Pensions at a Glance
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Urgent reform key to securing Asia’s pension systems, says OECD

Asia’s pension systems need modernising urgently to deliver secure, sustainable and adequate retirement incomes for today’s workers, according to a new OECD report.

Pensions at a Glance: Asia/Pacific 2012 says that many of the region’s retirement-income systems are ill prepared for the rapid population ageing that will occur over the next two decades.

Between now and 2050, the population aged over 65 in non-OECD Asia/Pacific economies will nearly triple, from 6% to 17%.

Today, pension levels are high relative to earnings in some countries, such as China, Vietnam and Pakistan. Early retirement ages, especially for women, provide additional financial pressure. Many countries’ pension systems are also unlikely to deliver secure incomes in old age, due to four reasons:

Coverage of formal pension systems is relatively low;

Withdrawal of savings before retirement is very common;

Pension savings are often taken as lump sums with the risk that people outlive their resources; and

Pensions in payment are not automatically adjusted to reflect changes in the cost of living.

The report analyses the retirement income systems of 16 Asian countries, including Australia, China, India, Indonesia, Pakistan, the Philippines and Vietnam.

Coverage of formal pension systems in Asia/Pacific is much lower than in OECD countries, it finds. Levels range from 56% in Hong Kong to only 5.8% in India and 4% in Pakistan. China, despite having 159 million members of pension systems, still only has a coverage level of 17%. In comparison the OECD average is 63% and is as high as 75% in Japan.
Gross replacement rates, showing pension benefit as a share of individual lifetime average earnings, also vary greatly across Asia/Pacific, from 12.7% in Singapore to 80.9% in the Philippines. Those in South Asia tend, on average, to have higher rates at 65% for India and 69% for Pakistan, with Sri Lanka being lower at 49%. In South East Asia both Malaysia and Hong Kong are around 30% whilst China is at 77.9% for average earners. The OECD average is 57%.

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