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## **Social Security Programmes and Asia**

*Presentation to the 8<sup>th</sup> Asia Conference on Pensions and Retirement  
Planning*

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Junichi Sakamoto

Chair, Social Security Committee

# Agenda

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- ❑ Economic Uncertainties in Life
- ❑ Means to Avoid Impoverishment and Social Insurance Programmes
- ❑ Statistics on Socio-economic Environment and Features of Asian Countries
- ❑ Issues for Consideration



# Agenda

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- ❑ **Economic Uncertainties in Life**
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# Economic Uncertainties in Life

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- ❑ Causes that impoverish individuals
- ❑ Classification of causes in the manner they appear
  - loss of income
  - extra (unexpected) spending
- ❑ Classification of causes in reference to individual responsibilities
  - not attributable to individual responsibilities
  - attributable to individual responsibilities



# Economic Uncertainties in Life

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	causes not attributable to individual responsibilities	causes attributable to individual responsibilities
<b>loss of income</b>	( A ) old-age (retirement) long-lasting disease or disablement death of the breadwinner unwilling unemployment	( C ) willing unemployment
<b>extra (unexpected) spending</b>	( B ) disease or injury maternity child rearing physical conditions that necessitate long-term care	( D ) waste of money damage to property car accident theft



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# Means to Avoid Impoverishment (1)

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- ❑ Group ( A ) of causes
  - social insurance
  - universal (non-contributory) pensions
  - provident funds
  - occupational pension plans
  - private insurances and savings
- ❑ Group ( B ) of causes
  - social insurance
  - universal (non-contributory) schemes
  - provident funds
  - private insurances and savings



# Means to Avoid Impoverishment (1)

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- ❑ Group ( C ) of causes
  - private savings
  
- ❑ Group ( B ) of causes
  - private insurances and savings
  - sometimes privates insurances are made mandatory





# When Impoverished

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- ❑ When impoverished and fallen below subsistence level,
  - social assistance programmes
  - Assistance is provided even if the destitution is attributable to individual responsibilities
  - Assistance is provided after strict scrutiny of income and assets
  - Assistance is quite often accompanied by stigma
- ❑ In contrast, social insurance is the framework to prevent a person from becoming impoverished



# Crucial Fact

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- ❑ Goods and Services cannot be saved
  - Food and clothes cannot be saved
  - Services cannot be saved
- ❑ Those who have encountered economic uncertainties in life necessitate goods and services to live on
  - Money can be saved, but it is not certain whether the saved money can buy necessary goods and services in the future



# Social Insurance Programmes

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- ❑ They provide benefits by transferring goods and services to those who have encountered economic uncertainties in life
  - Pension benefits should be life annuities and indexed to prices or standard of living
  - Health care benefits in kind or expenses reimbursement
- ❑ Benefits are provided in virtue of a definite legal right without stigma
  - in return for paying contributions
- ❑ Socialization of mutual aids within an extended family
- ❑ Invented after the poverty problems caused by disappearance of extended families support due to industrialization
  - rooted in industrial revolution



# Social Insurance Programmes

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- ❑ They also transfer goods and services currently produced though they are not the framework to prevent impoverishment



# Universal (Non-contributory) Schemes

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- ❑ They also transfer goods and services currently produced
- ❑ Provided not in virtue of a definite legal right
  - more vulnerable to budget constraints
- ❑ Non earnings-related benefits
  - financed by tax



# Provident Funds

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- ❑ More link to money than to goods and services
- ❑ Little risk-pooling



# Occupational Pension Plans, Private Insurance Savings

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- ❑ Direct link not to goods and services but to money
- ❑ Complementary and enriching roles



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# Composition of Labour Force by Industry

	Year of estimation	Primary Industry (%)	Secondary Industry (%)	Tertiary Industry (%)	Note
China	2008	36.7	28.7	34.6	The data exclude public sector.
Hong Kong	2011	-	6.7	77.0	
India	2009	52	14	34	
Indonesia	2010	38.3	12.8	48.9	
Japan	2010	3.9	26.2	69.8	
Korea	2011	6.4	24.2	69.4	
Malaysia	2005	13	36	51	
Philippines	2010	33	16	52	
Singapore	2011	0.1	19.6	80.3	
Taiwan	2010	5.2	35.9	58.8	
Thailand	2011	40.7	13.2	46.1	
Vietnam	2011	48.0	22.4	29.6	

(Source) US Central Intelligence Agency: the World Factbook



# Transition of Share of Labour Force in the Primary Industry out of Total Labour Force

(%)

	past	recent
China	49(2003)	36.7(2008)
Hong Kong	-	-
India	60(1999)	52(2009)
Indonesia	46.5(1999)	38.3(2010)
Japan	4.6(2004)	3.9(2010)
Korea	6.4(2005)	6.4(2011)
Malaysia	14.5(2000)	13(2005)
Philippines	36(2004)	33(2010)
Singapore	-	0.1(2011)
Taiwan	5.5(2005)	5.2(2010)
Thailand	49(2000)	40.7(2011)
Vietnam	55.6(2005)	48.0(2011)

(Source) US Central Intelligence Agency: the World Factbook

(Note) The decrease of the share of the primary industry resulted in the increase of the share of the secondary and tertiary industry.



# Total Fertility Rate

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	1990 - 1995	2010 - 2015	Note
China	2.01	1.56	in 2010
Hong Kong	1.24	1.14	
India	3.72	2.54	
Indonesia	2.90	2.06	
Japan	1.48	1.42	
Korea	1.70	1.39	
Malaysia	3.42	2.57	
Philippines	4.14	3.05	
Singapore	1.84	1.37	
Taiwan	-	0.895	
Thailand	1.99	1.53	
Vietnam	3.23	1.75	

(Source) UN Population Statistics; For Taiwan, it is based on the statistics of the Department of Interior Affairs of Taiwan.



# Life Expectancy at age 60

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	1995 - 2000	2005 - 2010	Note
China	17.9	19.4	in 2000 and 2010 respectively
Hong Kong	22.9	24.6	
India	15.8	16.9	
Indonesia	16.5	17.6	
Japan	23.6	25.1	
Korea	19.6	22.4	
Malaysia	17.9	18.9	
Philippines	17.0	17.9	
Singapore	20.2	22.8	
Taiwan	21.29	23.19	
Thailand	17.9	18.3	
Vietnam	19.1	20.3	

(Source) UN World Mortality Report 2009. For Taiwan it is based on "Life Tables for Republic of China" by Statistics Department, Ministry of the Interior of Taiwanese government.

(Note) The life expectancy shown above is for both sexes combined.



# Number of Years for doubling of the Elderly Share in the Population

	Year of the elderly share being equal to 7%	Year of the elderly share being equal to 14%	Number of years taken for doubling of the elderly share
China	2000	2025	25
Hong Kong	1983	2013	30
India	2023	2052	29
Indonesia	2020	2038	18
Japan	1970	1994	24
Korea	1999	2019	20
Malaysia	2020	2046	26
Philippines	2032	2062	30
Singapore	1998	2018	20
Taiwan	-	-	-
Thailand	2000	2023	23
Vietnam	2017	2032	15

(Note) The elderly share in the population means the percentage of the number of those aged 65 and over to the total population.

(Source) UN Population Statistics



# Inflation and Economic Growth

(in 2011)

	Inflation rate	Real GDP growth rate
China	5.5	9.2
Hong Kong	5.3	5
India	8.9	7.2
Indonesia	5.4	6.5
Japan	-0.3	-0.7
Korea	4	3.6
Malaysia	3.2	5.1
Philippines	4.8	3.7
Singapore	5.2	4.9
Taiwan	1.4	4
Thailand	3.8	0.1
Vietnam	18.7	5.9

(Source) US Central Intelligence Agency: the World Factbook



# Features of Asian Countries

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- ❑ Rapid industrialization
  - high economic growth (except for Japan)
- ❑ Still several countries have a large share of workforce in the primary industry
  - imaginable that extended families are remaining in those countries and they are playing a significant role in supporting their family members who have encountered economic uncertainties in life
- ❑ Rapidly ageing
  - Longevity is increasing
  - Fertility is declining



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# Issues for Consideration (1)

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- ❑ Consolidating and expanding the coverage of the social security pension schemes
  - Industrialization is going on
  - Ageing is rapidly advancing
  - Building core may be more important than introducing them in a hastened manner in countries where the share of workforce in the primary industry is still very large
  - Consolidating the coverage of the employees in the secondary industry may be the first thing to do



# Issues for Consideration (2)

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- ❑ Freer benefit designs of private pensions might be possible after consolidating the social security pension schemes
  - Annuities-certain may work well as complementary benefits when the social security pension schemes provide adequate life annuities
  - Indexation is not necessarily to be considered for complementary benefits when the social security pension schemes guarantee the purchasing power or the standard of living



# Issues for Consideration (3)

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- ❑ Raising the pensionable age of the social security pension schemes is to be considered when the longevity increases
  - Is it a healthy society if it decides to spend the whole prolonged portion of life expectancy in retirement?
  - Changing the salary scale and the promotion rule is not easy to implement, but still it should be done when the pensionable age is to be raised



# Issues for Consideration (4)

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- Civil service pension schemes
  - Too generous pension benefits for civil servants may become an impediment to consolidating the social security pension schemes
  - Dividing the civil service pension benefits into two parts may be necessary: the social security pension benefit part and the occupational pension part



*Thank you very much for your attention!*

