

# West Java Consultation on Pension reforms

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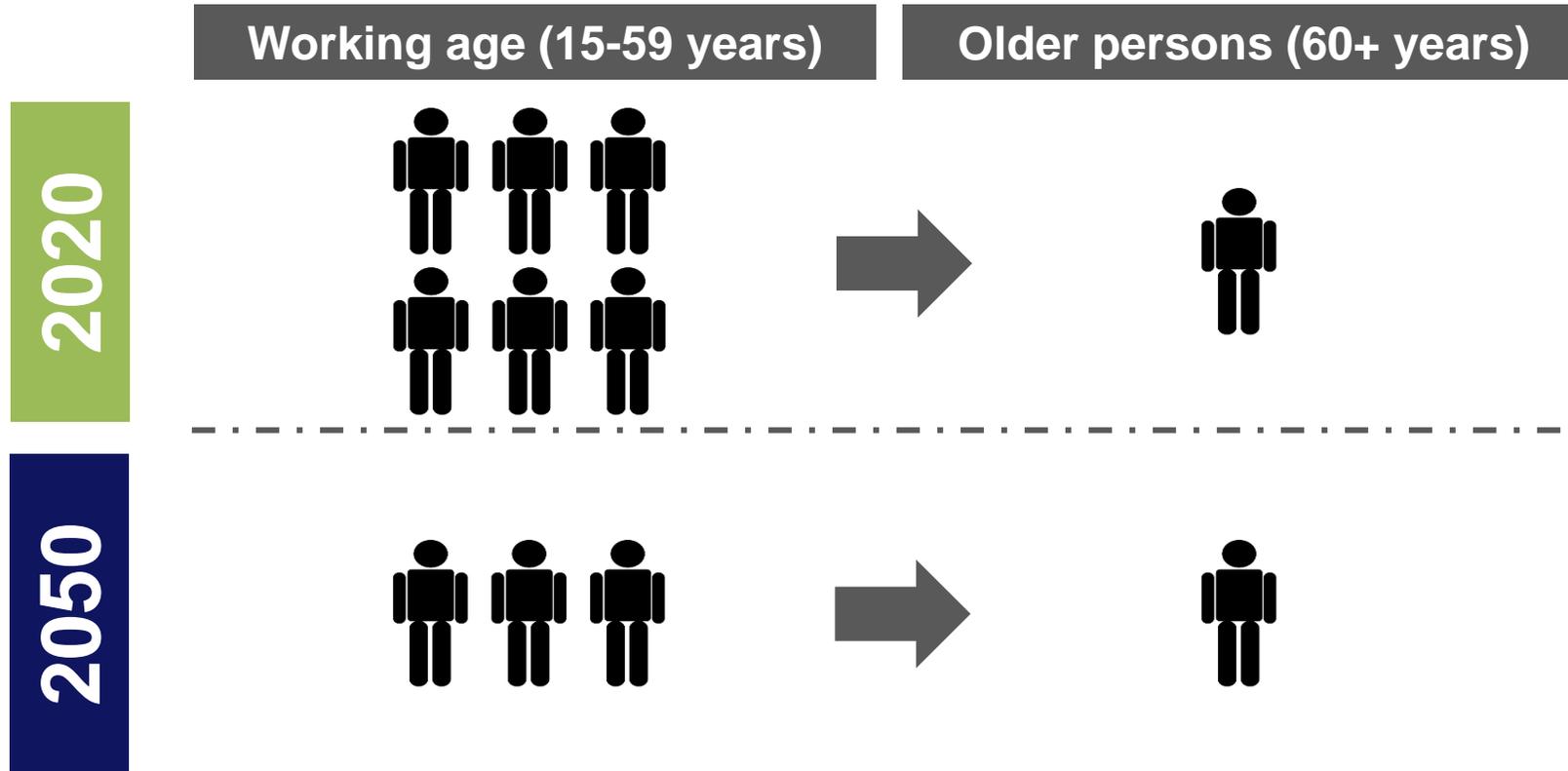
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▶ **‘My children will take care of me’**

# Ageing



## Demographic projection

Year	Age group				Ratio 16–59 / 60+
	0–14	15–59	60+	Total	
<b>2020</b>	<b><u>70 085 467</u></b>	<b><u>172 936 172</u></b>	<b><u>27 182 278</u></b>	<b><u>270 203 917</u></b>	<b><u>6.4</u></b>
<b>2030</b>	68 082 368	186 107 925	41 480 205	295 670 499	4.5
<b>2040</b>	65 967 974	191 964 868	57 104 701	315 037 544	3.4
<b>2050</b>	<b><u>63 552 612</u></b>	<b><u>194 343 211</u></b>	<b><u>69 410 620</u></b>	<b><u>327 306 443</u></b>	<b><u>2.8</u></b>
<b>2060</b>	60 162 620	193 728 103	79 422 214	333 312 937	2.4
<b>2070</b>	57 141 080	188 736 152	88 644 704	334 521 936	2.1
<b>2080</b>	54 167 894	180 962 223	96 945 950	332 076 066	1.9
<b>2090</b>	51 029 705	173 373 280	102 027 608	326 430 593	1.7
<b>2100</b>	48 124 807	164 695 135	105 101 959	317 921 901	1.6

▶ **‘I have savings’**

## ▶ Longevity risk (1)

### Do you know when you will die?

- Life expectancy at age 60 will be 20.1 years for males and 22.9 years for females in 2050.
- Most people will retire at age 55 and live until age 80.

### How much would you spend in old age?

- Spending 3 million rupiah per month for 25 years after retirement.
- You need 900 million rupiah.

## ▶ Longevity risk (2)

### How much do social security schemes pay you in old age?

- Earning 5 million rupiah per month for 30 years from age 25 to age 55.
- JHT =  $5.7\% \times 12 \text{ months} \times 30 \text{ years} = 102.6 \text{ million rupiah (+ interest rate)}$
- JP =  $1\% \text{ replacement rate} \times 30 \text{ years} \times 5 \text{ million rupiah} = 1.5 \text{ million rupiah / month (until die)}$   
 $= 1.5 \text{ million rupiah} \times 12 \text{ months} \times 30 \text{ years} = 540 \text{ million rupiah}$

## ▶ Longevity risk (3)

<b>Your needs</b>	<b>- 900 million rupiah</b>
JHT benefits	+ 100 million rupiah (exhausted in 3 years = age 58)
JP benefits	+ 540 million rupiah
Savings or other income (e.g. work in old age)	+ 260 million rupiah

## International Social Security Standards

Parameters	Minimum Standards C102	JP	JHT
Coverage	50% of all employees	Wage employees in medium or large scale enterprises.	Wage employees in small to large scale enterprises.
Replacement rate	40% for 30 years of contributions	30% for 30 years of contributions	Depending on contributions
Duration	Lifetime	Lifetime	Lump-sum
Payment	Periodical	Periodical	Lump-sum

▶ **‘I cannot afford to contribute’**

## Contribution rate

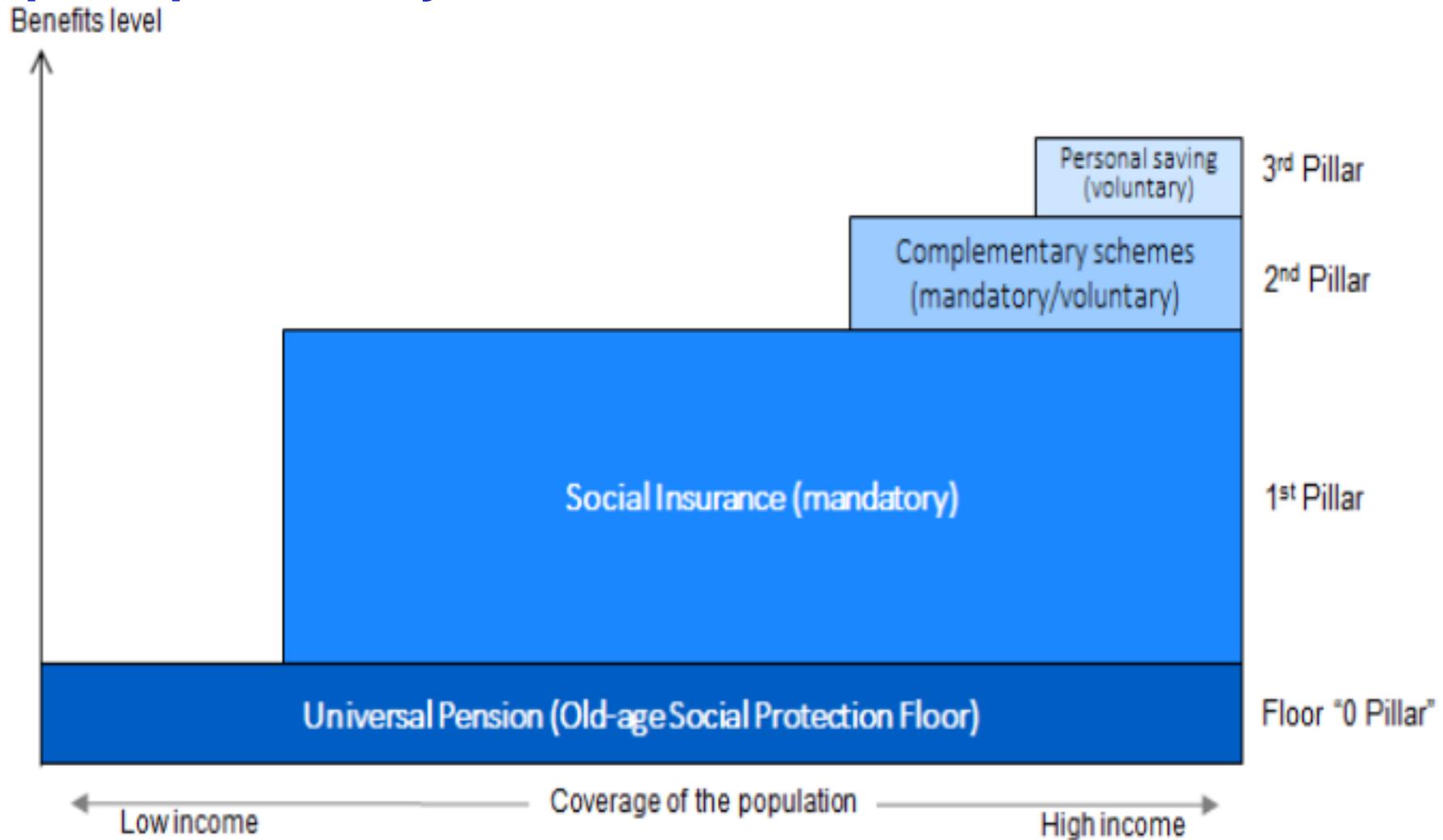
	Scheme	Employer	Employee	Total
Singapore	DC	17%	20%	37%
Malaysia	DB (DC)	0.5% (13%)	0.5% (11%)	1% (24%)
Viet Nam	DB	14%	8%	22%
Brunei	DC	8.5%	8.5%	17%
Philippines	DB	9.5%	4.5%	14%
Lao PDR	DB	5%	4.5%	9.5%
Thailand	DB	3% + 1% by GOT	3%	7%
<b>Indonesia</b>	<b>DB (DC)</b>	<b>2% (3.7%)</b>	<b>1% (2%)</b>	<b>3% (5.7%)</b>

► **‘I want pension but do not want to pay’ is not an option.**



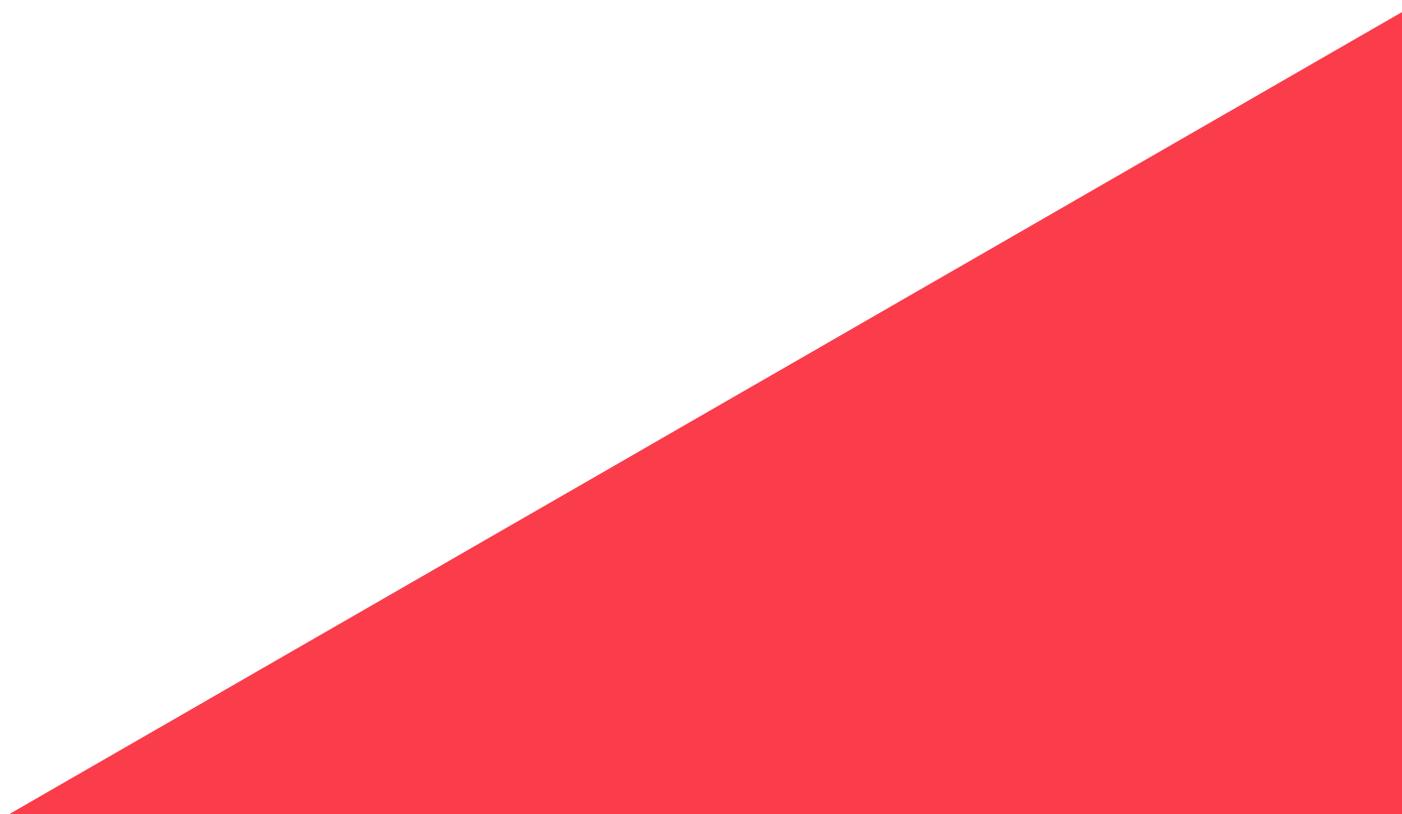
# ▶ ILO multi-pillar pension system

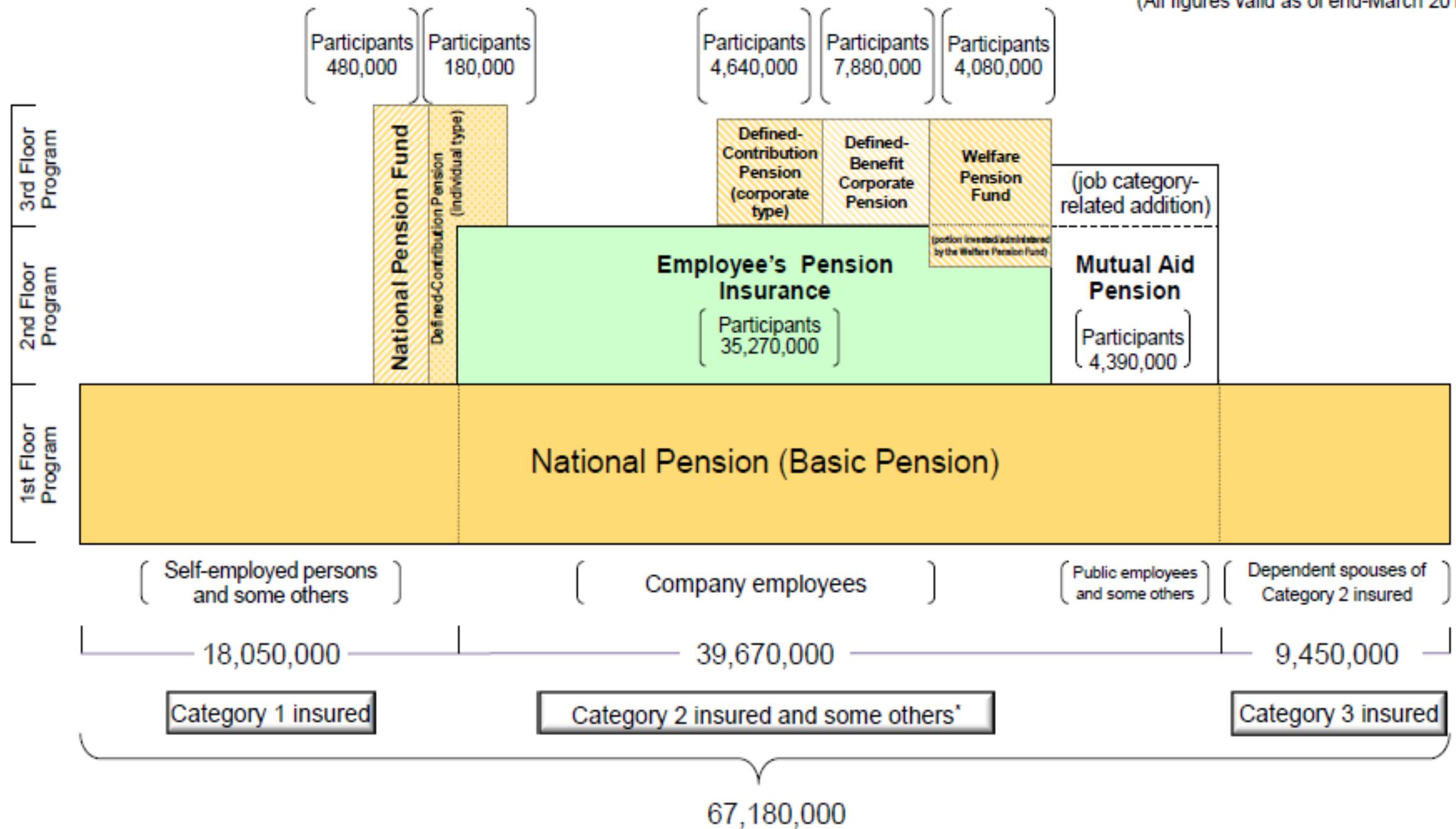
## ILO multi-pillar pension system





# Japan





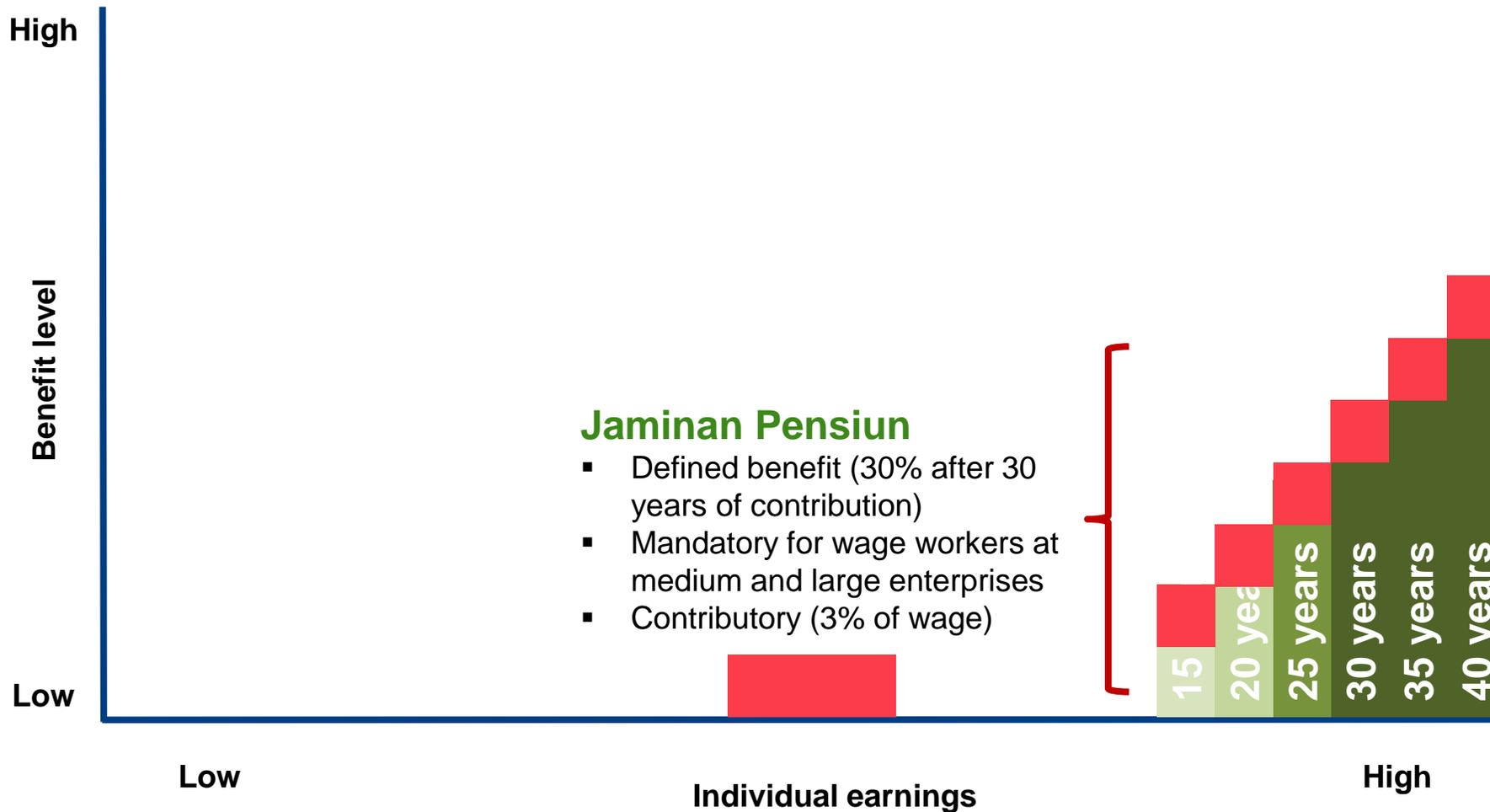
\* "Cat 2 insured and some others" mean those covered by Employee Pension Insurance (including Cat 2 insured and those aged 65 and over or those entitled to pension benefits by reason of retirement).

# ▶ Low pension coverage by design

## Pension coverage

	Age 20-59	(1) TASPEN	(2) ASABRI	(3) JHT	(4) JP
<b>Economically active</b>	<b>118 million (100%)</b>	<b>4 million (3.5%)</b>	<b>0.9 million (0.8%)</b>	<b>17 million (14.0%)</b>	<b>13 million (11.2%)</b>
Wage worker	56 million (100%)	4 million (7.3%)	0.9 million (1.6%)	16 million (28.9%)	13 million (23.5%)
Non-wage worker and employer	55 million (100%)	-	-	0.3 million (0.5%)	-
Unemployed	7 million (100%)	-	-	-	-
<b>Economically inactive</b>	<b>35 million (100%)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Student	3 million (100%)	-	-	-	-
House keeping	29 million (100%)	-	-	-	-
Others	4 million (100%)	-	-	-	-
<b>Total</b>	<b>154 million (100%)</b>	<b>4 million (2.7%)</b>	<b>0.9 million (0.6%)</b>	<b>17 million (10.8%)</b>	<b>13 million (8.6%)</b>

## Current system in Indonesia



### Dana Pensiun

- Voluntary corporate pension

### Jaminan Hari Tua

- Defined contribution
- Mandatory for wage workers at small to large enterprises
- Voluntary for micro enterprise and non-wage workers
- Contributory (% of income)

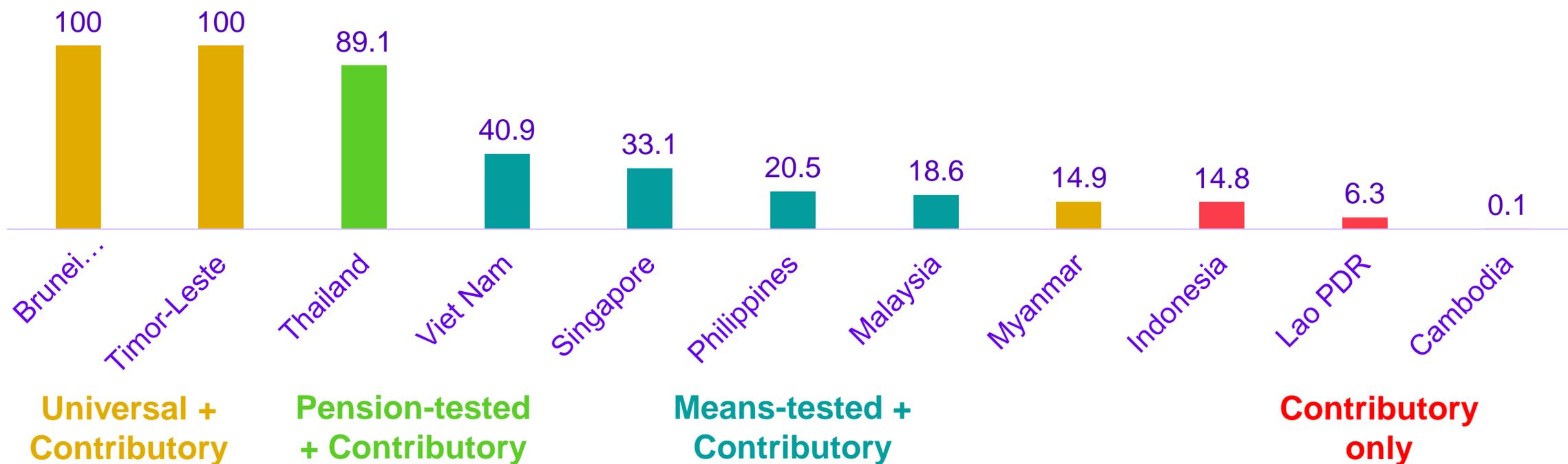
## ► Inconsistent retirement age

Year	JP	JHT	Dana Pensiun
2016	56	56	56
2019	57		
2022	58		
2025	59		
2028	60		
2031	61		
2034	62		
2037	63		
2040	64		
2043	65		

# ▶ Regional practices

## Older persons receiving a pension in South-Eastern Asia

Persons above statutory retirement age receiving an old-age pension (including contributory and non-contributory) to persons above statutory retirement age (%)



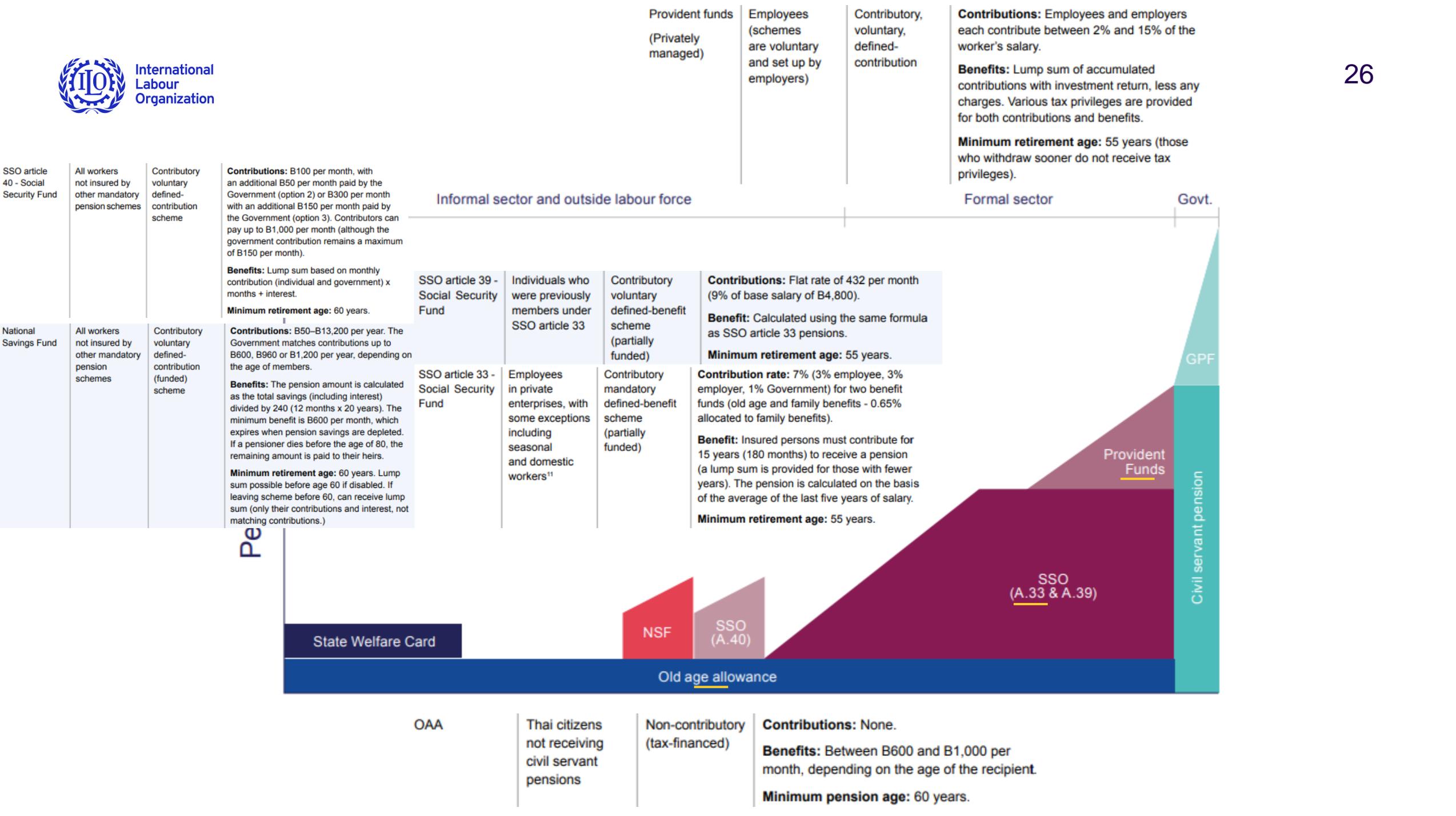
# ► Brunei Darussalam

## Non-contributory pension

		Social pension
Qualifying conditions		Age 60 and resident for previous 10 years (30 years if non-citizen)
Benefit amount	Local currency	BND250 (IDR 2.8 million)
	% of GDP per capita	5.7%
	% of minimum wage	n.a.



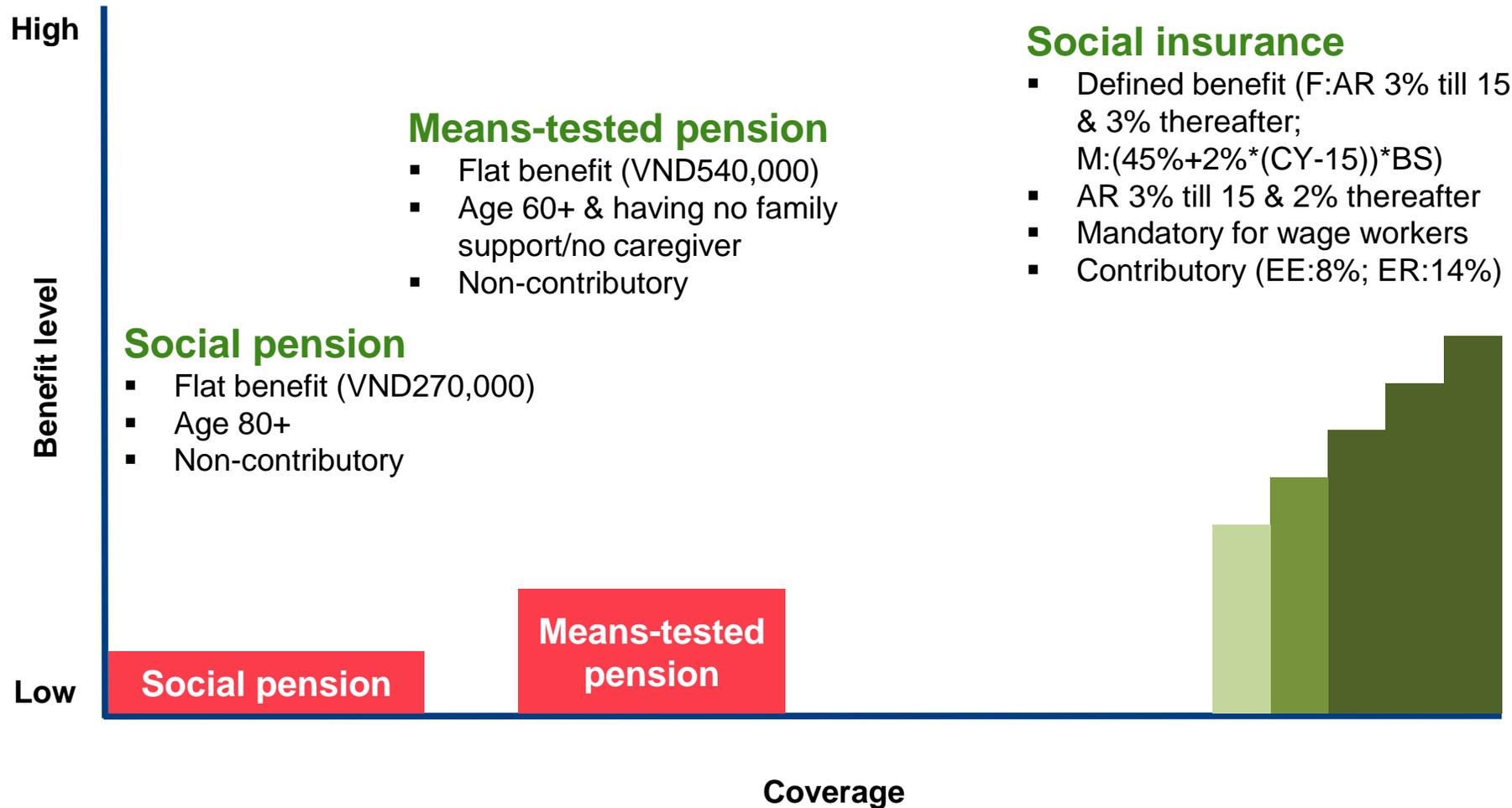
# Thailand



## Non-contributory pension

		Pension-tested
Qualifying conditions		Age 60, not receiving civil servant pension
Benefit amount	Local currency	THB 600–1000, depending on age (IDR 260k – 430k)
	% of GDP per capita	3.3–5.5%
	% of minimum wage	9.2–15.3%

# ▶ Viet Nam



## Non-contributory pension

		Pension-tested	Means-tested
Qualifying conditions		Age 80+	Age 60+, having no family support/no caregiver
Benefit amount	Local currency	270,000 (IDR 170k)	540,000 (IDR 340k)
	% of GDP per capita	6.6%	13.2%
	% of minimum wage	11.3%	22.5%

Note: Higher benefit amounts apply to older people with disabilities.

# ► Philippines

## Social security system

- Defined benefit (Highest:
  1. PHP300 monthly + 20% of average monthly salary credit (AMSC) for each year of service + 2% for each year of service exceeding 10 years
  2. 40% of AMSC
  3. PHP1200 monthly
- Mandatory for wage workers
- Contributory (EE:4.5%; ER:9.5%)

### Mandatory

- Employer (Business or Household Employer)
- Employee
- Self-Employed
- House helper or Kasambahay
- Overseas Filipino Workers (OFW)

### Voluntary

- Non-Working Spouse (NWS)
- Separated Members

High

Benefit level

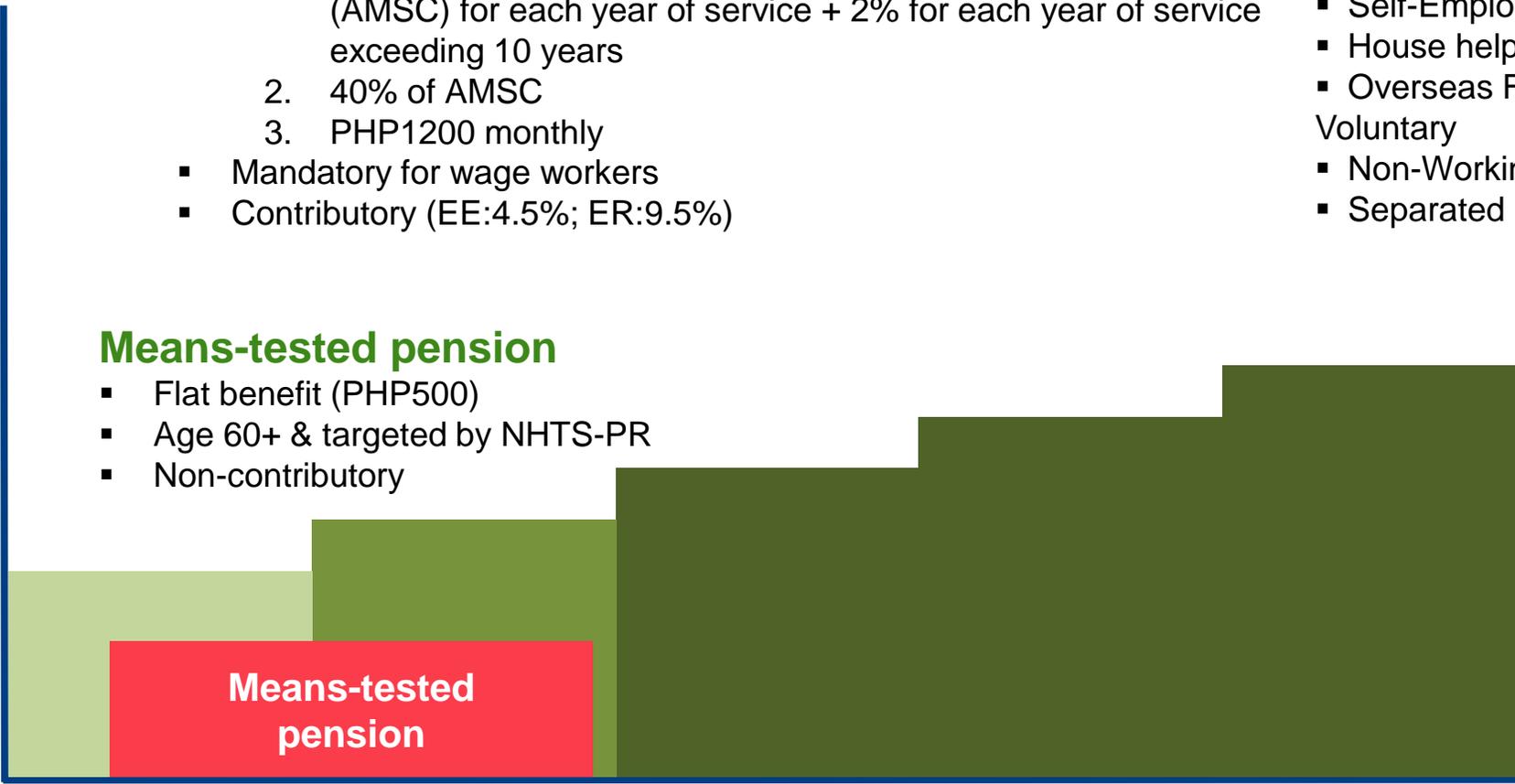
Low

## Means-tested pension

- Flat benefit (PHP500)
- Age 60+ & targeted by NHTS-PR
- Non-contributory

Means-tested  
pension

Coverage

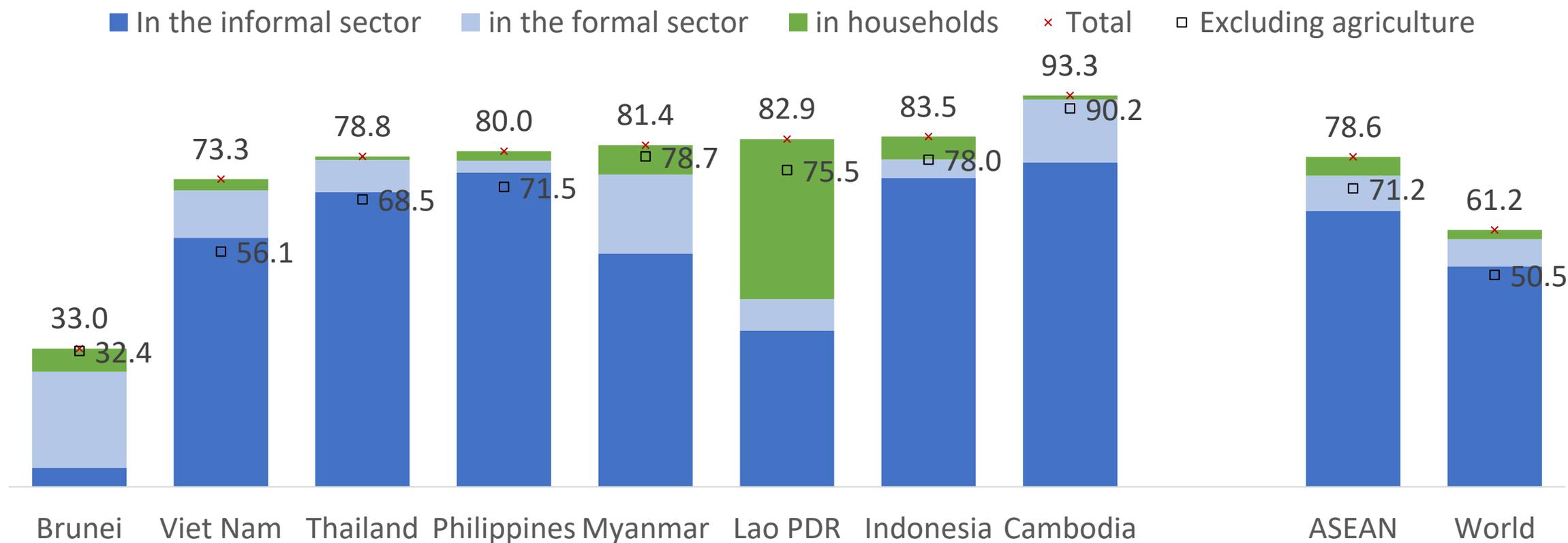


## Non-contributory pension

		Means-tested pension
Qualifying conditions		Age 60 and assessed as poor by the National Household Targeting System for Poverty Reduction (NHTS-PR)
Benefit amount	Local currency	PHP500 (IDR 130k)
	% of GDP per capita	5.7%
	% of minimum wage	n.a.

▶ **‘Indonesia has a unique situation – informal economy’**

## Share of informal employment



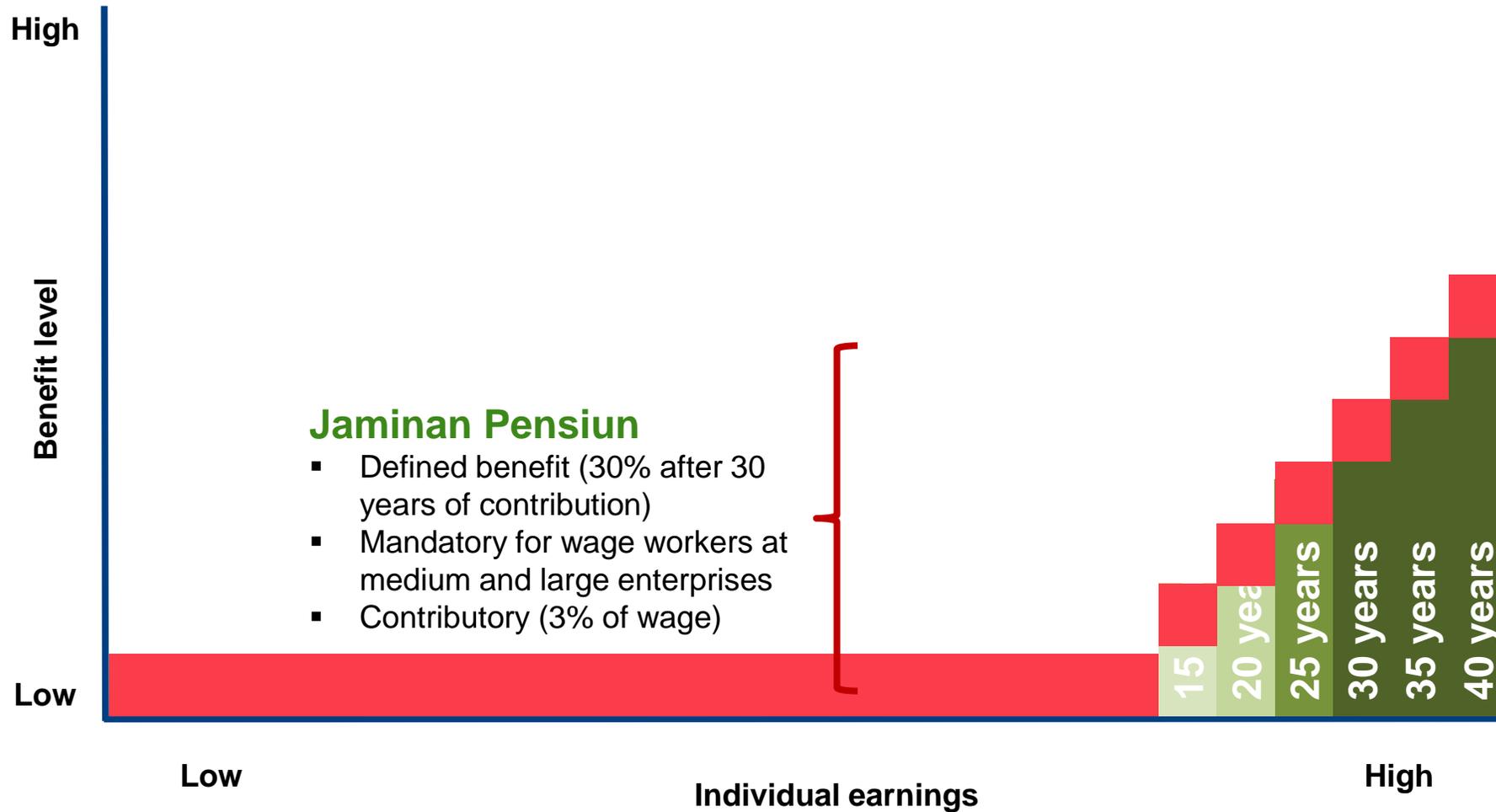
▶ **‘It is too early to discuss pension’**

## ► Years to move from 7% to 14% population share aged 65 and older

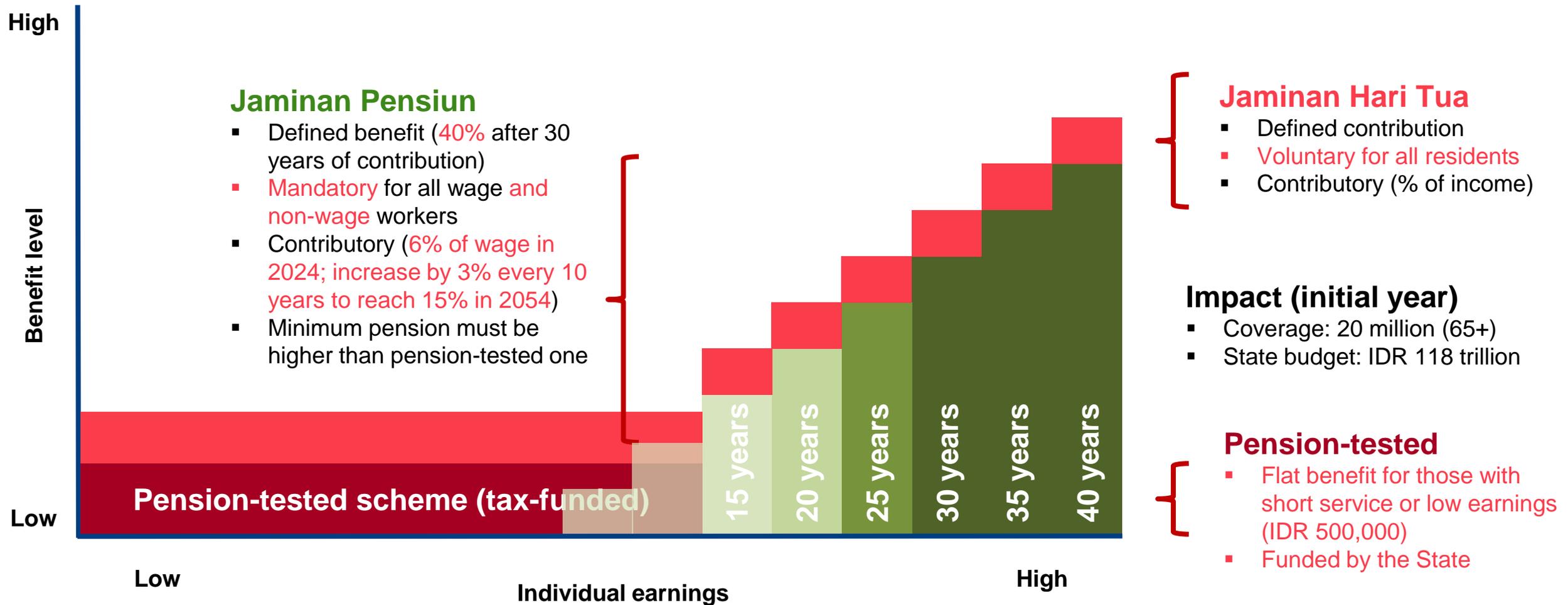
Country	Aging (7%)	Aged (14%)	Transition period
France			115
United States			69
Japan	1969	1994	25
China	2001		
Viet Nam	2015	est. 2036	21
<b>Indonesia</b>	<b>2023</b>	<b>est. 2044</b>	<b>21</b>
Malaysia	2020		
Thailand	2002	2020	18
Korea	2000	2018	18
Singapore	2006	2021	15

# ▶ Reform options

## Current system



## Pension-tested scheme within Jaminan Pensiun (Option 1)



## Summary – Finance (Option 1 – compulsory participation)

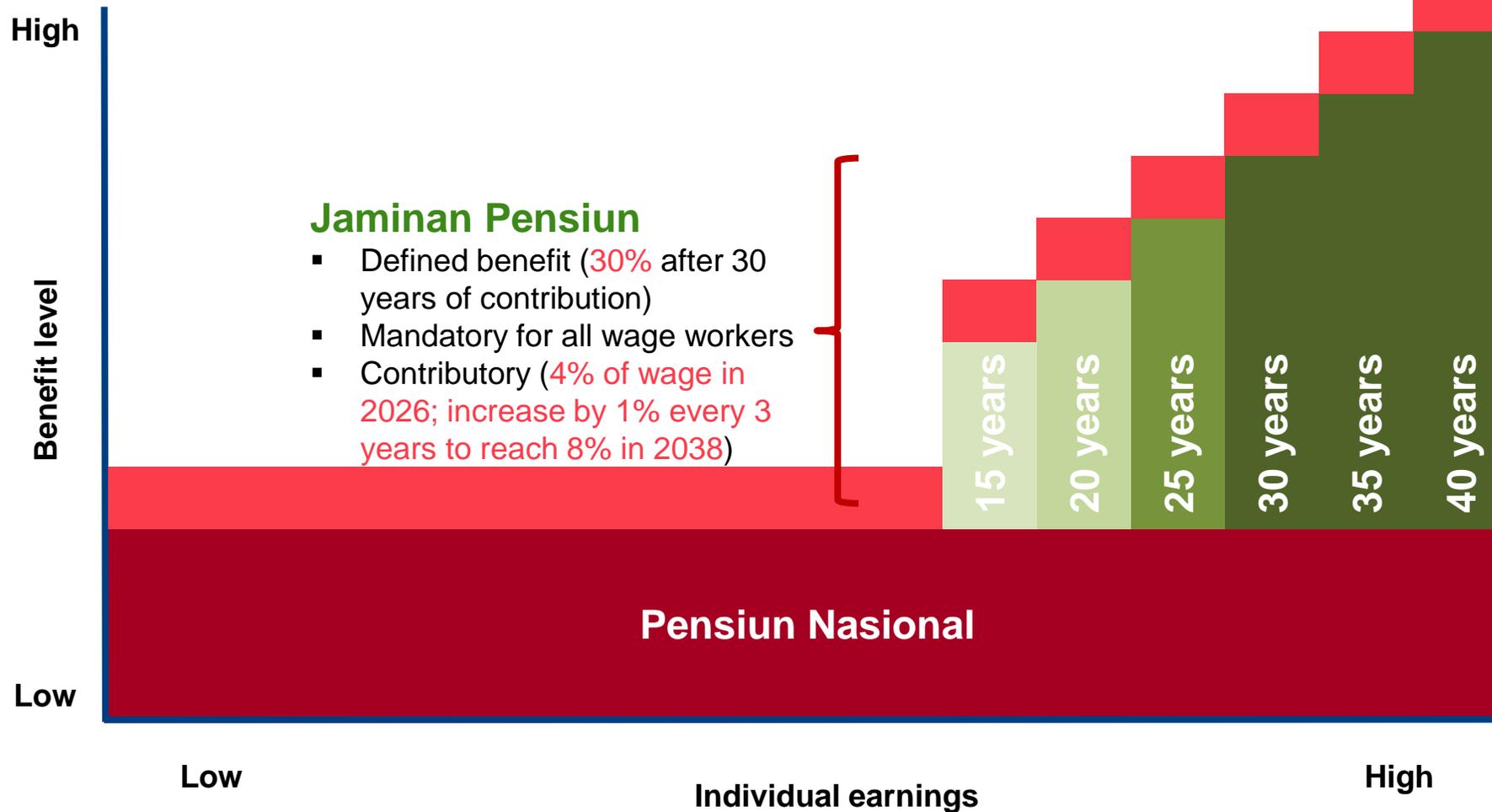
Year	Beneficiaries	Wage	Non- wage	Others	State
		JP	JP		(Minimum pension)
2025	21 657 376	6.0%	6.0%	n.a.	IDR 149 trillion
2030	26 915 970	6.0%	6.0%	n.a.	IDR 259 trillion
2035	...	9.0%	9.0%	n.a.	...
2040	37 293 637	9.0%	9.0%	n.a.	IDR 647 trillion
2045	...	12.0%	12.0%	n.a.	...
2050	42 958 984	12.0%	12.0%	n.a.	IDR 1,214 trillion



## Summary – Finance (Option 2 – compulsory participation)

Year	Beneficiaries	Wage	Non- wage	Others	State
		JP			(age 65 & above)
2025	21 659 269	6.0%	n.a.	n.a.	IDR 149 trillion
2030	27 254 558	6.0%	n.a.	n.a.	IDR 262 trillion
2035	...	9.0%	n.a.	n.a.	...
2040	40 116 707	9.0%	n.a.	n.a.	IDR 696 trillion
2045	...	12.0%	n.a.	n.a.	...
2050	52 308 269	12.0%	n.a.	n.a.	IDR 1,478 trillion

## Pensiun Nasional (Option 3)



## Summary – Finance (Option 3 – compulsory participation)

Year	Beneficiaries	Wage	Non- wage	Others	State
		JP+NP		NP	NP
2025	21 659 269	3.0% & IDR 300k+		IDR 300k+	IDR 148 trillion
2030	27 254 558	5.0% & IDR 300k+		IDR 300k+	IDR 243 trillion
2035	...	8.0% & IDR 300k+		IDR 300k+	...
2040	40 116 707	8.0% & IDR 300k+		IDR 300k+	IDR 480 trillion
2045	...	8.0% & IDR 300k+		IDR 300k+	...
2050	52 308 269	8.0% & IDR 300k+		IDR 300k+	IDR 593 trillion

**THANK YOU**

This note has been prepared by Ippei Tsuruga. Please contact Ippei Tsuruga ([tsuruga@ilo.org](mailto:tsuruga@ilo.org)) for more details.

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