

A large, vibrant red and orange umbrella is positioned on the right side of the slide, partially cut off by the edge. It is open, and its canopy is visible, with the red and orange segments clearly defined. The background behind the umbrella is a blurred outdoor scene with some green foliage and a light-colored wall.

# ► Trends in Global Pension Reform – What are the lessons for Thailand?

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Pension Policy Forum – Bank of Thailand

## ► Key messages: reform experiences shows us that...

*A well structured **multi-tier retirement system** - with a key role for Defined Benefit social security provision – is the best way to ensure adequate benefits*

*Commitment to - and rethinking of - **financing approaches** to strengthen social security is needed*

*Transition to **higher but flexible retirement ages** is inevitable*

*Systems must reflect the new realities of the **labour market** .. but also should influence labour market measures*

*The lessons of Covid can help us build **shock resistant** social security*

► Ageing of the population

Fragmentation and dynamism of the labour market

Shift of resources from labour to capital

Increasing in-country inequality

Climate change and biodiversity loss

Pandemics and other (new) health challenges



# 1. Multitier systems

A retirement system has multiple objectives: unlikely that one benefit structure can meet all of them



Population increasingly heterogeneous with different expectations and needs



Diversification of risk in benefit provision AND financing



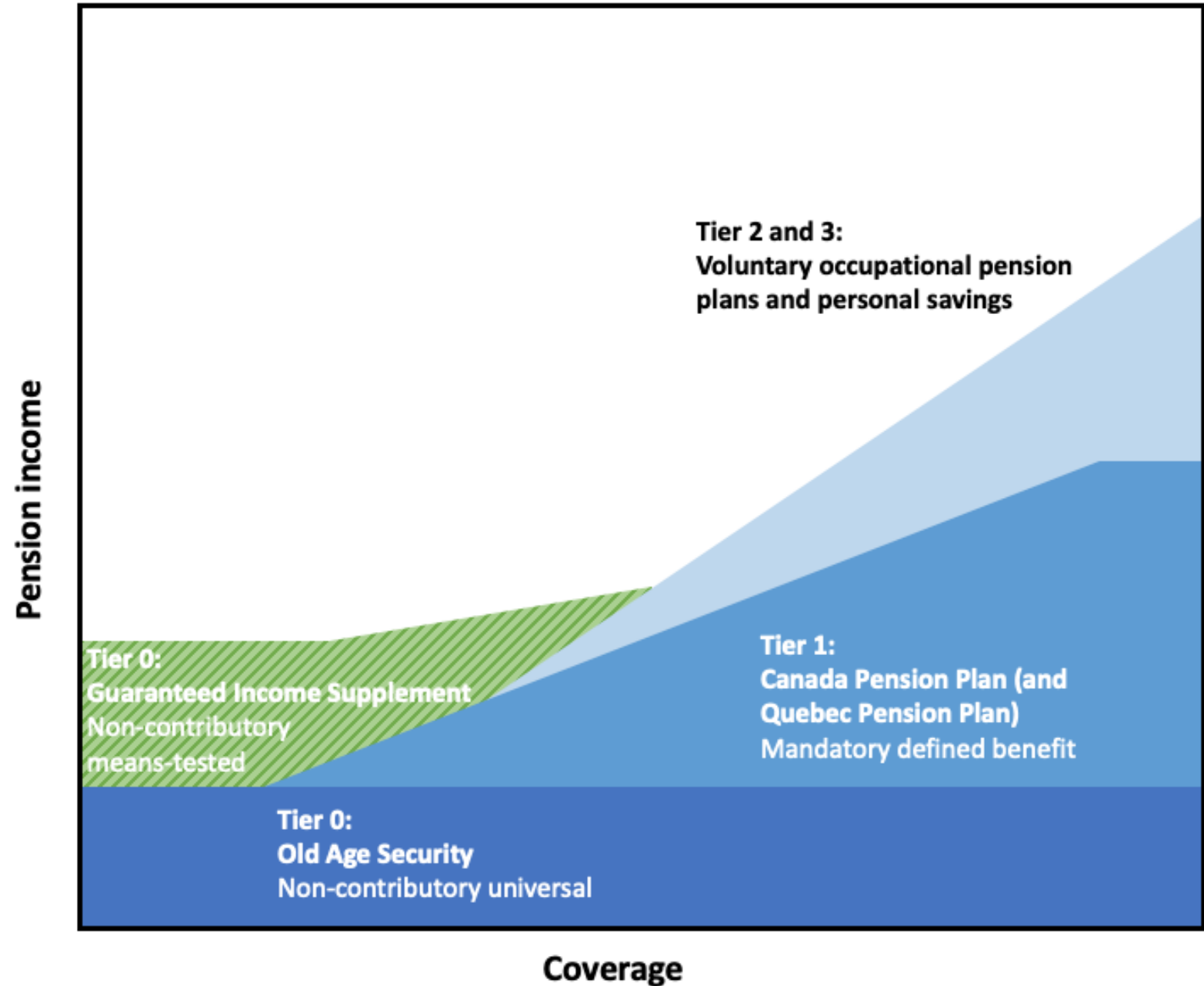
Secondary objectives of retirement systems are important and reflected in multitier systems



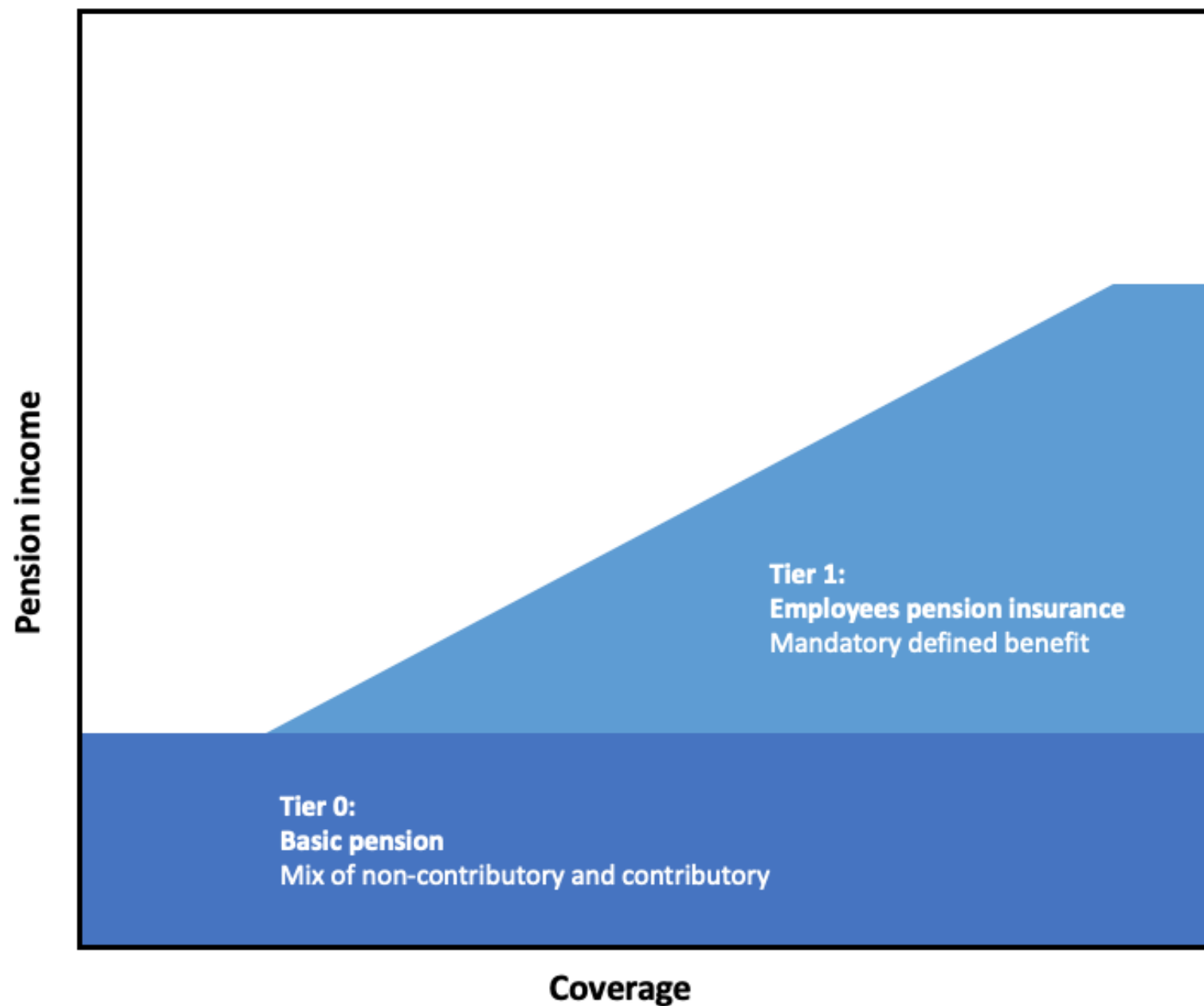
# Checklist of a successful Multi Tier System

- ▶ 1. Does it provide an (overall) **adequate** & **predictable** benefits to most of the population ?
2. Is there **coordination** and **consistency** between pillars ?
3. **Incentives**: are individuals and employers incentivised to join and contribute ?
4. Does the system **support labour market aims** & reflect labour market realities?
5. Can we administer and manage it ?
6. Communication: does the population **understand** the system ?
7. Is the system **sustainable** and does it support **intergenerational equity** ?

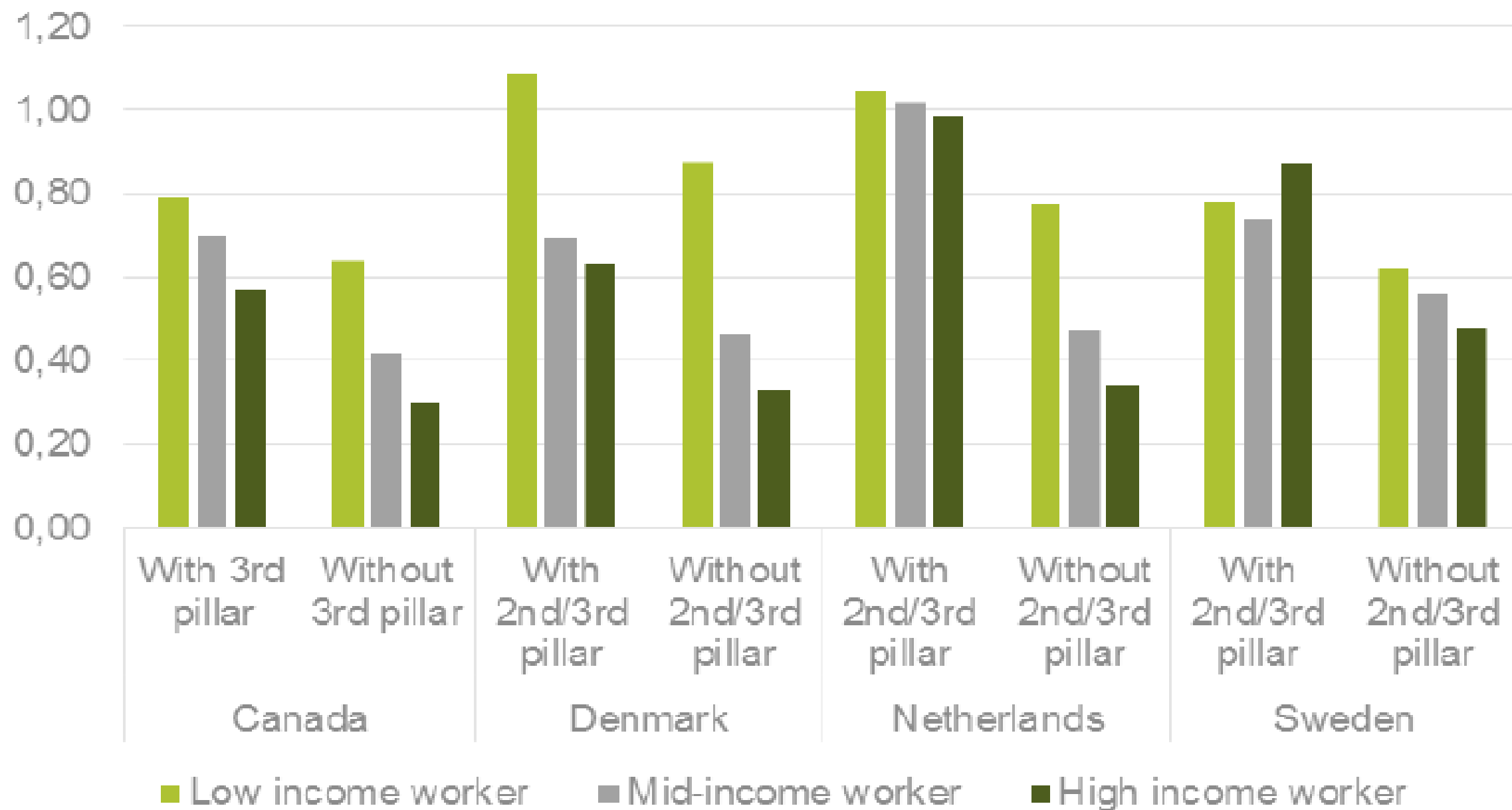
# Canada



# Japan



Net replacement rates for full career workers with and without private supplementary coverage





## ► Social security Defined Benefits is the key pillar

- **Defined Benefit pension – individuals can plan for the future... and make additional contributions**
  - China: 1% of average salary for each year of service (+ DC Funded amount)
  - Japan: Defined Benefit amount depending on service
  - Pension increases an important part of the package
- **Longevity and investment / financing risk taken on by social security institutions**
  - A regular income paid for life
  - Pensioners are risk averse and don't have the risk management skills and tools
- **Provision of additional benefits easier to organise and finance**

# **Danger** – Lump Sum !

Can  
individuals  
at age 60  
manage a  
Lump Sum  
of 100,000  
Thai Baht ?



**In the United Kingdom, a lump sum at age 60 of £100,000 buys you...**

**An annual income of £4,000 with no increases or just £2,500 with inflation uprating**

Advancing social justice, promoting decent work





## 2. New Financing Approaches



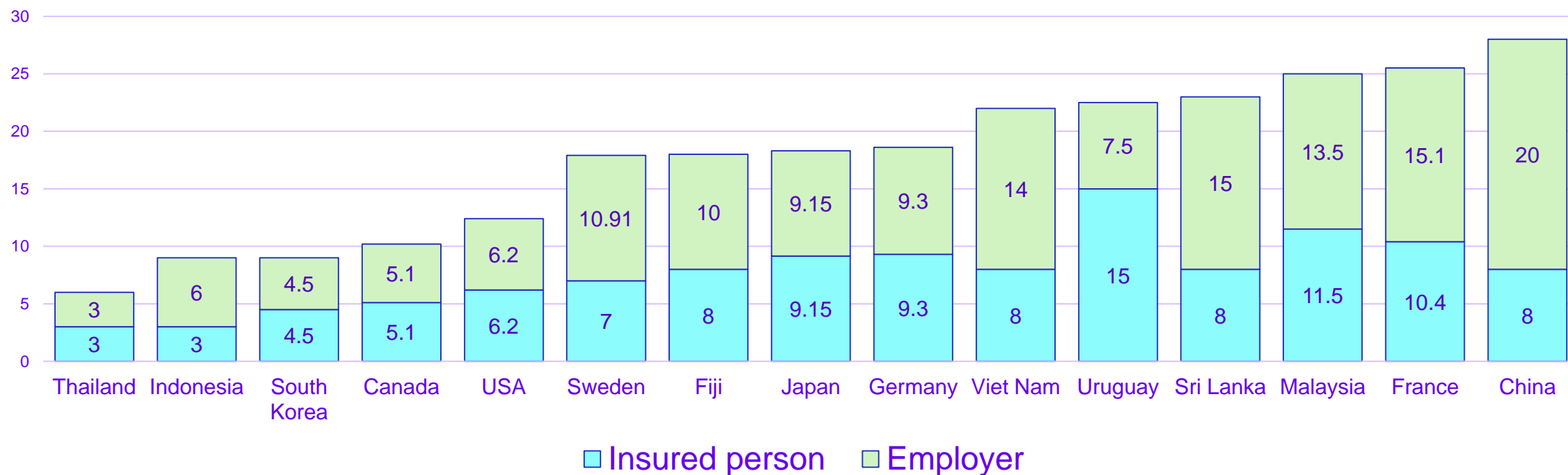
**Social security should be seen as an investment rather than a cost**

**Paying too little now means younger generations will need to pay more later**

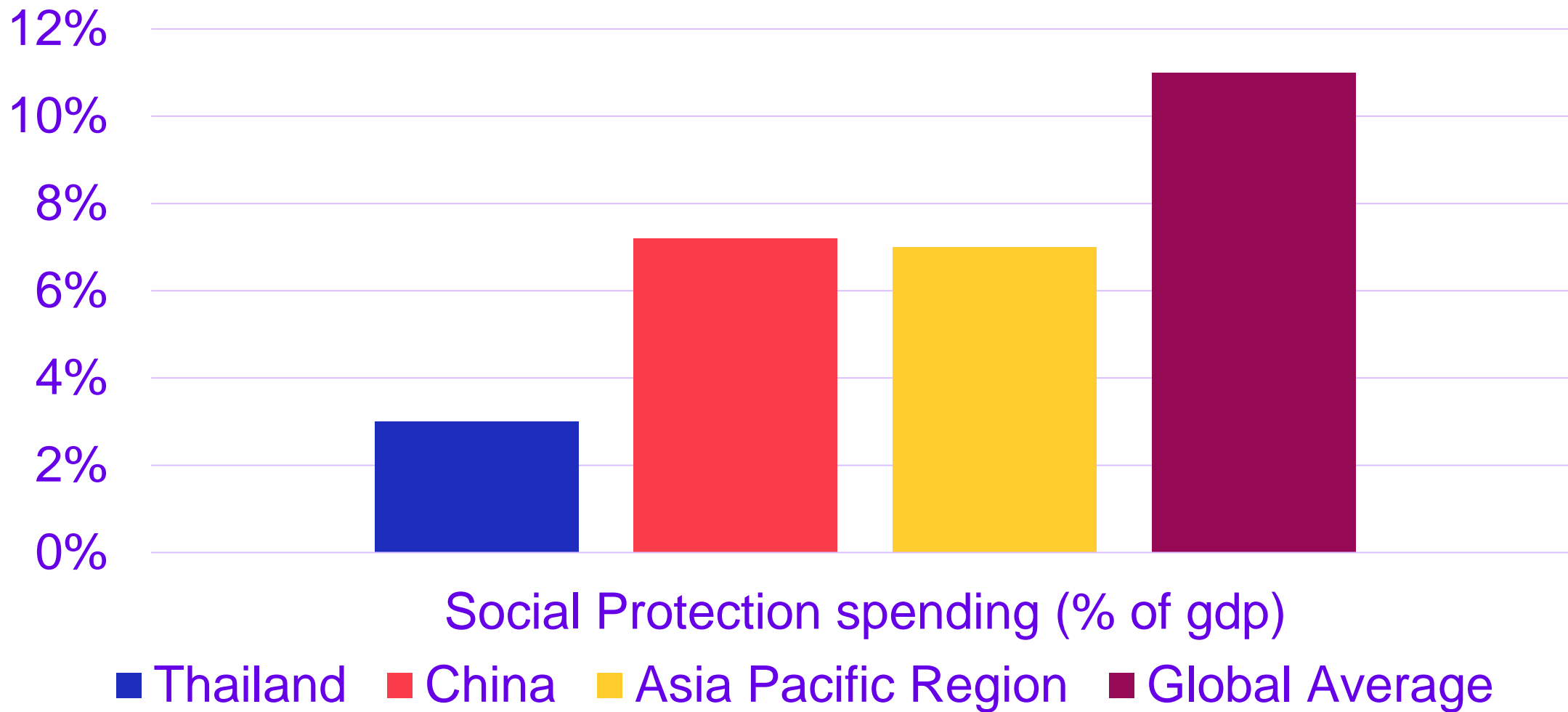
**Financing measures can also reduce inequality – for example increasing the salary on which contributions paid**

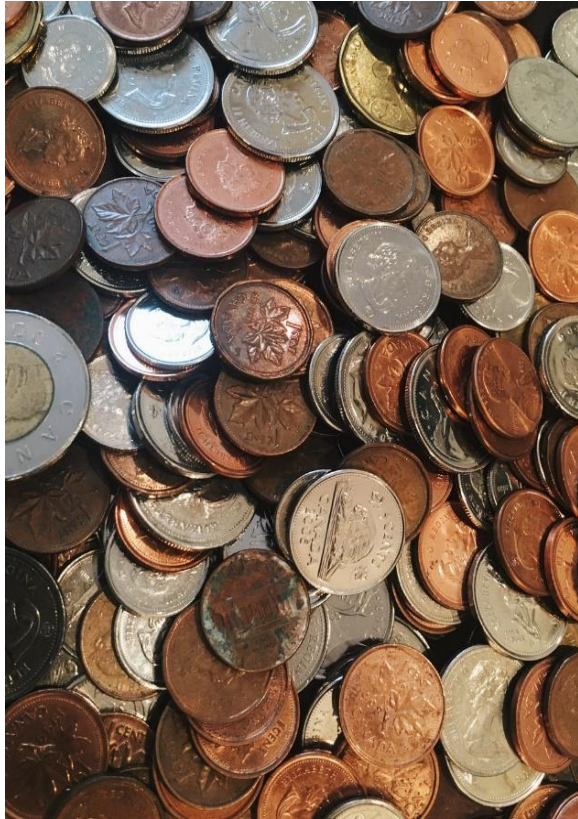
**Governments need to promote solidarity and transparency in social security and devote more financial resources**

## Contribution rates for pensions (selected country, latest year)



# Social Protection Spending





## ► **Financing Approaches: international best practice**

- Acceptance that an adequate benefit requires employer and employee contributions
- Reserve funds a driver of more efficient capital markets and ESG
- Mixture of funding and pay as you go to diversify risks and to ensure intergenerational equity
- Contribution rates safeguarded through crisis
- Salary cap on benefits ; higher or no salary cap on contributions
- Incentivise sign up
- Energy subsidies / taxation re-think



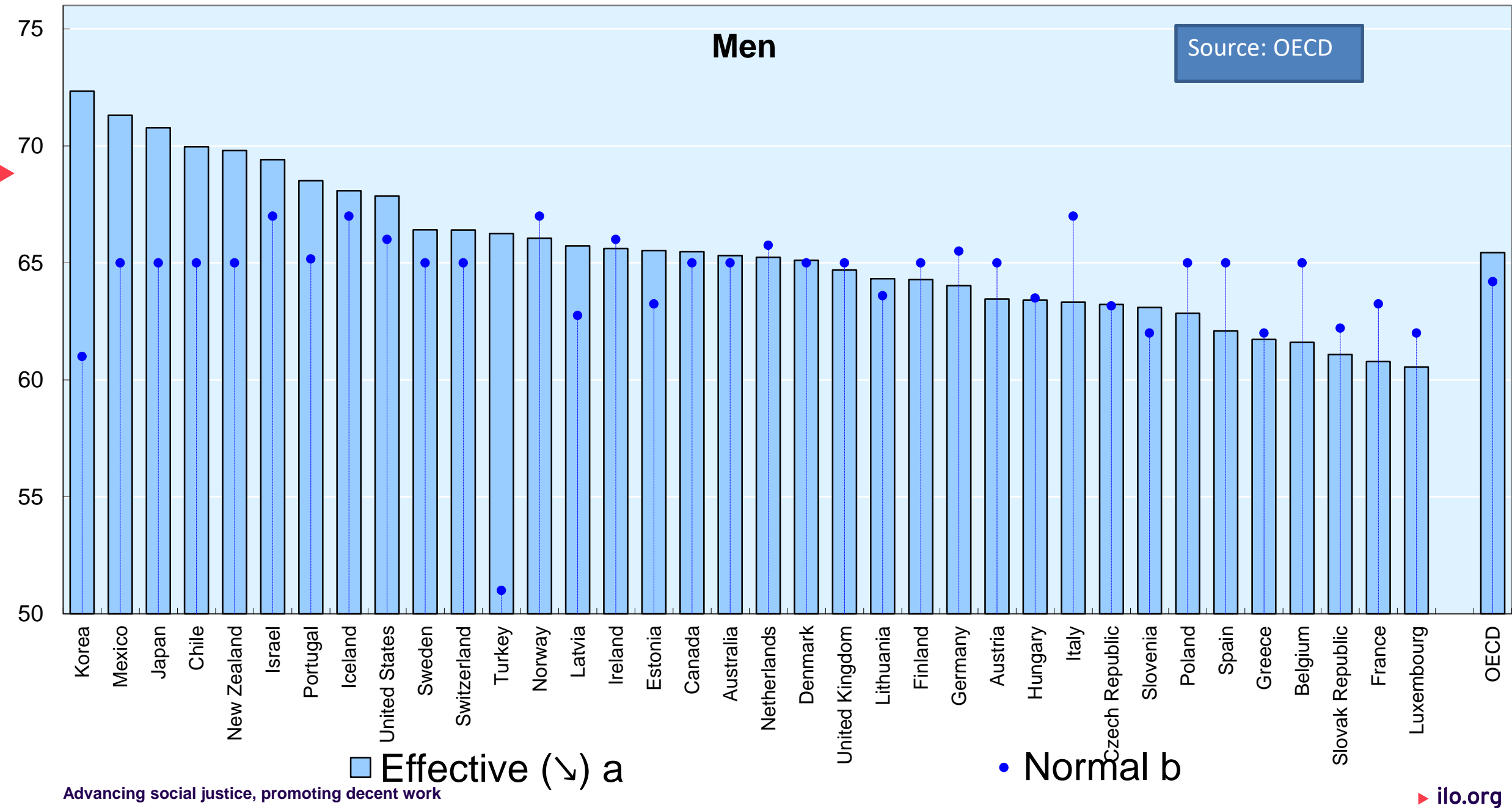
### ▶ ***3: Transition to higher but flexible retirement ages***

The retirement age structure is a very effective tool in influencing

- *Adequacy*
- *Fairness*
- *Redistribution*
- *Sustainability*
- *Labour market practice*

## Trends in Retirement age

- Window of retirement ages (Sweden)
- Encouragement of late retirement (Japan)
- Penalising early retirement (Korea)
- Age and service related retirement age (France)
- Retirement age linked to life expectancy (United Kingdom)
- Gradual transition to higher retirement age (Singapore)
- Partial retirement (Finland)



## ► Pre-requisites for retirement age changes

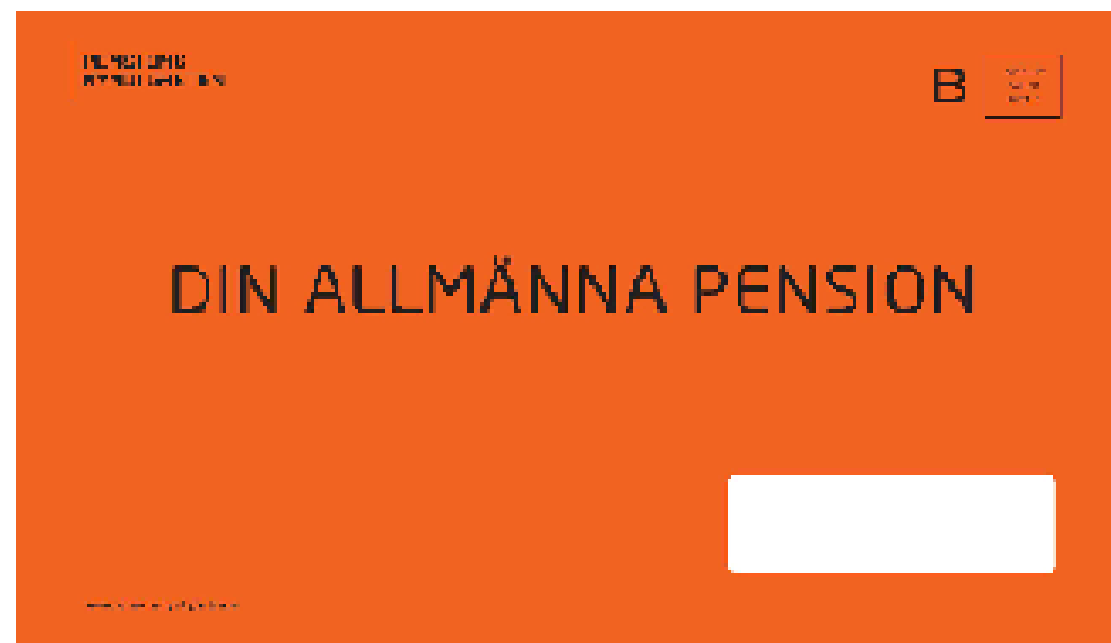
*Active Labour Market Policies (eg Singapore)*

*Appropriate transition period (eg USA)*

*Avoiding disincentives to work*

*Seen as fair (eg France)*

*Good communication (eg Sweden)*



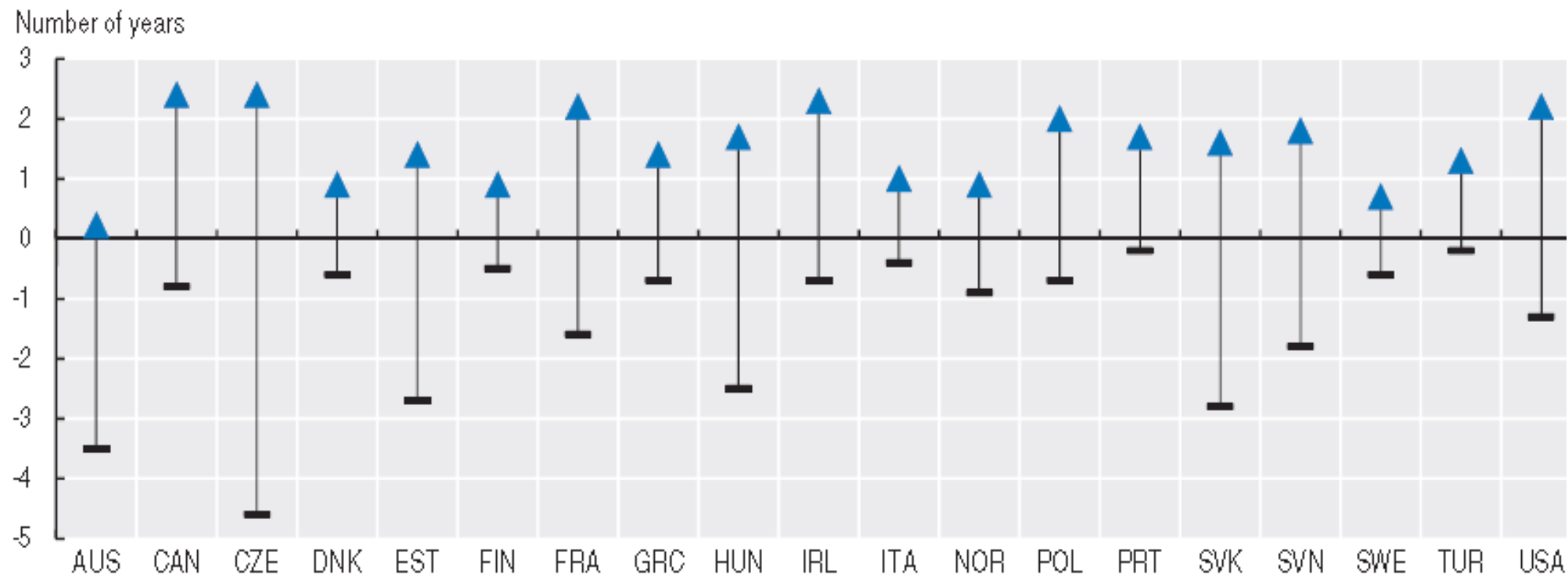


**Should we increase retirement age universally ?**





## Difference in life expectancy at age 65 compared to population average by level of education



Source: OECD

*Triangle indicates tertiary education;*  
***black** line indicates lower than upper secondary*

## 4. Social Security and the Labour Market

Systems need to reflect the labour market but also influence it

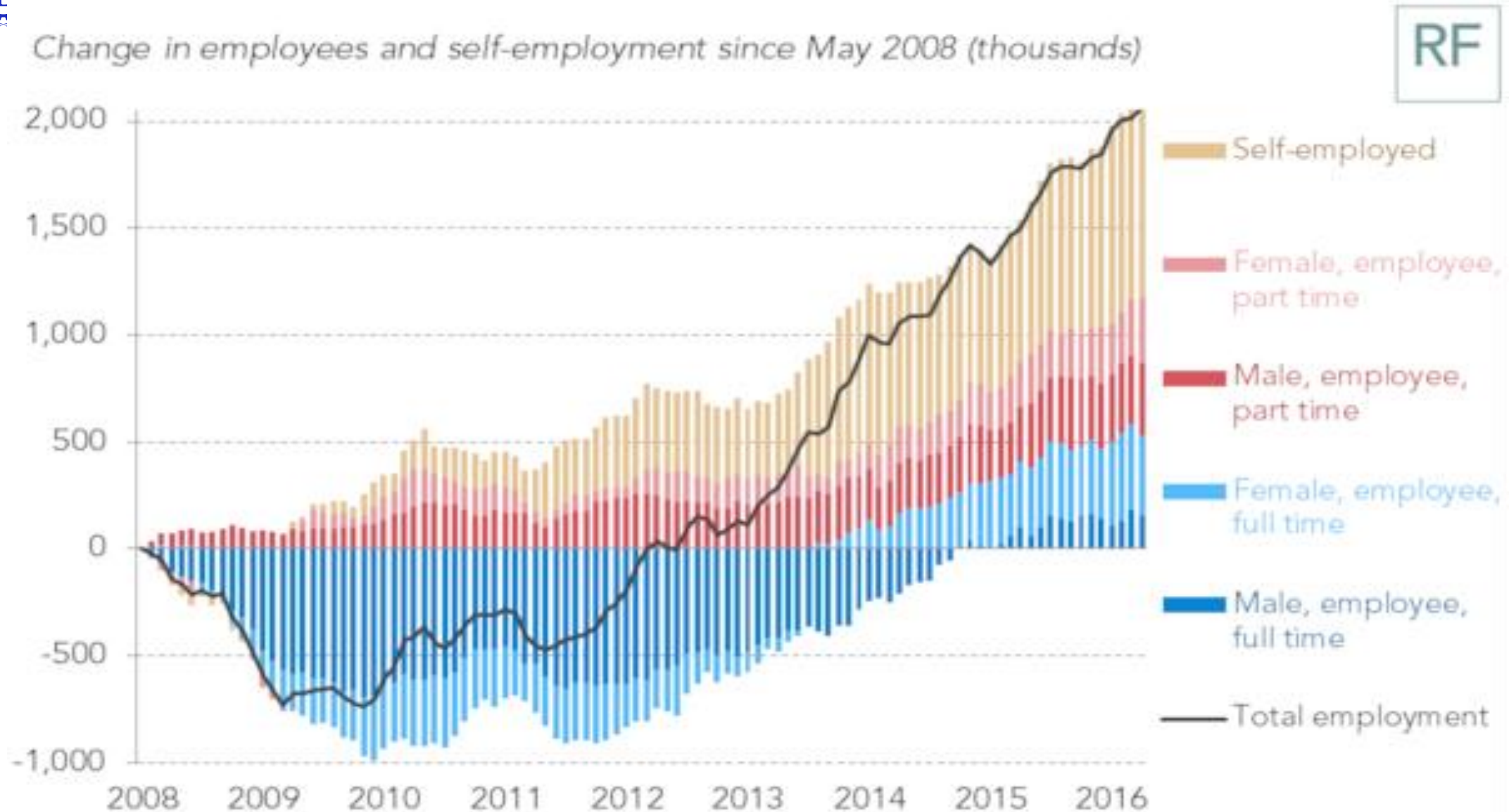
Concept of *formal* and *informal* workers misleading

Systems need to reflect fluid nature of labour market



# What happens to the labour market in Thailand in the future ?

## Ongoing trends *and* impact of the Covid crisis

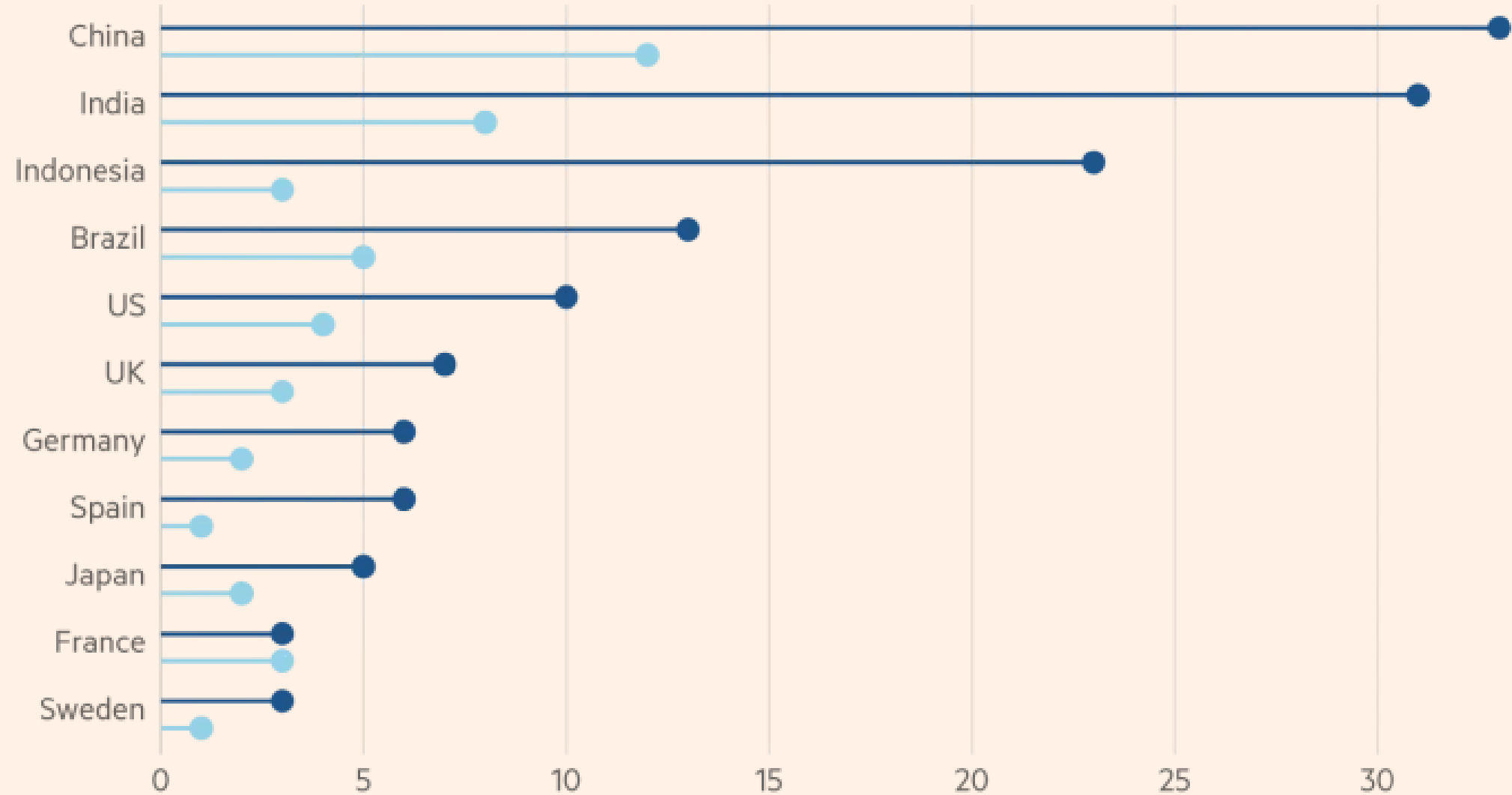


Notes: Total includes unpaid family workers and those on government employment and training schemes.  
Source: Resolution Foundation analysis, ONS



## Workers using gig economy platforms, 2018 (% of total)

— as primary income    — as secondary income



Source: Statista

## ► Good practice examples

- **Fewer schemes the better – where possible include all workers in the ‘main scheme’**
  - Japan: coverage of around 60-70% for self-employed
- **Subsidies for inclusion should be considered**
  - Individual contribution amount depends on the situation (income, sector etc) & may be flat rate
- **Incentivise individual contributions**
  - China: missed years can be bought back
- **Fixed minimum pension**
- **Legal, compliance, administration, communication and management measures**

# Uber: the gig is up

Source: FT

Ramifications of the UK supreme court's landmark ruling could go far beyond Uber



## Uber judgment is set to reshape the gig economy

Companies may no longer be able to profit from grey areas in employment law

Whether your boss is a human or an app, you are still a worker.

## 5. Robustness to health, economic, environmental & social crises

*Covid lessons for future crises and  
strengthening social security*



## Focus on the future

**Systematic approaches required**

**Short term robustness and  
response to long term trends**

**Social dialogue and public  
support will be key to designing  
new approaches**

