



ARC CENTRE OF
EXCELLENCE IN
**POPULATION
AGEING
RESEARCH**

POPULATION AGEING AND PENSION REFORM IN EMERGING ECONOMIES

John Piggott and Rafal Chomik



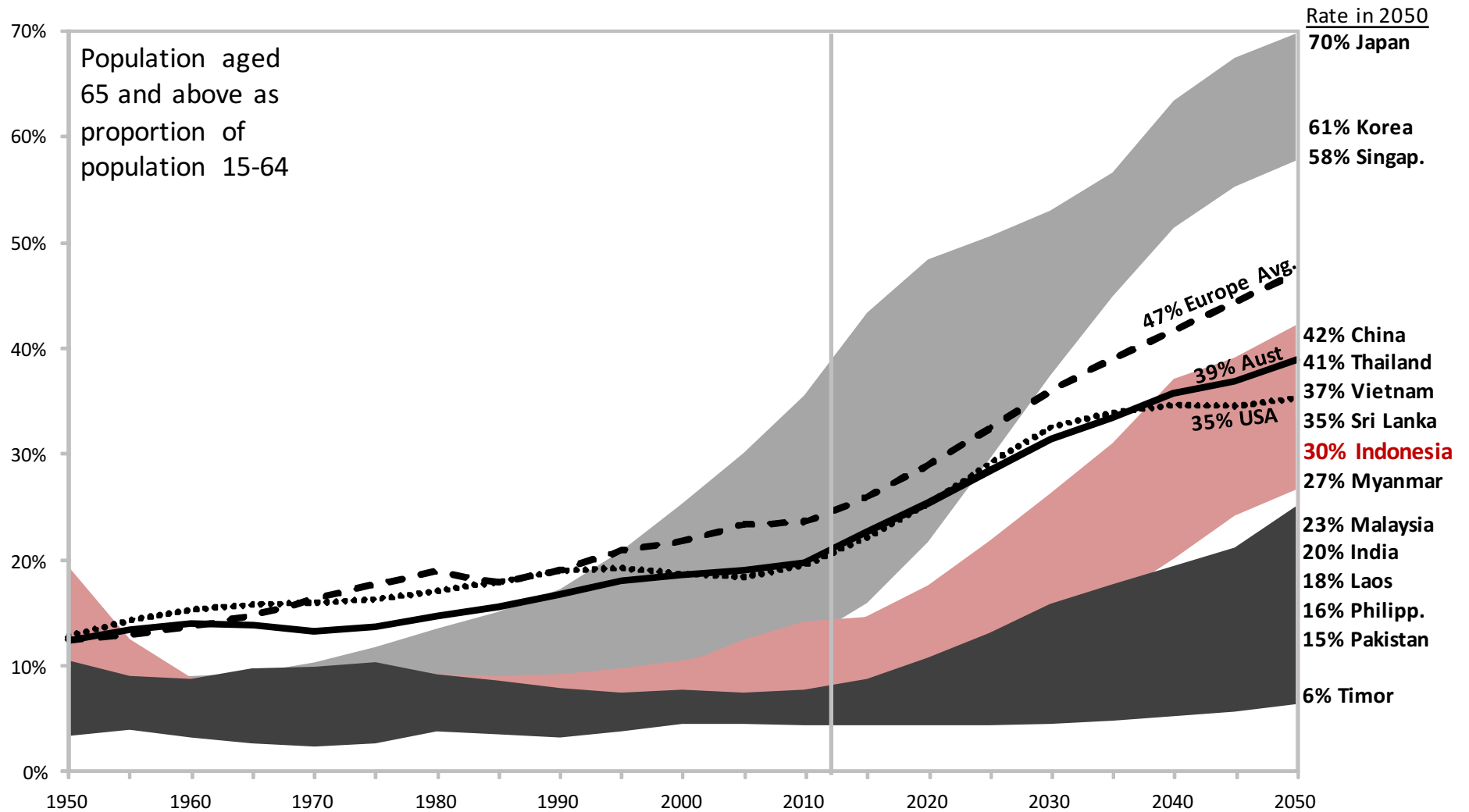
1. Context for social security development

- Demographic ageing & dividend
- Urbanisation & migration
- Social & economic change

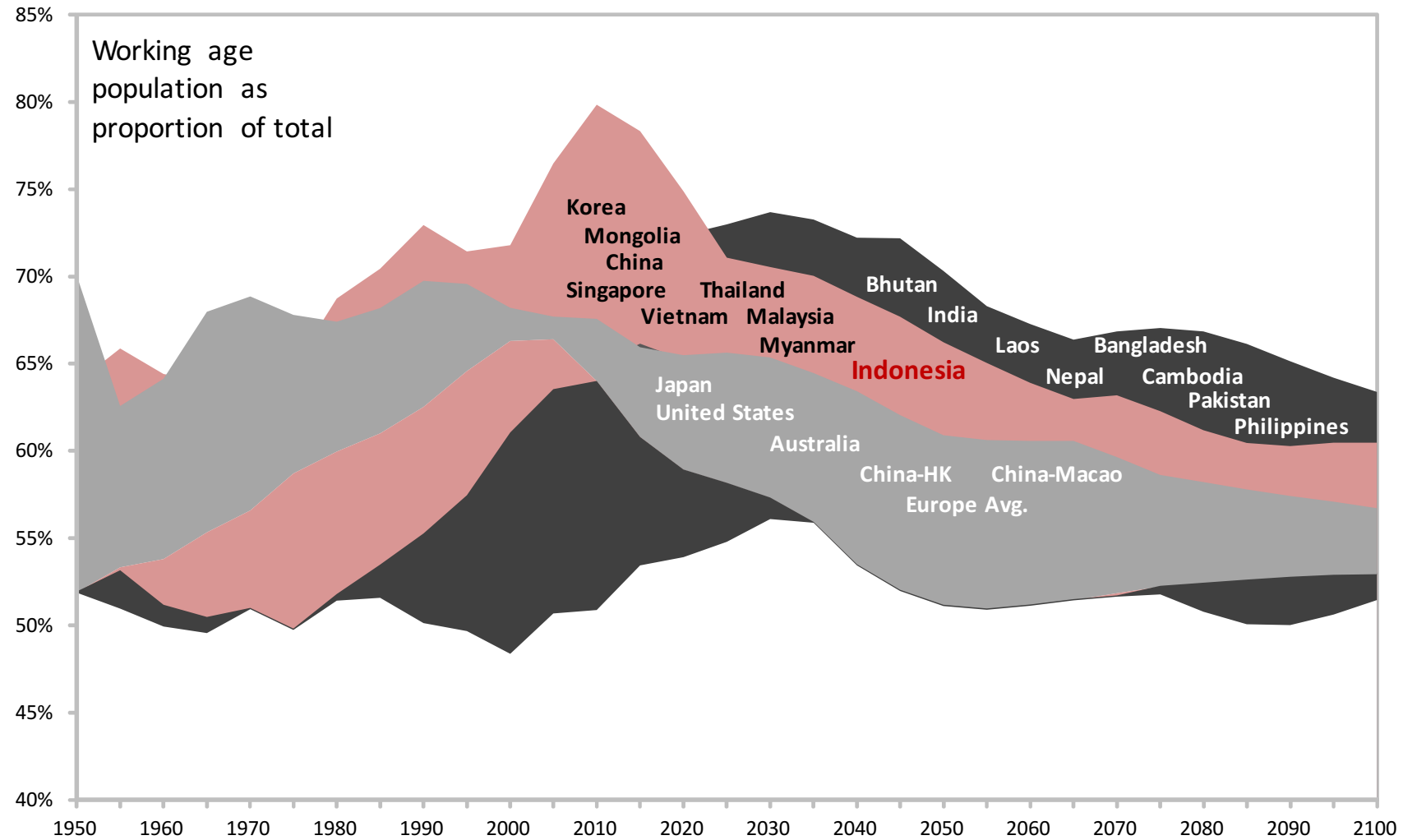
2. Retirement income system

- Adequacy
- Income replacement
- Sustainability

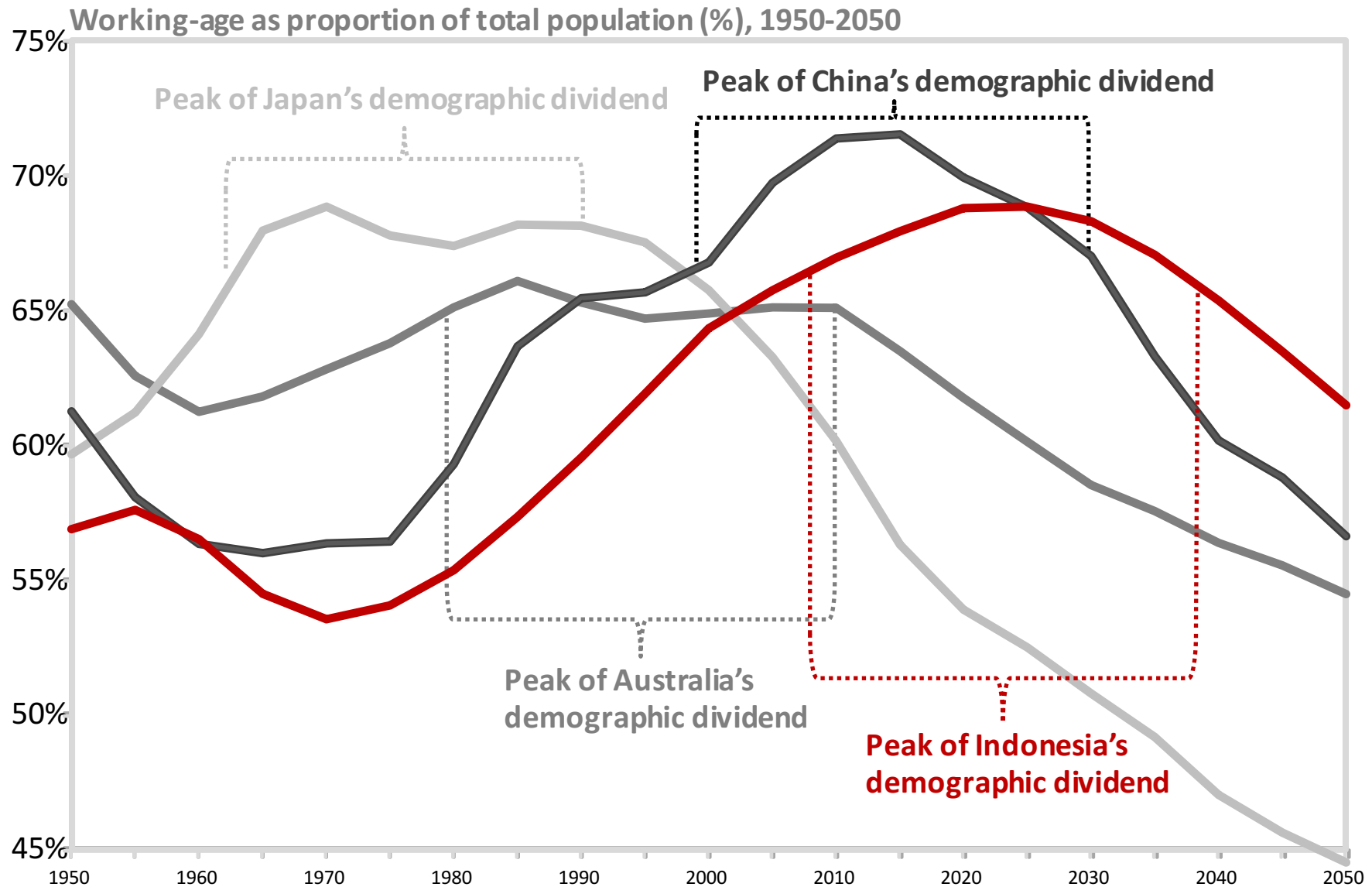
1. Context: Demographic ageing



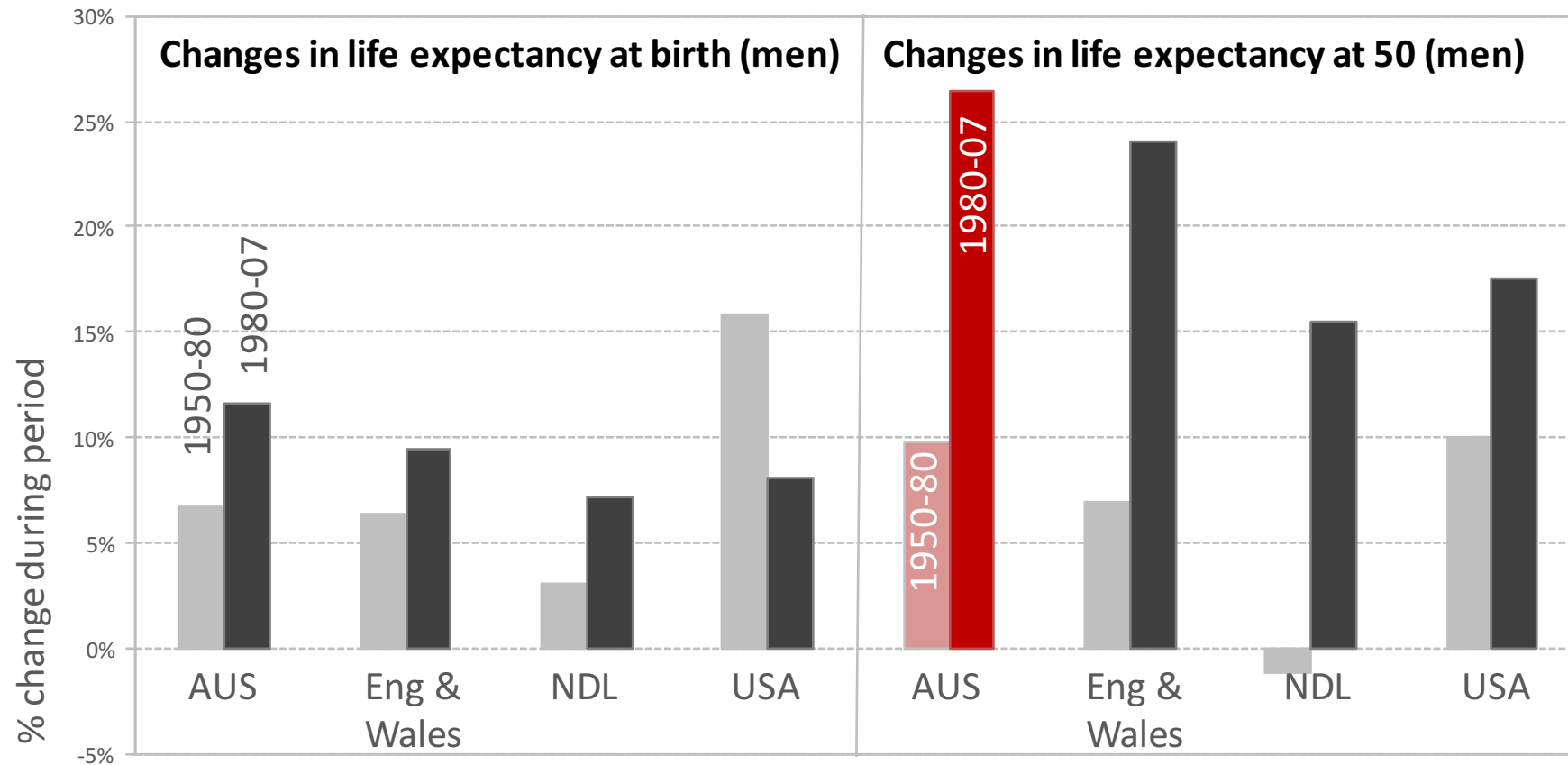
1. Context: Demographic dividend



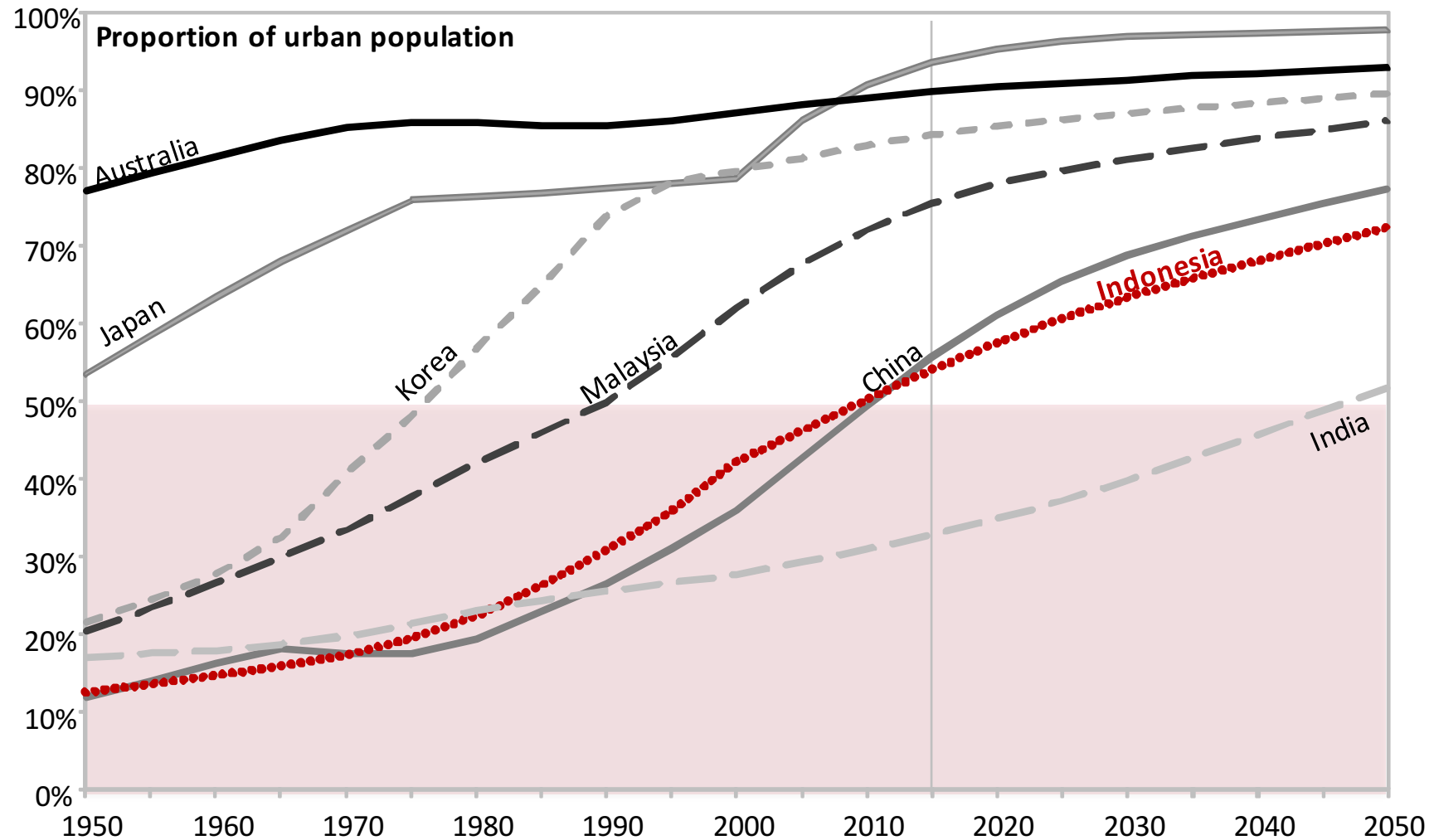
1. Context: Demographic dividend



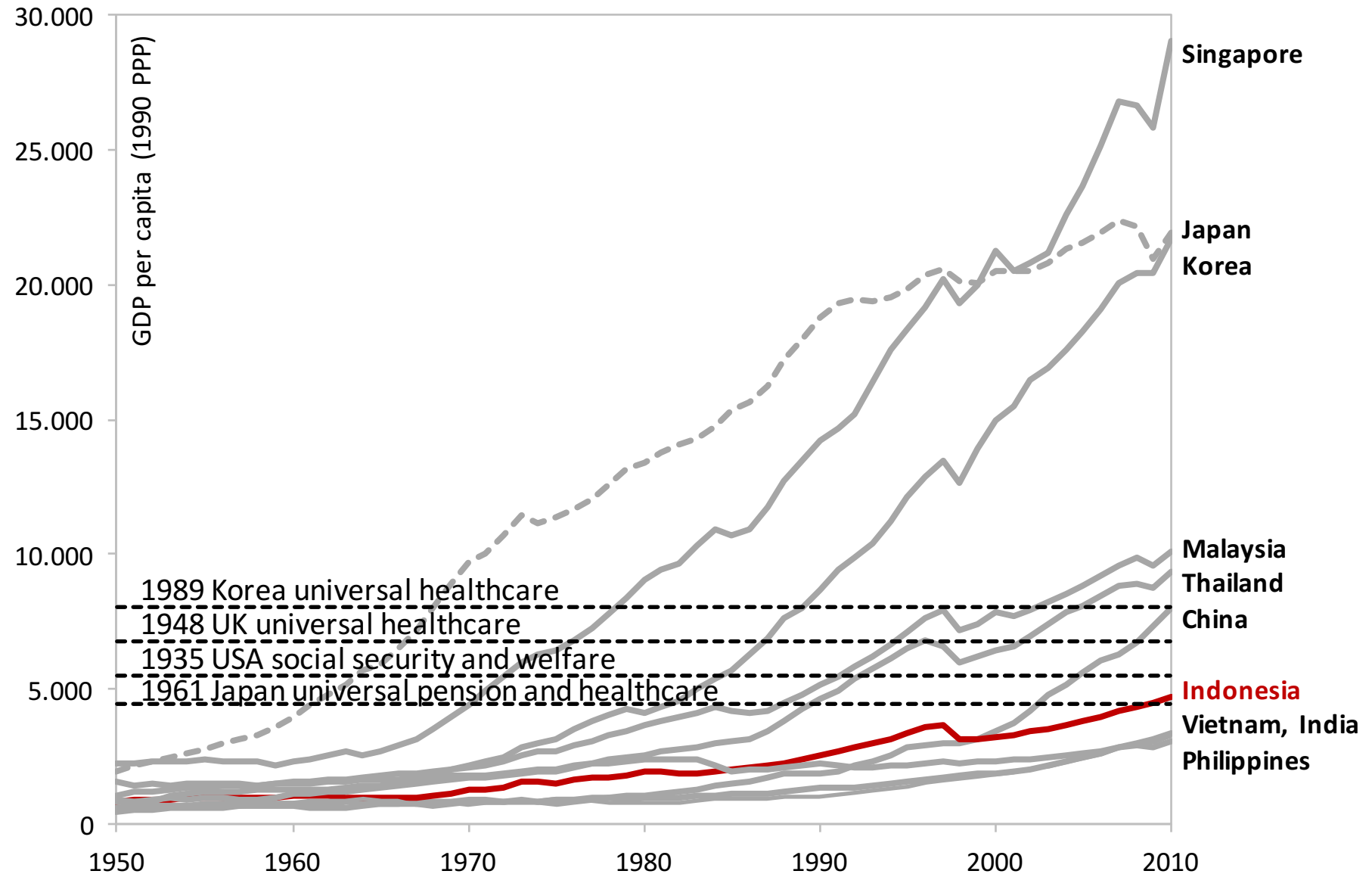
1. Context: Mid life longevity



1. Context: Urbanisation & migration



1. Context: Economic development



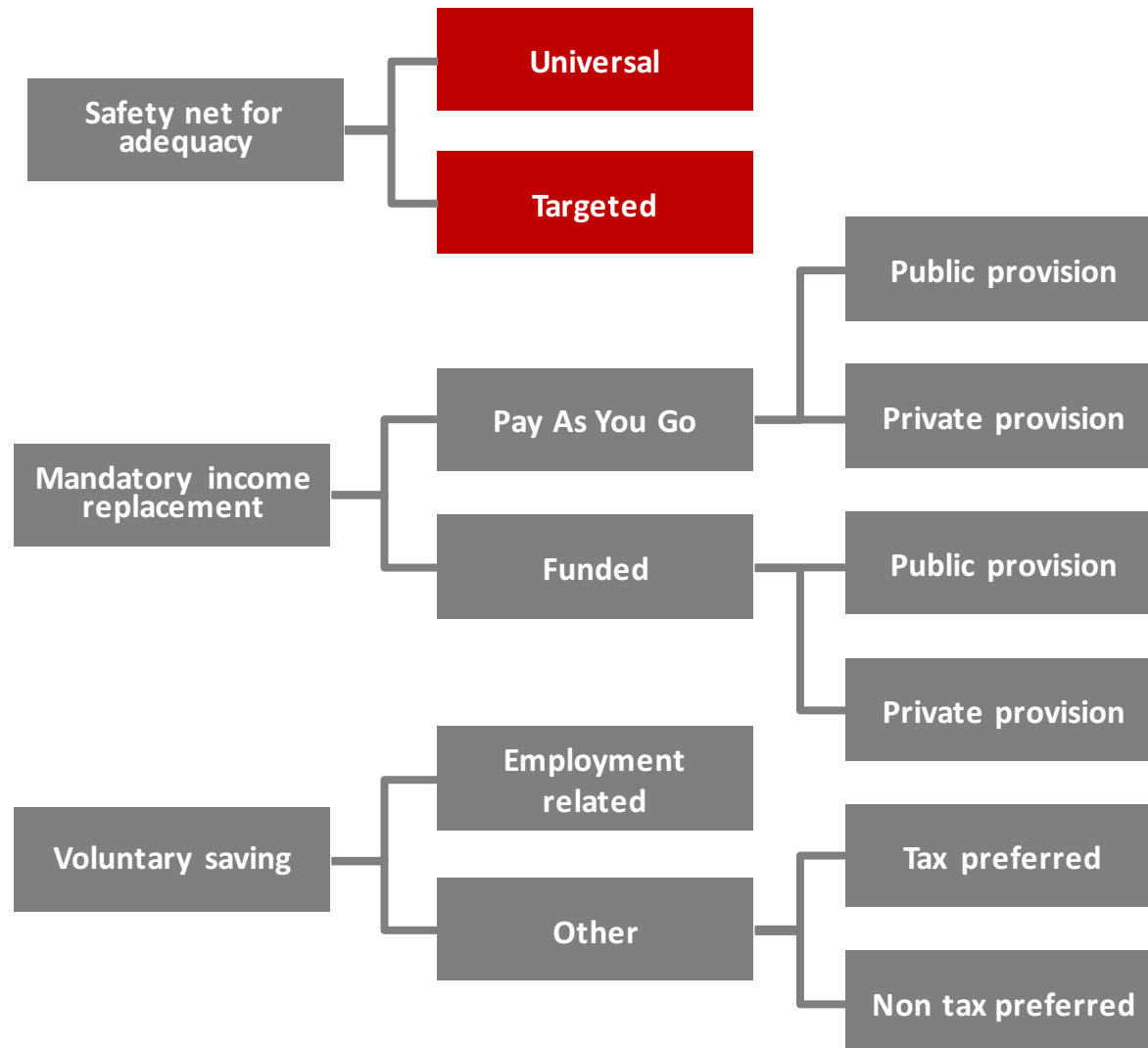
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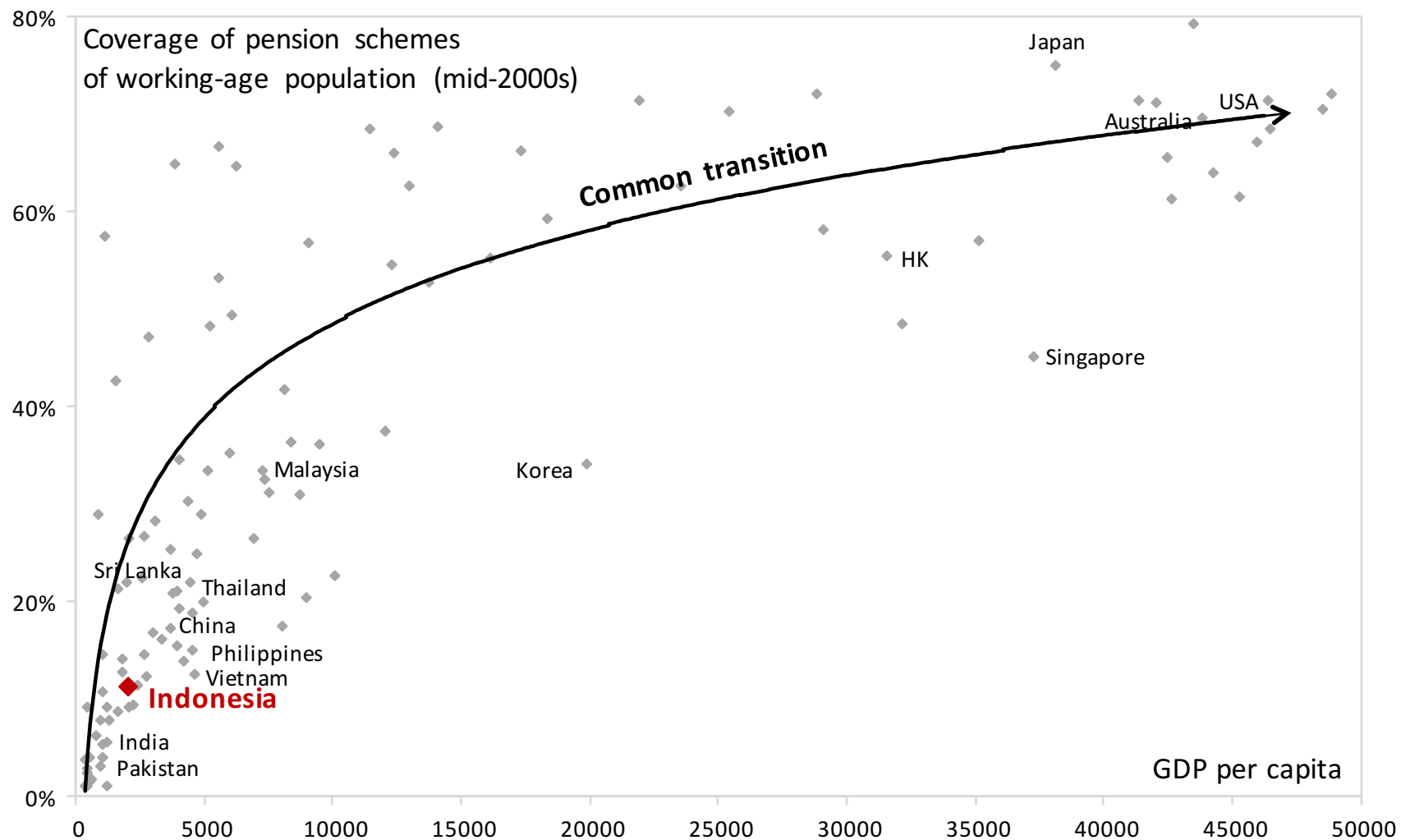
2. Retirement income adequacy: Structure



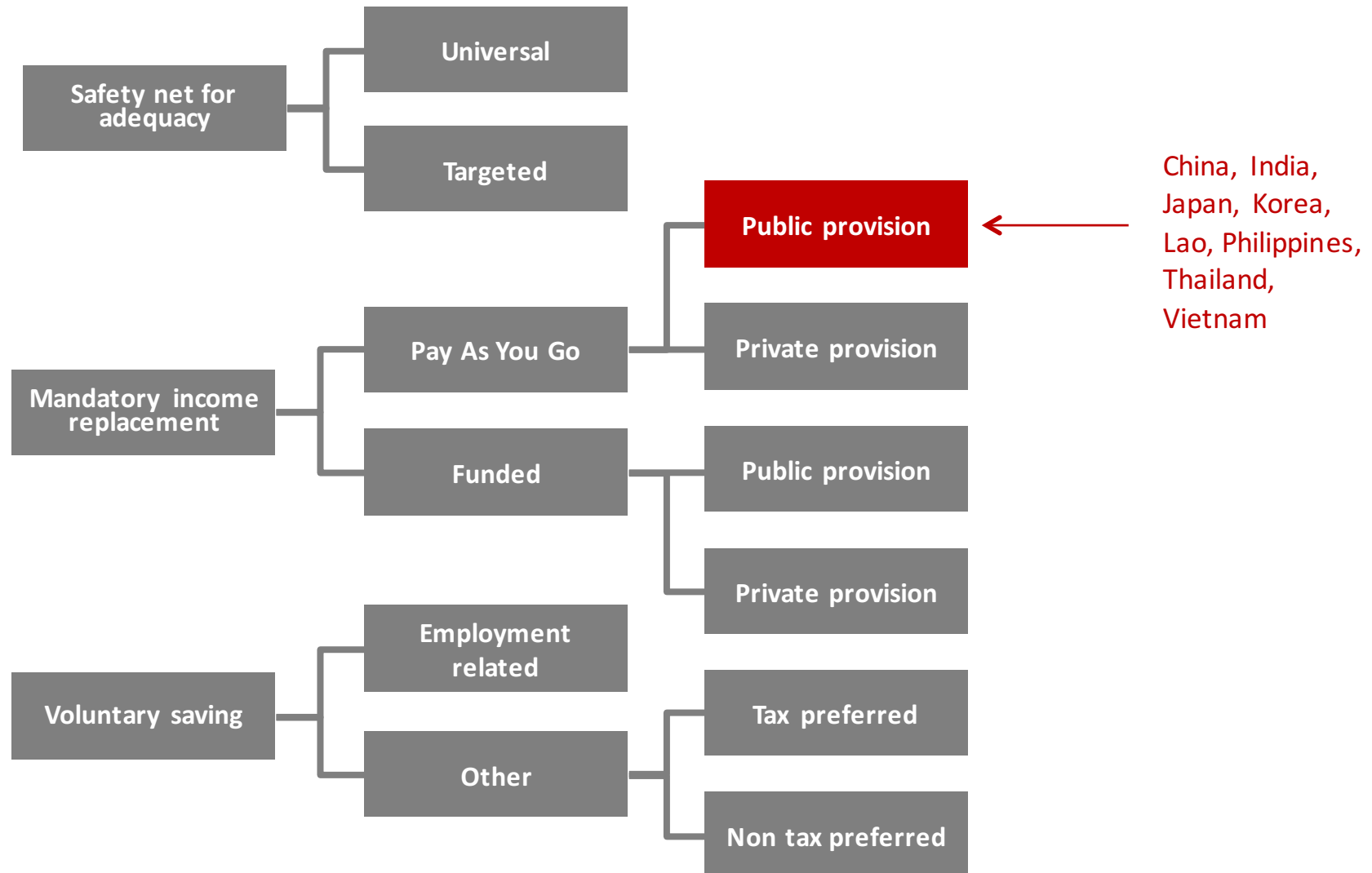
2. Retirement income adequacy: Social pensions

	Universal	Targeted	
Australia		28% of AW	
Hong Kong	Age 70+, 5% of AW	Age 65-69, 5% of AW	← Exists but low
Japan	National Pension 16% of AW		
Korea	Basic Age Pension 31% of AW		← Raised this year from ~5% of AW
China	Urban Resident Pension, Rural Pension		← Exists but low
Indonesia			
Laos			
Malaysia			
Philippines	Old Age Pension basic, 4% of AW		← Exists but low
Singapore			
Thailand	500 Baht scheme		← Exists but low
Vietnam			

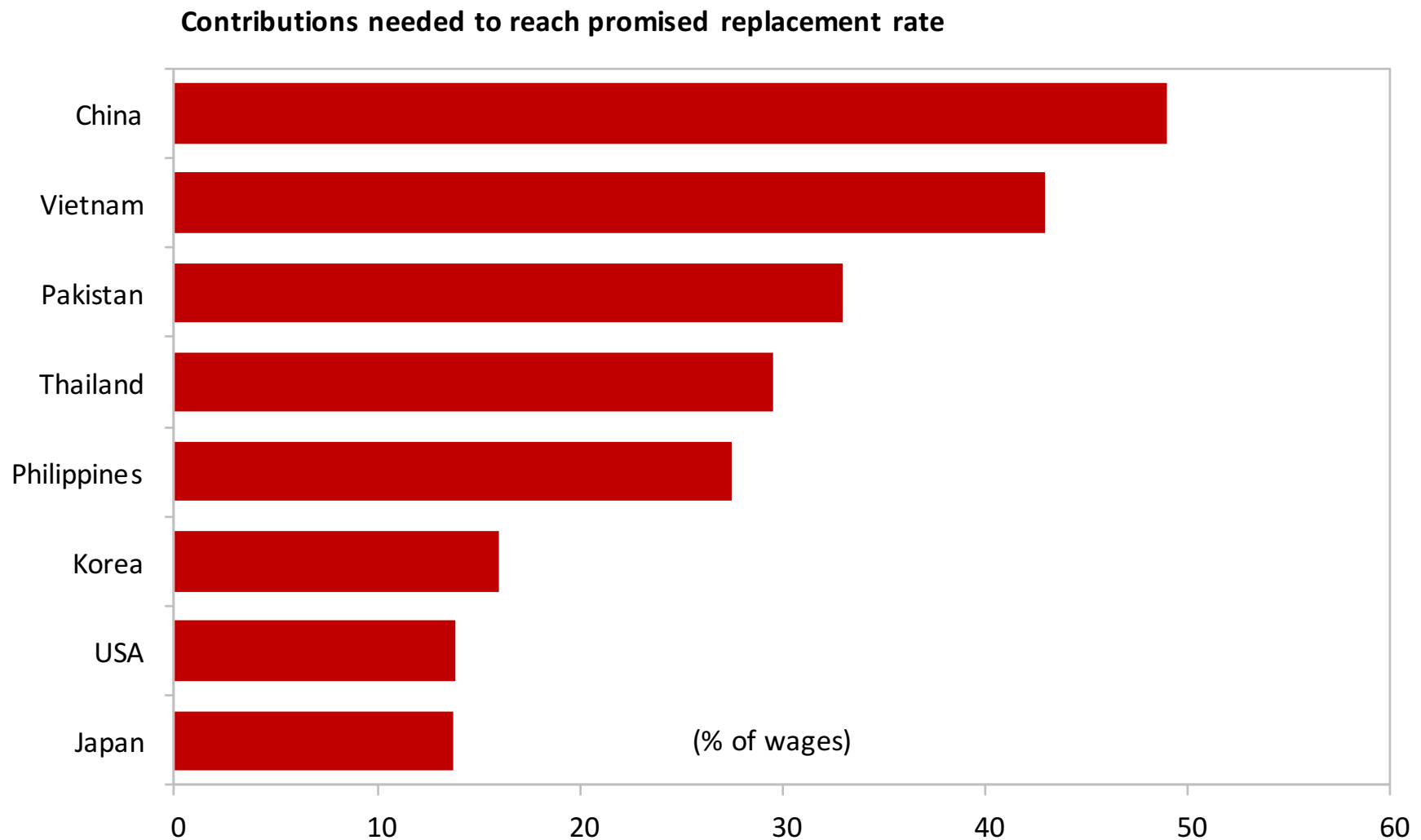
2. Retirement income adequacy: Coverage



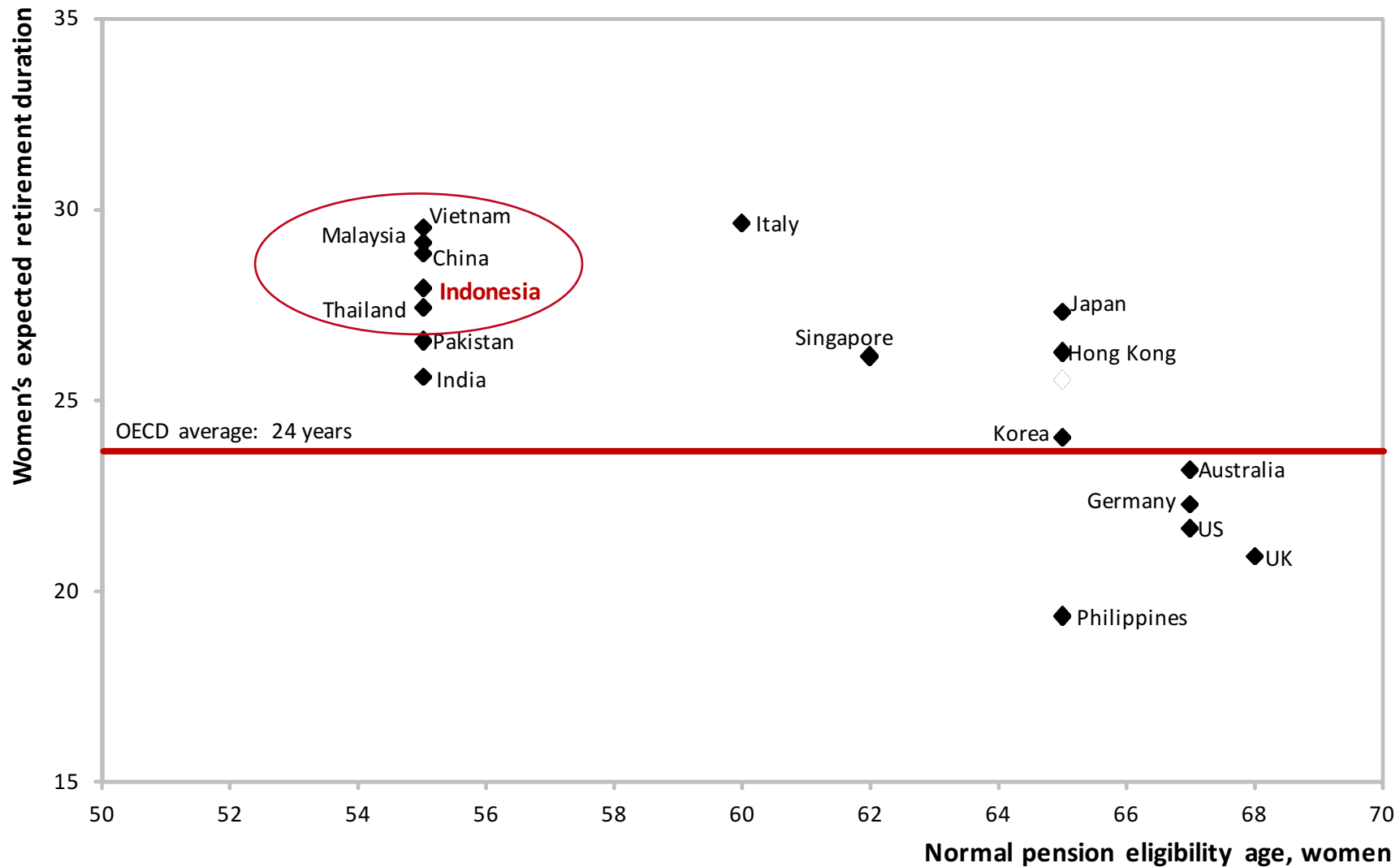
2. Retirement income sustainability: Structure



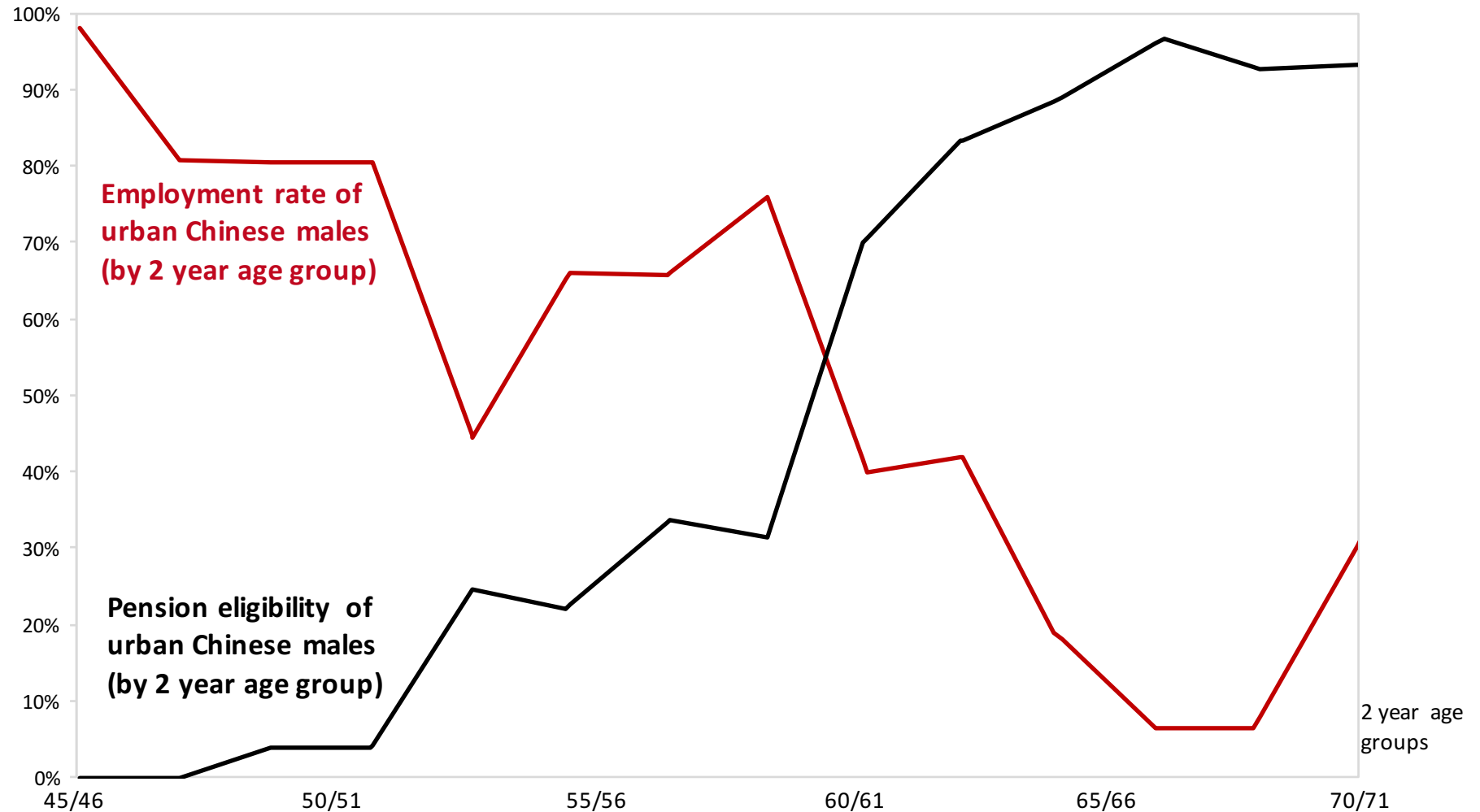
2. Retirement income sustainability: Benefits



2. Retirement income sustainability: Access age



2. Retirement income sustainability: LM



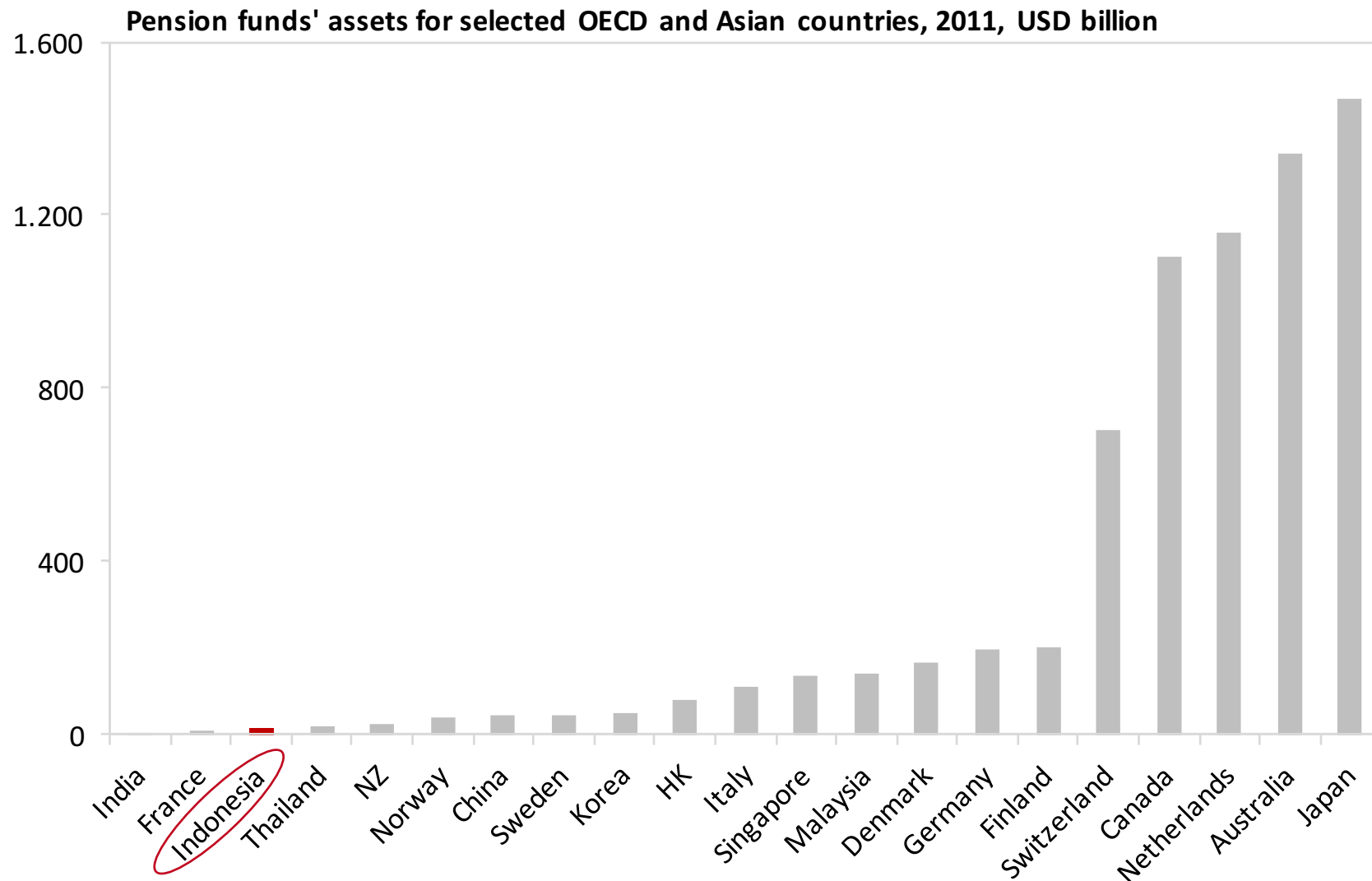
2. Retirement income sustainability: Lump of labour fallacy

- That there is a fixed demand for labour and a job becomes available if someone stops work
- Used to support a supposed link:
Early retirement → Unemployment reduction
- In fact, working creates its own demand:
More workers → more productive economy

2. Retirement income sustainability: A model to consider

- Provide means tested or proxy means tested transfers at retirement to reduce old age poverty
- Pre-fund earnings related pensions
- The Australian model – less burden, less poverty

4c. Retirement income: 2nd + 3rd pillar



2. Retirement income robustness: Regulations

1. **Accumulation and decumulation** integration
2. **Enrolment** and contributions
3. **Incentives**, particularly if voluntary
4. **Low-cost** retirement savings instruments
5. **Default investment**, but choice of risk profiles and horizons
6. **Default life-cycle** investment to protect those near retirement
7. **Annuitisation to** protect against longevity
8. **Annuity market** supply and cost-efficiency
9. **Risk-hedging** instruments and information
10. **Financial illiteracy** and communication

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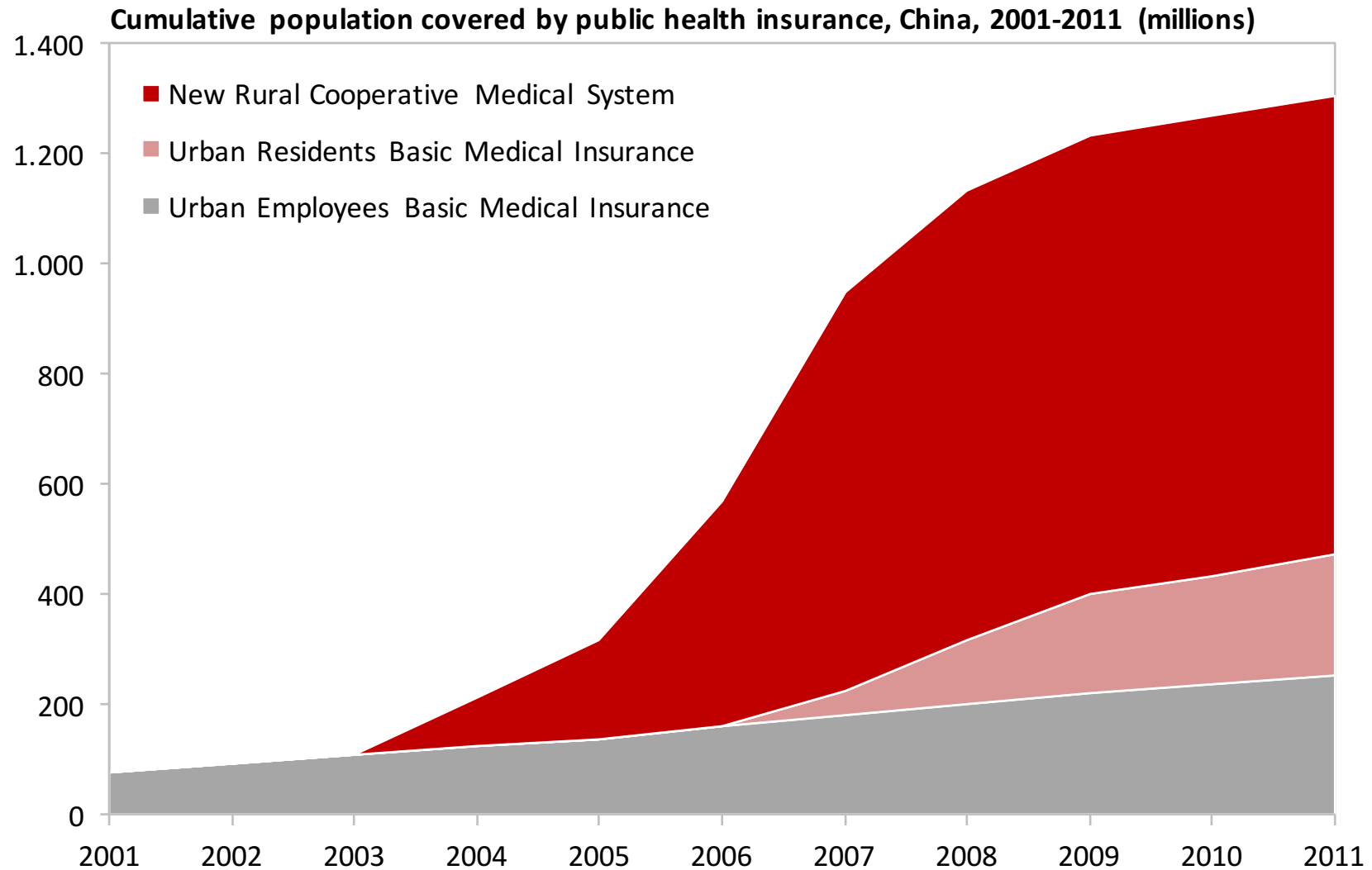
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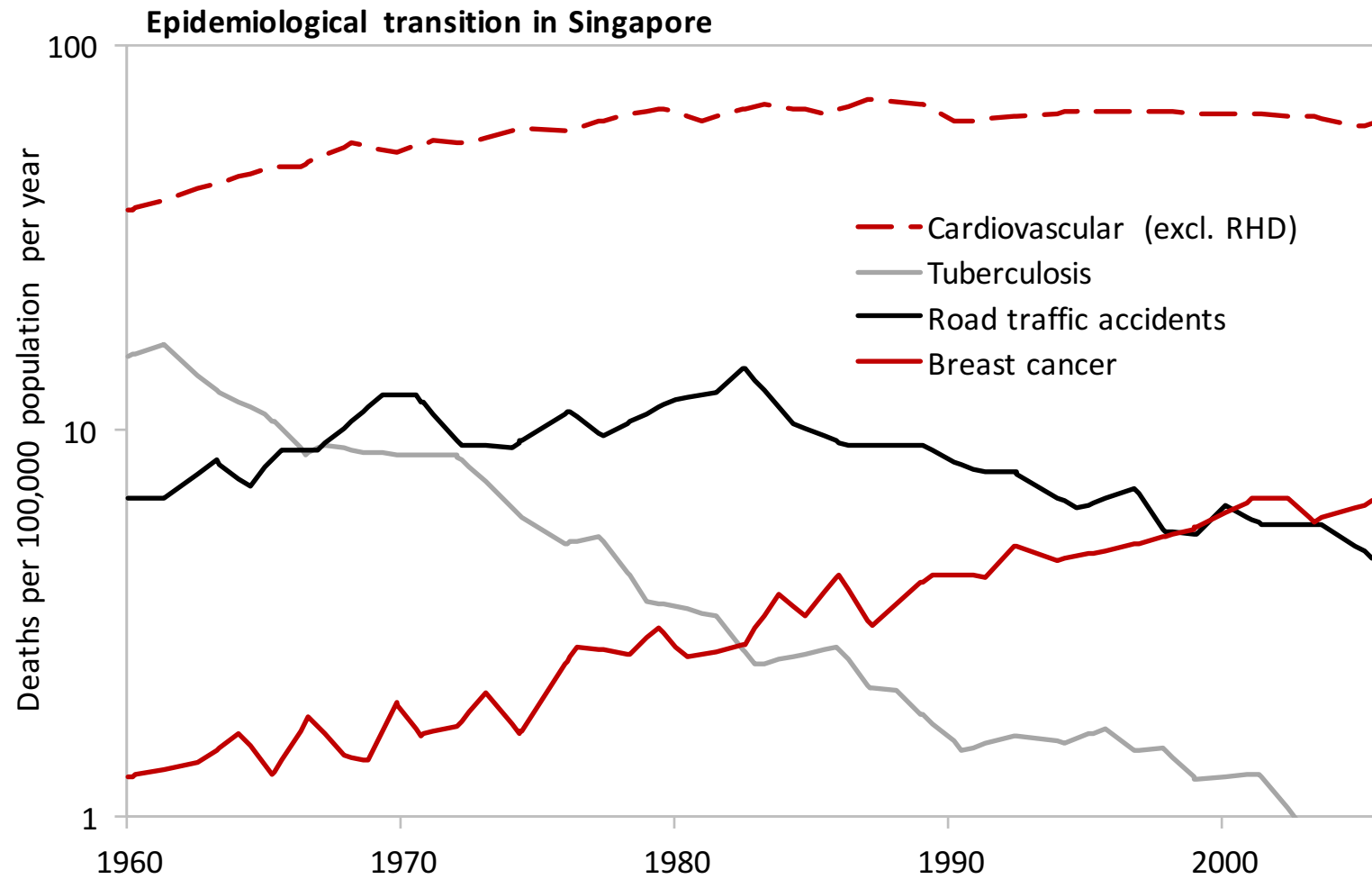
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Questions?

Healthcare systems: Coverage of population



Healthcare systems: Needs



Social change context

