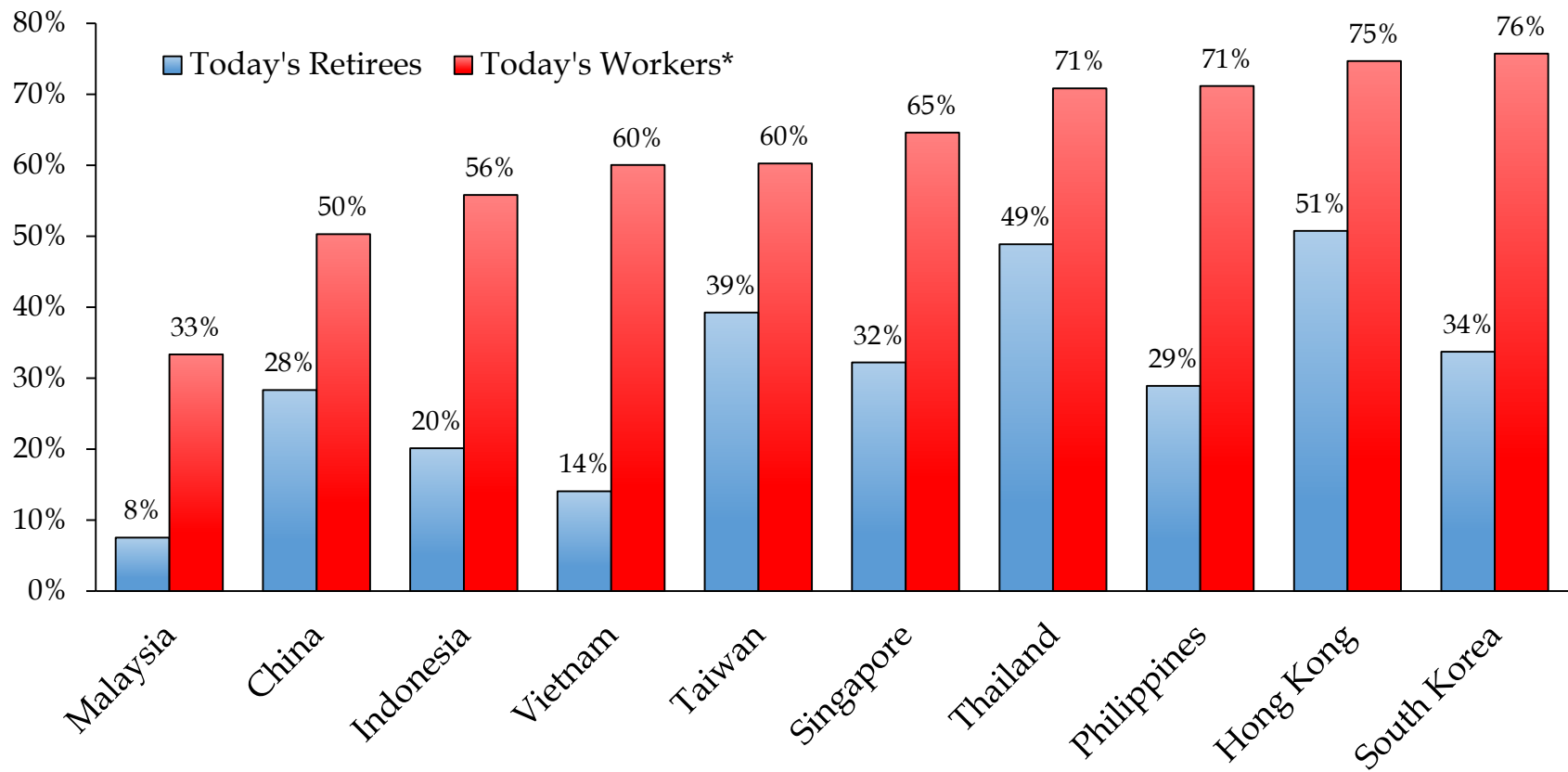
Share of Today's Retirees Receiving Income and Share of Today's Workers Expecting to Receive Income from Financial Assets*



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

Vietnam'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

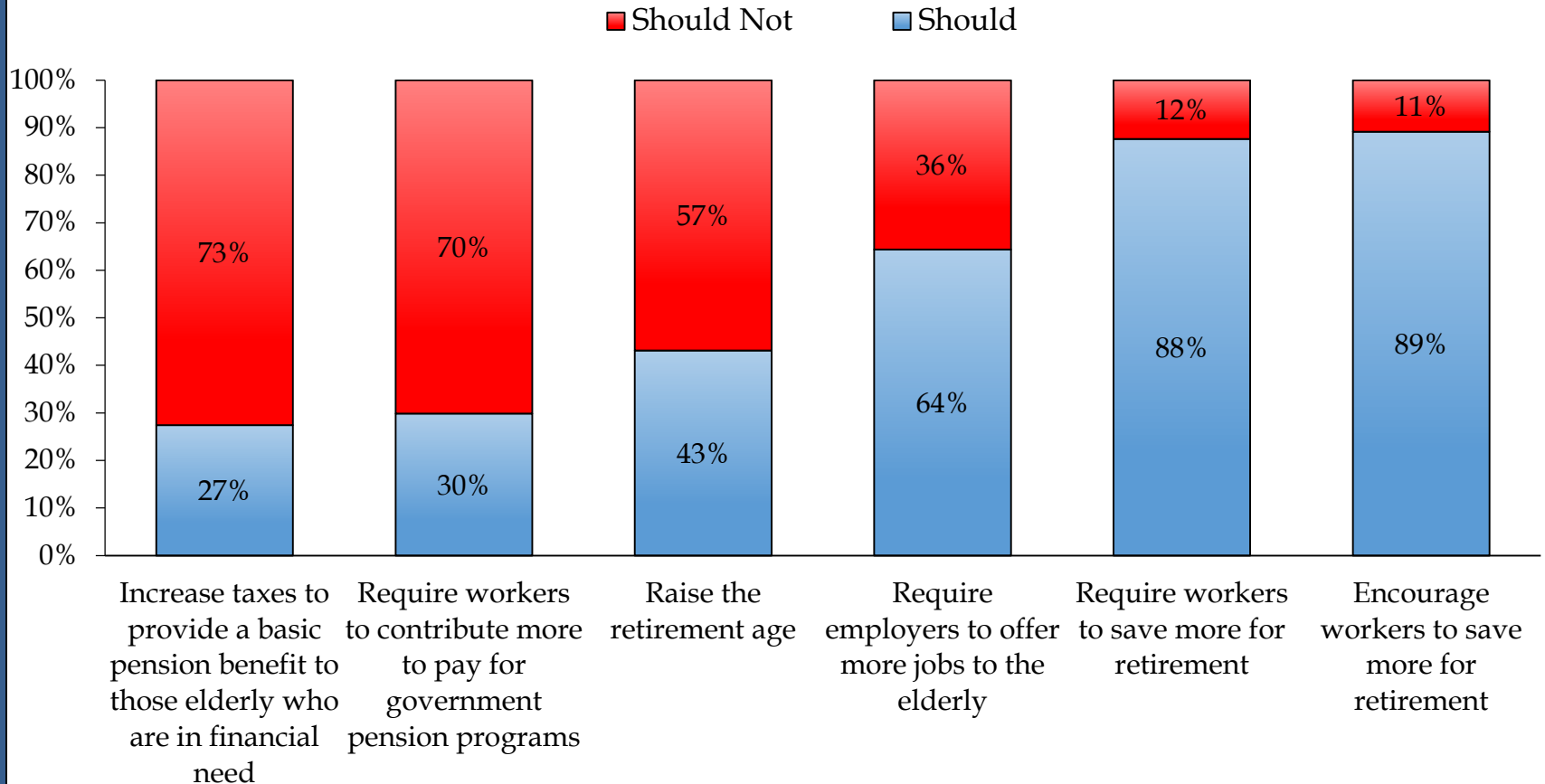


* Includes workers who never intend to retire.

Strategic Implications

What the Vietnamese Think About Retirement Reform

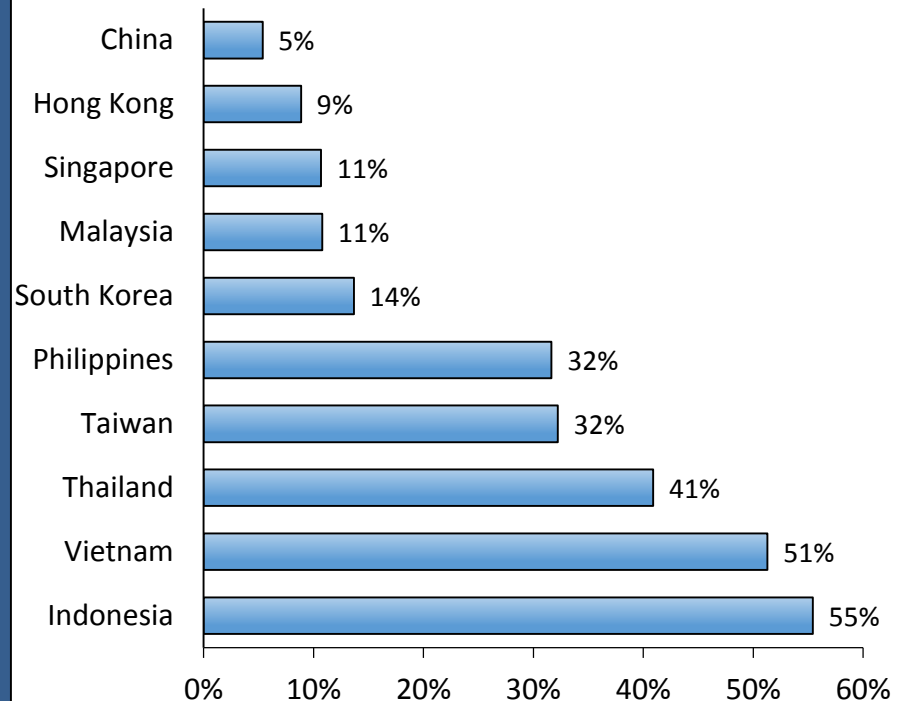
Share of Vietnamese Respondents Saying That Government Should or Should Not ...



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

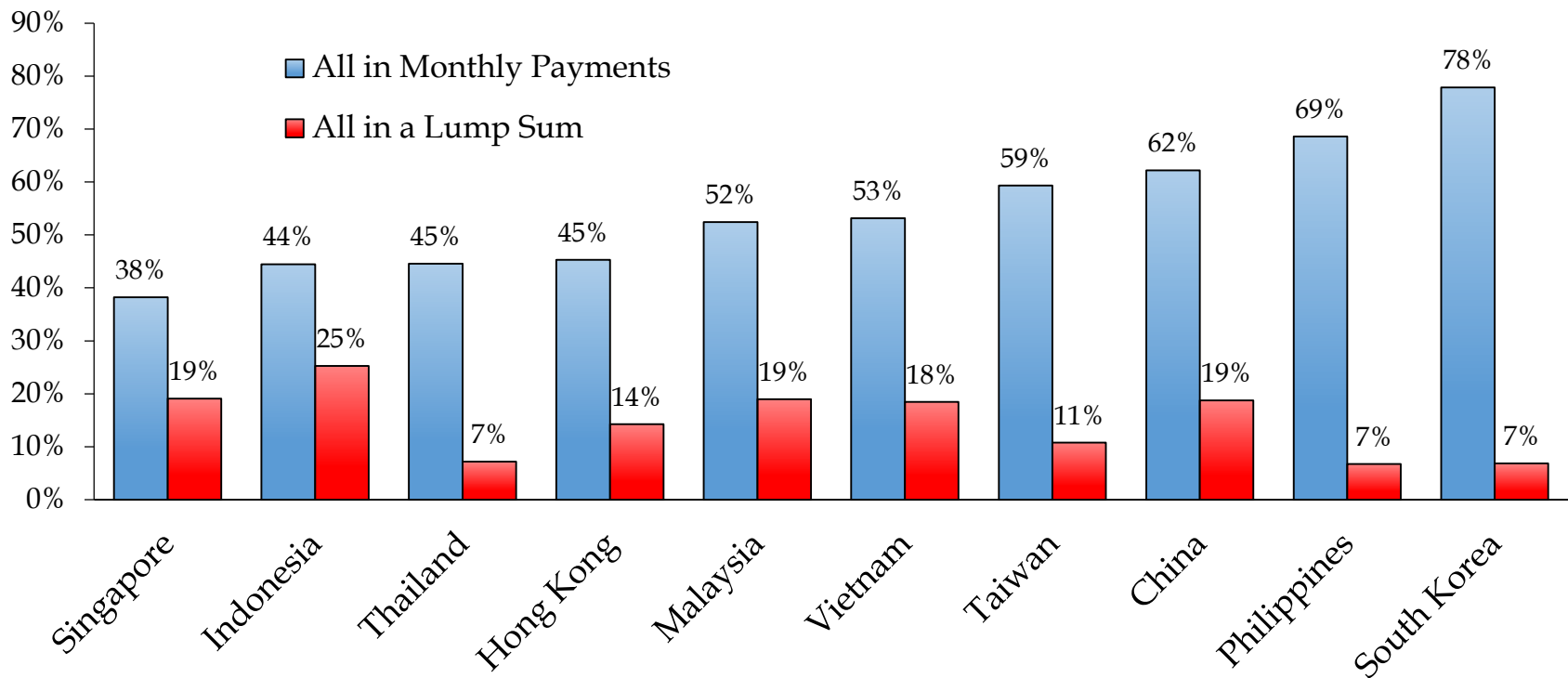
Share of Today's Workers Who Do Not Expect to Receive a State Pension Benefit



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.”

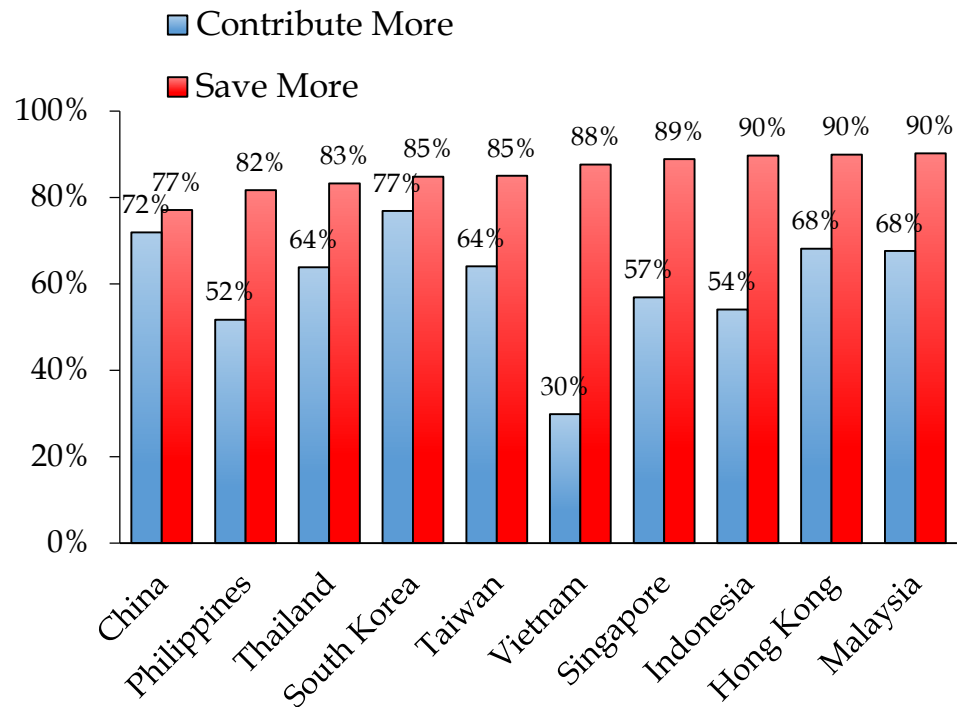
Share of Today's Workers Saying “All in Regular Monthly Payments” versus Share Saying “All in a Single Lump Sum”



Directions for Reform

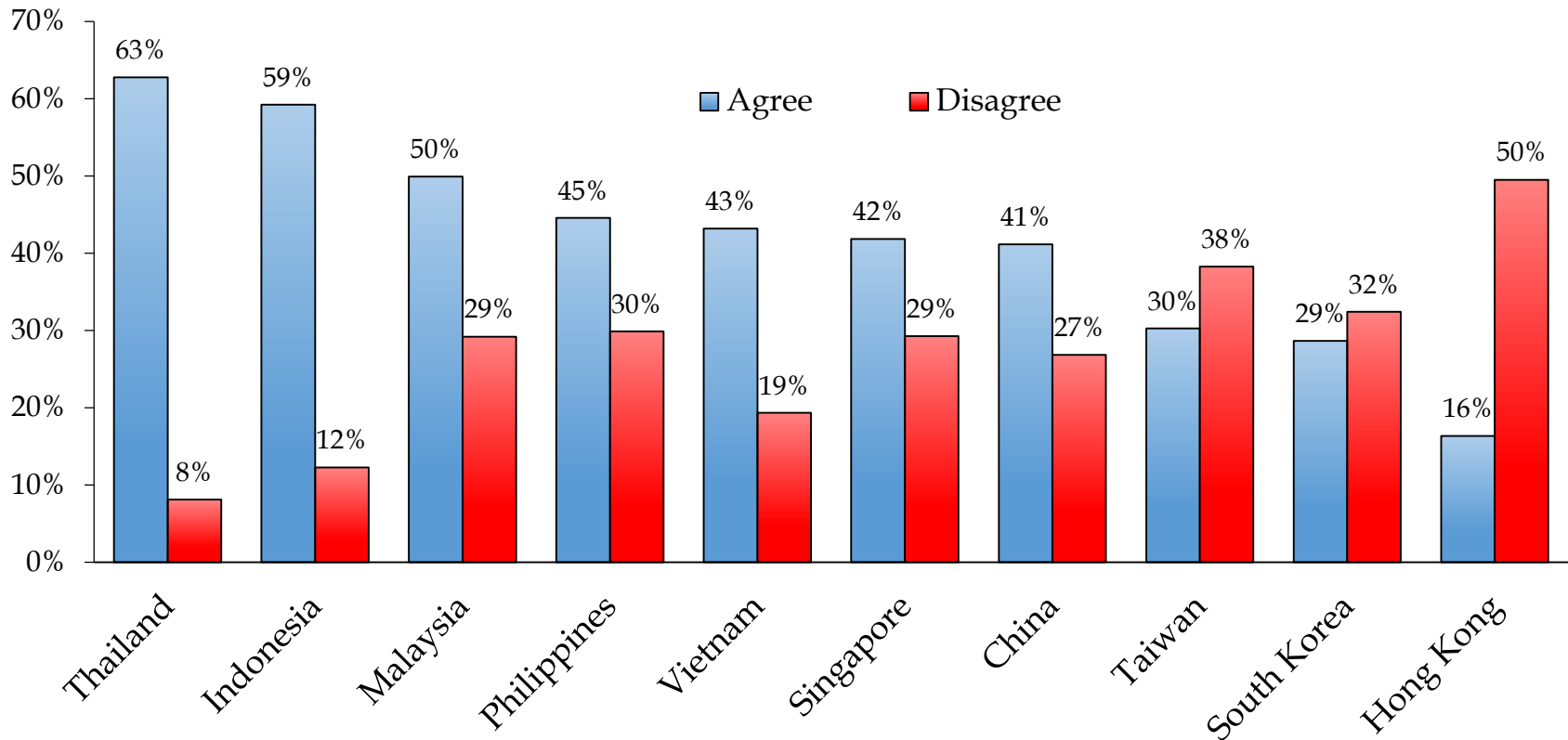
- ▣ Improve the adequacy of state pension systems
- ▣ **Encourage or require workers to save more for their own retirement**
- ▣ Establish more robust floors of old-age poverty protection
- ▣ Raise retirement ages and encourage longer work lives

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 Vietnamese have a low level of market-orientation, they have a high level of trust in the financial services industry.

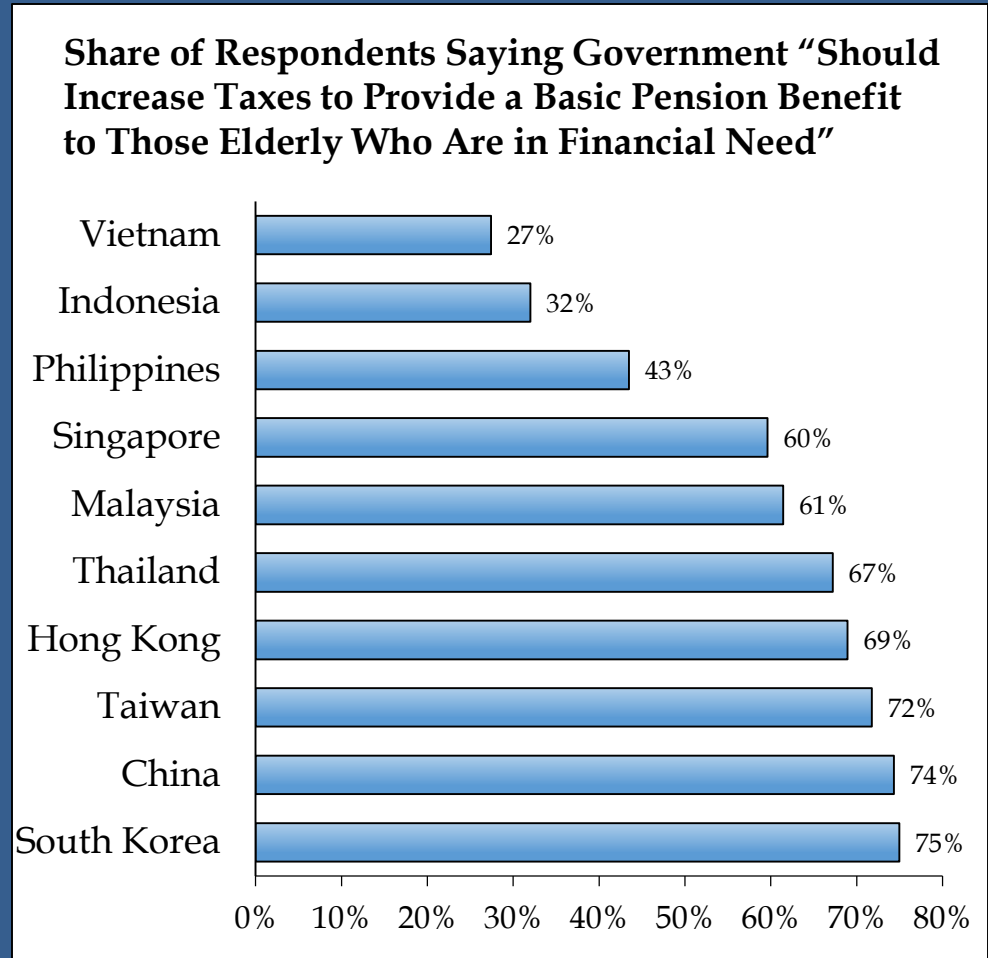
Share of Respondents Agreeing and Disagreeing That "People Can Trust Financial Services Companies to Help Them Prepare for Retirement"



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.

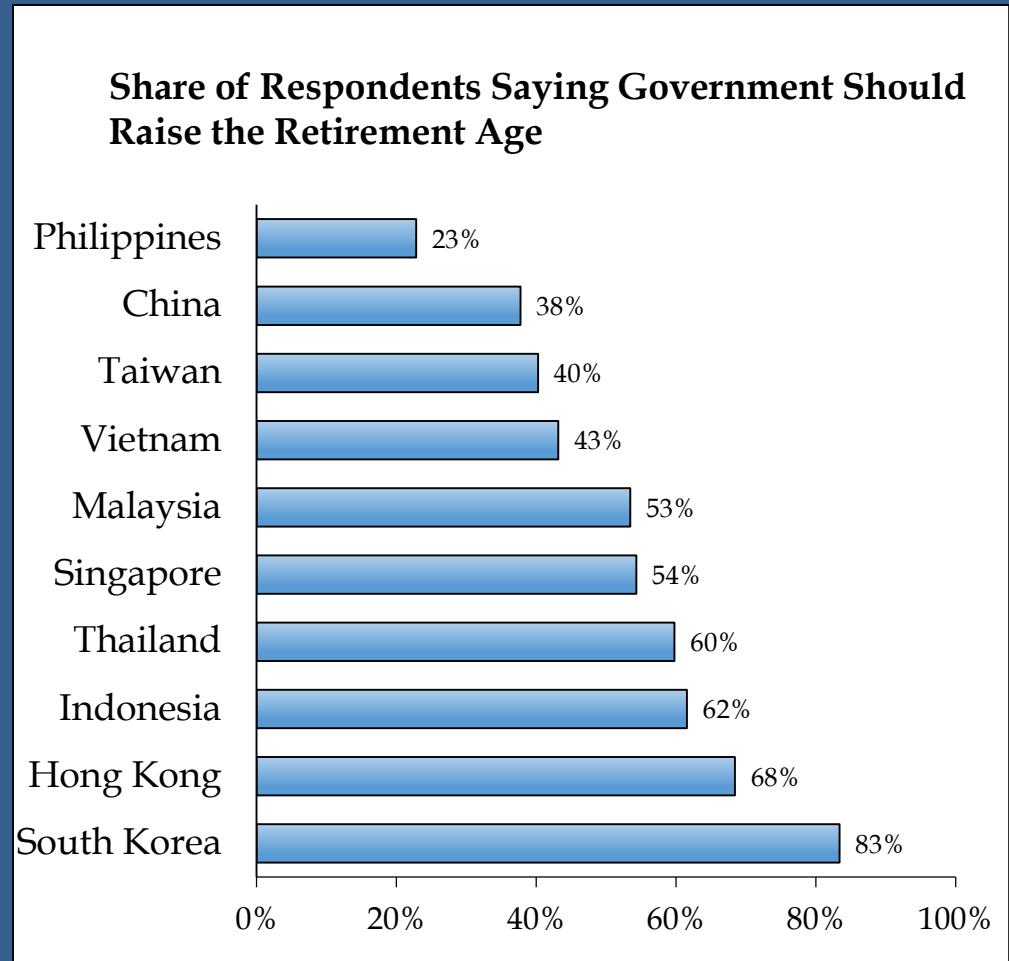
Directions for Reform

- ▣ 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



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**



GLOBAL AGING INSTITUTE

Gap.GlobalAgingInstitute.org