

▶ Old-age income security: Lessons from ASEAN Member States

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Overview

Demographic data

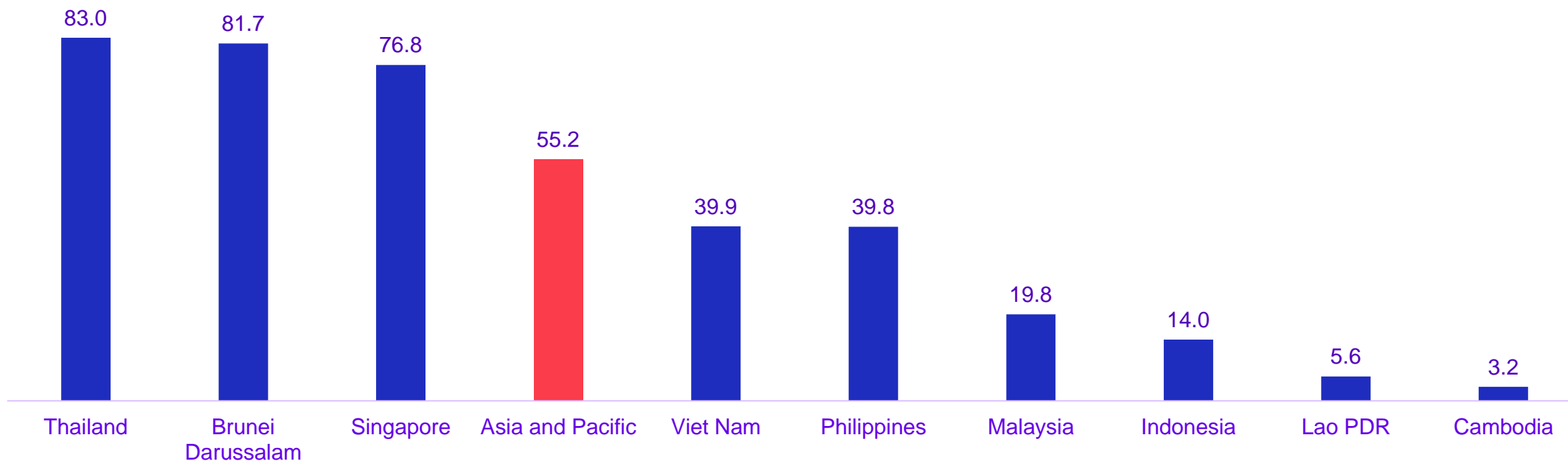
Estimate	Viet Nam	Thailand	Malaysia	Myanmar	Indonesia	Philippines
Population (million)	98.4 (2020)	69.4 (2020)	32.9 (2020)	54.8 (2020)	272.2 (2020)	109.7 (2020)
	114.6 (2050)	65.4 (2050)	41.7 (2050)	62.4 (2050)	321.6 (2050)	151.3 (2050)
Share of population aged 60 or older	12.5 (2020)	19.1 (2020)	10.7 (2020)	10.3 (2020)	9.5 (2020)	8.2 (2020)
	28.3 (2050)	35.1 (2050)	23.1 (2050)	18.5 (2050)	19.2 (2050)	14.2 (2050)
Old-age dependency ratio	11.7 (2020)	18.2 (2020)	10.1 (2020)	9.4 (2020)	8.5 (2020)	8.1 (2020)
	34.9 (2050)	50.0 (2050)	24.4 (2050)	19.2 (2050)	20.7 (2050)	14.8 (2050)
Life expectancy at birth (years)	76.6 (2020)	75.6 (2020)	75.5 (2020)	66.8 (2020)	69.4 (2020)	69.3 (2020)
	82.1 (2050)	82.1 (2050)	80.9 (2050)	70.5 (2050)	73.5 (2050)	73.2 (2050)
Life expectancy at age 60 (years)	22.9 (2020)	22.2 (2020)	20.0 (2020)	16.9 (2020)	16.7 (2020)	17.3 (2020)
	26.1 (2050)	25.7 (2050)	23.8 (2050)	17.9 (2050)	18.7 (2050)	19.1 (2050)

Old-age pension schemes in ASEAN Member States

<p>Old-age pension schemes anchored in national legislation providing periodic cash benefits</p> <p>10 countries</p>				
<p>Contributory scheme only</p> <p>2 countries (KHM, LAO)</p>		<p>Contributory scheme + non-contributory means- tested scheme</p> <p>5 countries (IDN, MYS, PHL, SGP, VNM*)</p>	<p>Contributory scheme + non-contributory pension- tested scheme</p> <p>1 country (THA*)</p>	<p>Contributory scheme + non-contributory universal scheme</p> <p>2 countries (BRN, MMR)</p>
<p>Non-contributory means- tested scheme only</p> <p>0 country</p>	<p>Non-contributory universal scheme only</p> <p>0 country</p>			

Different pension systems affect effective coverage

% of population older than the statutory pensionable age receiving an old-age pension, latest available year



Old-age pensions beneficiaries in ASEAN Member States (% of reference population)

Country	Year	Total	Contributory	Non-contributory	Reference pop.
Brunei	2011	81.7	n.a.	81.7	60+
Cambodia	2015	3.2	n.a.	n.a.	55+
Indonesia	2015	14.0	n.a.	n.a.	56+
Lao PDR	2010	5.6	n.a.	n.a.	60+/55+ (M/F)
Malaysia	2010	19.8	16.2	3.6	55+
Myanmar	n.a.	n.a.	n.a.	n.a.	n.a.
Philippines	2015	39.8	21.9	17.9	60+
Singapore	2018	76.8	48.9	27.9	65+
Thailand	2016	83.0	8.2	74.8	55+
Viet Nam	2015	39.9	n.a.	n.a.	60+/55+ (M/F)

Contribution rate for old-age, invalidity and survivors' pension

Contribution rate is not comparable to others

The pension schemes in Indonesia and Thailand are both at very “young” status. In the first phase after the establishment of their scheme, pension schemes hardly pay any old-age pension because pensions are only paid once the first pensioners have reached the minimum eligibility period. Thus, these countries still display lower cost of the pension scheme as well as lower contribution rates.

Country	Contribution rate				Replacement rate at 30 years
	Insured person	Employer	Government	Total	
Singapore	20	17	-	37	42.1
China	8	20	Subsidies as needed	28	83
Austria	10.25	12.55	Subsidies and cost of care credit	22.8	91.8
Malaysia	8.5	13.5	-	22	40
Vietnam	8	14	Subsidies as needed; total cost of old-age pensions for workers who retired before 1995	22	75
Germany	9.345	9.345	Subsidies for certain benefits	18.7	51
Philippines	4.12	8.37	Any deficit	12.49	46.1
Thailand	3.44	3.44	-	6.88	42.5
Indonesia	1	2	-	3	30

▶ Viet Nam

► Pension system in Viet Nam (1)

Tax-funded pension (Non-contributory)

A pension-tested benefit for people aged 80 and older and means-tested benefit for people aged 60-79 living in poor households without family support or caregiver.

Civil servants' pension scheme (Non-contributory)

A non-contributory pre-1995 government scheme, which is being phased out.

Merit allowance (Non-contributory)

A pension scheme for veterans implemented separately.

▶ Pension system in Viet Nam (2)

Mandatory social insurance

A contributory scheme for public and private sector employees with at least a one-month contract, including household workers; employees in agriculture, fishing and salt production; employees of cooperatives and unions; police and military personnel; part-time workers in communes, wards, and townships; and foreign citizens legally working in Viet Nam.

▶ Pension system in Viet Nam (3)

Voluntary social insurance

A scheme for people without mandatory social insurance coverage, such as self-employed workers. Members of the scheme have their premiums partially supported by government subsidies based on the poverty line in rural areas: for the period 2018–20, 30 percent of premiums subsidized for members of poor households (VND 46,200 per month), 25 percent for members of households living just above the poverty line (VND 38,500 per month), and 10 percent for others (VND 15,400 per month).

Contributory pension scheme (defined-benefit) in Viet Nam (1)

		Current	Reform (2018)
Qualifying conditions	Contribution years (CY)	20	
	Pensionable age	Female: 55; Male: 60	
Pension formula	Basic formula	Female: $(45\%+3\%*(CY-15))*BS$ Male: $(45\%+2\%*(CY-15))*BS$	Female: $(45\%+2\%*(CY-15))*BS$ Male: Gradual transition until 2022 to $(45\%+2\%*(CY-20))*BS$
	Minimum benefit	Civil servant minimum wage	
	Maximum benefit	75%*BS	
	Base salary (BS)	Average lifetime salary, indexed on CPI. Public sector: averaging period 5-10 years depending on years of scheme entry (gradually increasing to lifetime earnings by 2025). Indexed on public sector base wage for those who joined before 2016.	
	Benefit indexation	Law allows for indexation on CPI/GDP depending on budget capacity. Not yet reflected in implementation regulations.	

Contributory pension scheme (defined-benefit) in Viet Nam (2)

		Current	Reform (2018)
Contribution	% of gross earnings	Employee	8% (including invalidity and survivors' pension)
		Employer	14% (including invalidity and survivors' pension)
		Government	Subsidies as needed, cost of pre-1995 public sector pensioners, contributions for civil servants who started working before 1995. Law allows for contribution subsidies for voluntary members depending on budget capacity. Not yet reflected in implementation regulations.
Earnings base	Measure	Salary + allowances	Salary + allowances + bonuses
	Minimum	General: Civil servant minimum wage; Voluntary members: Rural poverty line	
	Maximum	20 times civil servant minimum wage	

► Tax-funded pension scheme in Viet Nam

Qualifying conditions		Age 80+: pension-tested	Age 60+: means-tested, having no family support or no caregiver
Benefit amount	Value	VND 270,000 (USD 11.7)	VND 540,000 (USD 23.4)
	% of GDP per capita	6.6%	13.2%
	% of minimum wage	11.3%	22.5%

Pension coverage in Viet Nam

Indicators		Year
Active contributors to DB pension	17.1% of working age population	2016
Old-age pension recipients from contributory DB pension	16.1% of population older than statutory pension age	2018
Old-age pension recipients from tax-funded pension	13.0% of population older than statutory pension age	2018

Challenges to the pension system in Viet Nam (1)

Significant protection and coverage gaps for the elderly

25.1%

of the labour force
contributes to VSS

83%

of the elderly (60+) did
not receive a pension

12%

of women, compared to
26% of men, received a
VSS pension

Challenges to the pension system in Viet Nam (2)

Significant protection and coverage gaps for the elderly

3/4

workers in Viet Nam are in
informal employment

0.3%

Of workers covered through voluntary
insurance in the past 11 years

▶ Challenges to the pension system in Viet Nam (3)

Without a significant policy change...

16.4 million or 79% elderly
RISK ENDING OUT WITHOUT A PENSION IN 2030

► Challenges to the pension system in Viet Nam (4)

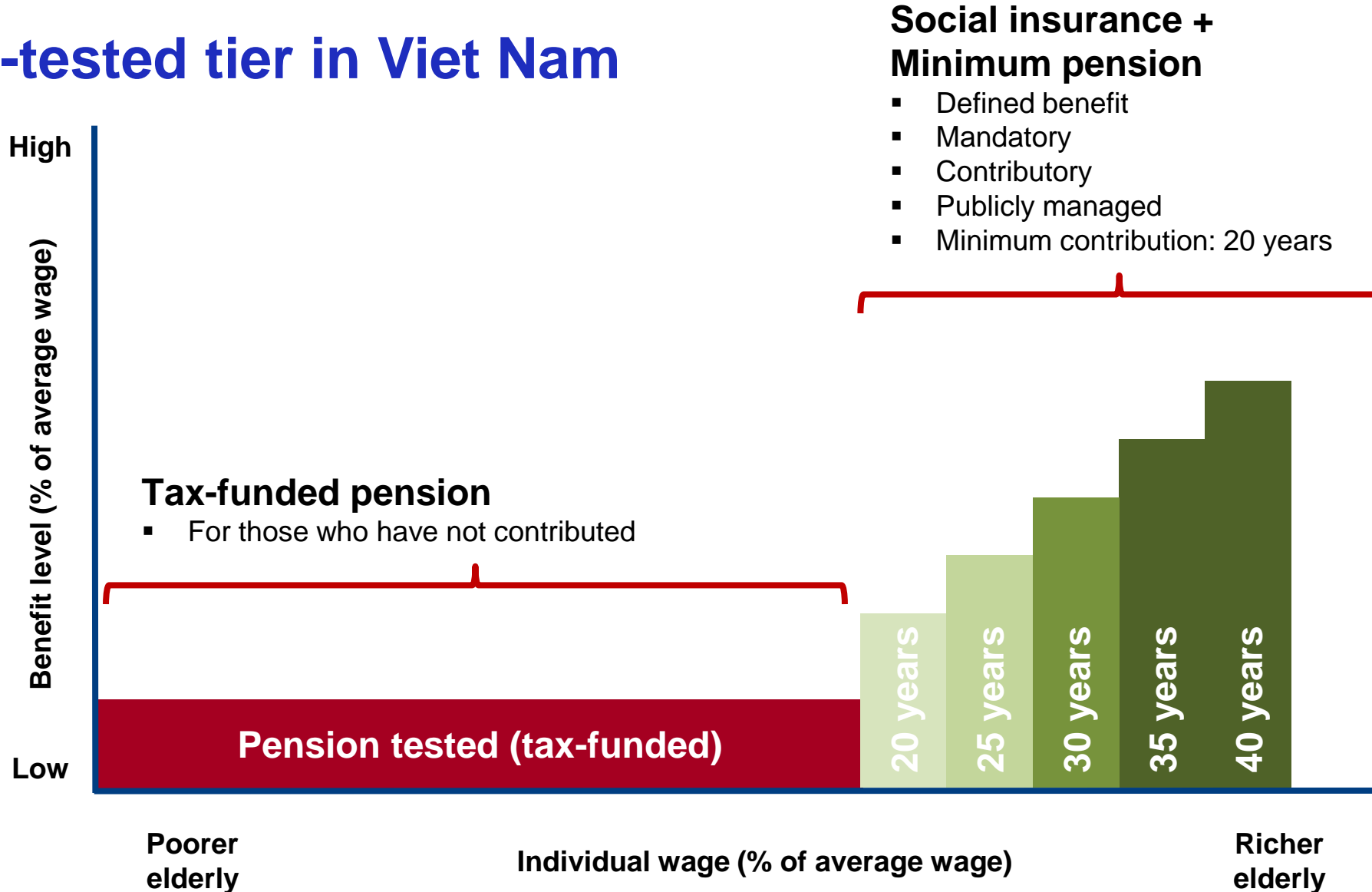
Tax-funded pension (Non-contributory)

- Coverage was relatively high in the 80 and older age group due to the pension-tested scheme, which benefits 1.35 million, or 70 per cent of the 80 and older age group (HAI, 2018).
- A worrying gap remained in the 60–79 age group, where around 70% of people do not receive any income from government schemes. Social pensions are paid to only 2.3% of this age group due to narrow eligibility requirements.

► Resolution Number 28 – Pension reforms

- Establishes that the expansion of coverage will be based on pension-tested benefits
- Targets to increase coverage of people above normal retirement age:
 - ✓ 45% – 2021
 - ✓ 55% – 2025
 - ✓ 60% - 2030

Pension-tested tier in Viet Nam



▶ Thailand

► Pension system in Thailand (1)

Tax-funded pension (Non-contributory)

Old Age Allowance (Bia Yung Cheep) is a tax-financed universal old-age allowance paid to persons aged 60 or older, with progressively higher benefit levels based on age bands.

Civil servants' pension scheme (Non-contributory)

Under the Government Pension Fund, these are primarily noncontributory defined-benefit pensions with a maximum replacement rate of 70 per cent and a lump-sum payment from a defined-contribution savings scheme upon retirement.

► Pension system in Thailand (2)

Mandatory social insurance

A partially funded contributory defined-benefit scheme of the Social Security Office is a mandatory participation for private sector companies with at least one employee and some public sector employees.

Mandatory provident fund

An occupational savings fund is mandatory for employees in stock listed companies but otherwise voluntary. When the fund is established under an agreement between the employer and employees, they contribute together at between 2 per cent and 15 per cent.

► Pension system in Thailand (3)

Mandatory provident fund

The National Pension Fund is a mandatory provident fund based on defined-contribution system for formal workers in the private sector. Employers and workers each contribute 3% of the worker's salary.

Voluntary saving scheme

The National Savings Fund is a fully funded defined-contribution scheme with voluntary participation for workers who are not contributing to any other pension fund or have dropped out of mandated schemes, including self-employed workers.

Contributory pension scheme (defined-benefit) in Thailand (1)

		Social Security Fund (Private sector DB)	National Savings Fund (Voluntary savings)
Qualifying conditions	Contribution years (CY)	15	?
	Pensionable age	55	60
Pension formula	Basic formula	$(20\% + 1.5\% * (CY - 15)) * BS$	Annuity (guaranteed rate of return equal to 1 year fixed-term deposit)
	Minimum benefit	Inferred from minimum earnings base	THB 600
	Maximum benefit	Inferred from minimum earnings base	n.a.
	Base salary (BS)	5-yr non-indexed average individual wage	n.a.
	Benefit indexation	n.a.	n.a.

Contributory pension scheme (defined-benefit) in Thailand (2)

		Social Security Fund (Private sector DB)		National Savings Fund (Voluntary savings)
Contribution	% of gross earnings	Employee	3% (including family benefit)	THB 50 per month to THB13,200 per year
		Employer	3% (including family benefit)	n.a.
		Government	1% (including family benefit)	50–100% matching contribution up to THB600–THB1,200 per year, depending on age
	Earnings base	Measure	?	n.a.
		Minimum	THB 1,650	n.a.
		Maximum	THB 15,000	n.a.

Tax-funded pension scheme in Thailand

Qualifying conditions		Old Age Allowance (Tax-funded universal pension)
Qualifying conditions		Age 60
Benefit amount	Value	THB 600 – 1,000, depending on age (USD 18.2 – 30.4) Age 60–69: THB 600 per month Age 70–79: THB 700 per month Age 80–89: THB 800 per month Age 90+: THB 1,000 per month
	% of GDP per capita	3.3 – 5.5%
	% of minimum wage	9.2 – 15.3%

Pension coverage in Thailand

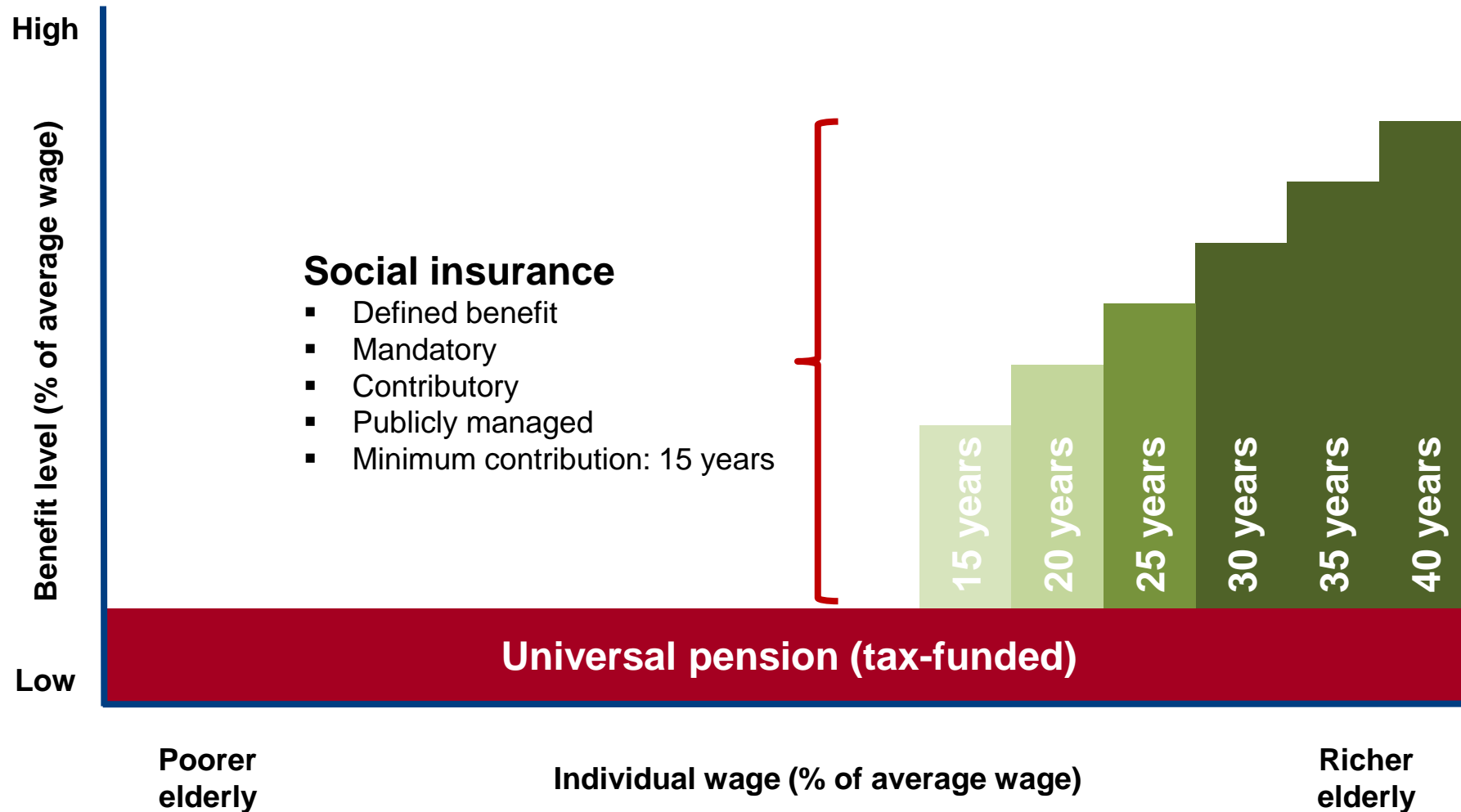
Indicators		Year
Active contributors to Social Security Fund (Private sector DB)	33.6% of working age population	2015
Old-age pension recipients from contributory schemes	8.2% of population older than 60	2016
Old-age pension recipients from Old Age Allowance	74.8% of population older than 60	2016

Challenges to the pension system in Thailand

Adequacy of pension benefits

- **Indexation of contributory pension benefits:** The Social Security Fund pension benefits are not automatically indexed, with adjustments being made on an adhoc basis only, allowing the scheme to run the common risk of benefit devaluation over time. Because the ceiling for contribution based on a salary of 15,000 Thai baht (THB) was never adjusted since the launch of the scheme in 1999, the insurable earnings for an important segment of the members is relatively low.
- **Coverage of contributory pension:** The Social Security Fund scheme has only 33.6% of the working-age population as its active members.

► Universal pension tier



▶ Summary

▶ Lessons from Viet Nam and Thailand

Viet Nam

- Provided limited populations with generous pension benefits.
- Expanding coverage to workers in informal employment by extending the tax-funded pension-tested tier.

Thailand

- Achieved a remarkable level of coverage through its tax-funded universal old-age allowance.
- Facing a challenge in providing for the adequate level of pension benefits due to low coverage in the contributory scheme and the absence of automatic indexation mechanism.

 **THANK YOU**