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Promoting Active Ageing in Southeast Asia

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Foreword

The OECD/ERIA project *Promoting Active Ageing in Southeast Asia* results in two reports. This OECD Report analyses the active ageing policies that can help older people in ASEAN Member countries age healthily and independently and avoid feeling insecure, particularly in terms of income. Chapter 1 discusses the key background demographic, economic and employment characteristics that are relevant for the promotion of active ageing in ASEAN Member States. Chapter 2 analyses the main areas potentially limiting work capacity at older ages, while Chapter 3 emphasises the need to strengthen health and social policies in order to drastically improve the prospects of active and healthy ageing in ASEAN countries. Finally, Chapter 4 builds on the analyses in the previous chapters to identify the policy implications to promote active ageing among ASEAN countries. The second report produced by the Economic Research Institute for ASEAN and East Asia (ERIA) is scheduled to be published later in 2025. It will consist of country case studies based on longitudinal data documenting the disease structure and disability of older people based on various aspects, such as gender, formal-informal economy, and urban-rural, in each country.

Hervé Boulhol led the OECD team and coordinated the OECD part of the project and the publication of the OECD Report. Chapter 1 was written by Hervé Boulhol, Maciej Lis and Andrew Reilly. Chapter 2 was written by Benthe Geerdink and Maciej Lis, while Wouter De Tavernier, Risako Ninomiya and Andrew Reilly wrote Chapter 3. Chapter 4 was a collective effort of the above authors. We are very grateful to Monika Queisser, Head of the Social Policy Division, for having provided in-depth comments on all chapters.

We would like to deeply thank ERIA colleagues – in particular Uswa Alhamid, Narihiro Hirai, Takuma Kato, Mustika Marwah, Yasuyuki Mitsuhashi, Mirrah Nabighah, Asuka Nagatani, Liem Nguyen, Rashesh Shrestha, Nanda Sucitra Putri, Antonio Fredelindo Dela Resma Villanueva and Chang Wan Seok - as well as Yasuhiko Saito from Nihon University and Yuki Ryogo and Tomo Sato, both from the Japanese Delegation at the OECD for their constant support throughout the project in coordinating the answers to the questionnaire sent at the early stage, for organising the OECD June 2024 mission to Jakarta and for providing very helpful comments on draft chapters. The project greatly benefited from the interactions with participants in the April 2024 Paris Workshop “Promoting Active Ageing in Southeast Asia” in Paris organised by ERIA/OECD/IUSSP and with participants in the June 2024 Jakarta Regional Consultative Meeting on “Promoting Active Ageing in Southeast Asia” organised by ERIA. We are very thankful to colleagues we met during the Jakarta mission who provided great insights into the project, including from ASEAN Member States, ILO, the Indonesian Ministry of Finance, SMERU and the World Bank.

The Report benefited from very helpful comments by ELSAC Delegates during the October 2024 meeting and by numerous OECD colleagues, including: Bert Brys, Sabine Laudage Teles and Michael Sicsic (Centre for Tax Policy and Administration), Jonathan Chaloff and Luca Lorenzoni (Directorate for Employment, Labour and Social Affairs), Carolin Beck, Pierre De Boisséson, Alexandre Kolev, Hyeshin Park and Pablo Suarez Robles (Development Centre), Pablo Antolin (Directorate for Financial and Enterprise Affairs), Jens Arnold and Charles Dennery (Economics Department), while Andrea Goldstein and Julien Jarrige (Economics Department) and Massimo Geloso Grosso (Global Relations and

Cooperation Directorate) helped with organising the mission to Jakarta. Thanks also go to Sandra Celso, Marie-Aurélie Elkurd, Lucy Hulett and Hanna Varkki for their administrative support and help in preparing the manuscript for publication. We also thank Stefano Scarpetta and Mark Pearson, Director and Deputy Director of Employment, Labour and Social Affairs at the OECD for their key comments at various stages of the project. The project benefited from financial support by ERIA.

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Executive summary

Ageing will be very fast in Southeast Asia with the added challenge that most ASEAN countries have a very large share of informal employment. Promoting active ageing aims to ensure that older people can age healthily and independently and avoid feeling insecure, particularly in terms of income. Key active ageing policies in the ten ASEAN countries should focus on: tackling labour market informality; reducing gender inequalities in old age and improving care provision; providing inclusive access to health care; enhancing social protection in old age; and, promoting the social participation of older people. This Executive Summary summarises key measures to address these challenges.

Key recommendations to reduce labour market informality to promote active ageing

- Lower the cost of formalisation for low-income workers by limiting general labour taxes on their earnings. This can be done, for example, by applying mandatory pension contributions only beyond an earnings threshold and by financing flat-rate basic benefits through other taxes.
- Enhance compliance with labour and social security regulations through an effective judiciary, well-equipped labour and tax inspectorates, large enough penalties for non-compliance, strong involvement of social partners and strict requirements for contractors of public procurement to employ workers formally.
- Ease administrative processes of business registration and reporting, remove legal obstacles to firms' growth, fight corruption and encourage a responsible business conduct to promote a business-friendly environment.
- Ensure that product market regulations are not too strict, employment protection legislation is flexible enough and the minimum wage is adequate but at a level that does not create substantial barriers to formalisation.

Key recommendations to reduce gender inequalities in old age

- Follow up with concrete action on the commitment in principle to gender equality in old age by ASEAN countries.
- Systematically include a gender perspective in designing policies for all stages of life to mitigate compounding inequalities. This can be achieved by: appointing key leaders within government structures responsible for integrating gender considerations into planning, budgeting and implementing policies; strengthening independent institutions and advisory bodies that monitor and report on gender equality; and, improving data collection to monitor and report on gender equality efforts.
- Raise awareness about gender inequalities in education and training and how to address them. Public information campaigns highlighting the benefits of gender equality and of programmes that help women plan financially for retirement would improve women's income security in old age. The

public sector can lead the way by implementing training on gender inequalities in career development and talent management.

- Reform legal frameworks to reduce gender discrimination in public and private life and in the workplace. Brunei Darussalam, Indonesia, Malaysia and Myanmar have laws, often personal status laws, that currently still cement gender inequalities in the family as these laws grant men and women different entitlements to marriage, divorce and inheritance. Brunei Darussalam, Lao PDR, Malaysia and Thailand need to step up efforts to tackle gender discrimination and harassment in the workplace.

Key recommendations to provide inclusive access to healthcare

- Allocate more public financial resources to the healthcare sector, particularly in Brunei Darussalam, Lao PDR, Malaysia and Singapore.
- Improve efficiency in the way healthcare resources are spent by: cutting ineffective spending, for instance through increasing penetration of generic drugs, regulating both pricing and prescribing medicines; strengthening preventive health policies; and, investing in new technologies.
- Establish in law that the full population is covered by health insurance for basic healthcare and use contributory health insurance to provide access to a wider set of healthcare services.
- In order to improve access to healthcare in rural areas, Cambodia, Lao PDR and Myanmar should increase the total number of healthcare personnel through increasing efforts to recruit students into medical programmes. This could be done through scholarships conditional on working in underserved areas after graduating to recruit students willing to work in rural areas. In countries where there is no overall shortage of healthcare personnel, providing financial incentives to work in underserved areas or granting limited licenses for establishing a practice in overserved areas could improve their geographic distribution. Access in rural areas can also be improved by changing healthcare service delivery, for instance through telemedicine or through delegating some tasks typically performed by doctors to other providers.
- Promote the incorporation of physical exercise and active lifestyles in older people's daily routines.

Key recommendations to enhance social protection in old age

- Increase first-tier benefit levels in all ASEAN countries, significantly so in many, to ensure adequate support for current pensioners. This particularly applies to Brunei Darussalam, Singapore and Thailand.
- Clearly highlight the benefits of contributing to pensions and develop communication campaigns. The latter should be part of an overall national strategy for financial education related to pensions.
- Raise the retirement age in Malaysia and Thailand. Once this discretionary adjustment is legislated, introduce an automatic link between the retirement age and life expectancy in both countries, as well as in other ASEAN countries.
- Significantly reform pay-as-you-go pension schemes so that contributions are sufficient to finance current promises by either increasing contributions or reducing accrual rates or a combination of both. More precisely, at the minimum, accrual rates should be lowered in Lao PDR and the Philippines and PAYG contribution rates increased in Indonesia, Lao PDR and Thailand.
- Regularly index all earnings-related pensions paid during retirement based on a clear rule.

Key recommendations to promote the social participation of older people

- Redesign neighbourhoods to make it easier and safer for older people to go outside. This includes removing obstacles such as high pavements, improving traffic safety, particularly close to crossings, and installing benches for older people to rest.
- Create social opportunities for older people to meet on a regular basis.

1 Demographic, economic and employment trends

This first chapter sets the scene by examining the key background demographic, economic and employment characteristics in ASEAN Member States that are relevant for the promotion of active ageing. It first documents the specific features behind fast ageing prospects among ASEAN countries. The chapter then turns to the overall economy by highlighting the fast pace of economic growth in low-income ASEAN countries with a focus on broad macroeconomic issues related to public finance and current account balances. The third section discusses formal and informal employment, emphasising the challenges of a high degree of informality in most ASEAN countries. The last section discusses the interactions between population ageing and productivity growth.

1.1. Key findings

This first chapter sets the scene by examining the key background demographic, economic and employment characteristics in ASEAN Member States that are relevant for the promotion of active ageing. It first documents the specific features behind fast ageing prospects among ASEAN countries. The chapter then turns to the overall economy by highlighting the fast pace of economic growth in low-income ASEAN countries with a focus on broad macroeconomic issues related to public finance and current account balances. The third section discusses formal and informal employment, emphasising the challenges of a high degree of informality in most ASEAN countries. The last section discusses the interactions between population ageing and productivity growth.

The key findings are the following.

Demographic changes

- All ASEAN countries have seen considerable growth in their working-age population over the last 40 years. While the size of the working-age population is projected to continue increasing in Cambodia, Lao PDR and the Philippines by 25% or more over the next 40 years, it is projected to fall by about 30% in both Singapore and Thailand.
- Fertility rates have fallen sharply from high levels in ASEAN countries. The total fertility rate averaged 6.0 across ASEAN countries in the early 1960s, 3.3 in the early 1990s and now averages 1.8, below the population replacement rate of about 2.1.
- Life-expectancy gains are not projected to slow on average. Between 1984 and 2024 remaining life expectancy at age 65 increased by 3.1 years on average across the ASEAN countries to 16.3 years. It is projected to further increase by another 3.1 years over the next 40 years.
- Given falling fertility rates and continued gains in life expectancy gains, ageing is set to accelerate. Over the next 30 years the ASEAN old-age to working-age ratio is projected to increase by 19 percentage points (p.p.) compared to an increase of less than 6 percentage points for the previous 30 years.
- ASEAN populations will be ageing twice as fast as in the OECD on average. It will take only 36 years for ASEAN countries on average to go from 15 to 40 people aged 65+ per 100 people aged 20-64 compared to 74 years for the OECD.
- Household sizes have been shrinking over recent decades, which will increase women's vulnerability risks in old age. Household sizes have fallen by around 0.8 people on average across ASEAN countries over the last 20 years, with Lao PDR recording the largest fall from 6.0 people on average in 2000 to 4.7 in 2017.
- Demographics have been favourable for the growth of GDP-per-capita in ASEAN countries until now, but this positive mechanical effect is expected to disappear in the near future, except in Cambodia, Lao PDR and the Philippines. The drag will be large at about 0.5 percentage points annually in Brunei Darussalam, Singapore and Thailand.

Formal and informal employment

- On average across ASEAN countries the employment rate among those aged 15-64 is similar to the OECD average, at about 70% in 2022. While the total employment rate has been stable ion average n ASEAN countries over the last decade, employment has shifted from agriculture towards services.
- Informal employment is large albeit shrinking in most ASEAN countries. On average, two-thirds of workers work informally in ASEAN countries compared to one in nine in OECD countries on average. In Cambodia and Lao PDR, informal workers make around 90% of total employment,

around 80% in Indonesia, Myanmar and Philippines and slightly less than 70% in Viet Nam and Thailand. In Brunei Darussalam, Malaysia and Singapore most workers are formal.

- Informal employment is much more widespread in ASEAN countries than what could be expected based on its association with the level of economic development proxied by GDP-per-capita. This suggests that the reasons behind such a large informality are deeply engrained in societies, and that, contrary to the view that prevailed decades ago, economic development alone will not suffice to seriously tackle the issue.
- Informality in ASEAN countries is driven by multiple factors: high share of agriculture; exemptions provided by labour codes, social-security regulations and tax laws granted to some firms or workers; poor law enforcement; tedious and inefficient administrative business procedures; substantial costs of formalisation; and, unclear benefits brought by formal employment as perceived by workers.
- Large informality generates huge social challenges as the vast majority of informal workers suffer from very limited protection against the risks of income losses related to illness, disability and old age. These issues are becoming bigger as populations age. Informality also limits public financial resources and distorts competition.

Macroeconomics

- Population ageing will put heavy strain on public finance and, in particular, on financing pensions, health and long-term care. Public debt as a share of GDP is currently large in Lao PDR and Singapore. Indonesia has an effective fiscal framework based on the parameters of the Maastricht treaty and Malaysia is also taking important steps to strengthen fiscal sustainability.
- Large current account deficits generate risks of macroeconomic imbalances in Cambodia and Lao PDR.

1.2. Demographic changes among ASEAN countries

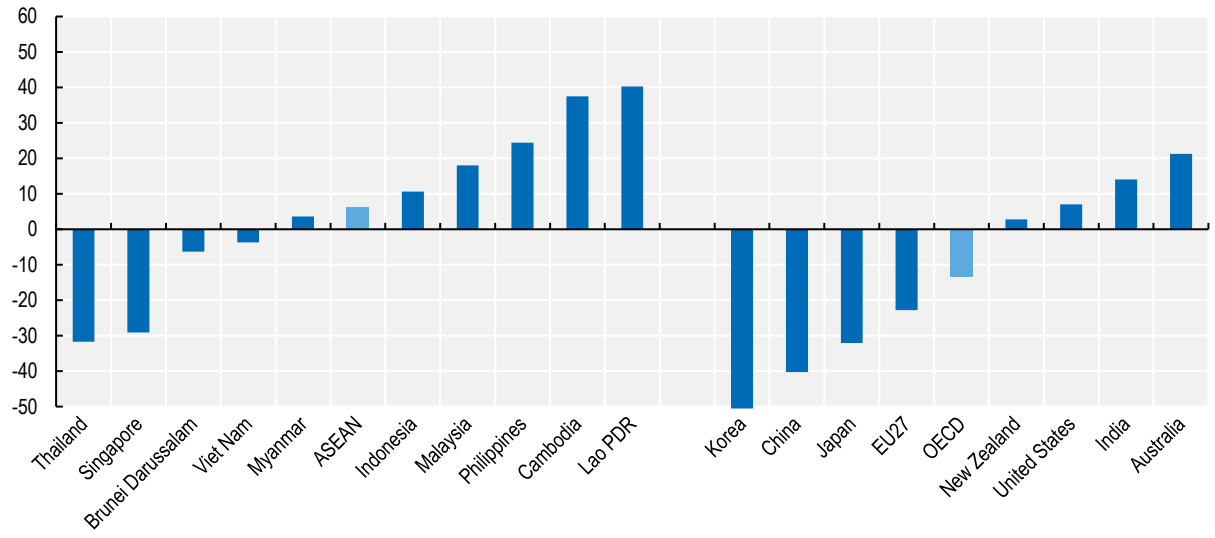
Population structures are changing fast among ASEAN countries, with rapid decline in fertility rates and continued improvements in life expectancy at older ages. This section first highlights the large cross-country variations in projections of the growth of the working-age populations. It then focuses on the recent declining fertility rates and increases in old-age life expectancy, resulting in an acceleration of population ageing prospects. Finally, it shows that household sizes are shrinking but that multigenerational families are still commonplace in many ASEAN countries.

1.2.1. Contrasted trends in the working-age population among ASEAN countries

There are huge differences across countries in the projected change in the size of the working-age population (aged 20-64). Projections based on UN data show it increasing by about 25% or more in Cambodia, Lao PDR and the Philippines and by about 20% in Malaysia by 2064, meaning that these countries still experience a positive demographic dividend (Figure 1.1). By contrast, the size of the working-age population would fall by about 30% in both Singapore and Thailand and remain about stable in the other ASEAN countries. A fall of 30% over 40 years, for example, means that the working-age population would decline by 0.9% annually on average, lowering potential GDP proportionally in the absence of offsetting measures. By comparison, the projected working-age population is projected to decrease by 13% in the OECD on average by 2064, i.e. by 0.3% per year. It would fall by nearly 50% in Korea in total and also by more than 30% in Estonia, Greece, Italy, Japan, Latvia, Lithuania, Poland, the Slovak Republic and Spain as well as in non-OECD China. Only Australia, Israel and Mexico, as well as India would record an increase of over 10%.

Figure 1.1. Sharp projected fall in the size of the working-age population in Singapore and Thailand

Change in the working-age population (20-64), 2024-64, percentage

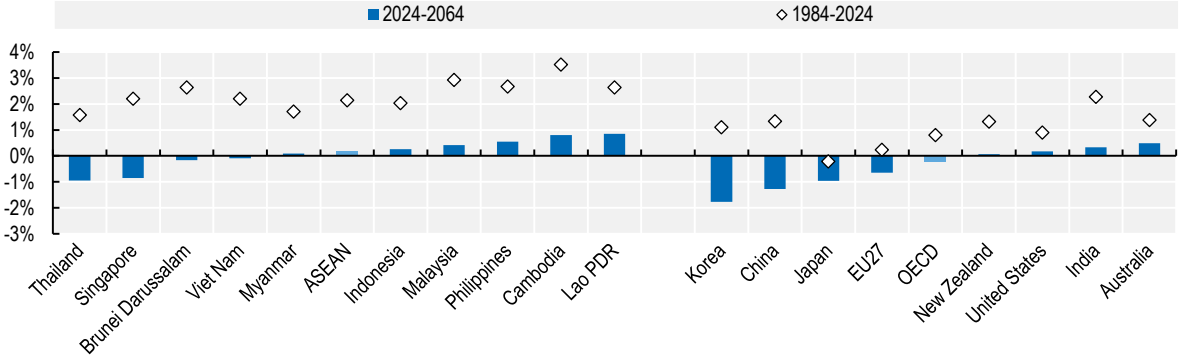


Source: United Nations World Population Prospects: The 2024 Revision.

All ASEAN countries have seen considerable growth in their working-age population over the last 40 years with an average annual increase of 2.1% (Figure 1.2), from a low of 1.6% in Thailand and a high of 3.5% in Cambodia. However, over the next 40 years the annual projected growth is under 0.2% across the ASEAN region. In all countries the growth rate will be much lower than in the past. Large declines in the growth of the working-age population are projected in Brunei Darussalam, Cambodia, Malaysia and Thailand, and especially in Singapore from an annual increase of 2.2% on average between 1984 and 2024 to a shrinkage of 0.9% between 2024 and 2064. The working-age population is also projected to shrink in the next 40 years in Thailand (-1.0% annually on average), Brunei Darussalam (-0.2%) and Viet Nam (-0.1%). Only Cambodia (0.8%), Lao PDR (0.8%) and the Philippines (0.5%) are projected to record an average annual growth of the working-age population above 0.5% between 2024 and 2064.

Figure 1.2. The rate of growth of the working-age population is falling

Average annual change in working-age (20-64) population by time period



Source: United Nations World Population Prospects: The 2024 Revision.

1.2.2. Sharp fall in fertility rates and continued gains in life expectancy

Fertility rates fell sharply from high levels in ASEAN countries and have kept decreasing in recent years. The total fertility rate (TFR) averaged 6.0 across ASEAN countries in the early 1960s, but this average fell to 2.4 around the start of the millennium and is now at 1.8, below the population replacement rate of 2.1 (Table 1.1). This downward trend is projected to continue, though at a much slower rate, with the TFR across ASEAN countries projected to be 1.7 in 40 years compared to 1.5 in the OECD on average.

Some ASEAN countries still have TFRs above replacement level. In the early 1960s the TFR was above 5.0 in nine of the ten countries. By 2004, the TFR had virtually halved in all countries, and in Singapore and Thailand to even lower at 1.1 and 1.6, respectively. By contrast, Cambodia, Lao PDR and the Philippines still had a rate above 3.2. Currently only Cambodia and Lao PDR are above the replacement level, with Indonesia and Myanmar at 2.1. All the others are below 2.0 with a recent very large fall in the Philippines – from 3.5 to 1.9 over the last two decades – and Singapore at a level that is one of the lowest in the world at 1.0. Declining fertility is a global phenomenon, but the speed of the decline is more profound in ASEAN countries than in the OECD, although from a much higher level.

Table 1.1. Total fertility rate, 1964-2064

	1964	1984	2004	2024	2044	2064		1964	1984	2004	2024	2044	2064
Brunei Darussalam	6.56	3.59	2.01	1.74	1.62	1.62	Australia	2.94	1.89	1.84	1.64	1.64	1.63
Cambodia	6.27	6.31	3.24	2.55	2.12	1.92	China	6.58	2.59	1.62	1.01	1.16	1.24
Indonesia	5.53	3.69	2.45	2.11	1.88	1.80	EU27	2.53	1.84	1.48	1.42	1.49	1.52
Lao PDR	6.28	6.28	3.67	2.39	1.94	1.80	India	5.87	4.38	2.95	1.96	1.78	1.73
Malaysia	5.83	3.81	2.38	1.54	1.52	1.54	Japan	2.11	1.72	1.26	1.21	1.33	1.40
Myanmar	5.89	4.31	2.52	2.10	1.86	1.78	Korea	4.92	1.73	1.12	0.73	0.98	1.13
Philippines	6.82	4.69	3.46	1.90	1.76	1.71	New Zealand	3.51	1.93	1.94	1.66	1.62	1.62
Singapore	4.65	1.57	1.06	0.96	1.10	1.24	United States	2.96	1.85	2.02	1.62	1.64	1.64
Thailand	6.24	2.45	1.64	1.20	1.27	1.35							
Viet Nam	6.14	4.23	1.89	1.88	1.77	1.72	**OECD**	**3.20**	**2.03**	**1.66**	**1.46**	**1.51**	**1.53**
ASEAN average	**6.02**	**4.09**	**2.43**	**1.84**	**1.68**	**1.65**							

Note: The data refers to 5-year periods whose endpoint is indicated in the first row of the table.
Source: United Nations, Department of Economic and Social Affairs, (2024). World Population Prospects 2024, Online Edition (for future periods: medium-variant projection).

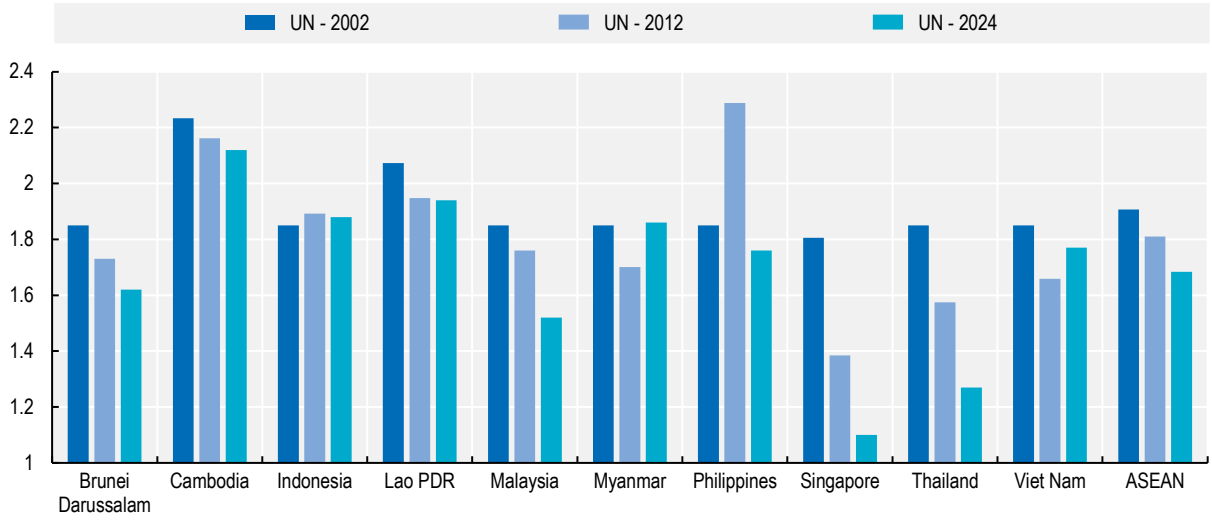
Changes in future fertility rates may have significant implications for future economic growth and pension finances in particular. For example, pay-as-you-go pensions are financed by current contributions, which means shrinking working-age populations will result in a shortfall in pension revenues unless contribution rates are increased or pension benefits are cut. However, there is large uncertainty about future fertility rates.

Indeed, projecting fertility is notoriously difficult and past estimates of fertility levels for today have proved to be wide of the mark. For example, the 2002 UN populations prospects data projected that the TFR in Thailand in 2020-25 would be 1.85, much higher than 1.20 currently. Similarly, the estimates for Cambodia, Lao PDR, Malaysia and Singapore were all at least 0.4 higher than the levels reached currently. Likewise, over the last two decades, UN projections of fertility levels in 2040-45 have been considerably revised downwards. The average fertility rate across all ASEAN countries was projected to be 1.91 in 2045 based on the 2002 revision of the World Population Prospects dataset. This average for the year 2045 declined to 1.81 based on the 2012 revision and to 1.68 for the 2024 revision (Figure 1.3). The sharpest downward

revisions, by around 0.6-0.7 overall between the 2002 and 2024 revisions, were found in Singapore and Thailand. The fall of 0.5 percentage points in the Philippines between the 2012 and 2024 revisions reflects the huge recent fall in current levels as discussed above.

Figure 1.3. Total Fertility Rate projections from different UN datasets

Total Fertility Rate projections for 2040-45 under medium fertility scenario

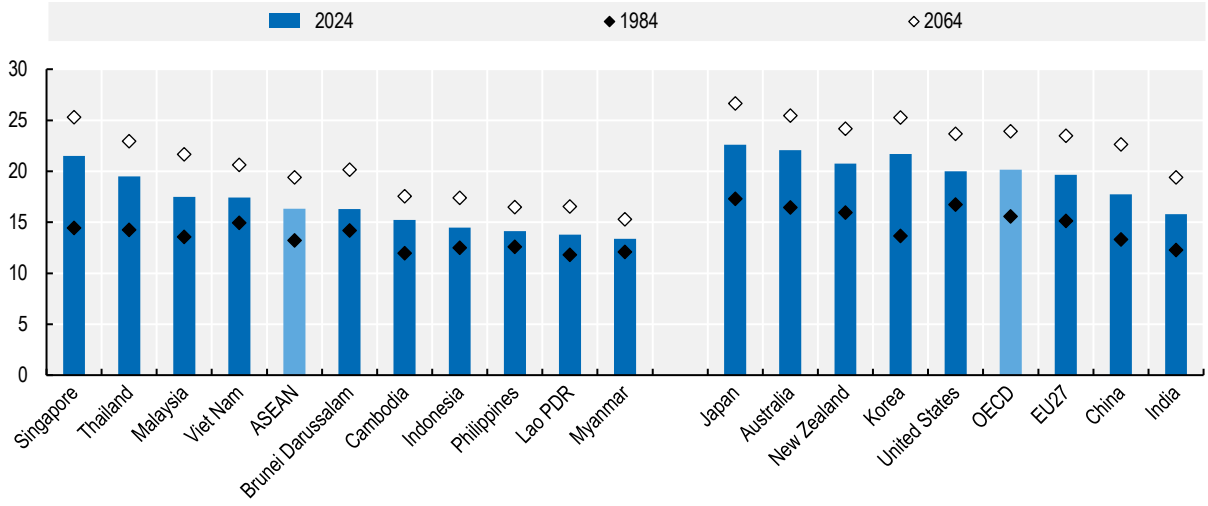


Note: For 2024 the data correspond to 2044 as shown in Table 1.1. Projections for a number of countries including the Philippines converged to 1.85 for the 2040-45 estimate in 2002, which was much lower than the estimate in 2012 that does not have such a convergence.
Source: United Nations, Department of Economic and Social Affairs, World Population Prospects various years.

Life-expectancy gains are not projected to slow on average. Over the last 40 years remaining life expectancy at age 65 has increased from 13.2 years on average across the ASEAN countries to 16.3 years in 2024, an increase of 3.1 years.[1] It is projected to further increase by 3.1 years over the next 40 years reaching 19.4 years in 2064 (Figure 1.4). The pace of improvements is projected to slow in Singapore and Thailand, but these two countries recorded the fastest increases in old-age life-expectancy over the last 40 years at 7.1 and 5.3 years, respectively. In Cambodia, life expectancy at age 65 is also projected to increase more slowly, by 2.3 years over the next 40 years compared to 3.3 years over the last 40 years. All the other ASEAN countries show a projected acceleration. By contrast, across the OECD on average there was an increase of 4.6 years over the last 40 years, which would slow to 3.8 years over the next 40 years.

Figure 1.4. Life-expectancy gains are not projected to slow in most ASEAN countries

Remaining period life expectancy at age 65, years

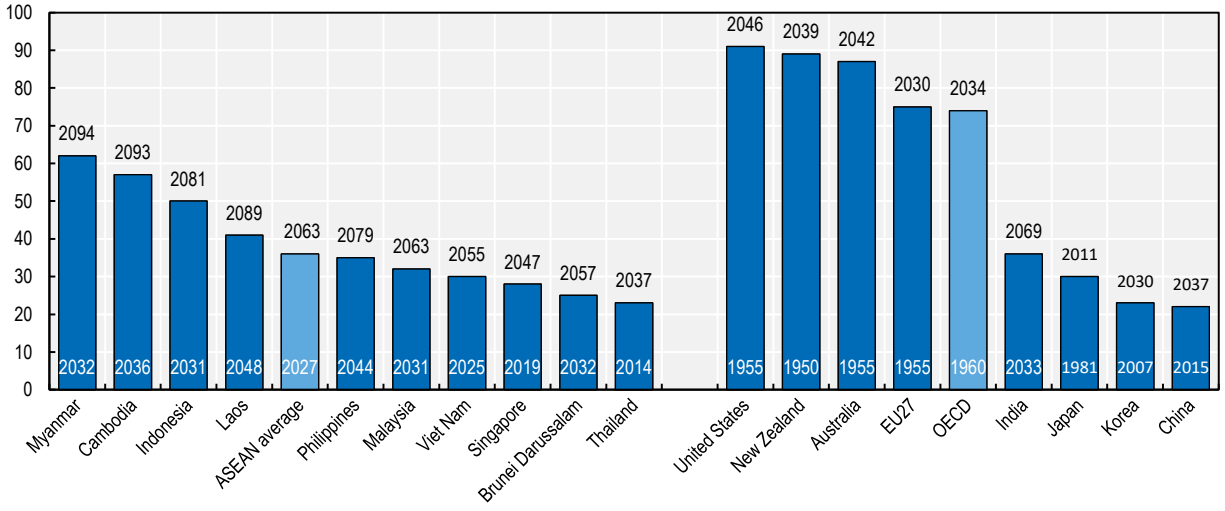


Source: United Nations World Population Prospects: The 2024 Revision.

With continued trends of lower fertility rates and longer lives, the old-age to working-age ratio will increase sharply placing additional burdens on the working-age population to finance pay-as-you-go pensions and healthcare for older people. Indeed, ASEAN populations will be ageing twice as faster as in the OECD on average. Today, ASEAN countries are still relatively young and ageing takes place at a later stage than in OECD countries. However, based on current projections, it will take only 36 years for ASEAN countries on average to go from 15 to 40 people aged 65+ per 100 people aged 20-64 compared to 74 years for the OECD (Figure 1.5). Ageing on this measure will be the fastest in Thailand and Brunei Darussalam at only 23 and 25 years, respectively, comparable to the fastest ageing country in the OECD, Korea, which is projected to take 23 years, and quicker than Japan where it actually took 30 years between 1980 and 2010; Cambodia, Indonesia and Myanmar are projected to take between 50 years and 62 years. Looking at OECD countries, Finland, France, Greece, Italy and Portugal more recently reached this 40-to-100 ratio. By contrast, the pace of ageing is particularly slow in Australia, New Zealand and the United States, all of which are projected to take about 90 years. This is due to relatively high fertility rates in New Zealand and the United States and high levels of immigration of younger workers, particularly in Australia and the United States. This much faster pace of ageing for ASEAN countries highlights the challenges they face to establish both adequate social security systems for older people and an effective institutional setting for long-term care facilities (Chapter 3).

Figure 1.5. The pace of ageing is much faster in ASEAN than in OECD countries

Duration, in years, taken to move from 15 to 40 people aged 65+ per 100 aged 20-64



Note: On the bars, the earliest date refers to point at which the ratio is 15, with the latter date refers to a ratio of 40. For New Zealand the ratio of 15 was reached much earlier than 1950, but this is the earliest point for the UN data, at which point New Zealand already had a ratio of 16.5. Reading Note: In Viet Nam for example there were 15 people aged 65+ per 100 people aged 20-64 in 2025 and this ratio is projected to reach 40 in 2055, taking a total of 30 years whilst in the EU on average the same transition is projected to have taken 75 years from 1955 to 2030.

Source: United Nations World Population Prospects: The 2024 Revision.

1.2.3. Ageing is set to accelerate

ASEAN countries are currently much younger than OECD countries. There are currently 13.5 individuals aged 65 and over for every 100 persons of working age (20 to 64) across all ASEAN countries compared to 32.6 on average across the OECD (Table 1.2). All ASEAN countries are within a narrow range between 8.4 and 12.4 except for Singapore (19.8), Thailand (24.0) and Viet Nam (15.0). Chile, Colombia, Costa Rica, Mexico and Türkiye are the only OECD countries below the level of Thailand with Japan being highest at 54.9.

The pace of ageing is projected to be much faster in ASEAN countries compared to within the OECD over the next decades. Over the next 30 years the ASEAN old-age to working-age ratio is projected to increase by 19 percentage points (p.p.) compared to an increase of less than 6 percentage points for the previous 30 years. The old-age to working-age ratio is projected to at least double in all ASEAN countries over the next 30 years with Brunei Darussalam increasing to over 3 times the current level. The acceleration of ageing will also take place in the OECD but a bit more slowly. In the OECD the increase in the old-age to working-age ratio is projected to be 23 percentage points compared to 12 percentage points over the previous 30 years.

Table 1.2. Demographic old-age to working-age ratio: Historical and projected values, 1964-2084

Old-age to working-age ratio is the number of people aged 65+ per 100 aged 20-64

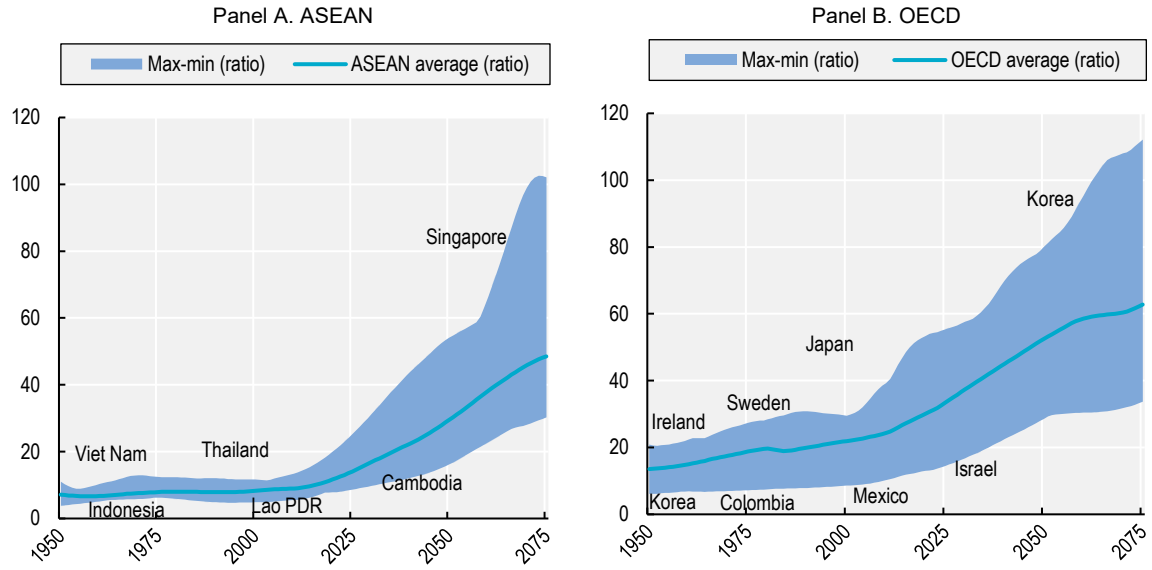
	1964	1994	2024	2054	2084		1964	1994	2024	2054	2084
Brunei Darussalam	8.1	4.7	10.5	37.0	51.3	Australia	16.1	19.7	30.4	45.2	51.8
Cambodia	6.4	6.1	11.2	22.6	35.1	China	8.0	10.1	23.1	64.2	115.9
Indonesia	5.7	8.6	12.2	27.3	41.8	EU27	17.1	22.7	35.6	59.3	67.2
Lao PDR	6.3	8.1	8.4	18.7	37.1	India	7.7	8.6	12.0	27.1	51.4
Malaysia	6.6	7.2	12.4	31.6	57.0	Japan	10.8	22.6	54.9	80.0	81.6
Myanmar	7.8	9.4	12.1	24.0	36.2	Korea	7.3	9.0	29.3	84.5	122.0
Philippines	5.6	6.3	9.7	19.9	45.1	New Zealand	16.7	19.8	29.5	45.4	58.1
Singapore	6.1	8.8	19.8	51.0	94.0	United States	17.8	21.0	30.8	42.9	52.7
Thailand	6.6	7.9	24.0	56.7	74.0						
Viet Nam	11.4	11.7	15.0	39.4	56.6	**OECD**	**15.9**	**20.8**	**32.6**	**55.2**	**67.7**
ASEAN average	**7.1**	**7.9**	**13.5**	**32.8**	**52.8**						

Source: United Nations World Population Prospects: The 2024 Revision.

Although ageing trends are largely common across countries, the range of old-age to working-age ratios among ASEAN countries is projected to widen rapidly during the first half of the 21st century. During the late 20th century, all ASEAN countries followed a similar pattern with an old-age to working-age between 5 and 15 people aged 65+ for every 100 aged 20 to 64. The old-age to working-age ratio started to increase in ASEAN countries around the mid-2010s as the falls in fertility Levels 20-30 years earlier started to have an impact (Figure 1.6 Panel A). Moreover, by 2060, the range is projected to widen to a low of 24 in the Philippines and a high of 66 in Singapore and 61 in Thailand, indicating that the economic pressure from population ageing will differ considerably between countries.[2] The range in the OECD is projected to be even larger with an upper rate of 95 in Korea in 2060 (Figure 1.6 Panel B). Korea has gone from the youngest country in the OECD in 1950 to the oldest from 2050 onwards based on this metric.

Figure 1.6. The old-age to working-age ratio is accelerating

Number of people older than 65 years per 100 people of working age (20-64), 1950-2100

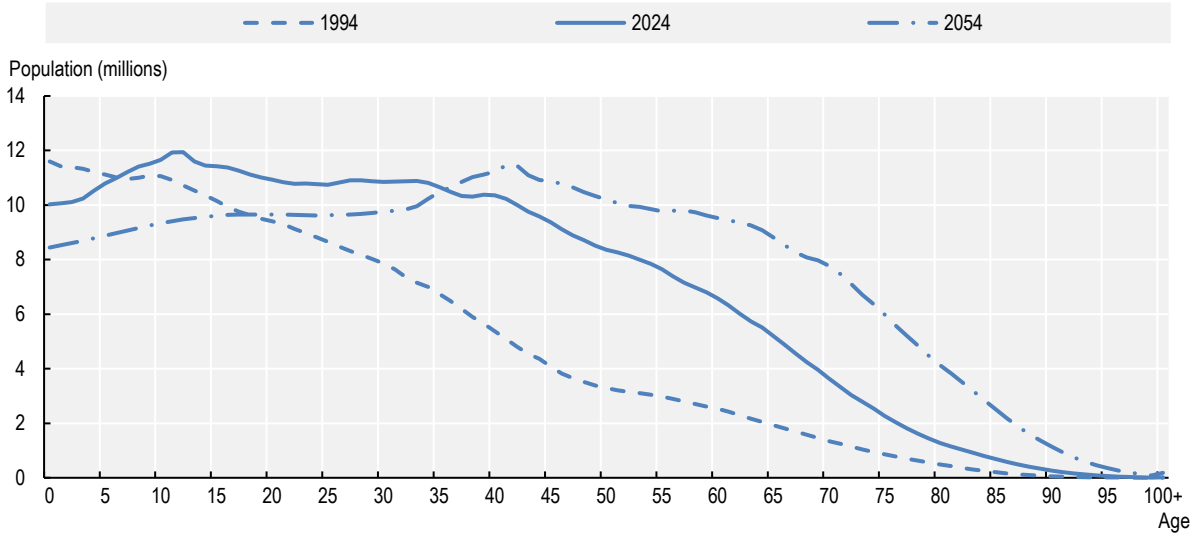


Note: The centre lines are the ASEAN and OECD average old-age to working-age ratios. The shaded area indicates the range between the country with the lowest old-age to working-age ratio and the country with the highest old-age to working-age ratio.
Source: United Nations World Population Prospects: The 2024 Revision.

There has been a gradual shift in the nature of ageing from previous decades. To show the full change it is useful to compare the age distribution of the ASEAN countries today to those of the past (1994) and the future (2054) (Figure 1.7). Between 1994 and 2024 the most significant increases across age groups was concentrated amongst those of middle-ages (35-65). However, based on current projections over the next 30 years, there will be fewer individuals of any age until 35 years, as well as a much smaller increase among those aged 35-65. Ageing over the next 30 years will mean a significant increase amongst the 60+ age group. These trends explain the acceleration in the old-age to working-age ratios shown above.

Figure 1.7. Large increases in the number of older-age people in the coming decades

Total population by year of age for all ASEAN countries

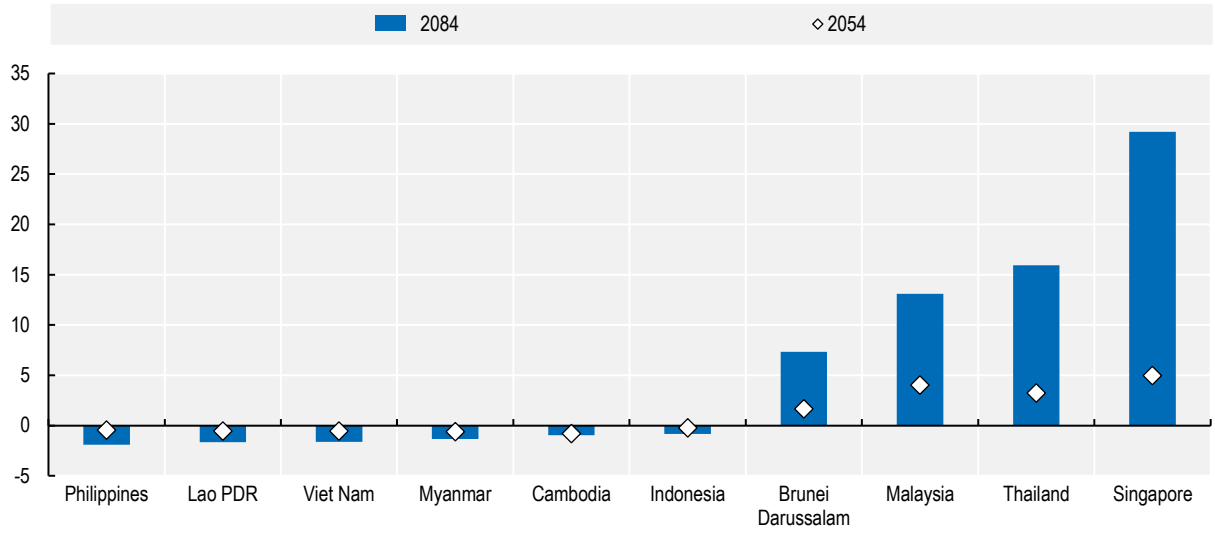


Source: United Nations World Population Prospects: The 2024 Revision.

Migration has helped alleviate the ageing pressure in many ASEAN countries. The projections of the old-age to working-age ratios presented above are based on a medium variant migration projection scenario. An alternative zero migration projection is also provided within the UN 2024 data. The importance of migration flows can be highlighted by comparing these two scenarios. Based on this comparison, the impact of migration on the extent of ageing is large in Malaysia, Thailand and particularly Singapore, and in Brunei Darussalam to a lesser extent, but the impact is limited in the other ASEAN countries (Figure 1.8). By 2054, with zero net migration, the old-age to working-age ratio would be between 2 and 5 percentage points higher in these four highlighted countries. By 2084, the impact is much larger, 7 percentage points higher in Brunei Darussalam, 13 percentage points in Malaysia, 16 percentage points in Thailand and 29 percentage points in Singapore, which already has a large migrant labour force.

Figure 1.8. Migration has a large impact on the pace of ageing in Malaysia, Singapore and Thailand

Change in the old-age to working-age ratio between the zero and medium variant migration scenarios, p.p



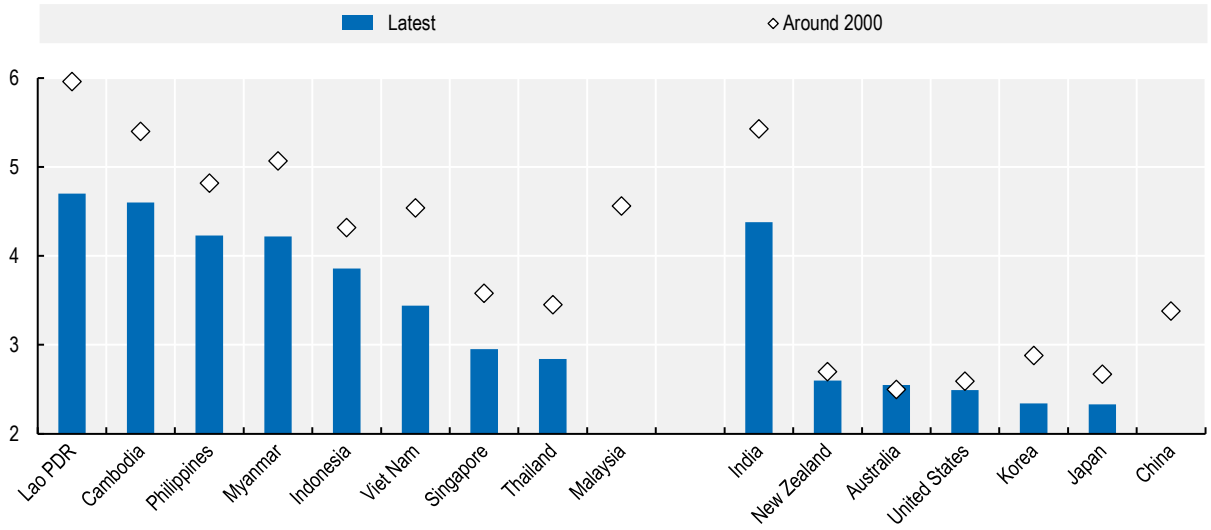
Source: United Nations World Population Prospects: The 2024 Revision.

1.2.4. Declining household sizes

Household sizes have been shrinking over recent decades in all ASEAN countries. Household sizes have fallen by around 0.8 people over the last 20 years within ASEAN countries, with Lao PDR recording the largest fall from 6.0 people on average in 2000 to 4.7 in 2017 (Figure 1.9). Although there is no data available for China and Malaysia after 2000 both countries had seen falling sizes in the preceding 20 years, by 1.0 and 0.6, respectively. As populations age there will therefore be fewer immediate family members to provide the traditional familial support that has been common in ASEAN countries. Of all the countries shown in the below figure, Australia, New Zealand and the United States have had almost stable sizes although from initially low levels.

Figure 1.9. Smaller household sizes over time

Average number of people per household



Note: Data beyond 2000 is not available for China or Malaysia and no data is available for Brunei Darussalam.
Source: United Nations, Department of Economic and Social Affairs, Household Size & Composition, 2022.

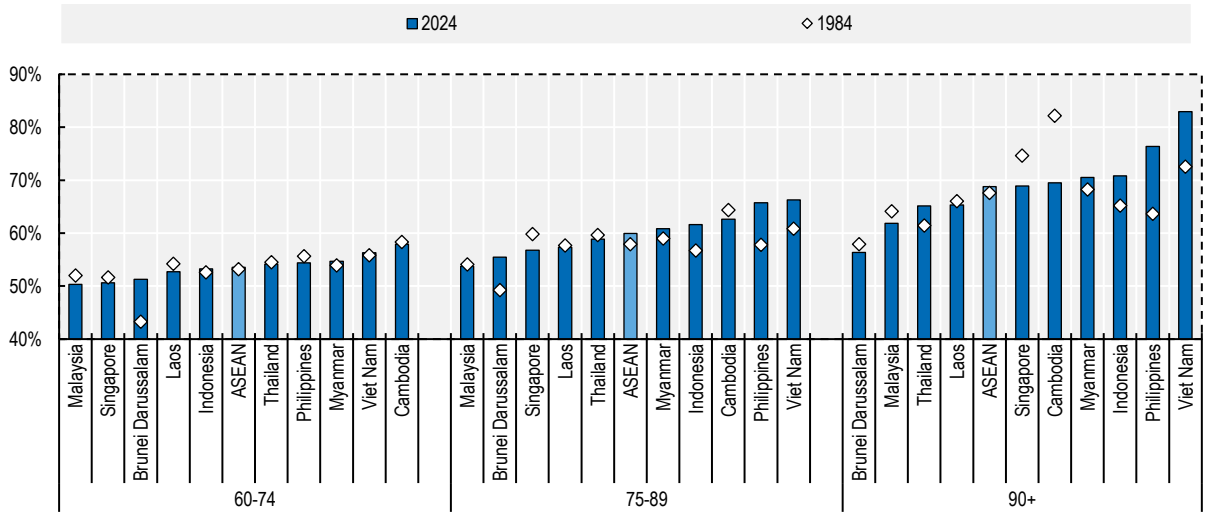
Multigenerational households are still common in ASEAN countries. In 2020, 39% of all households contained at least two generations of related members aged 20 or over, whereas in most OECD countries for which data are available the share is below 20% (United Nations, 2022[1]). Overall, three-generation households – three or more generations of related members, irrespective of age – account for 22% of all ASEAN households.

The proportion of women within older age groups has been fairly steady over the last 40 years, accounting for more than 50% of the population in all older age groups (Figure 1.10). The share of women has increased by 2 percentage points on average for the 75-89 age group between 1984 and 2024, increasing from 58% to 60% and by 1 percentage point for the 90+ age group, while remaining fairly constant at 53% for the age group 60-74. Cambodia, Lao PDR, Malaysia and Singapore have all had a declining share of women across all age groups between 1984 and 2024 while the share has been growing in Indonesia, Myanmar and Viet Nam among all three age groups.

Female heads of households are becoming more common. Between 2000 and 2020 the proportion of households with a female head increased from 19.4% to 24.3% across ASEAN countries, compared to an increase from 33.8% to 39.0% across the OECD (United Nations, 2022[1]). Whilst these women are often single mothers many will be elderly single as a result of having outlived their spouses. These elderly single will be more vulnerable to poverty having been less likely to have their own pension entitlements and will be reliant on both state and family support.

Figure 1.10. The proportion of women at older ages has been fairly stable

Percentage of women within the age group



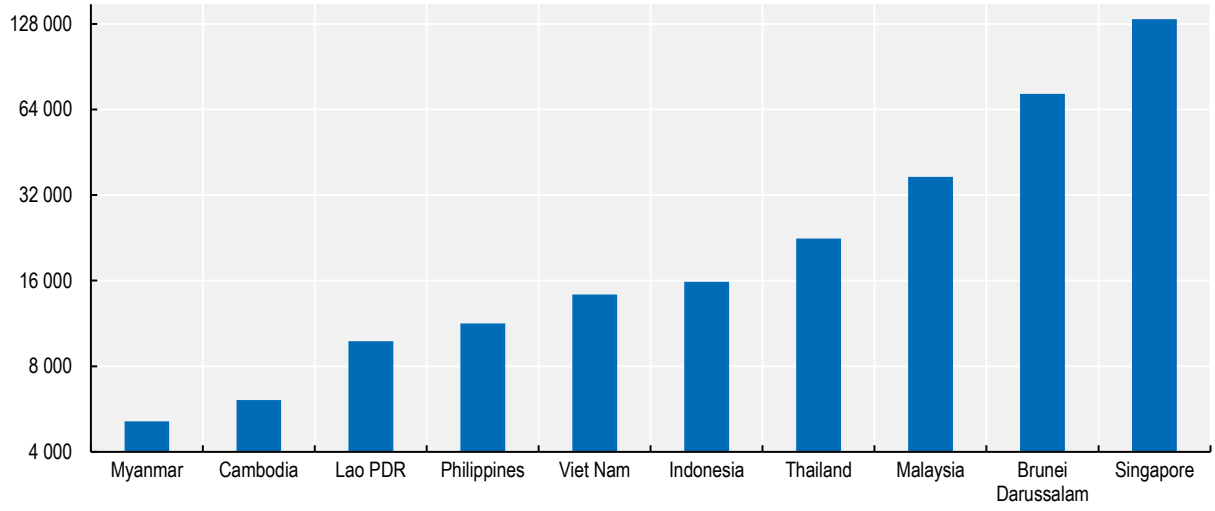
Source: United Nations World Population Prospects: The 2024 Revision.

1.3. Overall economy

1.3.1. Low-income ASEAN countries have been catching up

ASEAN countries represent a very heterogeneous group economically. Measured by GDP-per-capita, even in Purchasing Power Parity (PPP) terms, economic development is 26 times greater in Singapore than in Myanmar (Figure 1.11).

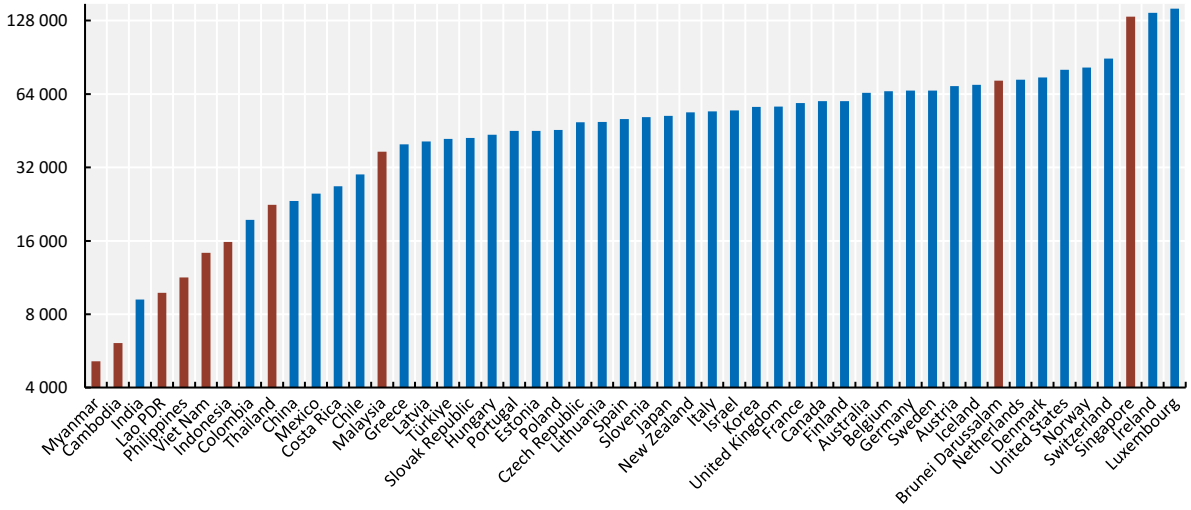
Figure 1.11. GDP-per-capita among ASEAN countries, 2023, US$ PPP



Source: 2023 IMF World Economic Outlook.

In terms of GDP-per-capita, Brunei Darussalam and Singapore compare with the richest OECD countries, while for all the other ASEAN countries except Malaysia and Thailand, GDP-per-capita is lower than in Colombia, which has the lowest level among OECD countries (Figure 1.12). Thailand's standard of living (measured by GDP-per-capita in PPP terms) compares with that in Latin American OECD countries while Malaysia's is close to that in Greece, Latvia, the Slovak Republic or Türkiye.

Figure 1.12. GDP-per-capita in ASEAN and OECD countries, 2023, US$ PPP (Log)



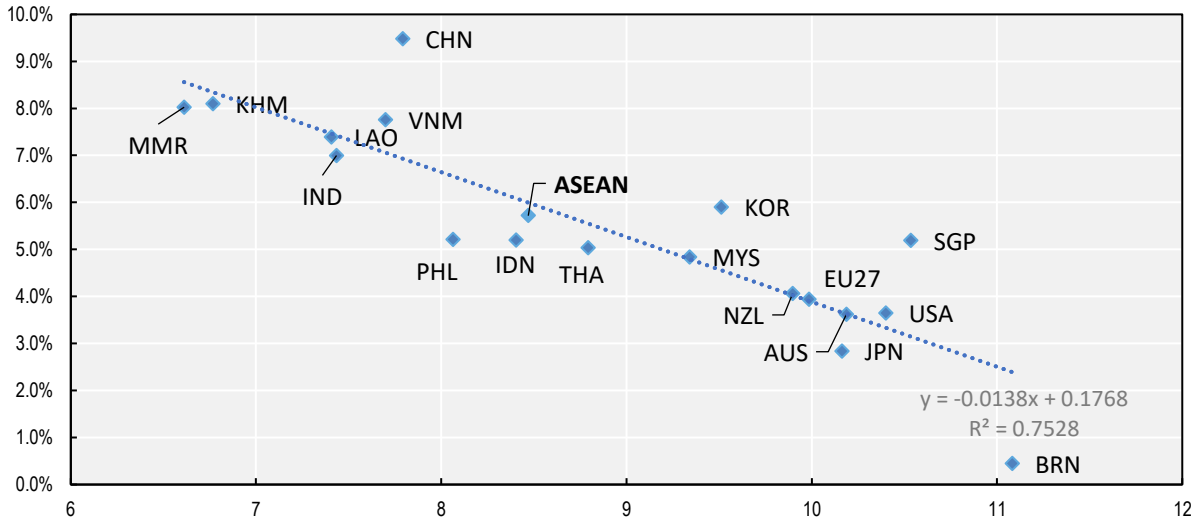
Source: 2023 IMF World Economic Outlook.

Such differences are due to huge variation in economic performance and to a much smaller extent in demographics. Indeed, while Brunei Darussalam and Singapore have the highest share of the working population (aged 20-64) in total population, the range across countries is relatively small: from 55-56% in Cambodia, Lao PDR and the Philippines to 64% in Brunei Darussalam and 68% in Singapore. Adjusting for the share of the working-age population reduces cross-country differences to some extent: there is still a very large 1-to-21 range in terms of GDP per working-age population between Singapore and Myanmar compared with the aforementioned 1-to-26 range in GDP-per-capita.

Economic catch-up over the past 25 years has, however, substantially reduced these overall income gaps. For example, in 1998, GDP-per-capita in Brunei Darussalam and Singapore were 87 and 50 times that of Myanmar compared to 14 and 26, respectively, in 2023. Average annual growth in real GDP-per-capita over that period was 7.4% or higher in Cambodia, Lao PDR, Myanmar and Viet Nam (Figure 1.13) – it was 9.5% in China. Among ASEAN and selected OECD countries, there has been a clear negative relationship between initial (1998) real-GDP levels and growth over the last 25 years, consistent with the notion of economic convergence. The strong correlation between economic growth and initial income levels translates into an annual speed of convergence of 1.4%, which implies, if maintained over the long term, that half of the initial gap in GDP-per-capita between two countries is eliminated after 41 years.[3] Since 2010, however, the catch-up process has stalled in Indonesia and the Philippines (OECD, 2024[2]).

Figure 1.13. Higher economic growth for low-income countries among ASEAN Member States

Average annual real growth in GDP-per-capita over 1998-2023 (y-axis) vs. initial (in 1998) GDP-per-capita level (in log, x-axis)



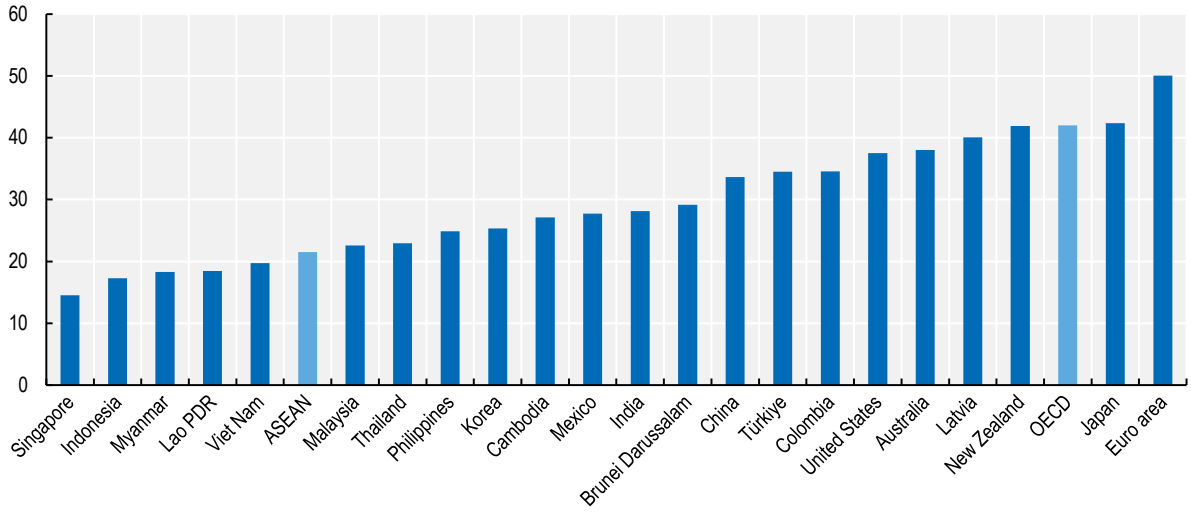
Source: OECD calculations based on 2023 IMF World Economic Outlook.

1.3.2. Public expenditure is low but ageing will put heavy pressure in some countries

Public spending is low in ASEAN countries, which limits the scope of social protection. Public expenditure was equal to 21.5% of GDP on average across ASEAN Member States in 2023, about half the ratio in the OECD on average (42.0%) (Figure 1.14). Differences in economic development may explain part of this pattern, but even the richest ASEAN countries spend a small share of GDP.

While lags in economic development limit the capacity to raise tax revenues, there is no correlation across countries between the levels of GDP-per-capita and public expenditure as a share of GDP, neither among ASEAN countries alone nor among OECD countries alone. For example, Singapore is both the richest ASEAN country and the one with the lowest public expenditure ratio. Cambodia spends 27.1% of GDP, the second highest after Brunei Darussalam, while it is the second poorest based on GDP-per-capita. In the OECD, the four countries with the lowest level of GDP-per-capita (Chile, Colombia, Costa Rica and Mexico) do tend to have lower spending, at 35% of GDP or less, but among the other countries there is no negative correlation between the levels of economic development and public expenditure.

Figure 1.14. Public expenditure, percentage GDP, 2023



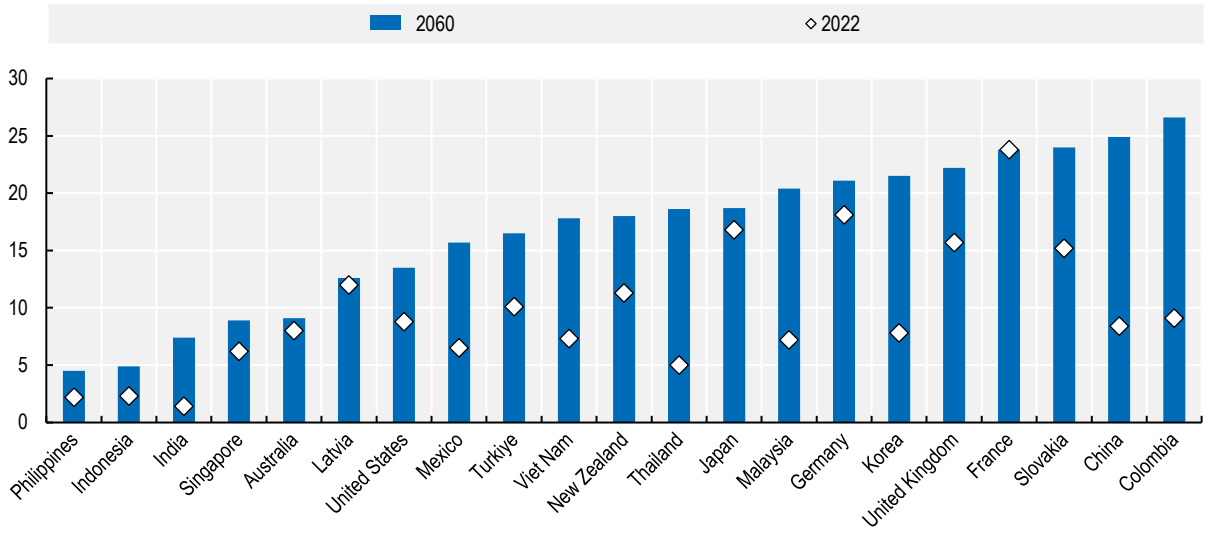
Source: OECD calculations based on 2023 IMF World Economic Outlook.

Population ageing will put heavy strain on public finance and, in particular, on financing pensions, health and long-term care. Public spending as a share of GDP is projected to significantly increase in most countries, driven by the acceleration in old-age to working-age ratios which raises spending levels (numerator) and may put downward pressure on GDP in some countries (denominator). Under unchanged pension policies, ageing directly increases the GDP share of spending from defined benefit PAYG pensions while it reduces monthly benefits in defined contribution schemes. However, most studies find only a limited effect of demographics on the past growth of health expenditure compared to non-demographic effects (Rouzet et al., 2019[3]), as what matters most for healthcare expenditures are the death-related costs, and therefore the share of a country's population being close to death (Marino et al., 2017[4]). Changes in incomes and the associated demand for higher quality services have been the main reason behind increases in health spending in the past decades.

The share of pension and healthcare expenditure in GDP will raise sharply in some ASEAN countries. The projected increase will exceed 10 percentage points between 2022 and 2060 in Malaysia, Thailand and Viet Nam, as well as in China and Korea (Figure 1.15). It would be much smaller, although still significant, in Indonesia, the Philippines and Singapore, as well as in Japan, reflecting differences in the pace of ageing, the scope of healthcare and pension systems and measures already taken to deal with ageing challenges. Under an unchanged policy scenario, the tax burden would have to rise sharply to keep debt-to-GDP ratios constant in many countries (Guillemette and Turner, 2018[5]).

Figure 1.15. Age-related public expenditures to increase sharply in some ASEAN countries

Pension and healthcare spending as a percentage of GDP

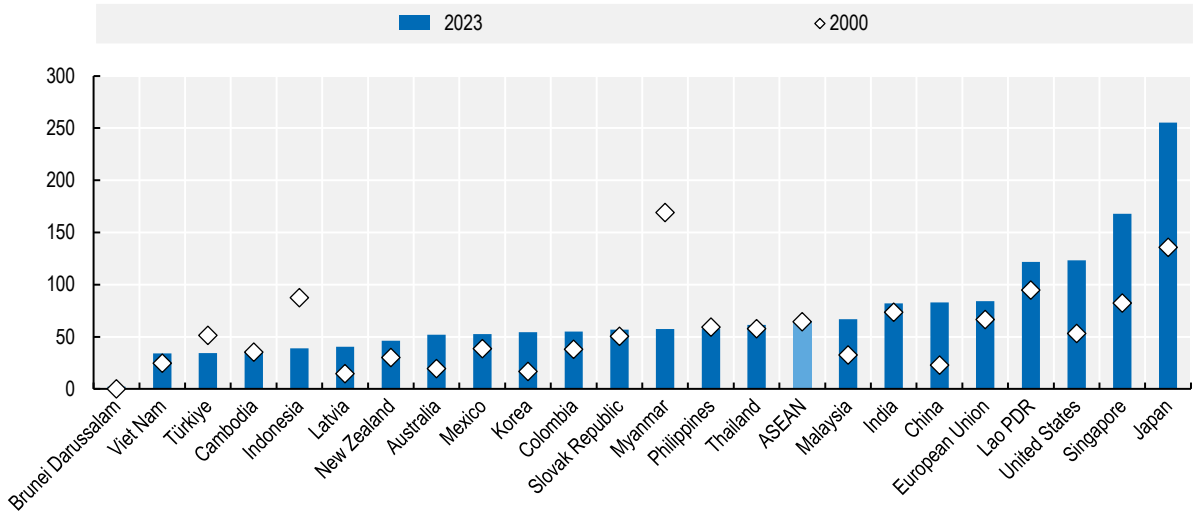


Source: S&P Global: Global Aging 2023: The Clock Ticks.

1.3.3. General government debt and current account balances over the past decades

Public debt levels paint a contrasted picture across ASEAN countries. Brunei Darussalam is an outlier with basically no debt. The two most indebted countries are Lao PDR and Singapore, with strong increases in the size of debt as a share of GDP over the last two decades (Figure 1.16) despite low spending as shown above. Given its low development level, the high debt level in Lao PDR (larger than 120% of GDP) raises some concerns in terms of its fiscal space to expand social protection. The size of public debt in Indonesia was strongly reduced from 87% of GDP in 2000 in the wake of the Asian crisis of the late 1990s to below 60% in 2003 and 39% in 2023. Indonesia applies the parameters from the Maastricht Treaty (3% of GDP for the fiscal deficit and 60% of GDP for the total government debt). Those rules – relaxed during COVID-19 – have been very effective in maintaining general government debt at sustainable levels and pushing down government bond yields (Pulugan and Listiyanto, 2021[6]). Malaysia is also taking important steps to strengthen fiscal sustainability. The new fiscal framework established by the Public Finance and Fiscal Responsibility Act may be instrumental to face fiscal challenges driven by population ageing (OECD, 2024[7]).

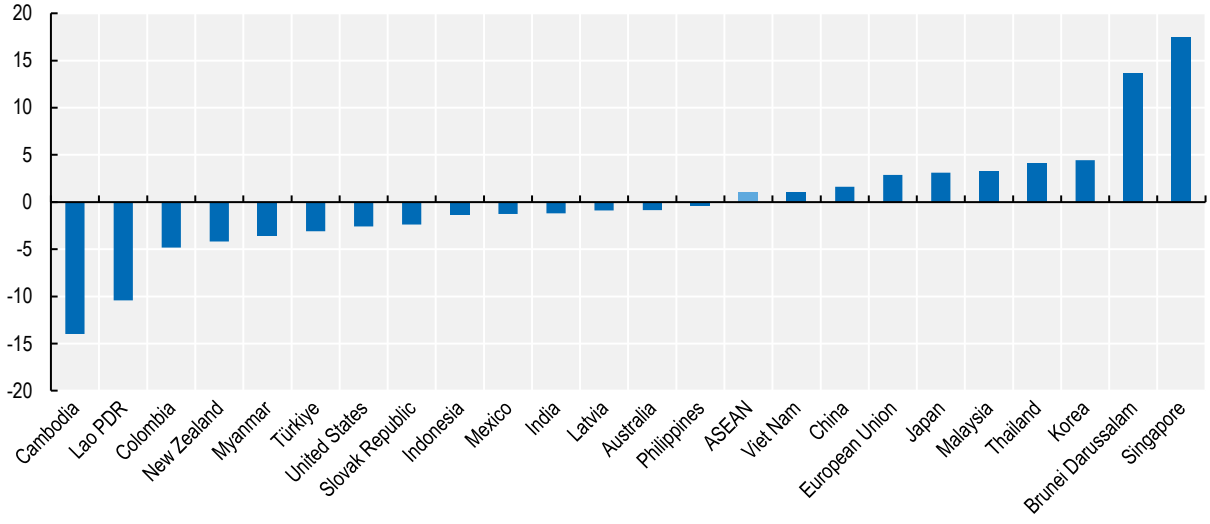
Figure 1.16. General government debt as a percentage of GDP



Source: OECD calculations based on 2023 IMF World Economic Outlook.

Large current account deficits generate risks of macroeconomic imbalances in Cambodia and Lao PDR. Over the past decade, the current account deficit has exceeded 10% of GDP in both countries (Figure 1.17). In the case of Lao PDR, this adds to the large mounting public debt highlighted above. In addition, over the last decade on average, the annual general government net lending was close to a deficit of 4% of GDP in Lao PDR, pointing at twin-deficit weaknesses.[4] By contrast, Malaysia and Thailand have recorded persistently large current-account surpluses, and even significantly more for Brunei Darussalam and Singapore where the average annual surplus over the last decade has exceeded 13% of GDP.

Figure 1.17. Current account balance, percentage GDP, annual average 2014-23



Source: OECD calculations based on 2023 IMF World Economic Outlook.

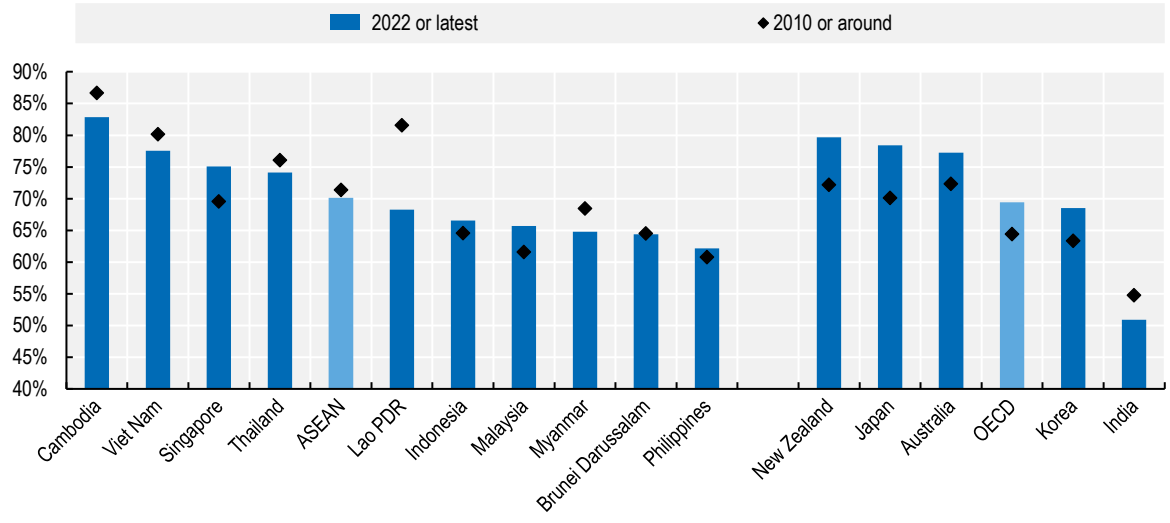
1.4. Formal and informal employment

1.4.1. Stable total employment rates with shifts from agriculture to services

On average across ASEAN countries the share of people working, both formally and informally, among those aged 15-64 was 70% in 2022, similar to the OECD average at 69%. However, while total employment rates increased substantially in the OECD from 64% in 2010, they were broadly stable among ASEAN countries on average (Figure 1.18).[5] In 2022, employment rates stood at 70% or more in Cambodia, Singapore, Thailand and Viet Nam while they were 65% or less in Brunei Darussalam, Myanmar and the Philippines.

Figure 1.18. Employment rate has been stable in ASEAN countries over the last decade

Employment to population ratio, aged 15-64

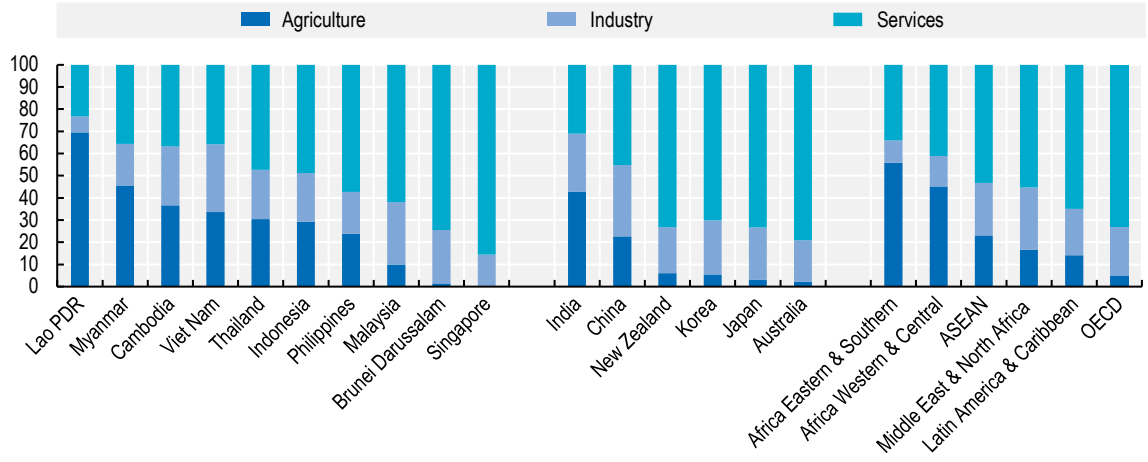


Note: Data for 2023 in Singapore, 2017 in Malaysia, 2015 in Myanmar and 2014 in Brunei Darussalam.
Source: OECD database, ILO database, Malaysia Institute of Labour Market Information and Analysis, Singapore Manpower Research and Statistics Department.

Many workers at all ages work in agriculture in most ASEAN countries, but overall employment is shifting strongly towards services. In all ASEAN countries except Brunei Darussalam, Malaysia and Singapore more than 20% of workers still work in agriculture, with as much as 70% in Lao PDR and 46% Myanmar in 2022 (Figure 1.19). On average, agriculture employs 28% of workers in ASEAN countries compared to less than 5% in the OECD, 43% in India and 23% in China. In other parts of the world, Eastern and Southern Africa show even a higher share of agriculture at 56%, followed by Western and Central Africa at 45%. With similar average shares of industry in ASEAN and OECD countries – at 21% and 22%, respectively – the higher share of agriculture in ASEAN countries means a lower share of services. The employment share of agriculture in ASEAN countries has been declining fast. In 2022, at 28% it was substantially lower than its 2010 level of 35% on average (World Bank, 2024[8]). As an example, there has been a striking shift in Malaysia in recent decades, from agriculture to manufacturing and services. In the 1960s, agriculture contributed to more than 30% of GDP. The 1980s saw the beginning of a massive industrialisation process, driven by substantial foreign direct investment in manufacturing, mainly from Japan and the United States. In the following decades the services sector expanded rapidly, and it accounted for 58% of GDP in 2022, compared to 24% for manufacturing.

Figure 1.19. Many workers in ASEAN countries still work in agriculture

Formal and informal workers by sectors, 2022



Note: Averages for Middle East and North Africa, and Latin America and the Caribbean exclude high income countries from these regions.
Source: World Development Indicators, World Bank, https://databank.worldbank.org.

1.4.2. Informal employment is large but shrinking

The definition and measurement of informal work is not straightforward. The informal sector includes all enterprises and self-entrepreneurs that produce legal good and services but are not compliant with labour, fiscal and administrative laws and regulations (OECD/ERIA, 2018[9]). There are different degrees of informality, from unregistered enterprises and self-entrepreneurs with no relations with the public administration (total informality) to enterprises that are registered and acknowledged by the public administration but that are not fully compliant (partial informality). Measuring informal economic activity is inherently difficult because informality, by definition, cannot be tracked by official registers, and often takes place in diffused small businesses that might evade formalisation. Small-scale operations often remain below employment or turnover thresholds required for registration, paying taxes or social security contributions, and many businesses can legally be informal. Moreover, some businesses choose to remain unregistered to avoid paying taxes and social security contributions.

Both the ILO and the OECD similarly apply different criteria to classify employees and non-employees as informal (OECD/ILO, 2019[10]). Employees are informal when they do not benefit from paid annual leave and paid sick leave and when their employer does not contribute to a pension scheme. Hence, informal employees may work also in formal companies – that is, formally registered e.g. with tax authorities –, especially when they do not benefit from relevant insurance schemes. The self-employed are informal when they do not belong to the formal sector (that is, their economic unit is not registered with the competent authorities). People who assist another household member to operate a family business or a farm, or to perform a job as employees or dependent contractors, the so-called “contributing family workers”, are always considered informal (Kolev, La and Manfredi, 2023[11]; Frosch and Gardner, 2023[12]).

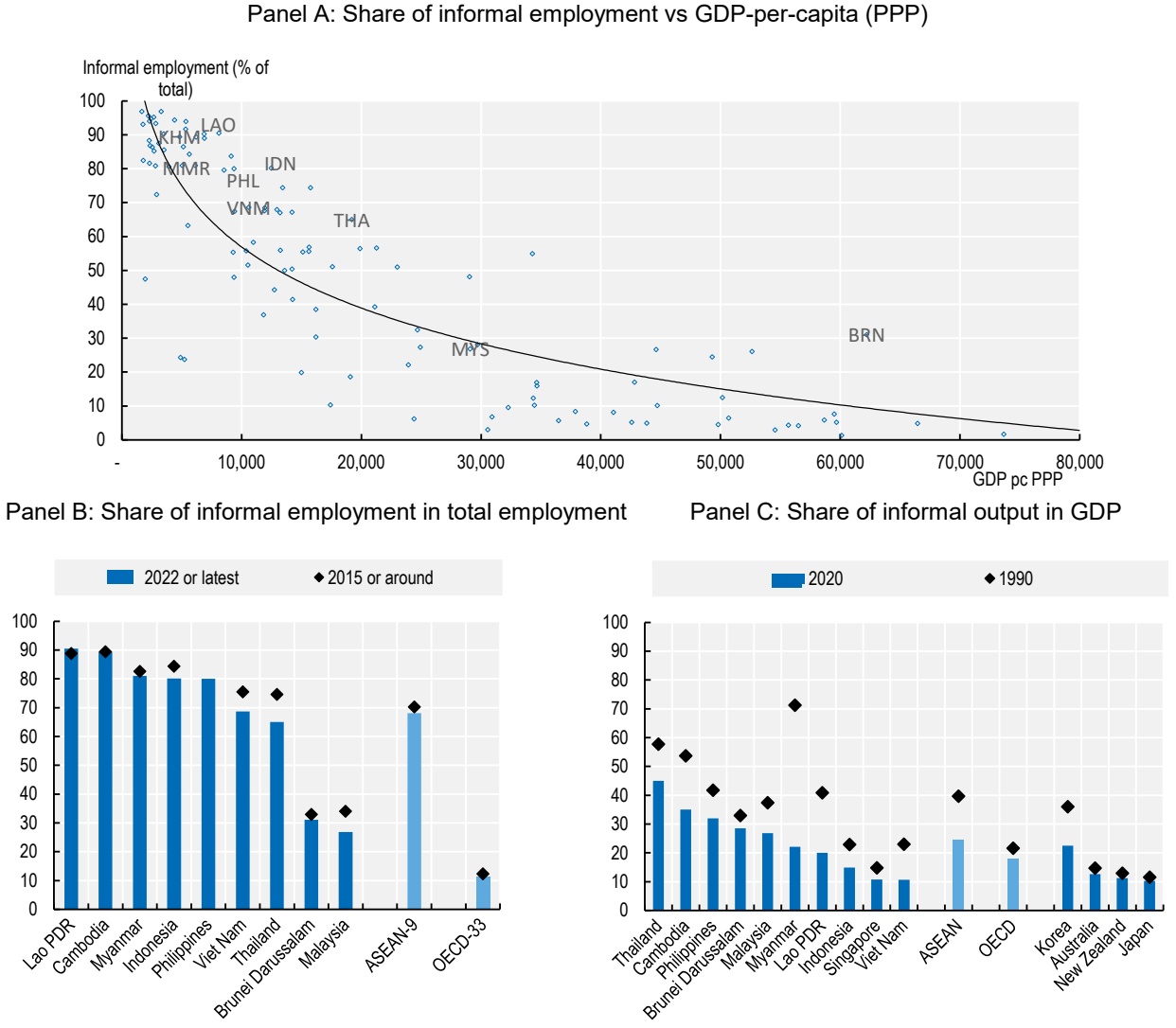
Informal employment is larger in ASEAN countries than what would be expected based on its simple association with economic development level measured by GDP-per-capita, with the exception of Malaysia (Figure 1.20, Panel A). Indeed, the observed relation between informality and GDP-per-capita is strong across countries, even though causality may run both ways, with GDP growth reducing informal employment and vice versa (Duarte, 2016[13]). In principle, national statistical offices account for the informal activities when measuring GDP, but countries differ in how they adjust GDP and some informal activities elude measurement (Andrews, Caldera Sánchez and Johansson, 2011[14]). As informality is

larger in low-income countries, the failure to correct for informality in estimating GDP may mechanically contribute to the correlation between the share of informal employment and GDP-per-capita. Based on cross-country estimates, the levels of GDP-per-capita in Indonesia and Thailand would imply a share of informal in total employment of 51% and 40%, respectively, while it is much higher at 80% and 64%.

On average, two-thirds of workers work informally in ASEAN countries compared to one in nine in OECD countries on average (Figure 1.20, Panel B).[6] In Cambodia and Lao PDR, informal workers make around 90% of total employment, while they make around 80% in Indonesia, Myanmar and Philippines and slightly less than 70% in Viet Nam and Thailand. By contrast, in Brunei Darussalam and Malaysia, only one-third and one-quarter of workers are informal, respectively and also in Singapore most workers are formal (Sciortino, 2021[15]). In Brunei Darussalam and Singapore, informal employment concerns mainly migrant workers, who account for about one-third of all workers in each country and are not mandatorily covered by social security (Ministry of Finance and Economy, 2024[16]; Ministry of Manpower, 2024[17]). Since 2015, the situation has improved substantially in Indonesia, Malaysia, Thailand and Viet Nam, where the share of informal employment declined by 4, 8, 10 and 7 percentage points, respectively. In Thailand, the National Statistical Office (2023[18]) confirms a substantial decline of informal employment from 63% to 51% of total employment between 2012 and 2022, even though the absolute levels suggest a lower incidence of informal employment, than based on ILO data at 65% in 2018.

The share of the informal economy in total output, of 25% on average across ASEAN countries, is much smaller than its share in employment (Figure 1.20, Panel C). This is because informal employment often takes place in formal enterprises and informal work is often less productive than formal work. However, this remains higher than the OECD average at 18%. Among OECD countries in Asia-Pacific, the share of the informal economy in total output is at 12% or less in Australia, Japan and New Zealand, while it is 23% in Korea, which is higher than in Indonesia, Lao PDR Myanmar, Singapore and Viet Nam. Between 1990 and 2020, the share of the informal economy has fallen substantially in all ASEAN countries, from 40% to 25% of output on average. The largest decreases are recorded in Cambodia, Lao PDR and Myanmar – by 19, 21 and 49 percentage points, respectively. The declining trend of the shadow economy has taken place more generally around the world (Quiros-Romero, Alexander and Ribarsky, 2021[19]).

Figure 1.20. Informal employment is widespread but declining in some ASEAN countries



Note: Panel B: Data for Philippines based on Nguyen and Cunha (2019[20]), while Malaysia on World Bank (2024[21]). For calculating the ASEAN average in 2015 or around values the 2022 or latest data were used for the Philippines. Panel C: World Bank estimates on the share of informal output in GDP are based multiple indicators multiple causes model. Due to data availability, the OECD-33 average does not include Canda, Israel, Japan, New Zealand and the United States.
Source: ILO (2024[22]), Elgin et al. (2021[23]), data on GDP-per-capita from 2019, IMF (see Section 1.2).

Informality differs by sector, urbanisation level, age and education (Nguyen and Cunha, 2019[20]). First, more than 84% of informal workers are employed by informal firms, 10% by formal enterprises and 6% by households. Second, informal work is common in all sectors, while being more prevalent still in agriculture: across ASEAN countries, 96% of workers in agriculture are informal against 73% and 71% in industry and services, respectively. In total, 44% of informal workers work in agriculture in ASEAN countries, against 19% in industry and 37% in services. Third, informal employment is more prevalent in rural areas than in non-rural areas: the share of informal workers in rural areas is higher by 28 percentage points than in non-rural areas in Viet Nam and between 10 and 20 points in Cambodia, Indonesia, Lao PDR, Myanmar, Philippines and Thailand. Fourth, on average across ASEAN countries, the incidence of informal work is similar among men and women.[7] Fifth, informal employment is slightly more common among people younger than 25 and older than 55.[8] Sixth, in ASEAN countries, 89% of workers with primary education

work informal, while this is the case for 43% of workers with tertiary education. Additionally, Quiros-Romero, Alexander and Ribarsky (2021[19]) point out that most studies show that wages in the informal sector are lower than in the formal sector, but this is largely related to lower education levels of informal workers. Arnold et al. (2024[24]) show that informal workers rarely belong to households including formal workers resulting in limited social protection for whole households of informal workers.

The very large scope of informality complicates the measurement of unemployment. For example, many job-seekers in low-income countries often undertake some informal work for few hours a week, such as selling vegetables from their own garden, and they thereby are counted as workers (Dewan and Pee, 2007[25]). This can partly explain why unemployment rates are low in ASEAN countries. In 2022, it stood at below 3% on average across countries, which was twice lower than the OECD average. The low unemployment rate varied from less than 1% in Cambodia and Thailand to 5.2% in Brunei Darussalam. Indeed, unemployment rates do not capture underemployment, which is likely to be an important driver of poverty. When in 2021 Nigeria stopped including within unemployment both people working fewer than 20 hours a week and agriculture workers producing goods only for their own consumption, the unemployment rate declined from 33% to 5% (Lain and Pape, 2023[26]).

1.4.3. Causes and consequences of informal work

Labour codes, social-security and tax laws do not mandatorily cover all workers in ASEAN countries. Exceptions are provided, in particular to those working in small companies, the self-employed, migrants as well as part-time, temporary or seasonal workers. Nguyen and Cunha (2019[20]) provide a few examples of such exemptions. The mandatory social insurance scheme in Viet Nam covers only employees with at least a one-month contract. In Myanmar, in the private sector, social security only covers mandatorily the companies with more than five employees. In Cambodia, social protection coverage was, until recently, only applied to enterprises with more than eight employees. Domestic workers are typically not protected by national labour legislation and do not work under the same conditions as other workers in terms of employment conditions and wages, which affects their access to social security.

Even when registration is mandatory for firms or workers, the enforcement of the rules is often weak. Nguyen and Cunha (2019[20]) assess that the labour and social protection inspection mechanisms in some ASEAN Member States are relatively weak, particularly so in Lao PDR; moreover, some countries do not ensure regular labour or tax inspections and do not apply regular penalties on companies for employing workers informally. Labour inspectors often lack sufficient resources in ASEAN countries and do not have the right to control enterprises for which the registration obligation does not apply, even if they employ workers informally. Many firms are small and short-lived, which makes it difficult to track them, at least in Indonesia (UN, 2022[27]).

Tedious administrative processes of registration and reporting create a barrier for the formalisation of work. For example, in Myanmar, the system for business registration is considered complicated and fragmented by employers, which leads to inefficiencies and disincentives for firms to enter the formal economy (Nguyen and Cunha, 2019[20]). Also in Myanmar, the difficulties in registering an activity in the business register, in turn, often blocks the registration of workers in social security. On top, rigid formal rules might be difficult to be respected by the self-employed, seasonal workers and agriculture workers whose income fluctuates substantially during the year.

When the system is perceived as corrupt, inefficient or ineffective, workers and companies are less inclined to formalise. For example, many workers did not join the social insurance scheme in Viet Nam because they perceived it as financially depleted (Nguyen and Cunha, 2019[20]). More generally, informal businesses are often not well informed about the benefits of formalisation (OECD, 2020[28]).

Informal enterprises often favour the advantages brought by informality while workers might underestimate the benefits of formalisation and have limited opportunities for formal employment. Workers and employers

easily see the costs of formalising while the benefits are often diluted, in particular when social services are under-developed and social security is perceived as not providing value for money. Additionally, low-productive firms may not break even if they were to pay full social contributions and taxes and obey minimum-wage regulations (Arnold et al., 2024[24]). Similarly, substantial taxes and social contributions can be difficult to pay by low-income individuals working informally. This is particularly the case in the agriculture, where both low pay and informality are widespread. If the costs of formalisation push workers' disposable income to very low levels, then the benefits of formalisation are unlikely to be accepted. In Lao PDR and Myanmar, the lack of employment opportunities in the manufacturing and services sectors keep workers in agriculture, in small farms in particular (Nguyen and Cunha, 2019[20]).

Benefits of formalisation are even less compelling to workers as formal employment rarely provides any protection against unemployment or access to active labour market policies in ASEAN countries. Unemployment insurance is not well developed: it does not exist in Brunei Darussalam, Cambodia, Indonesia, Myanmar, Philippines and Singapore, and covers only a few percent of workers in Lao PDR and Malaysia.[9] By contrast, around two-thirds of workers are covered in Thailand and Viet Nam where unemployment insurance was introduced before 2010 (ILO, 2024[29]). Cambodia, Indonesia, Malaysia and Philippines introduced unemployment insurance over the last six years, while Singapore has only announced plans, in 2024, to introduce it. Only about half of countries worldwide offer unemployment insurance (Obinger and Schmitt, 2021[30]). By contrast, OECD countries spend 0.6% of GDP on unemployment benefits on average. Moreover, active labour market policies – which provide support to jobseekers to increase employment opportunities and improve matching them to available jobs – are also underdeveloped among ASEAN countries. The average expenditure on active labour market policies stood at 0.05% of the GDP in 2019, more than 10 times less than among OECD countries. Proper instruments to help workers find new jobs and improve their employability are becoming even more instrumental to prolong working lives as technological progress is rapidly changing the skill requirements of jobs.

Platform work, which has expanded recently around the world, reinforces informality, although platforms by themselves are registered and precisely record work. In ASEAN countries, platform workers are not considered employees and, therefore, they largely work informally, without being covered by social protection schemes (ASEAN, 2022[31]). However, internet platforms may facilitate insurance coverage. For examples, Indonesia introduced a digital mechanism to improve access to accident insurance for taxi rides. When using the application, a small part of the tariff includes fees for accident insurance (ILO and OECD, 2018[32]).

The vast majority of informal workers suffers from very limited protection against the risks of income losses related to illness, disability and old age. This is because most of them are not covered by contribution-based social protection while safety nets are often underdeveloped. For example, the share of active contributors to the pension system as a percentage of the labour force varies from around 60% in Brunei Darussalam, Malaysia, Singapore and Thailand to less than 20% in Indonesia and Myanmar (Chapter 3). The low social protection coverage of informal workers became even more severe during the COVID-19 pandemic.[10] This is a vicious circle because, at the aggregate level, informality limits the financial capacity to provide social protection by narrowing the tax base. Informality also limits access to both training and skill development and protection by labour regulations including the minimum wage. Informal workers report being frequently exposed to long hours and hazardous working conditions (Fleischer et al., 2018[33]). The challenges posed by informal employment are becoming even more pressing in the population-ageing context as discussed in Chapter 4.

Informality distorts competition. Informal enterprises or those outsourcing part of the production to informal entities have lower operating costs. This competitive advantage tends to hinder the expansion of formal enterprises. Lower labour costs and limited access to external financing of informal enterprises skew production towards more labour-intensive processes and have a negative impact on capital accumulation,

innovation and technological progress (OECD/ERIA, 2018[9]). By accentuating competitive advantages in labour-intensive products, informality hinders moving up the product ladder.

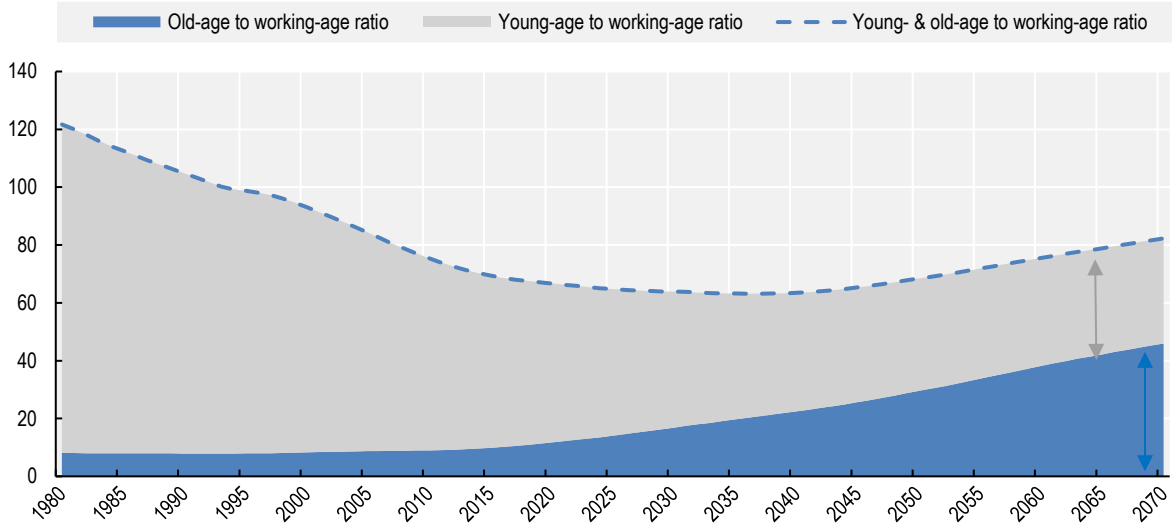
1.5. Does ageing lower income and productivity growth?

1.5.1. Channels through which ageing affects GDP-per-capita

Ageing is expected to substantially lower the growth rates of GDP-per-capita. The direct channel through which long-term income prospects are negatively affected by population ageing is through the lower share of the working-age population in total population. This is the flip side in countries who benefited from large demographic dividends when that share was increasing. While pension systems are strained by ageing through the increase in the old-age to working-age ratios, the demographic indicator that matters more to capture the impact of demographic shifts on ageing is the young-age and old-age to working-age ratio – this is often referred to as the "total (demographic) dependency ratio", which is the complement of the share of the working-age in total population. The old-age to working-age ratio has gradually increased over the past decades and is now accelerating. However, the young-age to working-age ratio has decreased sharply and the fall is now slowing down substantially as fertility rates are already "relatively" low. The total effect for ASEAN countries on average has been a decline of the young-age and old-age to working-age ratio ("growth demographic dividend") to reach a trough in the mid-2030s, from which it will gradually increase (Figure 1.21).

Figure 1.21 Demographics to weigh on the growth of GDP-per-capita as the increase in the number of older people is no longer more than offset by fewer children

Young-age (0-19) and old-age (65+) to working-age (20-64) ratios on average among ASEAN countries, percentage



Note: The demographic young-age and old-age to working-age ratio is defined as the number of individuals aged 0-19 and 65 and over per 100 people aged between 20 and 64.
Source: United Nations, Department of Economic and Social Affairs (2022), World Population Prospects 2022, Online Edition (for future periods: medium-variant forecast).

This means that the mechanical effect of demographics on the growth of GDP-per-capita has been positive, but this positive effect is expected to disappear in the near future, except in Cambodia, Lao PDR and the

Philippines. More precisely, the mechanical effect has contributed to the annual growth in real GDP-per-capita of 0.6 percentage point among ASEAN countries on average over the last three decades and will be a drag of 0.1 percentage points over the next three decades based on current demographic projections. The drag will be large at about 0.5 percentage points in Brunei Darussalam, Singapore and Thailand.

The increase in the "total dependency ratio" until 2070 is smaller than that in the old-age to working-age ratio as the continued decline in the young-age ratio is projected to offset half of the latter in ASEAN countries on average (Table 1.3). The slowing down in the young-age ratio is less abrupt in Lao PDR and the Philippines, and Cambodia to a lesser extent. The fall in the "total dependency ratio" was similar across countries since 1980, between 52 and 72 points, except in Singapore where it was 30 points. The increase until 2070 will be very strong in Singapore and Thailand, and relatively large in Brunei Darussalam, Malaysia and Viet Nam (Table 1.3).

Table 1.3. Young-age and old-age to working-age ratios in ASEAN countries

Demographic ratios over the past 45 years and projected over the next 45 years

	Young-age to working-age ratio			Old-age to working-age ratio			Young-age and old-age to working-age ratio		
	1980	2025	2070	1980	2025	2070	1980	2025	2070
Brunei Darussalam	106.3	41.9	36.2	5.9	11.1	47.8	112.1	53.0	84.0
Cambodia	136.4	70.5	44.6	7.8	11.6	28.0	144.2	82.2	72.7
Indonesia	113.8	54.2	39.2	8.1	12.6	33.6	121.9	66.8	72.8
Lao PDR	128.4	70.2	40.3	8.0	8.6	28.9	136.5	78.8	69.2
Malaysia	110.1	46.2	34.3	7.4	12.8	47.0	117.5	58.9	81.4
Myanmar	108.1	53.0	39.5	8.9	12.4	30.9	117.1	65.5	70.4
Philippines	139.8	64.4	36.2	6.5	10.0	31.8	146.3	74.3	68.0
Singapore	67.1	24.5	28.6	8.3	20.6	99.0	75.4	45.1	127.6
Thailand	108.5	32.0	29.4	7.1	25.2	66.0	115.5	57.1	95.4
Viet Nam	118.2	50.1	35.5	12.3	15.7	45.7	130.5	65.8	81.2
ASEAN	**113.7**	**50.7**	**36.4**	**8.0**	**14.1**	**45.9**	**121.7**	**64.7**	**82.3**

Note: The demographic young-age and old-age to working-age ratio is defined as the number of individuals aged 0-19 and 65 and over per 100 people aged between 20 and 64.
Source: United Nations, Department of Economic and Social Affairs (2022), World Population Prospects 2022, Online Edition (for future periods: medium-variant forecast).

This direct negative effect of ageing on GDP-per-capita can be offset or magnified depending on the evolution of the total employment rate, average hours worked and hourly labour productivity. Indeed, GDP-per-capita (GDP pc) is the product of hourly labour productivity (LP), the aggregate employment rate (ER), average hours worked per worker (H) and the share of the working-age in total population (s_{WA}):

$$GDP\ pc = \frac{GDP}{POP} = \frac{GDP}{L.H} \times \frac{L}{WA} \times H \times \frac{WA}{POP} = LP \times ER \times H \times s_{WA}$$

where POP, L and WA denote, respectively, total population, total employment and the working-age population.

One key policy response to longevity trends is to boost total employment, and in particular at older ages where there remains large potential in many countries. In some, there is also some wide margins to raise female or youth employment. Beyond more employment, the impact of ageing on GDP-per-capita will depend on how labour productivity is affected. If ageing lowers labour-productivity growth, this will add to the negative effect from the lower share of the working-age population. By contrast, if ageing were to raise productivity growth, this would at least partially offset the direct demographic effect.

Measuring labour productivity at the individual level is notoriously difficult. The standard view is that productivity increases with age until the early 50s and then decreases at older ages. This is the result of better experience with age and, at some points in the second part of the career, deteriorating health, the obsolescence of skills and a lower capacity to innovate and adapt to innovations. Hence, shifts in the age structure of the working-age population are likely to affect aggregate labour productivity. However, even based on this standard age profile of productivity, the total impact is not straightforward as that profile is non-monotonous, combined with unprecise levels e.g. beyond age 60.

Moreover, labour productivity has two main components: one is total factor productivity (TFP) and the other is captured by the capital-labour ratio and influenced by the substitution between capital and labour. Even if ageing were to lower TFP growth, it may be associated with labour shortages and lower interest rates, which would raise the capital-labour ratio through labour-saving investments, with the total effect being undetermined. The substitution of capital to labour may be especially relevant for automatable tasks or jobs.

1.5.2. Mixed evidence of the impact of ageing on income and productivity growth

The evidence on the overall effect of the shift in the age structure of the working-age population on aggregate productivity is mixed. Aiyar, Ebeke and Shao (2016[34]) find that the ageing of the workforce, measured by the increase in the share of workers aged 55-64 in the total workforce, has significantly reduced labour productivity growth in the European Union since the mid-1990s through its effect on TFP growth. Gagnon, Johannsen and Lopez-Salido (2021[35]) find that the impact of demographic factors on GDP growth in the United States between 1960 and 2015 was positive in the 1960s and 1970s, negative from the 1980s, and basically accounts for the total slowdown in the GDP-growth trend since the 1980s. Their estimated large impact comes directly, almost one-to-one, from the lower growth in the size of the working-age populations, with very limited effect from lower TFP growth and capital-labour substitution.

By contrast, Acemoglu and Rastrepo (2017[36]) show, across both OECD and non-OECD countries, that ageing is not associated with lower growth in GDP-per-capita. This implies that the declining share of the working-age population has been offset by higher labour productivity and/or higher employment rates. These authors highlight that countries where ageing has been faster are characterised by a higher rate of technology adoption, which can therefore be considered the market response to increasing labour shortages and upward pressure on wages. There is evidence that countries (e.g. Germany, Korea) undergoing a more rapid ageing of their workforces have experienced a faster development and adoption of automation technologies since the 1990s (Rouzet et al., 2019[3]). Acemoglu and Rastrepo (2022[37]) show that rapidly ageing countries have invested significantly more in new robotic and automation technologies, and provide evidence suggesting that this is due to the implied scarcity of middle-aged workers and that industrial automation is indeed most substitutable with middle-aged workers. Among OECD countries, Japan and Korea stand out as examples of rapidly ageing societies with a significant reliance on robotics (André, Gal and Schief, 2024[38]). Alongside Singapore, they are the top three adopters of robots in manufacturing, and Japan alone accounts for 47% of global robot production. Börsch-Supan, Hunkler and Weiss (2021[39]) find no decline in average productivity in the age range 20-60.

However, some inefficiencies may lead to ageing still exerting downward pressure on GDP. The adoption of labour-saving technologies (capital deepening) driven by ageing has operated through lower interest rates, resulting from a possible combination of labour shortages and excess saving. This mechanism breaks down when the adjustment of interest rates is constrained by a lower bound on nominal rates, limiting investment and the possibility to absorb excess savings. Eggertsson, Lancastre and Summers (2019[40]) find that this happened during the decade of the Great Financial Crisis, consistent with the secular stagnation hypothesis. So, if ageing pushes interest rates down structurally such that the zero lower bound becomes effective, lower growth of output-per-capita would result. Additionally, wealth may become more concentrated among older people, who tend to have larger savings. As older people are more risk averse

and more likely to invest in real estate or government bonds instead of financial investments that are more productive, less risk-taking overall may slow down growth and innovation (André, Gal and Schief, 2024[38]). Moreover, in some Asian countries in particular, seniority-based wage settings, which remains the norm e.g. in Japan and Korea, leads to the decoupling of wage and productivity at older ages. As ageing increases the share of older workers, this inefficient channel is poised to play a larger role, impeding GDP growth.

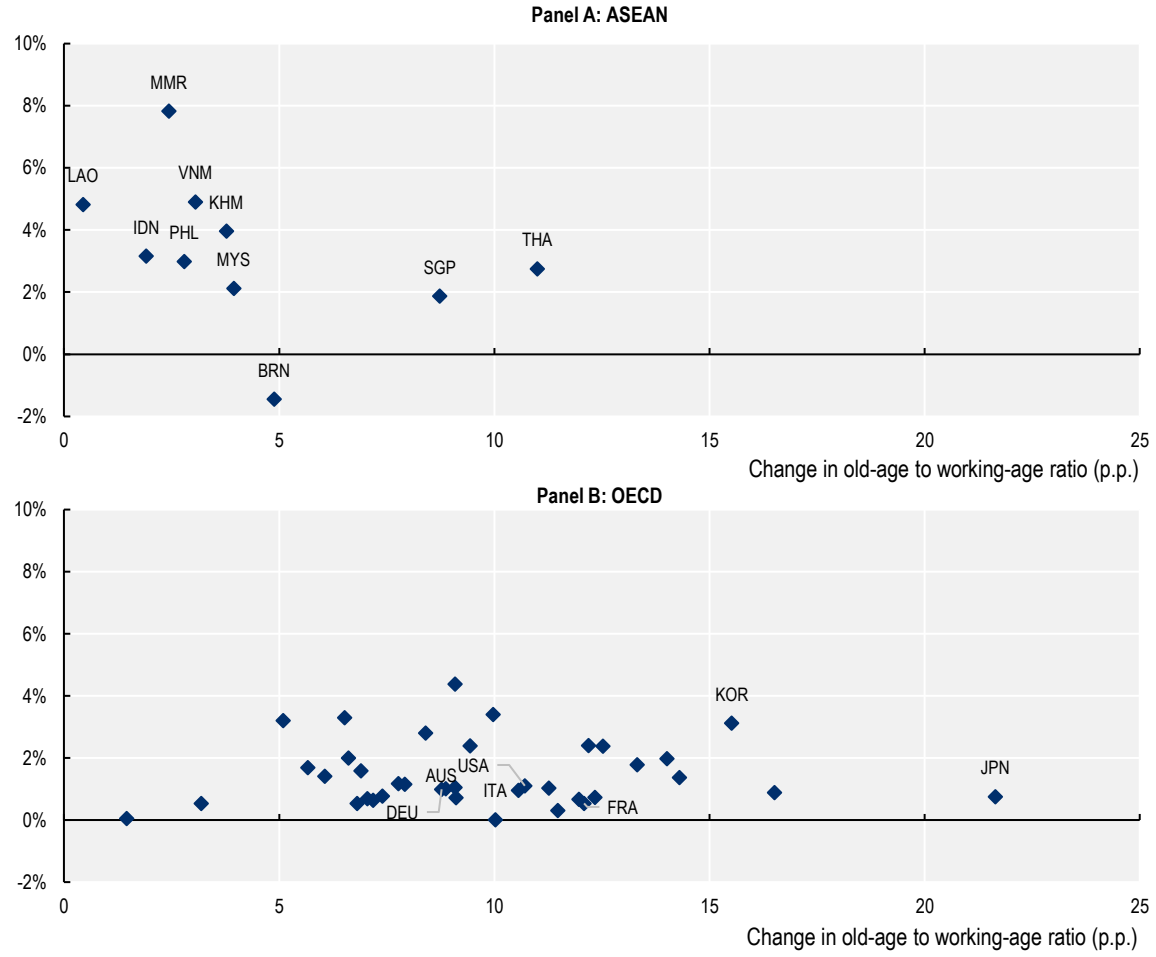
Another channel through which ageing may affect aggregate productivity is through the demand side, i.e. shifts in the aggregate consumption basket (André, Gal and Schief, 2024[38]). In particular, it is expected that ageing increases the shares of some services with low-productivity growth in total demand, such as housing and long-term care, which would tend to lower aggregate productivity.

Ultimately, the impact of ageing on income growth will depend on the relative magnitudes of: declining employment-to-population ratios; rising capital per worker; and, productivity growth, which in turn depends on the pace of innovation, technology adoption and human capital investments induced by ageing (Rouzet et al., 2019[3]). As ageing has started to accelerate in many OECD countries over the last decade and will continue at a fast pace in the forthcoming decades, the respective weights of these three factors will change. Hence, evidence about the aggregate effect of ageing in the past may provide little guidance about the aggregate effect in the future. Also, ASEAN countries are following their own ageing patterns, with very fast ageing in some of them.

Overall, ASEAN and OECD countries that have aged faster over the last two decades have not faced lower productivity growth. There is indeed no significant relationship between the pace of ageing and labour productivity growth since 2005 (Figure 1.22). This is despite the fact that Singapore and Thailand, as well as Japan within the OECD, have been ageing fast and recorded low productivity growth.

Figure 1.22. There is no relationship between speed of ageing and productivity growth

Annual growth rate of GDP per hour worked and pace of ageing, 2005-24



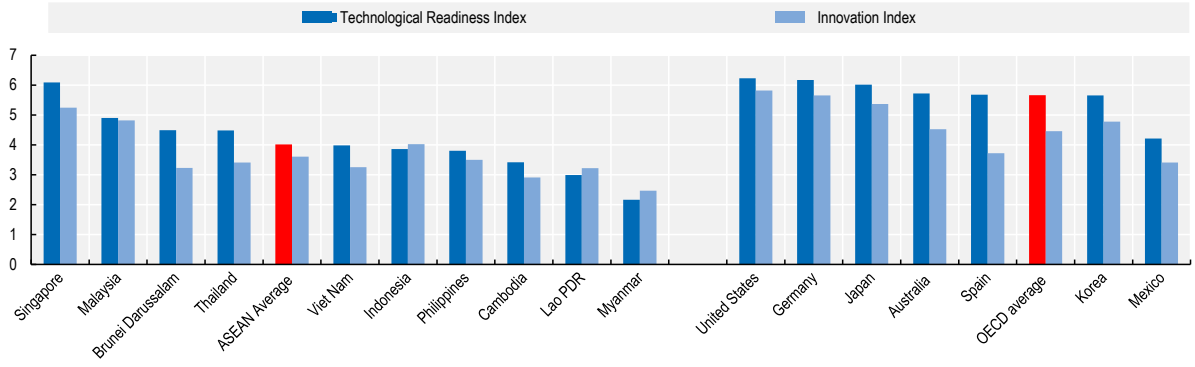
Note: In these charts, the old-age to working-age ratio is defined as those aged 65 or above as a percentage of the population between 20 and 64.
Source: ILO modelled estimates and United Nations World Population Prospects. The 2024 revision.

1.5.3. Future challenges for ASEAN countries

Ageing fast and at an early stage of economic development means that ASEAN countries have less time and resources to adopt the technological innovations that could raise productivity in an ageing society. Overall, ASEAN countries are much less technology-ready than OECD countries. The World Economic Forum's (WEF) indices on technological readiness and innovation are part of the WEF's database on key determinants of productivity and competitiveness. These indices give a score between 1 (worst) and 7 (best) on technological readiness and innovation based on a range of variables. While OECD countries score 5.7 on technological readiness and 4.5 on innovation on average, ASEAN countries only score 4.0 and 3.6, respectively, on average (Figure 1.23). Singapore is above the OECD average while Cambodia, Lao PDR and Myanmar have the lowest scores. Lagging behind is partially due to lower levels of economic development. Fast ageing may make it harder for ASEAN countries to catch up on technology and innovation.

Figure 1.23. ASEAN countries are less prepared for technology and innovation than OECD countries

Technology Readiness Index and Innovation Index, 1 (worst) - 7 (best), 2017 or latest available



Note: The technological readiness index measures the agility with which an economy adopts existing technologies to enhance the productivity of its industries, while the innovation index measures the extent to which an economy is conducive to innovative activity. Index scores are calculated based on a weighted average of several relevant indicators. Data is 2017 for all countries except Myanmar (2015).
Source: World Economic Forum's Global Competitiveness Index (2017).

Moreover, some ASEAN countries seem to be unprepared to innovate fast enough to sustain productivity growth given ageing prospects in the forthcoming decades. Based on Chomik and Piggott's (2021[41]) comparison of countries' speed of ageing by 2050 and their current score on the WEF's Innovation Index, OECD countries are generally above world average in both ageing speed and innovation, as are Malaysia and Singapore. However, Thailand and Viet Nam are significantly above world average on ageing speed but not on innovation. Most other ASEAN countries are still below the world average for both dimensions.

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World Bank (2024), *World Development Indicators*, https://databank.worldbank.org/source/world-development-indicators. [8]

Notes

[1] Life expectancy at a given age, say 65, is the number of remaining life years that can be expected. Using remaining life expectancy is therefore redundant as life expectancy already captures remaining years. Yet, to avoid any misunderstanding, the semantic choice has been made to use remaining life expectancy at a given age.

[2] The range will continue to increase beyond 2060, with Singapore reaching a high of over 100 in the early 2070s, but the covariance of standard deviation calculation is flat from 2060 onwards once Singapore, a clear outlier, is removed.

[3] The speed of convergence over 25 years shown in Figure B is 1.4% per year in its linear form. This means that the exact annual convergence parameter is (1-exp(-1.4%*25))/25 = 1.7% and half of initial gaps are eliminated after Log (2) / 1.7% = 41 years.

[4] Source: IMF 2023 World Economic Outlook.

[5] The large decline in Lao PDR, from 82% to 68%, was likely due to methodological changes in labour force surveys.

[6] ASEAN countries use a similar definition of informality but with some particularities, concerning most often the self-employed. For example, Indonesia considers the following categories of workers to be

informal: self-employed without employee or employing only temporary workers; casual workers; and, family workers (ASEAN, 2022[31]) The National Statistical Office in Thailand defines informal workers as those with jobs that are not covered by social protection nor by the labour code. In Singapore, the informal sector refers to self-employed individuals who do not employ any paid worker, so-called own-account workers. Their businesses are exempted from the Business Registration Act. They include for example driving instructors, private tutors, tourist guides, taxi drivers, and freelance real estate and insurance agents. Malaysia excludes the following activities from the informal sector: single entrepreneurs, partnerships and corporations (including corporate farms, commercial livestock raising, commercial fishing and similar units); quasi-corporations; units with ten or more employees (unless they satisfy all the informality criteria); domestic helpers hired by households; units engaged in professional services (unless they satisfy all the informality criteria); farms managed by co-operatives; and farms with clear accounting separation from the households. In Lao PDR, informal employment consists of two types of workers. The first comprises those who are employed in the informal sector enterprises that are not registered and whose workers do not benefit from social protection and work-related benefits. The second segment consists of those who are informally employed in the formal sector and in households. Their employers do not contribute to social protection, and they do not receive work-related benefits such as paid leave and paid sick leave. Contributing family workers are considered to be informal employment regardless of their institutional sector of work.

[7] Men are more likely to work in informal sector in Philippines, Thailand and Viet Nam while the opposite is true in Cambodia, Indonesia, Lao PDR and Myanmar. A policy brief by the Philippine Commission on Women or PCW (2019) highlights that women in the informal sector are more likely to be self-employed than men, operating convenience stores, delivering personal services and they are more involved in home-based sub-contracting.

[8] As for example in Viet Nam (General Statistics Office, 2024[43]).

[9] In Myanmar, although introduced in 2012, it has not yet been implemented.

[10] A large share of the production of the informal sector takes place in workplaces that require physical presence and social interactions. Social distancing measures during the pandemic resulted in unemployment and reduced working hours, and consequently lower income among informal workers who were already vulnerable. Informal workers were harder to reach by government interventions which were targeted using workers registers or tax registers (Quiros-Romero, Alexander and Ribarsky, 2021[19]). As a result, a large proportion of informal workers in Indonesia relied on social assistance (Harapan et al., 2023[42]). Sciortino (2021[15]) concluded that the pandemic showed that social protection systems in Southeast Asia are not tailored to the needs of informal workers.

2 Main areas potentially limiting work capacity at older ages

This chapter analyses the main areas potentially limiting work capacity at older ages. It first describes how employment differs by age across countries, highlights long working hours among ASEAN countries and discusses health and safety regulations as well as exposure to physical risks. It then turns to wage disparities across age and gender given the importance of the minimum wage in most ASEAN countries, strong gendered views on the division of labour in some of them and the role of mandatory retirement rules. The third section discusses possible mismatches between the demand and the supply of skills at older ages. The final section focuses on health and presents new estimates of unused health-related work capacity at older ages. While better health is conducive to higher labour market participation, a large part of the unused work capacity at older ages is not related to insufficient health status.

2.1. Key findings

This chapter analyses the main areas potentially limiting work capacity at older ages. It first describes how employment differs by age across countries, highlights long working hours among ASEAN countries and discusses health and safety regulations as well as exposure to physical risks. It then turns to wage disparities across age and gender given the importance of the minimum wage in most ASEAN countries, strong gendered views on the division of labour in some of them and the role of mandatory retirement rules. The third section discusses possible mismatches between the demand and the supply of skills at older ages. The final section focuses on health and presents new estimates of unused health-related work capacity at older ages. While better health is conducive to higher work labour market participation, a large part of the unused work capacity at older ages is not related to insufficient health status.

The Key findings are the following.

Employment at older ages

- The employment rate of people aged 65 or more is high in ASEAN countries, at 30% on average in 2022, which compares to 13% in the OECD, in great part due to very weak social protection in old age. The employment rate of people aged 65+ was even higher than 40% in Cambodia and Indonesia while it was less than 15% in Brunei Darussalam and Myanmar.
- Employment rates are much lower among women than among men in ASEAN countries, and especially so among older workers, partially due to strong gendered social norms regarding the division of labour in some ASEAN countries.
- Poor working conditions might limit work capacity at older wages in ASEAN countries. Long working hours are common: one in four workers work more than 48 hours per week compared to one in ten in OECD countries. This is the case for more than 30% of workers in Cambodia, Lao PDR and Myanmar. Many older workers in ASEAN countries are highly exposed to physical risks, including posture- and movement-related risks, and occupational injuries remain an important concern in some ASEAN countries.
- There is ongoing policy effort to improve health and safety at work in ASEAN countries. Recent examples include improved capacities of the Labour Inspection Agency in Lao PDR; important role of both International Advisory Panel for Workplace Safety and Health in Singapore and National Council for Occupational Safety and Health in Malaysia; expansion of work safety committees in Thailand; and, enhanced work-related risk assessment in Viet Nam.
- Employment protection ceases five years after the normal retirement age in Malaysia, the Philippines and Thailand, and at the normal retirement age in Singapore and Viet Nam, where they might encourage premature dismissals of workers. Unlike in some OECD countries, seniority wage setting does not seem to play a big role in ASEAN countries.

Health related ability to work at older ages

- Differences in labour market participation across ASEAN countries are larger at older ages. Better health clearly leads to higher work capacity across age groups within countries. Yet, health only partially explains wide participation differences among older people across countries.
- Some ASEAN countries have large unused health-related work potential (UHWP): a significant portion of the older population is not active even though their health would allow it.
- While at the aggregate level, the extent of UHWP is similar among ASEAN and OECD countries, women's low participation rates account for most of the UHWP in ASEAN countries. Gender norms explain why women in particular may not participate in paid work while in good health.
- Both the design of pension systems and income constraints faced by older people are crucial for their decision whether or not to participate. In the absence of significant safety nets and developed

pension systems in most ASEAN countries, older people, men in particular, may keep working despite being in bad health.

2.2. Employment at older ages and working conditions

Poor working conditions, and more generally low quality of jobs, might create constraints for longer working lives. The OECD definition of job quality is based on three dimensions: earnings quality, labour market security, quality of the working environment (OECD, 2024[1]). Earnings quality is measured with both average wages and the wage distribution. Labour market security indicators include both unemployment rate and income smoothing provided by unemployment benefits. The quality of the working environment captures non-economic aspects of jobs including the nature and content of the work performed, working-time arrangements and workplace relationships (OECD, 2017[2]). This section looks into employment rates by age and selected elements of working conditions: working hours, physical risks at work, health and safety regulation and discrimination against older workers.

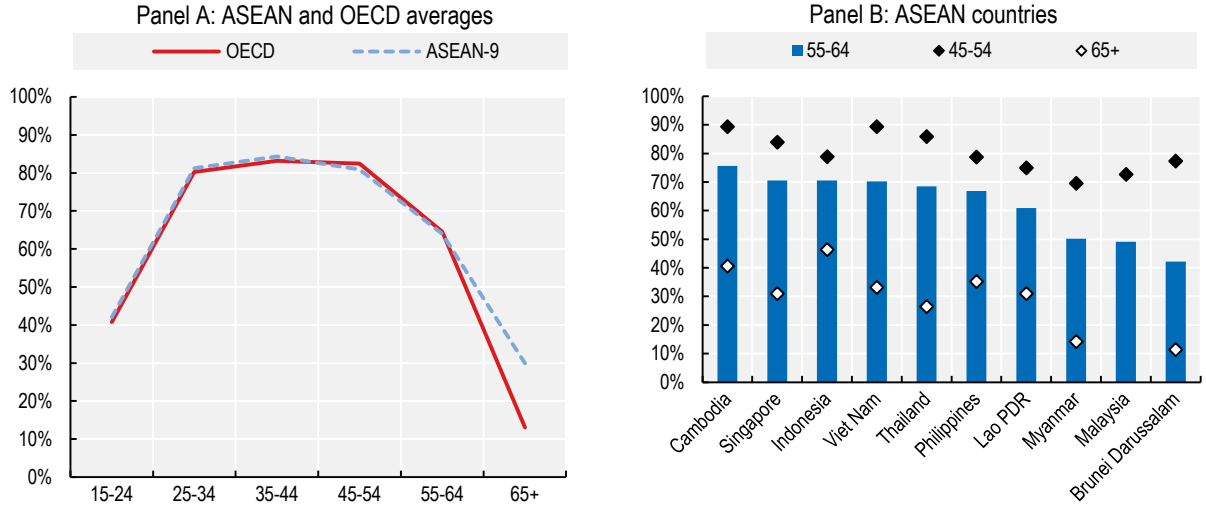
2.2.1. Many older people work in ASEAN countries

On average, employment rates by age are similar among ASEAN countries and OECD countries. In 2022, employment rates stood at around 80% in the age groups 25-54, and at around 65% for people aged 55-64 (Figure 2.1, Panel A). Among the 55-64 age group, employment rates were lower in Brunei Darussalam, Malaysia and Myanmar at 50% or less, compared with 60-75% in other countries (Panel B).

By contrast, the employment rates of people aged 65 or more are high in ASEAN countries, at 30% on average compared to 13% among OECD countries in 2022. Employment rates of people aged 65+ in Cambodia and Indonesia were even higher than 40% while they were less than 15% in Brunei Darussalam and Myanmar. People older than 65 often work in the informal economy, in agriculture in particular, and many of them do not have access to pensions (Chapter 3). Without pensions and with very limited safety nets, employment, often despite low earnings, is the only choice for some older people.

Figure 2.1. Many older people work in ASEAN countries

Employment rates by age groups, 2022 or latest



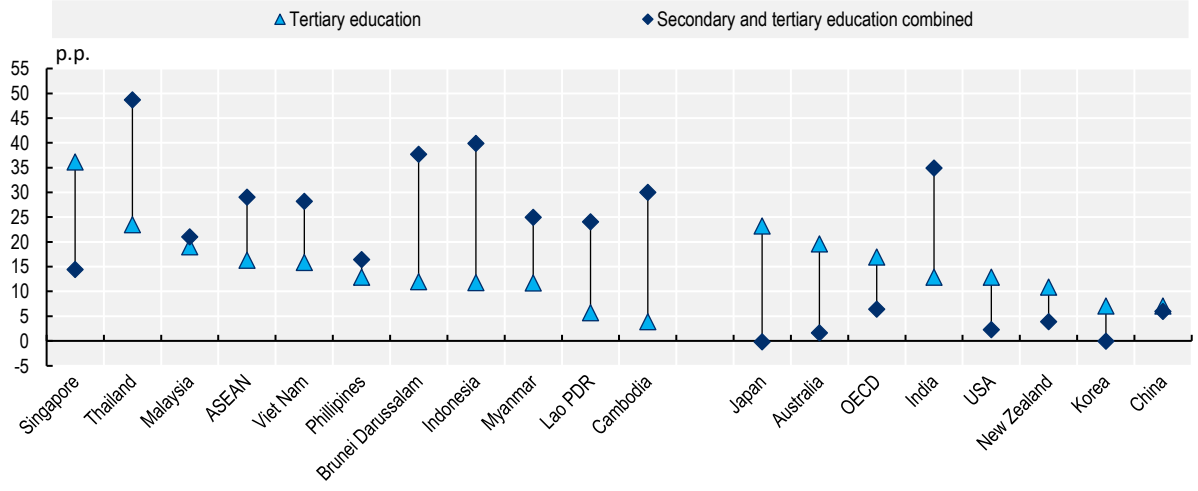
Note: The average for ASEAN countries excludes Malaysia, because data on the age group 65+ are missing.
Source: ILO labour statistics (https://ilostat.ilo.org/topics/employment/#) and OECD labour statistics (https://stats.oecd.org/Index.aspx?DataSetCode=LFS_SEXAGE_I_R) and national data for Malaysia.

Gender employment gaps are substantial in ASEAN countries and more pronounced among older workers than in the overall working-age population. On average across ASEAN countries, the employment rate for individuals aged 15-64 is by 17 percentage points (p.p.) higher for men than for women; the gender gap ranges from less than 10 p.p. in Cambodia, Lao PDR and Viet Nam to more than 25 percentage points in Indonesia and Myanmar.[1] This gap is substantially higher among the 55-64 age group as it averages 25 percentage points across ASEAN countries, even exceeding 40 p.p. in Malaysia and Myanmar. By comparison, the gender employment gap is 14 percentage points for the working-age population on average across OECD countries and 17 percentage points among older individuals.

The proportion of people aged 60-64 with tertiary education is expected to increase in all ASEAN countries following the strong recent improvements of higher education attainment. Between 2025 and 2055, the share of older people with tertiary education is projected to increase by 16 percentage points across ASEAN countries on average (Figure 2.2). Singapore would benefit from the largest increase, with a 36-p.p. rise. Cambodia, which has the lowest share of people aged 60-64 with tertiary education in 2025, is projected to record an increase of only 4 percentage points by 2055. However, these changes will not be enough for ASEAN countries to catch up with OECD countries, because the share of people with tertiary education is projected to increase also by 16 percentage points on average across OECD countries. The larger catch up would take place in the case of lower education level. The share of older adults with primary education at most is expected to decline by 29 percentage points on average across ASEAN countries. Thailand, Indonesia and Brunei Darussalam are anticipated to experience decreases of around 40 p.p. or more. As a result, in 2055, among the population aged 60-64 in ASEAN countries, 10% are projected to have no education, 15% to have primary education, 46% to have secondary education only, and 29% will have tertiary education. Meanwhile, in OECD countries, only 1% will have no education, 2% will have primary education, 47% will have secondary education, and 49% will have tertiary education. Several ASEAN countries will continue to have substantial share of older populations without education attainment. In Cambodia, Lao PDR and Myanmar around 20% or more older people will still have no education in 2055.

Figure 2.2. ASEAN countries are expected to record large improvements in educational attainment

Changes in the share of the population aged 60-64 with specific educational attainment levels, 2025-55, percentage points



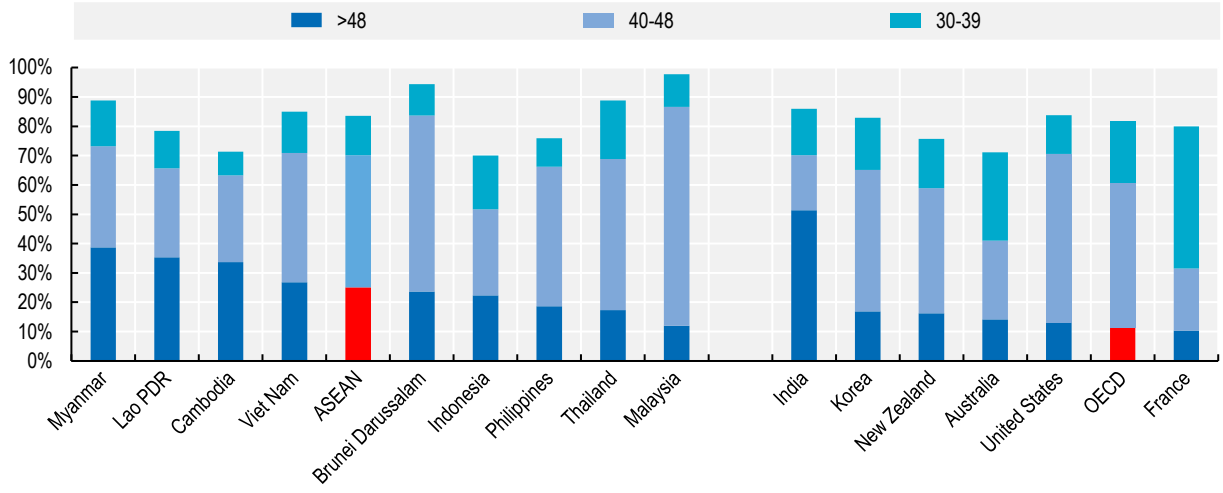
Source: Wittgenstein Centre (2023), Wittgenstein Centre Human Capital Data Explorer.

2.2.2. Many workers work very long hours

Long working hours are common in ASEAN countries: one in four workers work more than 48 hours per week compared to one in ten in OECD countries (Figure 2.3). This is the case for more than 30% of workers in Cambodia, Lao PDR and Myanmar while less than 20% of workers work that long in Malaysia, the Philippines and Thailand. In addition, only three in ten workers work less than 40 hours per week in ASEAN countries against four in ten on average across OECD countries. Very long working hours are widespread and likely to both accelerate wear and tear at work and limit employability at older ages.

Figure 2.3. Many workers in ASEAN countries work very long hours

Share of workers by hours worked per week, 2022 or latest



Source: ILO (https://ilostat.ilo.org/)

In principle, the law sets long working hours in many ASEAN countries and, in practice, these regulations are unlikely to apply fully to informal workers, workers combining multiple jobs and the self-employed. In Cambodia, Lao PDR, Thailand and Viet Nam, the standard weekly working time is 48 hours, typically spread over six days. It is 45 hours in Malaysia and 44 hours in Brunei Darussalam, Myanmar and Singapore. Indonesia and the Philippines set the statutory working hours at 40 hours over five days. Overtime is expected to be paid more, e.g. at 130% of the regular hourly pay in Cambodia and the Philippines. In addition, shorter working hours apply to some jobs or sectors: 37.5 hours per week in the public sector in Indonesia, 42 hours per week in hazardous or arduous jobs in Thailand,[2] and 40 hours in the health sector within large cities in the Philippines.[3] By comparison, in the majority of OECD countries, the statutory limit for normal weekly hours is set at 40 hours a week, based on a five-day working week and eight-hour working days. Higher statutory maxima exist in Chile, Colombia, Israel, Mexico and Türkiye. Australia, Belgium and France have a lower limit (OECD, 2021[3]).

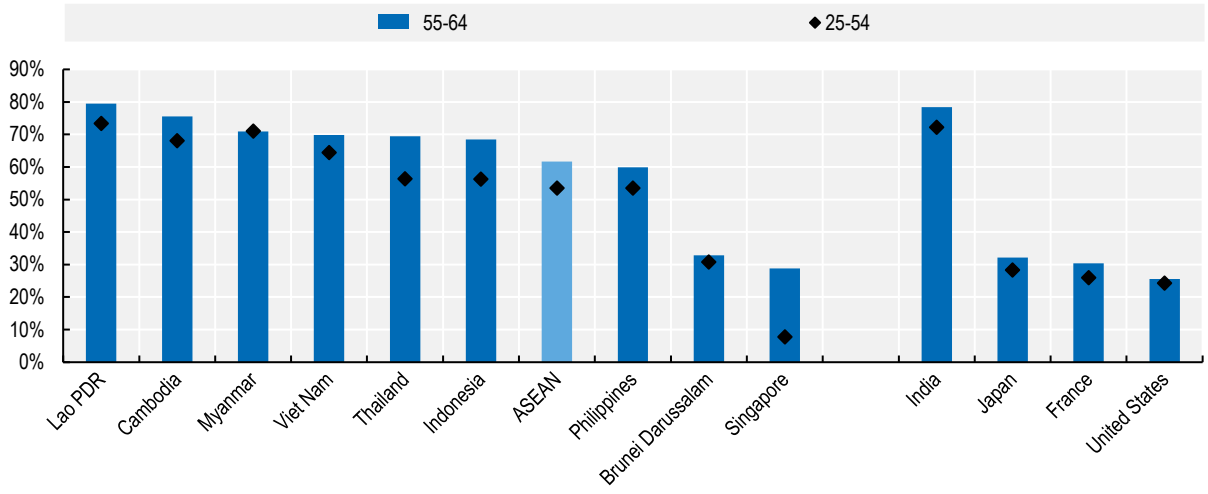
2.2.3. Health and safety regulations, and exposure to physical risks

Many older workers in ASEAN countries are highly exposed to physical risks, including those related to posture- and movement-related risks. On average across ASEAN countries, 62% of workers aged 55-64 work in occupations associated with high exposure to physical risks compared to 52% among workers aged 25-54, as many older workers are currently working in agriculture (Figure 2.4).[4] Long-term exposure to physical risks is likely to reduce work capacity at older ages. In OECD countries, fewer workers work in occupations with high exposure to physical risks, at about 30% of jobs in France, Japan and the

United States, for example. Additionally, for a given occupation, physical intensity and associated risks are typically less intensive in OECD countries due to extensive regulations on health and safety at work (OECD, 2022[4]). In Brunei Darussalam and Singapore, the share of workers in physically risky jobs among those aged 55-64 is around 30%, and it is less than 10% among the 25-54 age in Singapore.

Figure 2.4 Many workers are exposed to physical risks in ASEAN countries

Share of workers working in occupations with high exposure to physical risks, 2022 or latest



Note: Classification of jobs based on (Eurofound, 2014[5]).
Source: ILO database.

Occupational injuries remain an important concern in ASEAN countries with low income. One caveat though is that data about injuries at work are not available for many countries and serious underreporting is very likely given the scope of informality. Yet, the number of fatal injuries at work stood at 14.6 per 100 000 workers in Malaysia and 5.3 in Thailand, compared to 3.1 in Brunei Darussalam, 1.3 in Singapore, 2.6 in France and 0.8 in Sweden.[5] In particular, criticism of poor working conditions in apparel factories in Asian countries generally has been widespread. Enacting progressive laws alone has proved to be inefficient to improve working conditions because enforcing health and safety regulations requires mobilising substantial resources, which have often been missing (Robertson et al., 2016[6]). In Viet Nam, the construction, the mining and chemical sectors are among the most hazardous industries and have high occupational injury rates; the construction sector typically ranks first in terms of the number of occupational incidents in ASEAN countries (ASEAN, 2023[7]). In Cambodia, garment and construction workers are reported as being the most vulnerable to workplace accidents (ILO, 2013[8]). Migrant workers are particularly exposed to occupational risks in the construction sector in Brunei Darussalam (Santoso, 2009[9]).

The positive impacts of improving health and safety at work are substantial and are likely to exceed the cost of their implementation in all age groups. Based on results from 48 companies from eight ASEAN countries, investments in occupational safety and health programmes in the construction sector resulted, on average, in monetary benefits estimated as at least twice the value of investment spending (ASEAN, 2023[7]). Moreover, in Singapore, workers in companies with well-developed health and safety frameworks, are 4.4 times more likely to be proud to work for their company and 7.4 times more likely to be satisfied with their current job (Chia et al., 2015[10]). In addition, employees in these companies are 1.7 times more likely to report being able to easily balance work with other activities.

There is ongoing policy effort to improve health and safety at work in ASEAN countries. In Lao PDR, employers are required to inspect risks to safety and health and report the results to the Labour Inspection Agency at least once per year. In Singapore, the International Advisory Panel for Workplace Safety and Health holds regular meetings to improve workplace standards and outcomes. In Thailand, the law specifies an obligation for employers to create a safe working environment, provide appropriate training, and assess work-related risks regularly. Employees have the right to participate in relevant work safety committees. Non-compliance by employers may result in fines or even imprisonment. In the Philippines, despite a well-established health and safety regulation in the legislation, lack of compliance is a serious issue with only 1 in 18 workers enjoying effective occupational health and safety protection (Lu, 2022[11]). Since 2015, Viet Nam has required employers to conduct risk assessment and evaluation, and in 2016 the government issued more precise guidelines. In Malaysia, regulations concerning health and safety at work are regularly evaluated by the National Council for Occupational Safety and Health, which prepares reports and recommendations for the Minister of Human Resources. Most workers in coffee farms in Viet Nam are covered by health insurance and health and safety regulations, but this is not the case for seasonal workers (ILO, 2023[12]). Key constraints to improve health and safety in the sector include low awareness, inadequate protection equipment, lack of training and insufficient data collection on accidents.

2.3. Wage setting and mandatory retirement ages

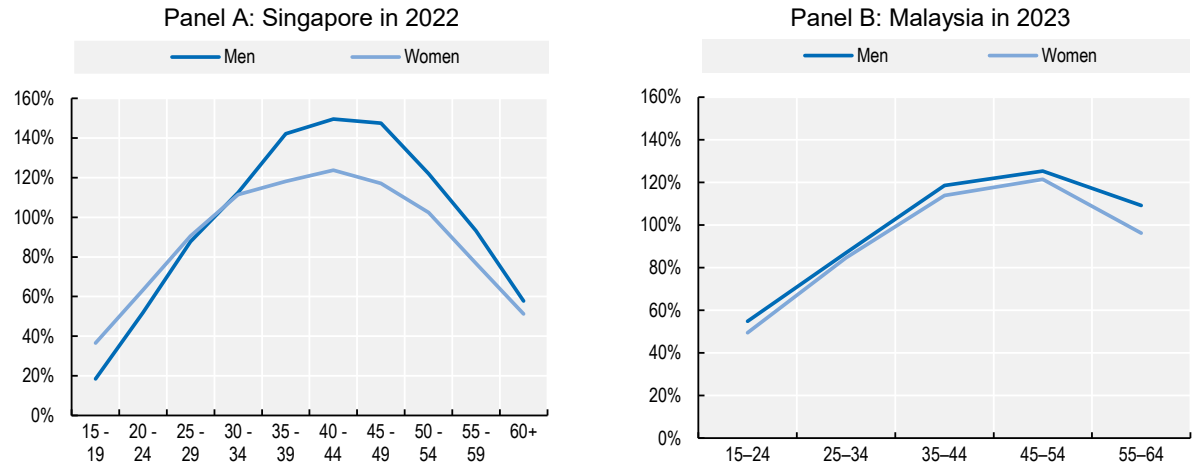
2.3.1. Wage disparities across age and gender

In Malaysia and Singapore, relatively high-income ASEAN countries for which age-specific wage data are available, wages are the highest for workers in age 40-55 Figure 2.5 shows age profiles of monthly wages in Malaysia and Singapore. While workers aged between 15 and 24 earn about 60% of the average wage, those aged between 35 and 49 earn around 120% of the average wage in the case of men and women in Malaysia and women in Singapore; men in Singapore have steeper earnings profiles as they earn 150% of the average wage in their prime age. For those above 50, the earnings drop below the average wage, except for men in Malaysia. Low earnings of older workers reflect both their reduced working hours and the fact that they often work in low-income jobs. The relatively high wages of older men in Malaysia suggests that seniority wage setting in the public sector might prevent stronger wage decreases (see below).

By comparison, differences in the age structure of wages are large across European countries. On average across the EU, median hourly wages are 7.8% higher for workers aged 50-59 than for their peers aged 40-49, and workers aged 60 or more have slightly lower wages (by 1.1%) than those aged 50-59 (Eurostat, 2022[13]). Compared to workers aged 50-59, median hourly wages are substantially higher for workers older than 60 in Italy (14.5%) and France (8.2%), while it is the opposite in Germany (-12.1%) and the United Kingdom (-15.1%). These different patterns result from various skills depreciating at different paces, younger cohorts having different skills than older ones, low- and high-wage earners quitting labour markets at different ages and also from various wage-setting mechanisms.

Figure 2.5. Male workers in their 40s have the highest wages

Monthly wages by age groups and gender as percentage of the national average wage



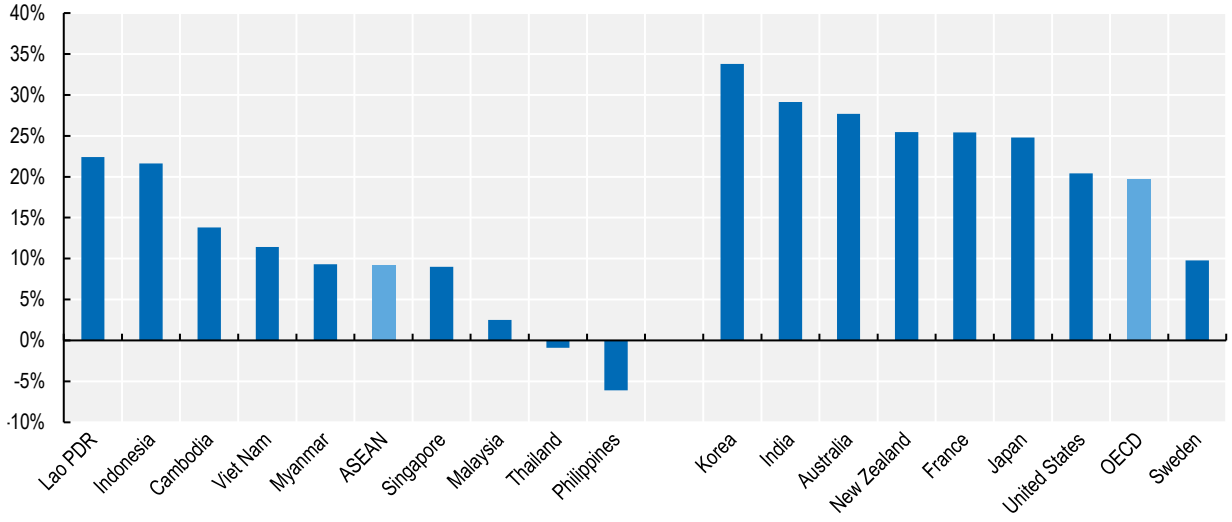
Note: Data from Malaysia are available in 10-year age groups.
Source: OECD calculations based on information provided by countries.

On average across ASEAN countries, women earned 9% less per month than men, compared to 20% less among OECD countries based on ILO data in 2022 (Ilostat, 2024[14]). This is consistent with gender pay gaps being generally low in low-income countries (ILO, 2024[15]). The average gender pay gap is around 20% in Indonesia and Lao PDR while it is slightly negative in the Philippines and Thailand (Figure 2.6). This OECD average reported here is larger than the average gender pay gap of 12% reported by the OECD (2024[16]) because, as opposed to the OECD statistics, the ILO figures include part-time workers, who more often are women.

The gender pay gap is largely influenced by occupational choices of men and women. For example, when wages are compared between people with the same education level working in similar jobs, the so-called adjusted gender wage gap halves in Singapore (Lin, Gan and Pan, 2020[17]). The selection of men and women into certain sectors or occupations is related to strong views on the gender division of labour in some ASEAN countries (Box 2.1).

Figure 2.6. Gender pay gap is relatively low in most ASEAN countries

Difference between the average wage of men and women divided by men's, 2022 or latest



Note: The average wage calculation includes part-time workers.
Source: ILO database (https://ilostat.ilo.org/).

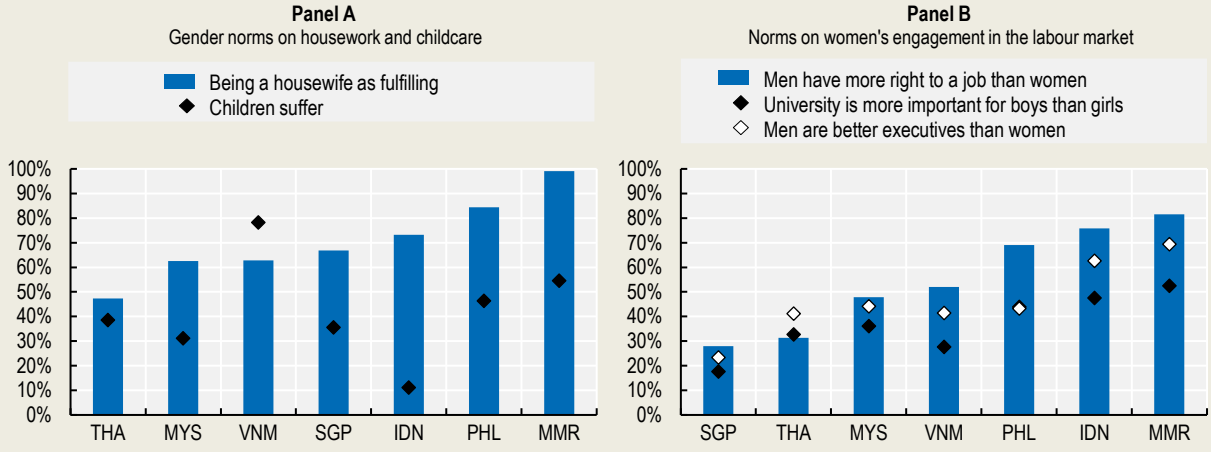
Box 2.1. Views on the division of labour are strongly gendered in some ASEAN countries

Social gender norms on housework and childcare vary strongly across ASEAN countries. Less than half the population of Thailand and more than 70% of the population of Indonesia, Myanmar and the Philippines consider being a housewife to be as fulfilling as being in paid work, with other ASEAN countries situated in between (Figure 2.7, Panel A). A lower but still large share of people are of the opinion that women being in paid work is harmful for their children. In most ASEAN countries, support for the view that mothers' paid work is harmful to children ranges between 31% in Malaysia and 55% in Myanmar. With 11% and 78%, respectively, Indonesia and Viet Nam are absolute opposite outliers in terms of support for the statement that mothers' employment is harmful for their children.

Views on women's engagement in the labour market also differ strongly across ASEAN countries. In Singapore, almost three-tenth of people think employment of men should be prioritised when jobs are scarce, one-fifth think men should be prioritised for university studies and one-quarter think men make better business executives compared to women (Figure 2.7, Panel B). These shares are substantially higher in other countries. One extreme is Myanmar where the respective shares are about three times higher than in Singapore. One concrete way in which stereotypical views of women's role on the labour market affects their employment opportunities is the difficulty women often face in trying to secure loans to develop a business (OECD, 2021[18]).

Figure 2.7. Views on the division of labour are strongly gendered in some ASEAN countries

Share of the population agreeing with the statement, 2022



Reading Note: Panel A shows the share of the population agreeing with statements regarding women's employment; Panel B shows the share of the population agreeing with statements regarding men's entitlements and capacities compared to women.
Note: The full statements in Panel A are "Being a housewife is as fulfilling as working for pay" and "When a mother works for pay, the children suffer". The full statements in Panel B are "When jobs are scarce, men should have more right to a job than women", "University is more important for a boy than a girl" and "Men make better business executives than women do".
Source: OECD, (2024[19]) based on World Values Survey.

Gender norms have become more egalitarian over the last decade in Singapore, whereas Indonesia and the Philippines have moved in the other direction (OECD, 2024[19]). Singapore has become more egalitarian both in terms of the role of women at home and in the labour market. In contrast, views on productivity and labour market participation have become increasingly gendered in Indonesia and, to a lesser extent, the Philippines. Trends are less clear-cut elsewhere. In Malaysia, support for a more traditional view on the role of women in the household grew in parallel with more egalitarian views in the labour market, the mirror image of the change in Viet Nam. In Thailand, finally, there was a drastic drop in the share of the population thinking that mothers' paid work is harmful for children, but there was little change in other attitudes (OECD, 2024[19]).

2.3.2. Wage setting

All ASEAN countries have a minimum wage, although it applies to all sectors in seven countries only. In Brunei Darussalam, it applies to the financial and ICT sectors only, and in Cambodia to garment industry and in Singapore to some low-skill jobs, including cleaning and food services. This policy instrument was introduced in the Philippines and Thailand more than 25 years ago, and in Malaysia in 2011. In the Philippines, Thailand and Viet Nam, the minimum-wage level differs regionally while in Lao PDR it differs by sector. In Lao PDR, Malaysia and the Philippines, social partners are involved in establishing its level. Domestic workers are excluded from minimum wage regulations in Cambodia, Indonesia, Malaysia and Thailand (ASEAN, 2023[20]). By comparison, the minimum wage exists in 30 out of 38 OECD countries (OECD, 2022[21]).

Seniority wage setting plays a large role in several OECD countries including Japan, Korea and Türkiye. In seniority-based pay schemes, wages rise as a function of seniority rather than actual performance. For individuals aged 50-60 years, additional ten years of job tenure with the current employer are estimated to

increase wages by nearly 6% on average across OECD countries and by more than 10% in Japan, Korea and Türkiye (OECD, 2018[22]). There are concerns that seniority-based pay schemes create a barrier to continuing to work at older ages by making older workers more expensive than younger workers with the gaps not reflecting productivity differences. Across OECD countries, there is a negative relationship between the age-wage premium and the job retention rate of older workers (OECD, 2019[23]).

Seniority wage setting seems to be limited in scope in ASEAN countries, but precise empirical evidence is missing. Informal workers, who represent a large share of employment in many ASEAN countries, are unlikely to be paid based on tenure or age. However, in Malaysia and partially in the Philippines, wages in the public sector are set based on seniority, whereas in Cambodia wages are based on seniority in a number of sectors, including mining, trade and transport.

Some ASEAN countries have introduced incentives to employ older workers. Thailand grants tax exemptions to companies hiring workers aged 60 or more. Singapore reduces social security contribution rates of workers older than 55 from 37% to 12.5%-31%. These reductions were introduced during economic downturns in 1988, 1993 and 1999. The government also subsidises wages of workers aged 55 or more, who are granted an additional return of 1 percentage point on their pension accounts compared to younger workers. In many countries, wage subsidies continue to be frequently used to offset any gap between pay and productivity of older workers but most evaluations show that budgetary costs can be large relative to the net employment effects, suggesting that these programmes are rarely cost-effective (OECD, 2019[23]). To encourage employers to retain and hire older workers, OECD (2019[23]) recommends to: eliminate discrimination in the recruitment, promotion and training process, and in employment retention by improving anti-discrimination legislation and undertaking public-awareness campaign; ensure that age is not a criterion in determining the level of employment protection while promoting better access to quality jobs for older workers; discourage mandatory retirement; encourage employers' and workers' representatives to identify mechanisms facilitating the retention and the recruitment of older workers; and, promote good practices by employers in managing an age-diverse workforce.

2.3.3. Mandatory retirement ages

Mandatory retirement rules, which are set in laws, collective labour agreements or employment contracts, give employers the option to terminate the contracts of older workers at a certain age. Countries may facilitate the use of mandatory retirement by including age limits in employment protection legislation or by easing restrictions on layoffs from a certain age. The existence of mandatory retirement and its specific design in a given country are likely to be at least partly driven by employment and wage regulations. Mandatory retirement ages apply to private-sector workers in 12 OECD countries and to public-sector workers in 18 countries (OECD, 2022[24]). A common trend among OECD countries has been to eliminate mandatory retirement ages or to reduce their role. The OECD (2015[25]) recommends that countries seek to discourage mandatory retirement in close consultation and collaboration with employers' and workers' representatives. To defend the mandatory retirement ages, it is sometimes argued that working at older ages limits working opportunities for individuals of younger ages, the so-called lump of labour fallacy. Although this idea might apply well for a single company, it is contradicted by solid empirical evidence at the economy level. In a limited number of instances, mandatory retirement practices may be necessary (OECD, 2018[26]).

Among ASEAN countries, employment protection ceases at the age 60 in Malaysia and Thailand and at 63 in Singapore (MoM, 2024[27]). This means five years after the normal retirement age in Malaysia and Thailand, and at the normal retirement age in Singapore (Chapter 3). In Viet Nam, employees can unilaterally terminate an employment contract when workers reach the statutory retirement age. In the Philippines, workers reaching 65, hence 5 years above the normal retirement age, may be dismissed but there are substantial exceptions for firms in agriculture and retail trade sectors, and for companies with 10 or less employees (Chanrobles, 2024[28]). Indonesia does not specify a mandatory retirement age in the

private sector but allows it to be set in collective agreements or internal firms regulation (Amiq et al., 2020[29]).

2.4. Health-related ability to work at older ages

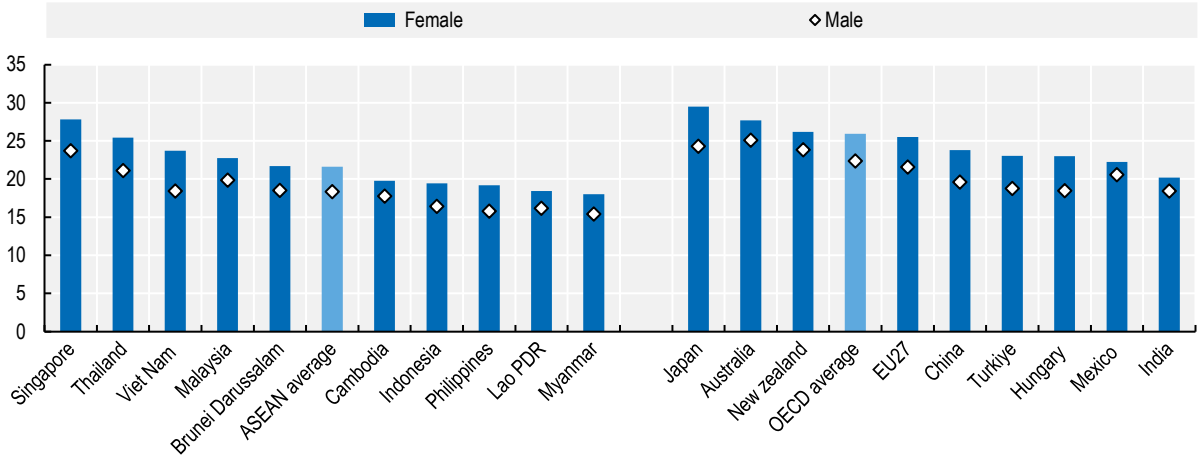
Being in good health is crucial to one's ability to work at older ages. Policies encouraging the labour market participation of older workers in ASEAN countries are likely to only be effective when non-participating older individuals have substantial health capacity to work. This section first shows that remaining life expectancy is a good proxy of health across age groups, genders and countries.[6] It then compares health and participation levels across ASEAN countries. Finally, the labour market participation of subgroups by age and gender with similar health statuses are compared to help identify which subgroups in which countries have unused health-related work capacity.

2.4.1. Health status and remaining life expectancy

The remaining life expectancy at age 60 is 4.2 years lower in ASEAN than in OECD countries on average. Yet, there are large differences in longevity between ASEAN countries (Figure 2.8). Singapore has the highest remaining life expectancy (RLE) at older ages as, for example, 60-year-old women would live almost 28 years, which is higher than the OECD average. Thailand's RLE is around the OECD average, while. Brunei Darussalam's and Viet Nam's are close to the ASEAN average, which is also similar to that in some OECD countries such as Hungary and Türkiye. By contrast, RLE is very low in Indonesia, Lao PDR and Myanmar. Across countries, women's RLE is on average 3.3 years higher than men's, and even around five years higher in Viet Nam.

Figure 2.8. In most ASEAN countries old-age life expectancy is much lower than in the OECD

Remaining Life Expectancy at 60 in 2024, years



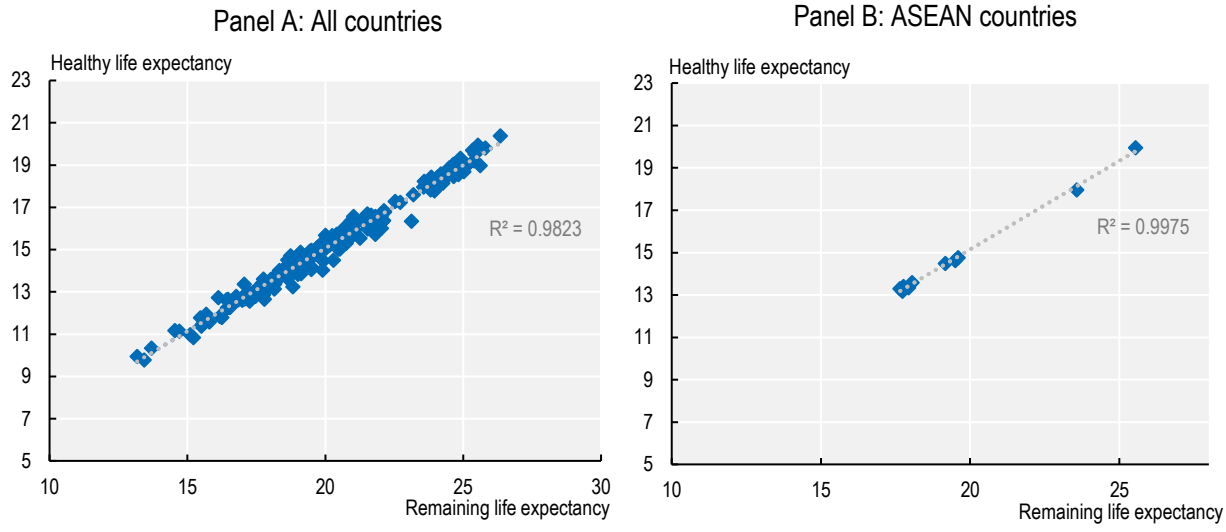
Note: This chart shows period life expectancy, which measures life expectancy (current or projected) based on mortality rates for people of different ages at a given time (2024 here) that hence belong to different birth cohorts.
Source: United Nations World Population Prospects. The 2024 Revision.

Remaining life expectancy correlates strongly with other measures of health status that also include non-fatal disability, such as healthy life expectancy. Non-fatal health conditions, which impair someone's ability to work, are not reflected in RLE figures but may be accounted for by other measures such as healthy life expectancy (HALE). HALE is an estimation of the average number of years someone can expect to live in

full health, i.e. without disease or injury. The WHO provides HALE estimates at birth and at age 60 based on the disability-adjusted life years (DALY) methodology. Figure 2.9 shows that HALE is strongly correlated with RLE: across countries, people can expect to spend between 73% and 79% of RLE in good health. The cross-country correlation is extremely strong, with a linear coefficient of 0.991 among all countries and of 0.998 among ASEAN countries alone.

Figure 2.9. Healthy life expectancy is about three-quarters of remaining life expectancy at age 60

Remaining life expectancy and healthy life expectancy at age 60, 2019

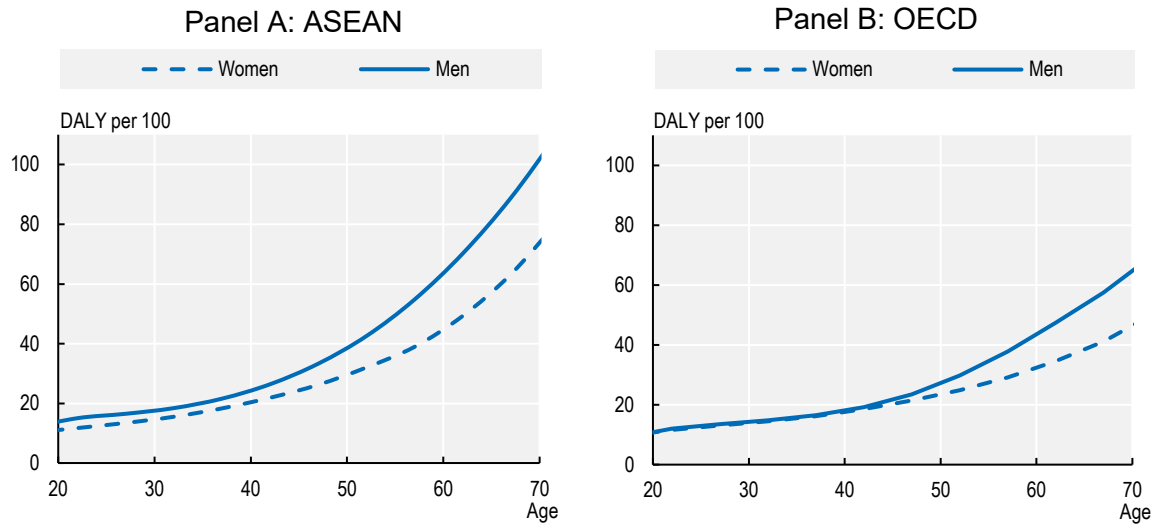


Source: World Health Organization.

Measures of disability-adjusted life years show the pattern of health depreciation through age. As HALE estimates are only available at age 0 and 60, it is not possible to evaluate how healthy life expectancy develops across age groups. However, the underlying measure of disability-adjusted life years (DALY) is available for five-year age groups and can thus show the extent to which disability and premature mortality become more prevalent with age (Figure 2.10). DALY is the sum of years lost to premature mortality and disability per 100 or 100 000 individuals within a specific age group and by gender. DALY does not measure these lost years directly but estimates them based on a complex methodology considering the prevalence and disabling burden of all health conditions (Saito, Robine and Crimmins, 2014[30]). As such, a higher DALY rate indicates a greater burden of disease and injury within a specific group, suggesting poorer health status. Figure 2.10 shows that DALY increases, and health thus decreases, with age and is higher for men. The DALY measure, consistent with RLE, confirms that health statuses are on average worse among ASEAN than among OECD countries. The strong inverse relation between RLE and DALY, with a linear correlation of -0.85 across ASEAN and OECD countries and across age (50-54, 55-59. 60-64) and gender subgroups, illustrates that declining health status and declining RLE tend to go hand in hand.

Figure 2.10. Disability increases strongly with age

Average of disability-adjusted life years (DALY) per 100 individuals by gender for ASEAN and OECD, 2024



Note: The DALY rate is usually expressed per 100 000 individuals, but for easier interpretation these charts visualise the DALY per 100 individuals. As the DALY measure adds up the estimated years lost to disability and premature mortality of all causes, the DALY per 100 individuals can exceed 100.
Source: Global Burden of Disease 2019.

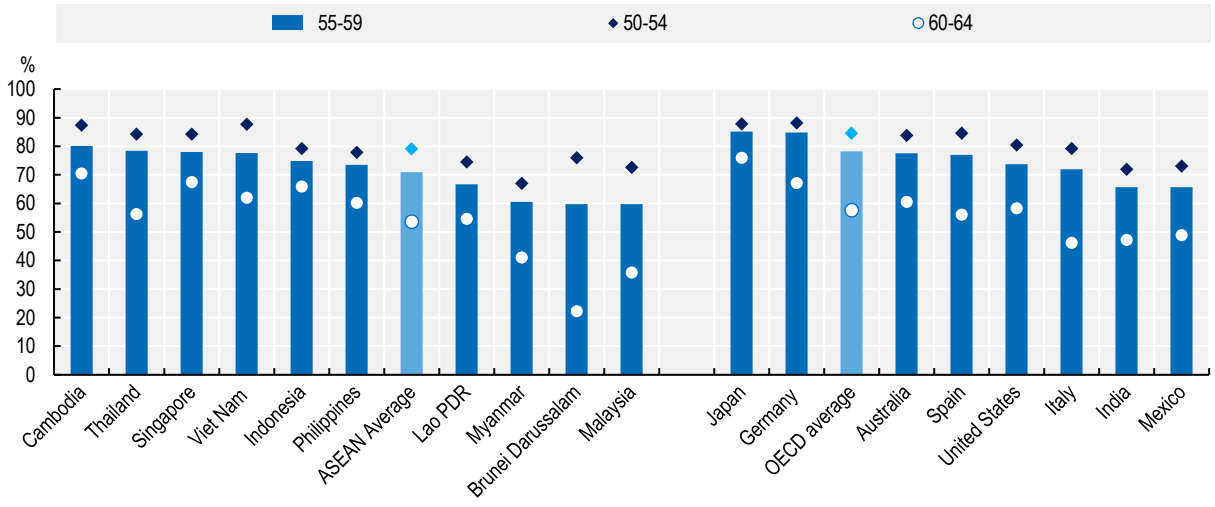
In short, RLE remains a solid proxy for health status at older ages. Not all life years are spent in good health, but across countries HALE is very close to a constant share of RLE at age 60. Moreover, HALE is not available for age sub-groups, and using DALY or HALE instead of RLE as a measure of health status in the coming analyses would imply adopting a much more ambiguous and complex measure with a higher risk of errors for relatively little potential gain.

2.4.2. Health only partially explains wide participation differences among older people

Differences in labour market participation across ASEAN countries are larger at older ages. Participation rates among older workers are on average lower in ASEAN than in OECD countries. For example, 70.9% of the 55-59 year-olds participate in the labour market on average among ASEAN countries compared with 78.2% in the OECD. While labour market participation diminishes with age in all ASEAN countries, the extent of the decline varies significantly across countries (Figure 2.11). In all countries, participation rates are above 72% at age 50-54 except in Myanmar at 66%. However, at age 55-59, participation is much lower in Brunei Darussalam and Malaysia, with a drop of 6 and 13 percentage points compared with the 50-54 age group, while that drop is about 4 percentage points in Indonesia and the Philippines. Cross-country differences in the decline with age are even stronger when considering the 60-64. The participation rate among the 60-64 is 37.5 percentage points lower than among the 55-59 in Brunei Darussalam – which have overall low participation rates – against only 9.5 percentage points lower and from high levels in Cambodia. As a result, the dispersion in participation rates across countries increases with age: the coefficient of variation – the ratio of the standard deviation to the mean – increases from 0.08 at age 50-54 to 0.11 among the 55-59 and then 0.26 at 60-64.

Figure 2.11. Labour market participation decreases with age

Labour market participation rate (%), 2023 or latest available



Note: Data are 2023 for OECD countries and 2022 for ASEAN countries, except for Cambodia (2021) and Myanmar (2020). The ILO database was used for all highlighted countries individually and the ASEAN average, but the OECD average comes from OECD Labour Statistics as the ILO database did not provide 2023 data for all OECD countries. Source: ILO Database (Labour Force Statistics) and OECD Labour Statistics.

Health only partially explains these differences in labour market participation. The deterioration of health with age is clearly one factor contributing to the decrease of participation with age in all countries. However, the countries with remarkably low participation among the 60-64 year-olds, Brunei Darussalam and Malaysia, have relatively high RLE among that age group. By contrast, Cambodia and Indonesia, which have among the highest participation rates at age 60-64, have below ASEAN-average RLE. Hence, factors other than health play a large role in these participation-rate differences.

Both the design of pension systems and income constraints faced by older people are crucial for their decision whether or not to participate. In Brunei Darussalam and Malaysia, labour market participation rates at older ages are the lowest among ASEAN countries due in part to either early provision or wide coverage of pensions compared to other ASEAN countries. For example, Malaysia's retirement age is very low at age 55 and additionally employers can mandate the retirement of their workers from age 60; moreover, contribution rates are relatively high in Malaysia, at around 23%, and retirees have the option of taking the entire pension as either a programmed withdrawal from their retirement savings accounts or as a lump sum, reducing work incentives especially among short-sighted individuals. Brunei Darussalam's retirement age of 60 is common for ASEAN countries but the country's pension system is well developed with reasonably high coverage levels, and there is a residence-based basic component that is automatically paid at age 60 in addition to the defined contribution pension. This explains why older people in both Brunei Darussalam and Malaysia may have some large unused work capacity for reasons other than health. Moreover, the high labour market participation rates at older ages in countries with limited pension coverage, such as Cambodia and Indonesia, are likely the result of older people having to work out of financial necessity, even in bad health, to maintain some form of income. When comparing the labour market participation of older people in ASEAN countries, the highest participation levels might thus be higher than the maximum work capacity of people with a certain health status. To estimate a more accurate maximum work capacity, it is useful to compare the maximum work capacity at similar health statuses in OECD countries, where people in bad health generally have more social security and pensions to fall back on.

There are also serious gender-related reasons for why women in particular may decide not to participate while in good health, as discussed in Box 2.1 above. These will be analysed in more detail in the next subsection.

2.4.3. Unused health-related work potential

Some ASEAN countries have large unused health-related work potential: a significant portion of the older population is not active even though their health would allow it. As discussed above, remaining life expectancy (RLE) is used as a good proxy for health level due to its availability by gender and age subgroups and its strong correlation with other measures of health such as DALY and HALE. This section aims at quantifying this unused work capacity by analysing the pattern of labour market participation rates and RLE by age and gender across countries.

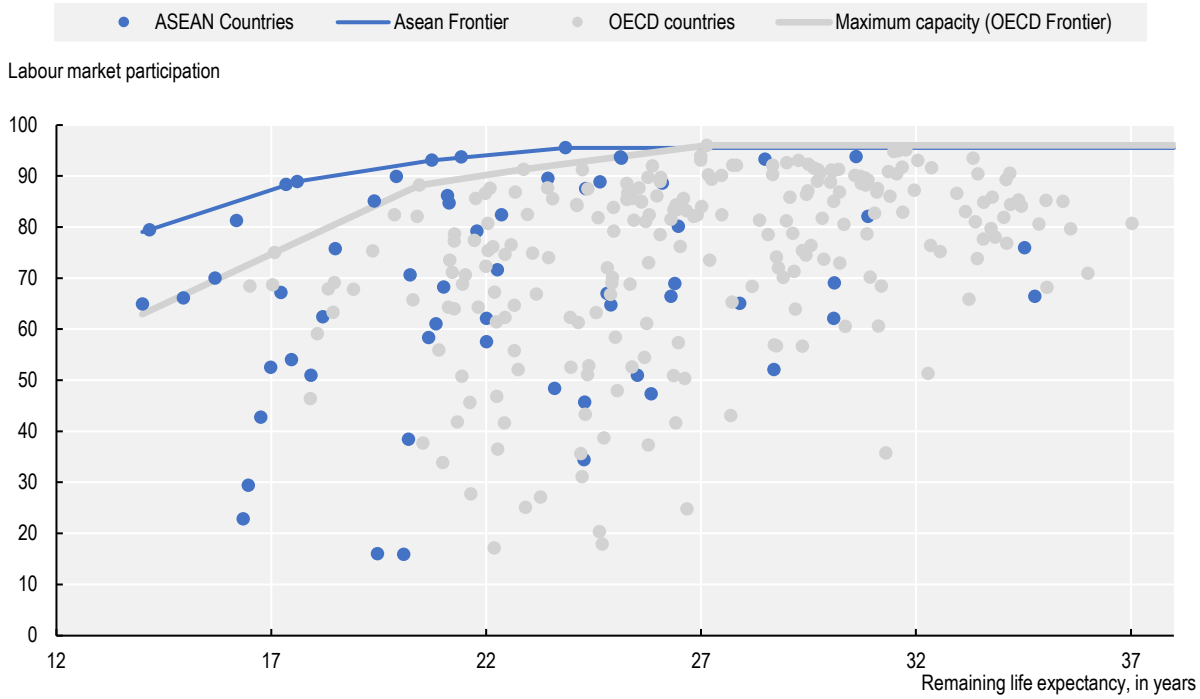
Better health leads to higher work capacity. This is reflected in Figure 2.12 relating the labour market participation rates of 60 ASEAN and 228 OECD subgroups with their health status proxied by RLE. More specifically, every data point represents one subgroup belonging to a specific five-year age group (50-54, 55-59, or 60-64), gender and country. Groups from ASEAN countries can be visually distinguished in the chart from those from the OECD. The estimations herein are only based on the 50-64 age group. While studies on older working-age people in OECD countries often include the 65-69 age group, there is only limited data on that age bracket for ASEAN countries.[7]

For example, with RLE slightly above 17 years, Indonesian women between 60 and 64 years have a participation rate of 52.5%, while the maximum capacity for this RLE level is 75.0% in the OECD (Hungary, men aged 60-64), and 88.3% in ASEAN (Myanmar, men aged 55-59). Two frontiers are created from all OECD and ASEAN maximum capacities in relation to RLE (x-axis), as explained further in the note to the chart. When a data point lies on the frontier, all sub-groups with at best similar health status (i.e. same or lower RLE) have lower labour market participation rates.

In the absence of significant safety nets and developed pension systems in most ASEAN countries, older people may keep working despite being in bad health. Hence, this section uses the OECD-standard of maximum work capacity to estimate unused health-related work potential (UHWP). If a data point lies under the maximum capacity curve – the OECD frontier – the distance to the frontier defines the UHWP at this health (RLE) level. Box 2.2 further explains how this method works and compares it with other ways of estimating the unused work capacity. In both OECD and ASEAN countries, labour market participation tends to be higher among those with better health (Figure 2.12). Among OECD countries, the maximum (observed) work capacity increases from about 75% to 96% for RLE of 17 years and 30 years, respectively.

Figure 2.12. Labour market participation rate and remaining life expectancy

Men and women of age groups 50-54, 55-59, and 60-64 in ASEAN and OECD countries, 2023 or latest available



Reading note: Each dot represents one subgroup, belonging to a specific age group, gender, and country. For example, with around RLE of 17 years Indonesian women have around 52.5% labour market participation rate, while the maximum work capacity is 75.0% (Hungary, men 60-64) within the OECD and 88.3% (Myanmar, men 55-59) among ASEAN countries. Two frontiers are created from the ASEAN and OECD maximum capacities, and the OECD maximum capacity is used to determine the unused health-related work potential as explained in the text. The difference in labour market participation between the OECD frontier and the data point is the unused health-related work potential.
Note: Data are 2023 for OECD and 2022 for ASEAN countries, except for Cambodia (2021) and Myanmar (2020). As COVID-19 influenced the remaining life expectancy estimates for 2022 in some ASEAN countries, the corresponding remaining life expectancies were interpolated from 2020 and 2024 estimates.
Source: OECD calculations based on ILO Labour Force Statistics and United Nations World Population Prospects. The 2022 Revision.

Box 2.2. Estimating the unused health-related work potential

Studies estimating unused health-related work potential are generally based on either the methods of Milligan and Wise (2015[31]) or Cutler, Meara and Richards-Shubik (2013[32]). The former compares, within country, employment rates of older men today with those of younger men from an older cohort having the same age-specific annual mortality rate. If the older men from the current cohort have lower participation than the younger men from the older cohort with the same mortality rate, this results in unused health-related work potential (UHWP). This method relies on two crucial assumptions, namely that mortality rates are closely related to health statuses, and that the relationship between this health-related ability to work and mortality does not change over time. Additionally, the results depend a lot on which cohorts the study compares.

Cutler, Meara and Richards-Shubik (2013[32]) avoid these drawbacks by using a more statistically advanced method. They use microdata on the health and employment status of people close to

retirement to model a regression that predicts the health capacity to work. Unfortunately, this method cannot be used in this chapter as such microdata are not available for all ASEAN countries.

The method used in this chapter compares participation across with similar remaining life expectancies (RLE) but that differ by country, gender, and age-group in 2022 instead of through time like Milligan and Wise (2015[31]). RLE is used as a proxy for health status, given its wide availability for all years, countries, and subgroups as well as its strong correlation to other measures of health such as disability free life years (DALY) and healthy life expectancy (HALE). The subgroup with the highest participation at a given RLE determines the maximum work capacity. Any group with similar RLE but lower participation then has UHWP: the difference between its observed participation rate and the maximum work capacity.

In several ASEAN countries men with bad health status still participate to a great extent and significantly more than people with similarly poor health in OECD countries. In the absence of developed pension systems, working can be their only way to secure an income to live off, causing them to work even in bad health. This section therefore uses the OECD maximum work capacity as a baseline to calculate the UHWP.

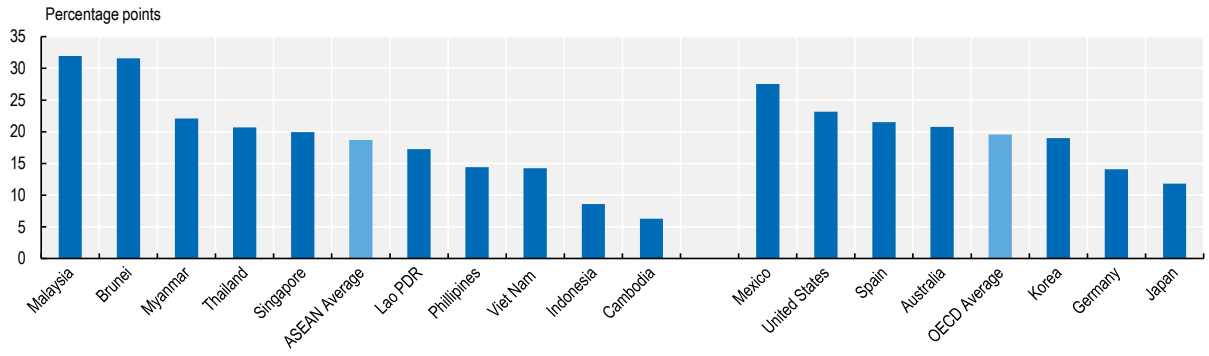
Improving health status has the largest impact on increasing work capacity when the improvement occurs from an initially low health level. In that sense, there are decreasing returns on work participation from enhancing health. This can be seen in Figure 2.12 as the maximum capacity frontier is concave, i.e. work capacity increases faster at lower levels of RLE and plateaus at higher levels. This means that health gains have larger effects on participation among those in worse health. Moreover, ASEAN countries have significantly higher maximum work capacities than OECD countries at lower RLE. As explained earlier, this is likely because older people have to continue to work more frequently, even when in bad health, as there are limited old-age income provisions. That is why this chapter uses the OECD frontier to determine the maximum health-related labour market capacity. This also means that for some ASEAN subgroups, people work beyond what is justified based on RLE according to “OECD standards”: the measured UHWP then becomes negative as labour market participation exceeds what is justified by health status.

Overall, there is substantial unused health-related work potential among the 50-64 year-olds. This means that some age and gender groups fall well under the maximum capacity curve in Figure 2.12, with the difference between the data point and the maximum capacity reflecting the UHWP. This suggests that there are factors beyond health that discourage people between age 50 and 64 in both ASEAN and OECD countries from participating in the labour market. In ASEAN countries, low retirement ages and care responsibilities for women seem to play a large role, as discussed below. Earlier work by ADB (2024[33]) suggested that there is substantial untapped health capacity to work among older people in some ASEAN countries, particularly among urban residents.[8]

At the aggregate level, the extent of unused health-related work potential is similar among ASEAN and OECD countries. The average ASEAN UHWP of 18.7 percentage points suggests that based on health alone labour market participation in ASEAN countries can increase by 18.7 percentage points on average (Figure 2.13). This level does not differ much from the OECD average of 19.6 percentage points UHWP is especially large in Brunei Darussalam and Malaysia, where health status would allow an about 32-p.p. increase in labour market participation among those aged 50-64 (Figure 2.13). In the OECD, only Costa Rica, Luxembourg, and Türkiye have a higher UHWP. Conversely, UHWP is significantly smaller in Cambodia and Indonesia, at 6.3 and 8.6 percentage points This is lower than any OECD country, except for Estonia. The aggregate UHWP of other ASEAN countries falls within a 14-to-22 percentage points range.

Figure 2.13. Most ASEAN countries have substantial unused work potential at the aggregate level

Unused work potential for total population aged 50-64 in ASEAN and OECD countries, 2023 or latest available



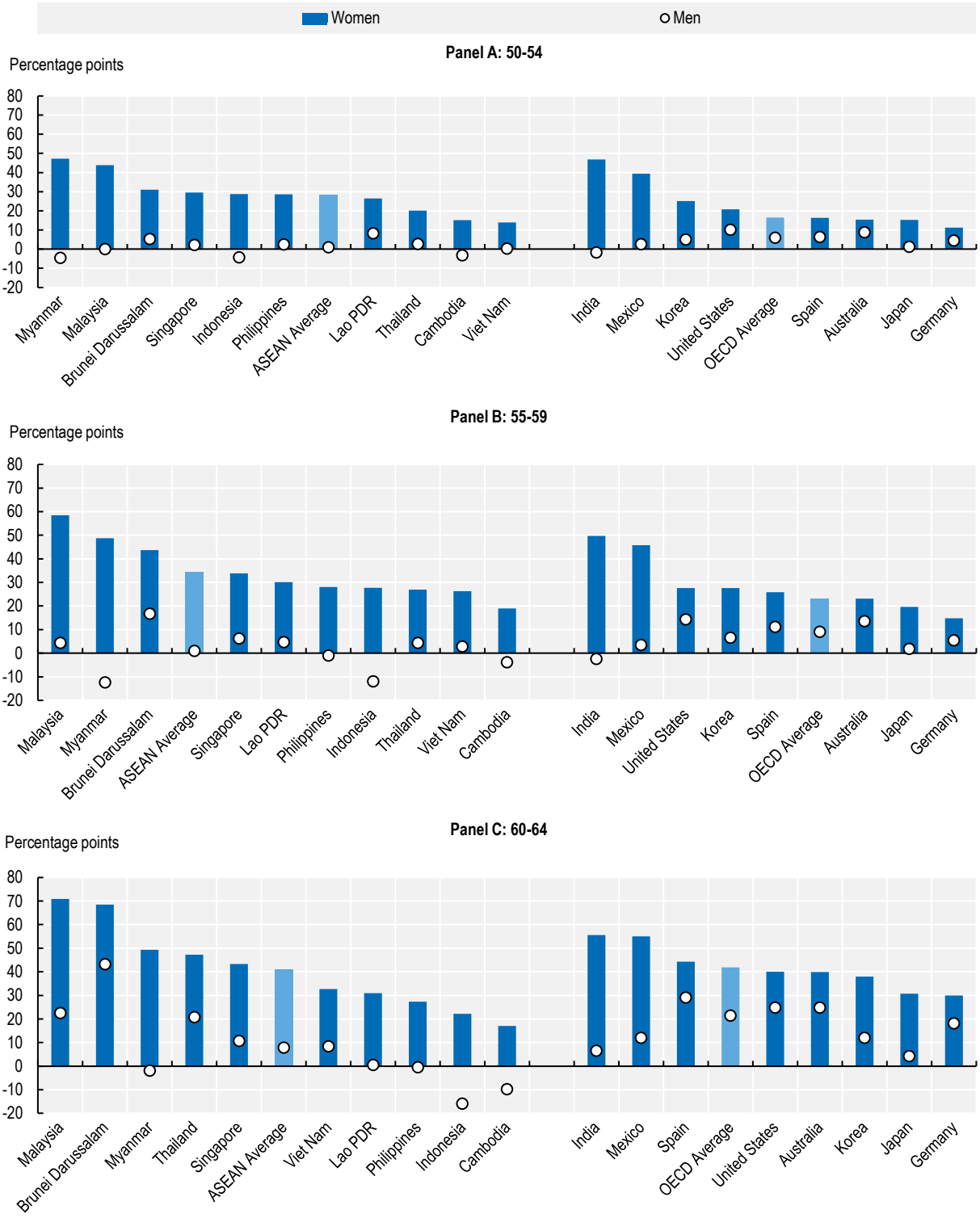
Note: Data are 2023 for OECD countries and 2022 for ASEAN countries, except for Cambodia (2021) and Myanmar (2020).
Source: OECD calculations based on ILO Labour Force Statistics and United Nations World Population Prospects: The 2022 Revision.

There are large gender differences in UHWP among ASEAN countries. Figure 2.14 shows UHWP by age and gender for all ASEAN countries and a number of OECD countries. UHWP is limited for men in ASEAN countries: on average, there is basically no male unused health-related work capacity before age 60, but the average UHWP reaches about 8% of men aged 60-64. By contrast, among women, UHWP is large. It expands from 29 percentage points among the 50-54 to 41 percentage point among the 60-64. The large unused work capacity reflects both much lower labour market participation and longer life expectancy for women compared with men. This increasing trend of UHWP among both men and women with age applies to nearly all countries (including in the OECD).

The difference in unused work potential across gender is larger in ASEAN countries than in the OECD. The ASEAN female UHWP is much higher than the OECD on average for ages 50-54 (by 12.0 p.p.) and 55-59 (by 11.2 percentage points), and only about 1 percentage point lower for ages 60-64. By contrast, the male UHWP is on average consistently smaller in ASEAN countries than in the OECD. Across all ages, women have larger UHWP than men in all ASEAN and OECD countries highlighted in Figure 2.14. The female UHWP is particularly high in Brunei Darussalam, Malaysia, and Myanmar, and it is above the OECD average for all age groups in Thailand and Singapore. Women tend to have larger UHWP because factors like unpaid care responsibilities (as well as earlier female retirement ages in Viet Nam only) discourage women from paid work, even if their health would allow it. Conversely, the male UHWP is extremely low or non-existent across age groups in Cambodia, Indonesia, and the Philippines.

Figure 2.14. Large unused health-related work potential for older women in ASEAN countries

Unused health-related work potential by gender and age group, 2023 or latest available

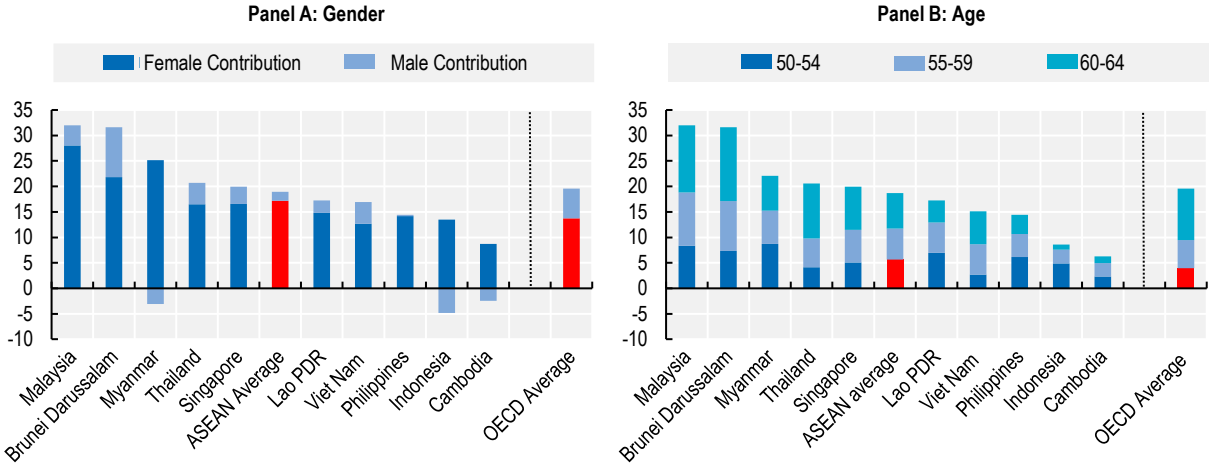


Note: Data are 2023 for OECD countries and 2022 for ASEAN countries, except for Cambodia (2021) and Myanmar (2020).
Source: OECD calculations based on ILO Labour Force Statistics and United Nations World Population Prospects. The 2022 Revision.

As a result, women's contribution to the total UHWP is very large. The female contribution on average makes up 17.2 percentage points of the total average of 19.0 p.p. across ASEAN, or 91% (Figure 2.15, Panel A). This is significantly higher than the 70% average female contribution across the OECD.

Figure 2.15. Women and older people contribute most to the unused health-related work potential

Contributions to unused work potential by gender and age, percentage points, 2022 or latest available



Reading note: Together, the stacked bars make up the total health-related work potential. For instance, in Malaysia the total unused health-related work potential is 32 percentage points, of which women contribute 28 percentage points (87.5%) and men 4 percentage points (12.5%).
Note: Data are 2022, except for Cambodia (2021) and Myanmar (2020).
Source: OECD calculations based on ILO Labour Force Statistics and United Nations World Population Prospects. The 2022 Revision.

Shifting from the gender to the age contributions, older age groups contribute slightly more to the total unused health-related work potential in ASEAN countries. People between 50 and 54 account for 30.1% of total UHWP, while the 55-59 and 60-64 age groups account for 32.6% and 37.3%, respectively, of the total among the 50-64 (Figure 2.15, Panel B). The contribution by age to the total UHWP is certainly more evenly spread in ASEAN countries on average than in the OECD, where the 60-64 group contributes over half of the UHWP Among OECD countries, financial protection from retirement systems is much more effective in allowing to leave the labour market at older ages.

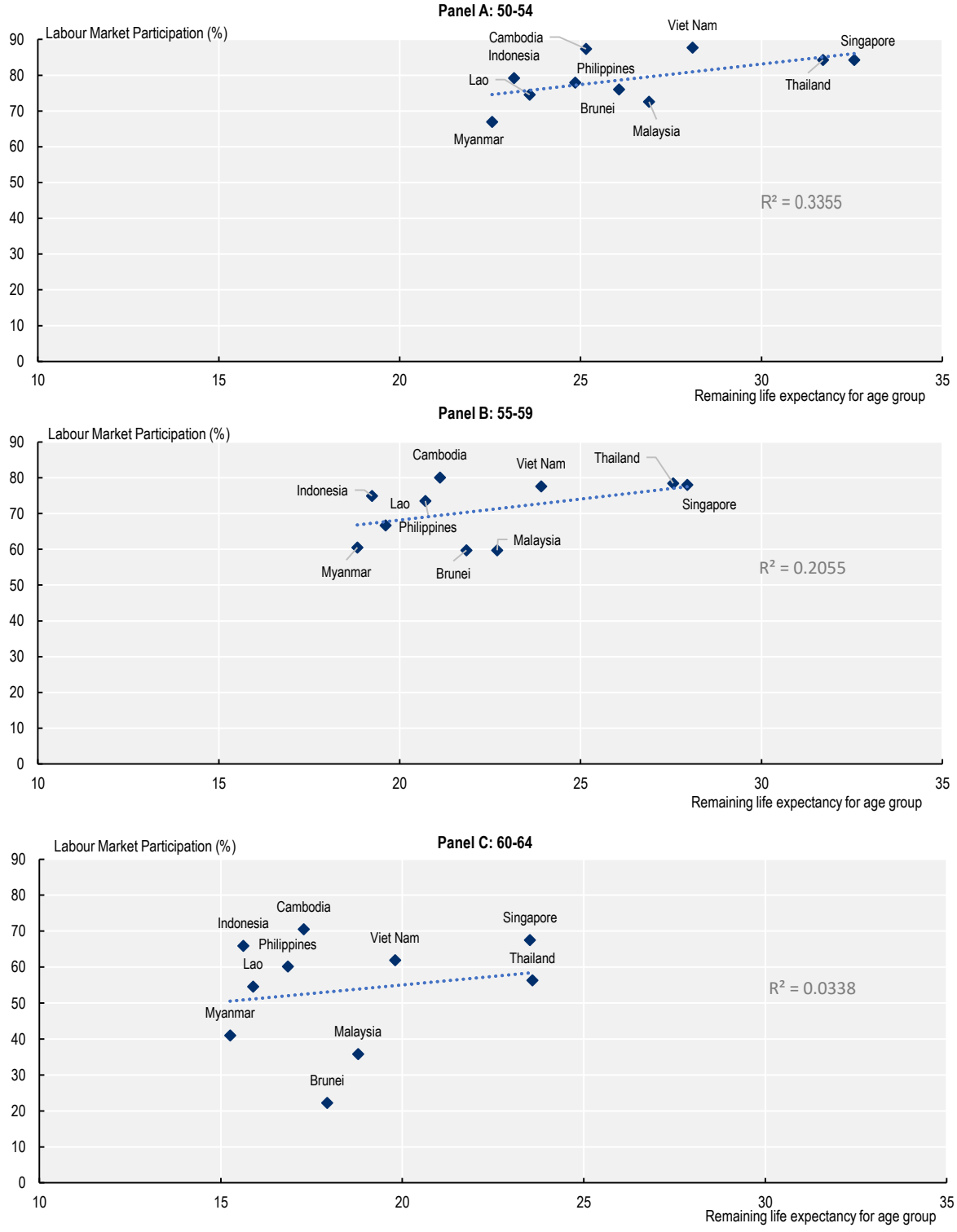
If labour market participation rates by age were the same in all countries, countries with better health statuses would have higher UHWP. This is because better health generates higher work capacity. Hence, if not matched by higher participation rates, countries with a higher RLE mechanically have a higher UHWP. For instance, Singapore and Thailand both have participation rates close to 75% among the 50-64, but they end up with a significantly larger UHWP than e.g. Viet Nam, which has only slightly higher participation rates, as both countries have relatively high RLE.

Yet, Brunei Darussalam and Malaysia have the highest UHWP despite lower RLE than in Singapore and Thailand. This is because labour market participation rates are much lower than justified by their lower health status, in great part due to low retirement ages, which is the main non-health related reason. As discussed earlier, both countries have stronger pension provision than the other ASEAN countries, and in the case of Malaysia also early pension provision, allowing even people who are in good health to stop participating. By contrast, Cambodia has weak pension provision and very high participation rates at older ages, as there is no pension that older people in bad health can fall back on. UHWP is low as a result.

Due in particular to the impact of pension policies, non-health reasons are more important to explain differences in labour market participation rates across countries at age 60-64 than at 50-54 or 55-59. Figure 2.16 shows that while health and participation are quite strongly related at age 50-54 (Panel A), with a linear correlation coefficient of 0.58, this link diminishes with age, with a correlation coefficient of only 0.18 at age 60-64 (Panel C). As explained above, the protection provided by pension systems can have a great impact on someone's decision to participate regardless of health. As such, the relationship between health and participation becomes less pronounced at age 60-64 than at 50-54. In short, in ASEAN countries overall there is a significant unused work potential at older ages that is not explained by health reasons, primarily among women and in countries with early provisions of pensions.

Figure 2.16. Health and labour market participation become less related with age

Remaining life expectancy and labour market participation for both genders, 2022 or latest available



Source: OECD calculations based on ILO Labour Force Statistics and United Nations World Population Prospects. The 2022 Revision.

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Notes

[1] OECD calculations based on ILO labour statistics (https://ilostat.ilo.org/topics/employment/#) and UN population data (https://population.un.org/wpp/).

[2] Hazardous or arduous jobs in Thailand include those performed underground or underwater, or involving exposure to risks of nuclear radiation, toxic chemicals, vibrations or extreme temperatures.

[3] Information received within the questionnaire filled in by countries as a part of this project.

[4] Eurofound (2014[5]) identified the following broad occupational groups as highly exposed to physical risks: craft and related trades workers; skilled agriculture workers (unskilled agriculture workers are included in elementary occupations), forestry and fishery workers; plant and machine operators, and assemblers; elementary occupations. Physical risks relate to postures and movement-related risks, exposure to chemical or biological risks, and environmental risks.

[5] SDG indicator 8.8.1 – Fatal occupational injuries per 100'000 workers (ILO, 2024[34]), https://ilostat.ilo.org/topics/safety-and-health-at-work/.

[6] Life expectancy at a given age, say 65, is the number of remaining life years that can be expected. Using remaining life expectancy is therefore redundant as life expectancy already captures remaining years. Yet, to avoid any misunderstanding, the semantic choice has been made to use remaining life expectancy at a given age.

[7] Additionally, the average RLE at older ages is around 4 to 5 years lower in ASEAN countries than OECD, implying that in terms of health the 60-64 group in ASEAN countries is comparable to the 65-69 group in OECD countries.

[8] This report found untapped health-related capacity in Indonesia, Malaysia, Thailand, and Viet Nam using the Milligan and Wise and Cutler, Meara and Richards-Shubik methods described in Box 2.2. However, their results cannot be compared with those in this report, because the methods are too different.

3 Strengthening health and social policies to ensure active and healthy ageing

This chapter emphasises the need to strengthen health and social policies in order to drastically improve the prospects of active and healthy ageing in ASEAN countries. The first section highlights the importance of improving access to good-quality care and of focusing on the prevention of bad health at older ages. The second section analyses current pension systems in ASEAN countries, highlighting in particular the low coverage of old-age pensions, the low levels of old-age safety-net benefits, and financial sustainability concerns in most countries. The third section digs into facilitators and barriers to ageing in place and older people's ability to move around. The last section analyses gender inequalities in ASEAN countries and zooms in on the unbalanced care responsibilities faced by women.

3.1. Key findings

This chapter emphasises the need to strengthen health and social policies in order to drastically improve the prospects of active and healthy ageing in ASEAN countries. The first section highlights the importance of improving access to good-quality care and of focusing on the prevention of bad health at older ages. ASEAN countries spend a small share of GDP on healthcare even when we take into account their economic development level. Yet, ASEAN countries have made strong progress towards universal health coverage over the past decades, even though coverage trails behind for some social groups. The second section analyses current pension systems in ASEAN countries. Low coverage of old-age pensions is one serious issue triggered by the recent development of pension insurance and large labour-market informality. In addition, old-age safety-net benefits have low levels, generating high risks of income poverty. Given their current design, most pay-as-you-go pension systems in ASEAN countries are not financially sustainable given ageing prospects. The third section digs into facilitators and barriers to ageing in place and older people's ability to move around. Indeed, older people's capacity to remain active in society depends among other factors on their living arrangements and their capacity to get around. The last section analyses gender inequalities in ASEAN countries and zooms in on the unbalanced care responsibilities faced by women. It highlights that gender discrimination in Southeast Asia is very prominent in the family sphere, with legislation playing a role in some countries. Drastically reducing gender inequality will require a societal transformation of both women's and men's views on which behaviours and types of paid or unpaid work are appropriate for men and women to execute.

The Key findings are the following.

Improving access to good-quality healthcare and preventing bad health

- Total health expenditure is low in ASEAN countries. In particular, public spending on health is low in ASEAN countries compared to other countries with similar levels of economic development, in particular in Brunei Darussalam, Lao PDR, Malaysia and Singapore. On average, total health spending is 4.7% of GDP in ASEAN countries, half the OECD average, ranging from below 3% in Brunei Darussalam and Lao PDR to above 7% in Cambodia.
- ASEAN countries have successfully expanded public health insurance coverage for the large majority of the population, except for Cambodia and Myanmar. However, health expenditures remain an important expense for many older people and the low availability of healthcare services impedes healthcare use, especially in rural areas.
- ASEAN countries have made strong progress making basic health services more accessible since 2000 especially as a result of tackling infectious diseases, although since 2015 progress has slowed substantially.
- On average, ASEAN and OECD countries spend 0.5% of GDP on preventive care, ranging from around 0.3% in Lao PDR and Thailand to around 0.8% in Indonesia and Malaysia. The level of spending on preventive care falls short to effectively improve health in later life and reduce health inequalities, both in ASEAN and OECD countries.
- Non-communicable diseases connected to unhealthy lifestyles have become a more prominent driver of mortality, long-term illnesses and healthcare spending. The share of the population using tobacco is still at least double the global target of 19% in Indonesia and Myanmar. Alcohol consumption has increased strongly in Cambodia, Lao PDR and Viet Nam over the last decades. Obesity is on the rise in all ASEAN countries, affecting 12% of adults in ASEAN countries on average in 2022 compared to only 5% two decades earlier.

Improving pension systems

- The number of workers accruing pension entitlements in ASEAN countries is very low. The proportion of the labour force covered by mandatory pensions ranges from 4% in Myanmar, 10%

in Lao PDR and 16% in Indonesia to around 60% in Brunei Darussalam, Malaysia and Singapore and 65% in Thailand. In almost all ASEAN countries, self-employed workers are not mandatorily covered by the pension system but rather rely on voluntary contributions.

- Most retirees are not getting a pension in ASEAN countries. In both Cambodia and Lao PDR, under 7% of those older than the retirement age receive a pension. Pension coverage is also low at 15% in Indonesia and Myanmar. Only Brunei Darussalam and Thailand have high levels of retirees receiving a benefit, at 100% and 89%, respectively, as they both have residence-based basic pensions.
- First-tier benefit levels are very low in most ASEAN countries. Only Brunei Darussalam and Malaysia have either a basic pension or a targeted safety-net benefit above 10% of gross average earnings. All of the others have targeted safety-net benefits around 5-7% of average earnings with the exception of Thailand, which is only at 4%, while there are no old-age safety-net benefits in both Cambodia and Lao PDR.
- Workers in the public sector often have a different earnings-related pension scheme than in the private sector. Only Brunei Darussalam, Singapore and Viet Nam have the same earnings-related pension for both sectors; Indonesia has the same DB scheme for all employees but those in the public sector have a higher FDC contribution rate, while Cambodia has a higher accrual rate for public-sector workers.
- In many ASEAN countries, mandatory pension contribution rates are low, well below those in the majority of OECD countries. Across ASEAN countries, the total contribution rate is only 12.9% on average, while the OECD average is 18.2%.
- On average across ASEAN countries, the normal retirement age for male private-sector workers who retired in 2022 was 59.2 years, with limited legislated increases, compared to an OECD average of 64.4 years, ranging from a low of 55 years in Malaysia and Thailand to a high of 63 years in Singapore with half the countries at age 60. The current gap between the average normal retirement age in ASEAN and OECD countries largely reflects current differences in old-age life expectancy.
- Given population ageing prospects and the current levels of pension parameters, pay-as-you-go pension systems are financially unsustainable in ASEAN countries, especially in Lao PDR, Indonesia and Thailand.

Facilitating ageing in place and the mobility of older people

- ASEAN countries have high home ownership rates, providing a stable living environment that facilitates the development of durable social connections in the community. The home-ownership rate ranges between 77% in Thailand (except the Philippines at 57%) and 89% in Singapore, compared with 71% in the OECD on average.
- Multigenerational households are very common in ASEAN countries as on average 46% of people aged 65+ live in a household comprising at least three generations, ranging from around 30% in Thailand to over 60% in Lao PDR, and another 5-10% live in households of grandparents and their grandchildren, without the generation in between (“skip-generation”). Cohabitating with grandchildren provides opportunities for social interaction and for older people to contribute to the household’s welfare through grandparenting, but it may also limit social interactions outside the household.
- Several ASEAN countries have implemented policies to provide opportunities for older people living in the community to participate in social activities. Brunei Darussalam, Malaysia, the Philippines, Singapore, Thailand and Viet Nam have community centres for older people that often combine providing social activities with some care-related functions.

- Public transport is a key component of designing age-friendly environments and of active ageing as older people in ASEAN countries are more likely to partake in activities if there is an accessible bus station in their neighbourhood.
- Reduced fares are a common initiative to increase older people's use of public transport services. In Brunei Darussalam, Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam, older people benefit from discounts on public-transport fares, often travelling at half the regular price.

Reducing gender inequalities and formalising care

- Gender discrimination in Southeast Asia is very prominent in the family sphere. Women fare far worse in ASEAN countries than in the OECD in terms of discriminative laws in the family sphere. Gender discrimination in family and inheritance laws is very high in Brunei Darussalam, Indonesia and Malaysia, and also but to a lesser extent in Cambodia and Lao PDR.
- In all ASEAN member states except Cambodia, Lao PDR and Viet Nam, the different treatment of men and women is formalised through personal status laws that apply only to particular religious, ethnic or cultural groups. All countries but Brunei Darussalam have passed policy frameworks or national action plans to reduce gender inequalities, in particular since 2019.
- There are strong legal and cultural expectations for families to provide care for older relatives. In all ASEAN countries, the law stipulates that the family has a certain responsibility in providing care for relatives. Except in Singapore, formal long-term care services for older people are underdeveloped in ASEAN countries, which means that families, and in particular women, often have to step in to provide long-term care.
- Unpaid care and domestic work is distributed very unequally between men and women in ASEAN countries. Women account for 91% of unpaid work in Cambodia and 76% in Malaysia and Thailand. Lao PDR has the least unequal distribution of unpaid work, with women performing 57% of unpaid work.

3.2. Improving access to good-quality healthcare and preventing bad health

Preventive care and access to good-quality healthcare are essential to improve health at older ages, as is adequate financing to realise these goals. Good health is an important factor for active ageing as illness and disability can limit a person's well-being and their capacity to participate actively not only in the labour market but also in other spheres of life. While the focus here is on improving health as a way to boost active ageing, the relationship between health and participation in various activities including employment is not a unidirectional one. Not only is bad health a barrier to participation, but there is widespread evidence that social isolation is one driver of deterioration of health among older adults (Nicholson, 2012[1]). Social participation affects health in a number of ways as other persons can encourage seeking medical attention, adhering to treatment or maintaining a healthier, more active lifestyle. Reduced social participation furthermore increases the risk of depression and cognitive decline.

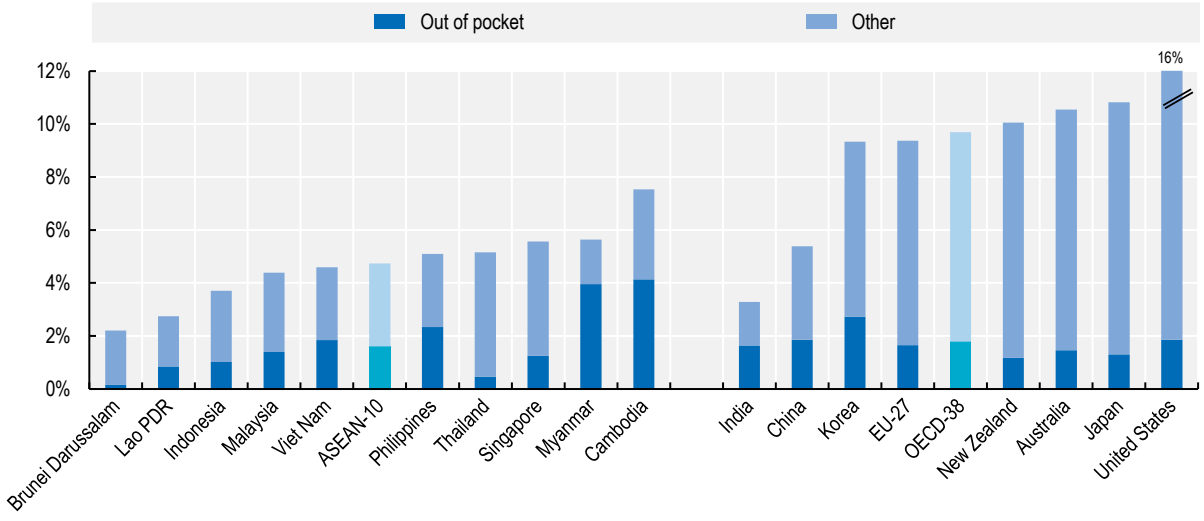
3.2.1. Ensuring adequate financing of healthcare

Total health expenditure is low in ASEAN countries (Figure 3.1). On average, they spend 4.7% of GDP on health, half the OECD average, ranging from below 3% in Brunei Darussalam and Lao PDR to above 7% in Cambodia (2021 data). In Lao PDR, total healthcare expenditures have declined as share of GDP as neither public nor private healthcare expenditure have kept up with GDP growth since 2008, when the country spent around 4% of GDP on healthcare (Sorensen et al., 2017[2]). This low level of expenditure narrows the possibilities for a country to improve overall health outcomes.[1] Moreover, in ASEAN countries on average, out-of-pocket health expenditure is at 1.6% of GDP, which is comparable to the OECD

average. Medicines are the main source of out-of-pocket spending in the region (WHO / World Bank, 2023[3]). While out-of-pocket expenditure even reaches 4% of GDP in Cambodia and Myanmar, it is below 0.5% of GDP in Brunei Darussalam and Thailand as public healthcare is free of charge. Out-of-pocket expenditures in the Philippines remain high, although the country has managed to reduce them over the last decade through expanding coverage of the national health insurance scheme "PhilHealth" (see below).[2]

Figure 3.1. Low levels of healthcare expenditure

Total healthcare expenditure as share of GDP by source, 2021 and 2019

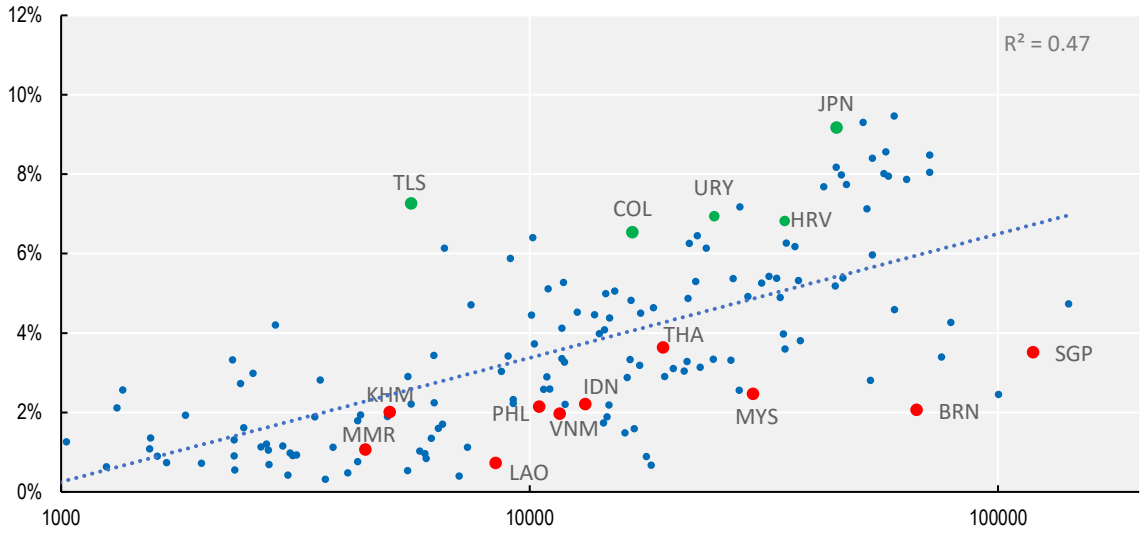


Note: * Data for the Philippines refer to 2022. On average across ASEAN countries, out-of-pocket expenditure was at the same level in 2021 as in 2019, whereas healthcare expenditure from other sources increased by 0.7 percentage points between those two years, indicating that 2021 expenditures may be exceptionally high due to the response to COVID-19.
Source: WHO Global Health Expenditure Database.

Hence, the large difference between ASEAN and OECD countries in terms of healthcare spending is the result of low financing from other sources than out-of-pocket expenditures, including from taxes and healthcare contributions. Moreover, government spending on health is low in ASEAN countries compared to other countries with similar levels of economic development: all ASEAN countries fall below what is consistent with levels of GDP-per-capita based on cross-country comparison (Figure 3.2). In particular, the governments of Brunei Darussalam, Lao PDR, Malaysia and Singapore spend little on health compared to countries with similar economic development levels – see Colombia, Timor-Leste and Japan in the Figure. Furthermore, 35% of total health spending in 2021 was financed from social health insurance in the OECD on average, with employers, employees and the state contributing roughly equally to the health insurance budget, compared to 8% of total spending on average across ASEAN countries (WHO, 2024[4]). The health insurance fund in Indonesia is contribution-based, but the state pays the contributions for low-income people who represent 59% of all insured in 2021 (Asante et al., 2023[5]) – topped up with tax revenues, including from tobacco products, and financial support from international development agencies (Agustina et al., 2019[6]). In the Philippines, healthcare contributions of older people are subsidised by the state from taxes on tobacco and alcohol consumption (Department of Health of the Philippines, 2018[7]).

Figure 3.2. Low government expenditure on health

Domestic General Government Health Expenditure (GGHE-D) as percentage of GDP, by GDP per capita, 2021 or 2022



Note: HRV = Croatia; TLS = Timor-Leste; URY = Uruguay. The figure contains 155 countries; countries with fewer than 250 000 inhabitants are excluded.
Source: WHO Global Health Expenditure Database; IMF World Economic Outlook Database.

In addition to difficulties in collecting taxes or social contributions in countries with large informal economies, the political decision on what to do with the resources collected plays a role in low public healthcare expenditure. Even as percentage of total government spending, health expenditures are low in ASEAN countries. Government spending on health made up around 10% of total government spending on average in ASEAN countries, ranging from around 4% in Lao PDR and Myanmar to 21% in Singapore, compared to 16% in the OECD on average in 2021. Relative to peers in terms of economic development, Brunei Darussalam, Lao PDR, Malaysia and Myanmar spend a significantly lower share of the total government budget on health, and to a lesser extent this is also the case for Cambodia, the Philippines and Viet Nam. Indonesia, Singapore and Thailand, in contrast, spend a somewhat larger share of their government budgets on health than other countries with a similar per-capita GDP.

To ensure healthy ageing in the future, health systems should be financially sustainable. Maintaining universal health coverage may create financial pressure as societies age, as an increasing share of the population will pay limited healthcare contributions and will have higher healthcare expenditures. Projections from Thailand, for instance, show that rapid population ageing in combination with widespread undeclared work will put universal health coverage under strong financial pressure. As the population ages, health expenditures will rise and the tax base from which public health spending is financed will shrink (Hsu, Huang and Yupho, 2015[8]). To meet increasing costs, the healthcare budget can be increased through expanding the contribution base, raising health-insurance contribution rates and/or allocating more resources from general tax revenues. In the case of Thailand, for instance, relying on tax-rate increases alone to cover the projected rise in public health expenditures is unrealistic as by one estimate, this would require that labour income tax increases by at least 11 percentage point by 2050 or the consumption tax rate by at least 8 percentage points, compared to their 2005 levels (Hsu, Huang and Yupho, 2015[8]).

Expanding the contribution base through mandatory coverage and subsequently increasing contribution rates is an effective way to increase the financial resources of the healthcare system. The deficit the Indonesian national health insurance scheme has faced each year since its inception in 2014 has

diminished in recent years. After contribution rates were increased in 2016, the deficit in the health insurance scheme declined from 15% of total contributions in its first year (Hidayat et al., 2015[9]) to 3% three years later (Health Policy Plus, 2018[10]). Self-enrolment proved to be a financially unsustainable way to expand healthcare coverage as almost one-quarter of self-enrolled people only enrolled when they incurred medical expenses, and about one-quarter do not regularly pay contributions, contributing to expenditures being more than four times higher than revenues for self-enrolled persons (Health Policy Plus, 2018[10]). However, increasing contributions may reduce the coverage of undeclared workers: the 2016 increase in contribution rates did reduce the share of self-enrolled people paying regular contributions (Nurhasana et al., 2022[11]). With the passing of a new health law in 2023, healthcare coverage was in principle expanded to the entire population (Wijayanti, 2023[12]). For about half the population, health insurance contributions are paid fully by the central or regional government in the form of a flat-rate payment.[3] The expansion of national health insurance has benefited poor people as their out-of-pocket expenditure was significantly reduced (Saputri and Murniati, 2023[13]).

Given large informality, a tax-financed healthcare scheme is likely to be more effective at reaching universal healthcare coverage than a scheme financed from social-insurance contributions. High prevalence of undeclared work is a significant obstacle to financing healthcare through social health insurance based on employer and employee contributions (Lim et al., 2023[14]). Social health insurance in ASEAN countries was often developed for formal employees, followed in most countries by a separate tax-financed scheme for poor and older people. This has resulted in the "missing middle" problem: a lower middleclass of undeclared workers who are not covered through their employment and not poor enough to qualify for tax-financed healthcare (Kaiser et al., 2023[15]). Therefore, Thailand opted to introduce a universal tax-financed scheme, which also covers undeclared workers, alongside existing schemes for private-sector employees and civil servants (see below). Tax financing was chosen as a large share of the population could not afford health insurance premiums and undeclared work made it difficult to identify people who should contribute and how much. Under the universal scheme, known as the "30-baht policy", the patient's co-payment for any medical service is limited to THB 30, or less than one US dollar; the co-payment has been eliminated for treatments in public healthcare facilities. The scheme drastically reduced the share of out-of-pocket expenditures in total health spending (Hsu, Huang and Yupho, 2015[8]). A healthcare system consisting of a tax-financed basic care package, supplemented with mandatory health insurance providing access to a wider set of healthcare services could encourage paying health insurance contributions, in particular if health insurance contributions are progressive to limit disincentives for low-income workers to formalise employment (OECD, 2024[16]).

3.2.2. Access to healthcare has been expanding fast

Universal health coverage has been set as a priority in Southeast Asia by the WHO since 2014, and enshrined in the United Nations' Sustainable Development Goals (Dhillon et al., 2023[17]).[4] The objective is that people should have access to basic care provision close to home and should be able to access more advanced care if needed without facing very high expenditures.

Following the global trend, ASEAN countries have made strong progress towards universal health coverage since 2000. On the WHO's measure of coverage of "essential" health services (the UHC Service Coverage Index),[5] ASEAN countries on average improved from 38 to 67 points on a 100-point scale between 2000 and 2021, with big improvements in particular in Cambodia, Thailand and Viet Nam (Figure 3.3). Over the same period, the OECD average increased from 70 to 83 points.

Tackling infectious diseases has been one main achievement towards universal health coverage in ASEAN countries. Three fifths of the progress ASEAN countries made on the index since 2000 are due to improvements in relation to infectious diseases (consisting of access to basic sanitation, coverage of tuberculosis treatment and HIV therapy and insecticide-treated nets in areas with high malaria risk). One

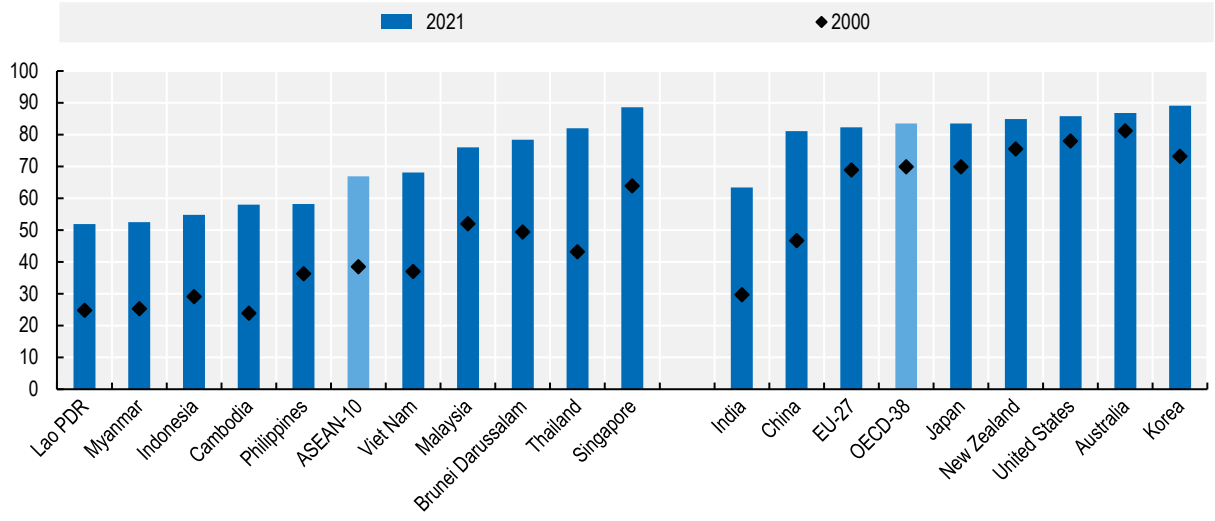
small note of caution: since 2015 progress has slowed substantially (WHO / World Bank, 2023[3]).[6] Between 2015 and 2021, Viet Nam's score remained stagnant, and Myanmar's even declined.

Tackling non-communicable diseases (access to hypertension treatment, prevalence of diabetes and tobacco use) has also improved to a certain extent, accounting for about one-fifth of the region's progress on the overall index. There is still a wide margin for improvement in this area, and in particular in Indonesia and Myanmar.

The remaining one-fifth of the progress is in equal parts due to improvements in the capacity of healthcare services (hospital bed density, health worker density and overall health system capacity as measured by the International Health Regulations core capacity index) and in reproductive, maternal and child health. Nonetheless, Thailand and, to a lesser extent, Indonesia and Myanmar, have made significant progress in terms of service capacity and access over the last two decades, while Cambodia and Lao PDR trail behind their regional counterparts.

Figure 3.3. Access to "essential" health services has drastically improved across ASEAN countries

Index of coverage of 14 essential health services (UHC Service Coverage Index)



Note: The index, covering what the WHO calls "essential health services", contains four indicators on reproductive, maternal, newborn and child health, four indicators on infectious disease control, three indicators on non-communicable diseases and three indicators on service capacity and access. The index is measured on a scale from 0 to 100. The levels on the index for 2021 largely correspond to those for 2019, suggesting a limited impact of COVID-19 on the data.
Source: WHO, 2023 ([18]), UHC Service Coverage Index (SDG 3.8.1).

To realise universal health coverage, the healthcare system should have the capacity to provide the full range of "essential" healthcare services in a way that they are both affordable and accessible for the full population. Social health insurance is an important determinant of affordable care. When designing social health insurance, policy makers have to make decisions in three key areas: eligibility (who is covered?), benefits (what is covered?) and financing (how much is covered by whom?) (Fan, Sharma and Hou, 2023[19]).

Countries in the region have successfully devised different strategies to move towards universal health coverage. To extend coverage to undeclared workers, Thailand established universal healthcare coverage in 2002 through introducing a third scheme alongside existing schemes for civil servants and formal employees as it proved too difficult to harmonise these schemes. This third scheme replaced targeted

schemes that had provided healthcare to poor people (Lim et al., 2023[14]). As a result, healthcare coverage increased from around 70% of inhabitants in 2001 to 95% two years later and virtually the full population a decade after the introduction (Hsu, Huang and Yupho, 2015[8]; Nonkhuntod and Yu, 2018[20]). Indonesia integrated pre-existing schemes for civil servants, military personnel, employees and poor people into a single health insurance fund in 2014, and eliminated the possibility for employers to opt out from social security. As a result, healthcare coverage expanded from 46% of the population in 2013 to 95% in 2023.[7] Coverage was expanded to the full population following the passing of a new health law in 2023 (Wijayanti, 2023[12]). Lao PDR launched a national health insurance scheme in 2016 and integrated five pre-existing schemes into it over the subsequent three years. Health coverage hence increased from 28% of the population in 2015 to 94% in 2017 and has remained stable since (WHO, 2023[21]). The country aims to achieve universal coverage by 2025 (Lao People's Democratic Republic, 2021[22]). In the Philippines, PhilHealth was established in 1995 to provide social health insurance to formal employees and with the possibility for anyone else to register voluntarily; it was expanded in 2013 to also include poor, sick, disabled and older people, as well as women and children. As a result, coverage was increased from 84% of the population before the reform to 91% three years later (Department of Health of the Philippines, 2018[7]). With the passing of the Universal Health Care Act in 2018, coverage was legally extended to the entire population.

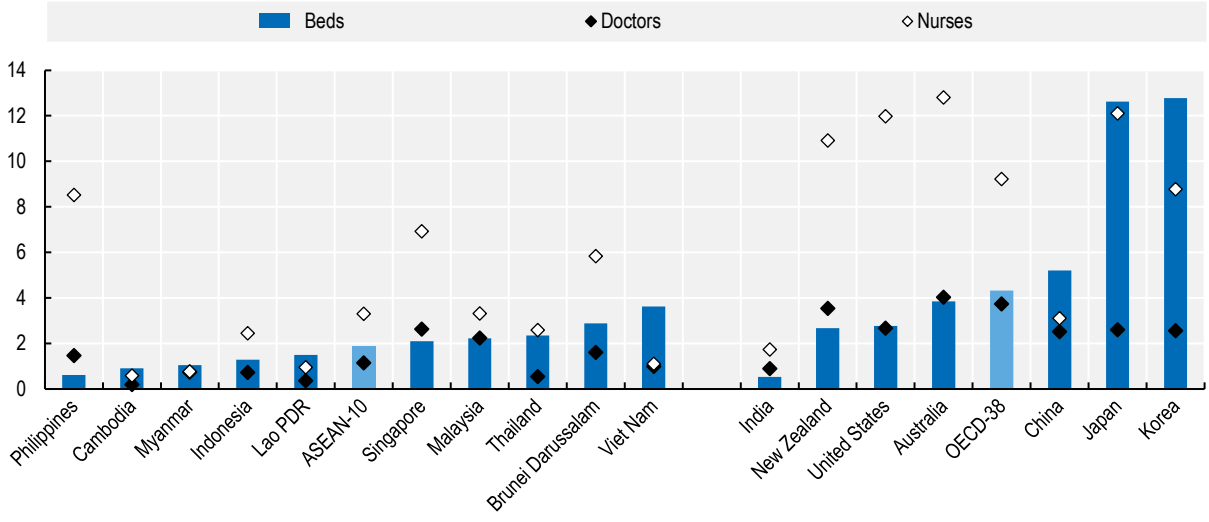
Experiences in Indonesia and the Philippines illustrate that relying on self-enrolment of certain groups is ineffective to sustainably achieve broad health coverage. While the possibility to opt in at a time of medical need and drop out again once treatment has terminated does give people access to healthcare services, this undermines the financial sustainability of health insurance schemes and ultimately limits the funds available to sustain broad service provision. The Indonesian health coverage rate increased significantly after the possibility for employers to opt out was eliminated. Voluntary coverage in the Philippines failed to provide protection to a significant part of the population, including poor and older people. Both Indonesia and the Philippines only achieved full health insurance coverage after legislating an extension to the full population. Experimental evidence from Indonesia furthermore indicates that enrolment subsidies, even those that are limited in time, are an effective way to increase enrolment and reduce the likelihood that people only enrol when health needs emerge. While providing assistance to people to register also increased registration, registration did not increase if people merely received information on health insurance (Banerjee et al., 2021[23]).

Cambodia and Myanmar are still far from realising full public health insurance coverage. In Cambodia, around 30% of people were estimated to be covered by health insurance in 2019, either by providing insurance-based coverage to civil servants and employees, or by targeting the poorest and funded from taxes (Kolesar et al., 2020[24]). Qualification for the targeted scheme is determined through IDPoor, a standardised questionnaire providing an overview of household assets and proxy measures of poverty such as educational level.[8] The government is committed to further increase coverage and has recently expanded the targeting to include informal workers in the tourism sector (The Royal Government of Cambodia, 2023[25]). In Myanmar, health insurance is only available to civil servants (Nikoloski, McGuire and Mossialos, 2021[26]). In addition, a Hospital Equity Fund was piloted to give poor people access to hospital services in one-third of the country in 2015, although the proxy means test performed poorly: 93% of individuals who met the inclusion criteria in an evaluation study did not receive benefits, whereas 23% of those not meeting the criteria did receive benefits (Htet, Ludwick and Mahal, 2019[27]). The government did intend to introduce a basic Essential Package of Health Services accessible in each township for the entire population between 2017 and 2020, to be expanded stepwise to a comprehensive package of essential health services by 2030 and hence reach universal health coverage (Ministry of Health and Sports of the Republic of the Union of Myanmar, 2016[28]), although by the time of the military coup in February 2021 neither the exact list of services nor the financing mechanism had been defined (Center for Policy Impact in Global Health, 2021[29]).

Removing financial barriers to healthcare use is crucial but not sufficient to reach full healthcare coverage. Beyond financial barriers, the low availability of healthcare services impedes healthcare use. ASEAN countries have limited healthcare capacities compared to the OECD average: on average, they have less than half the number of hospital beds as OECD countries relative to the size of the population, and one-third of the number of doctors and nurses (Figure 3.4). The available healthcare resources vary greatly between countries in these three domains, with the Philippines for instance having a very low number of hospital beds relative to its population but a very high number of nurses, whereas the opposite is the case in Viet Nam.

Figure 3.4. ASEAN countries have limited healthcare capacities

Number of hospital beds, doctors and nurses per 1 000 population, 2021 or latest



Source: OECD, 2023 ([30]), OECD/WHO, 2022 ([31]), information provided in policy questionnaires.

Universal health coverage not only depends on coverage and access of health services, but also on the range of health services that are included. Benefit packages offered by social health insurance can vary across a range of aspects, including whether they cover primary, secondary or tertiary care,[9] outpatient or inpatient care, healthcare or long-term care. In Lao PDR, Myanmar and the Philippines, only basic healthcare services are covered whereas a wide range of services including tertiary care is covered in Brunei Darussalam, Malaysia, and Viet Nam. Yet, medical check-ups are not covered by health insurance in Viet Nam, and the benefit ceiling on social health insurance in the Philippines is an obstacle for people with conditions requiring costly treatment to receive the treatment they need (Lim et al., 2023[14]). The types of health services covered vary widely depending on the level of insurance chosen in Indonesia, and on the social insurance scheme each person is covered by in Singapore and Thailand (Myint et al., 2019[32]). Furthermore, Indonesia aims to vastly expand mental health services in public health centres around the country (Ministry of Health of the Republic of Indonesia, 2015[33]). The aim is to tackle mental health and the connected stigma, as depressive disorders are a large source of years lived with disability in the country (Agustina et al., 2019[6]).

3.2.3. Healthcare coverage trails behind for some social groups

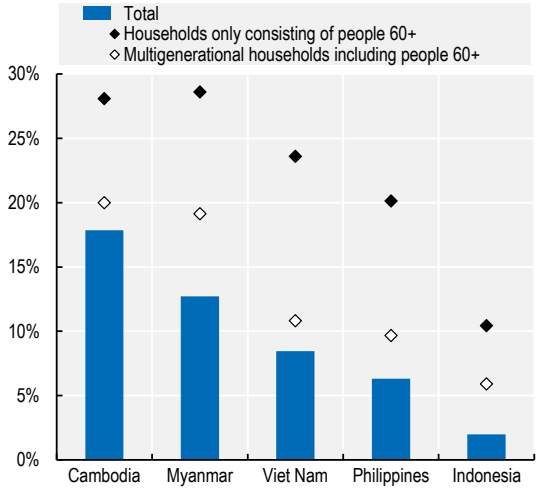
Problems of availability and accessibility of healthcare services are often more pronounced in rural areas. In the Philippines, despite the entire population in principle being covered by health insurance, only half of

the population in some rural areas, mostly underserved areas with a poor population, had medical treatment covered by PhilHealth between 2018 and 2021. In comparison, in some urban areas virtually the entire population had received covered treatment over the same period (Flaminiano et al., 2022[34]). In addition, even if some medicines are free and others can be purchased at a 20% discount for older people, they are not always available (Cananua-Labid et al., 2024[35]). Hence, uncertainty over whether medicine for treatment will be available may discourage some people from seeking medical assistance, in particular if it requires long travel. In Indonesia, rural communities account for 45% of the population but less than 10% of doctors (Agustina et al., 2019[6]). Primary healthcare is mainly delivered by community health centres (*puskesmas*), which are not yet present in each sub-district.

Households with older people are much more likely to spend at least 10% of their budgets on health than other households, in particular when it concerns households consisting only of people aged 60+ (Figure 3.5). This pattern emerges in all ASEAN countries for which data are available, irrespective of whether the share of all households with high healthcare spending is low, as in Indonesia, or high, as in Cambodia. This pattern is not the result of older people being more likely to live in rural areas as the share of households spending over 10% of the household budget on health is the same for urban and rural environments, except in Cambodia and Viet Nam where it is higher among rural households.

Figure 3.5. Households with older people are more likely to have high health expenditures

Share of the population living in a household spending over 10% of the household budget on health, by age composition of the household



Note: Data are from 2019 for Cambodia, 2018 for Viet Nam, 2017 for Indonesia, 2015 for Myanmar and the Philippines, and 2013 for China.
Source: WHO, 2023 ([36]).

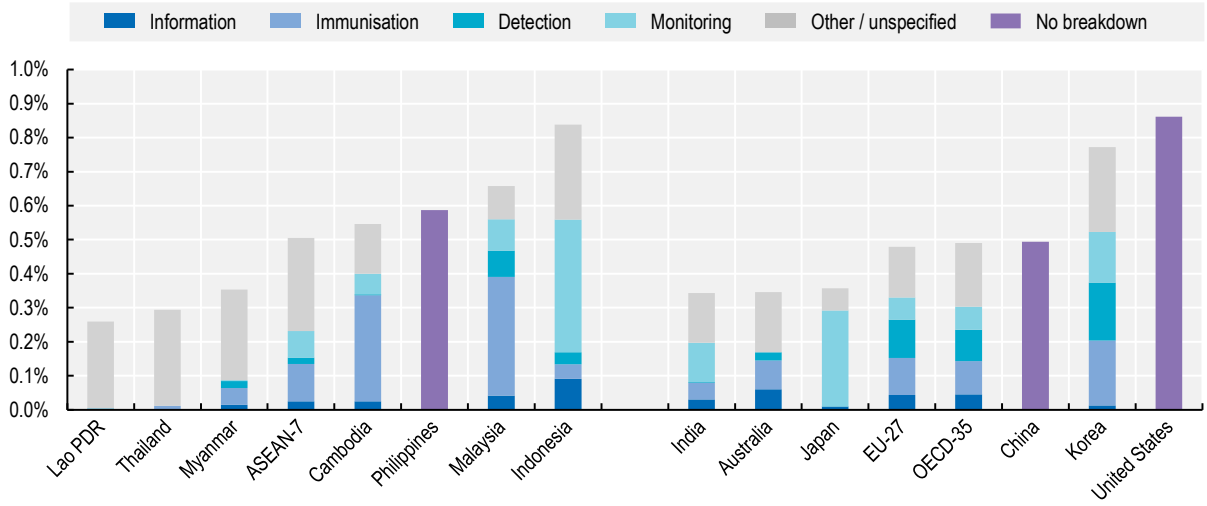
3.2.4. Preventing disease and disability at older ages

Spending on preventive care as a share of GDP is on average at a similar level in ASEAN and OECD countries, which is remarkable given substantial differences in economic development. On average, ASEAN and OECD countries spend 0.5% of GDP on preventive care (Figure 3.6). Spending on preventive care does vary significantly between ASEAN countries, ranging from around 0.3% in Lao PDR and Thailand to around 0.8% in Indonesia and Malaysia. Indonesia particularly invests in monitoring, likely connected to the *posyandu* programme of following up the health of mothers and children as well as of people aged 45+. For the latter, the programme particularly monitors the nutritional status and related

diseases such as diabetes and hypertension, although its utilisation is limited (Trisfayeti and Idris, 2022[37]). In Cambodia and Malaysia, the largest part of preventive care spending is on immunisation.

Figure 3.6. Spending on preventive care is similar in ASEAN and OECD countries on average

Spending on preventive care as share of GDP by components, 2022 or latest



Note: "Other/unspecified" refers to spending on preventive care that has not been broken down into separate subcategories of preventive care. Data on preventive care spending is not broken down into separate categories for the Philippines as well as for China and the United States, although in most countries a substantial part of preventive-care spending is not allocated to any of the separate categories. Data on preventive care spending are not available for Brunei Darussalam, Singapore and Viet Nam; the OECD average does not include data from Colombia, New Zealand and Türkiye. Preventive care spending data are from 2021 for China, Malaysia and the EU-27 average, from 2020 for Australia, India, Indonesia and Japan, from 2019 for Cambodia and Lao PDR, and from 2018 for Myanmar and Thailand.
Source: WHO Global Health Expenditure Database.

Yet, ASEAN countries' spending on preventing bad health as well as on rehabilitation efforts to reduce the prevalence of disability following injury or illness remain insufficient. While ASEAN countries on average spend as much as OECD countries on preventive care, the level of spending on preventive care in the OECD falls short to effectively improve health in later life and reduce health inequalities (OECD, 2017[38]). Furthermore, spending on rehabilitation, which reduces the prevalence of disability after illness or injury, is very limited in the region: the five ASEAN countries for which data are available on average spend 0.03% of GDP on rehabilitation, roughly one-tenth of the OECD-32 average.

As ASEAN countries have become more effective at tackling infectious diseases, non-communicable diseases connected to unhealthy lifestyles became a more prominent driver of mortality, long-term illnesses and healthcare spending (Agustina et al., 2019[6]). While in 2000, fewer than half of deaths were caused by non-communicable diseases in Southeast Asia, by 2019 this had increased to 69% (WHO Regional Office for South-East Asia, 2022[39]). Tobacco use, including smoking, is the only key metric on non-communicable diseases for which there has been a significant improvement in ASEAN countries, as tobacco use has declined since 2000. The share of the population aged 15+ using tobacco has declined from 35% on average across ASEAN countries in 2000 to 24% in 2022, along the line of the average decline in the OECD, from 35% to 22% over the same period. Particularly sharp drops of over 20 p.p. have occurred in Cambodia, Lao PDR and Myanmar (Figure 3.7, Panel A). Indonesia is the only ASEAN country where tobacco use has increased over this period; in Brunei Darussalam and Singapore, the level has remained constant around 16-17% of the population aged 15+ since 2000. The share of the population

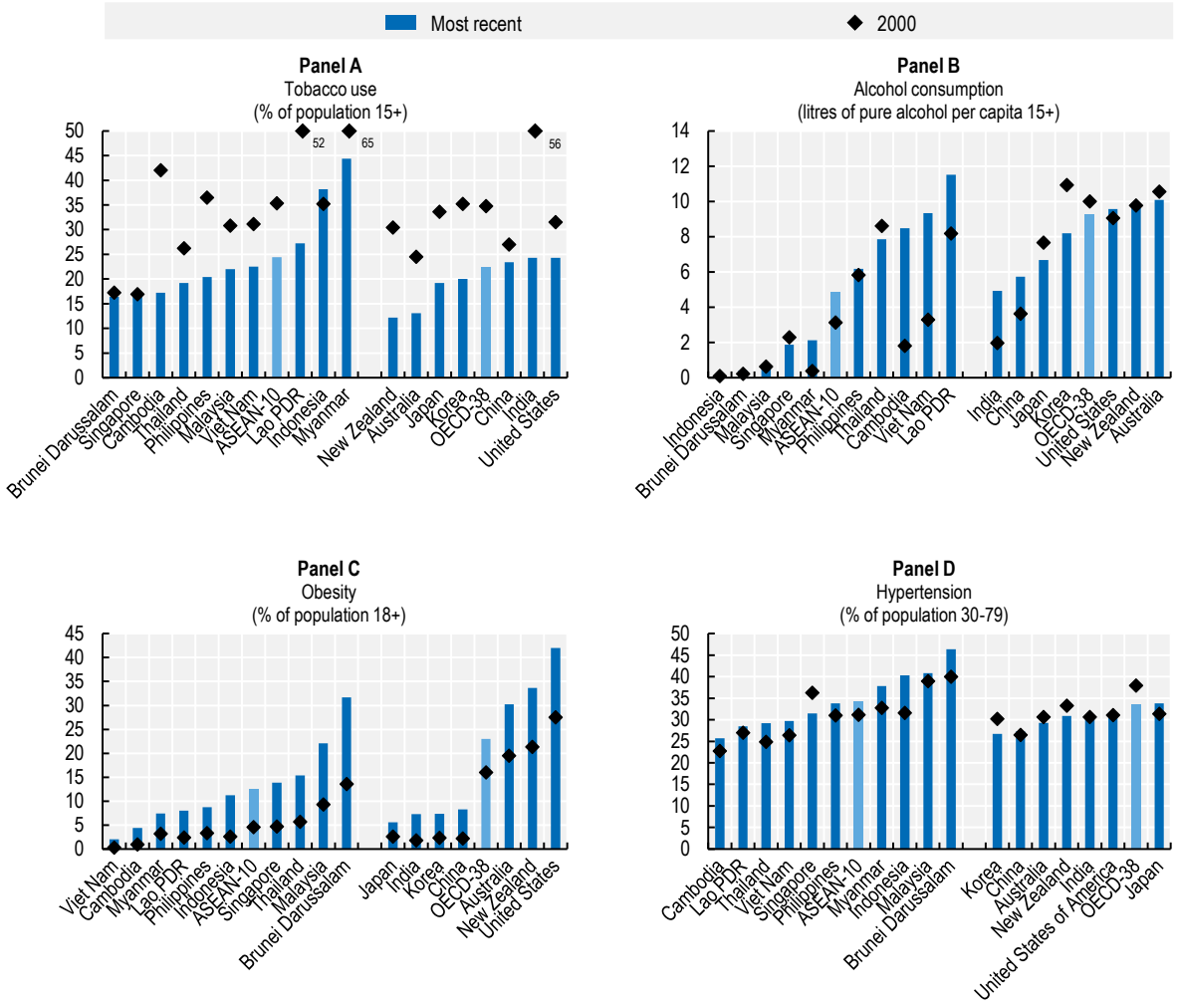
using tobacco is still at least double the global target of 19% in Indonesia and Myanmar (WHO Regional Office for South-East Asia, 2022[39]).

In contrast, alcohol consumption, obesity and hypertension prevalence have risen across the region. Alcohol consumption has increased on average in ASEAN countries, from 3.1 litres of pure alcohol per person aged 15+ in 2000 to 4.9 litres in 2019, although it remains far below the OECD average of 9.3 litres. This increase is largely the consequence of increases of more than 6 litres in Cambodia and Viet Nam and over 3 litres in Lao PDR over this period. Alcohol consumption declined somewhat in Singapore and Thailand over this period.[10] Obesity is on the rise in all ASEAN countries, affecting 12% of adults in ASEAN countries on average in 2022 compared to only 5% two decades earlier (Panel C). On average across OECD countries, the obesity rate has increased from 16% to 23% over the same period. The rise has been particularly steep in Brunei Darussalam, increasing by 24 percentage points to reach 32%, and Malaysia, where a 17-p.p. increase has resulted in an obesity rate of 22%. Also, Indonesia, Singapore and Thailand have recorded increases of around 10 p.p. in their obesity rates. Finally, hypertension prevalence has increased somewhat from 31% in 2000 to 34% in 2019 on average, whereas it has declined slightly in the OECD on average from 38% to 34% (Panel D). It has risen in all ASEAN countries except Singapore where it has dropped by 7 percentage points, with the sharpest increases of around 10 p.p. in Brunei Darussalam and Indonesia.

Diet plays an important role in the prevalence of obesity and hypertension, as well as other diseases like diabetes. In Indonesia, for instance, average consumption of refined sugar, fat and salt exceeds the recommended daily amount whereas the intake of animal protein is well below the recommended amount and the consumption of fruits and vegetables is even less than one-quarter of the recommended amount. Several countries in the region, including Indonesia, the Philippines and Thailand, rely on special taxes on tobacco, alcohol or sugar-sweetened beverages to reduce consumption and finance healthcare (Agustina et al., 2019[6]; Department of Health of the Philippines, 2018[7]; Sumriddetchkajorn et al., 2019[40]).

Beyond generating revenues, health taxes can result in healthier lifestyles as higher prices for unhealthy products can motivate people to limit their consumption (OECD, 2024[41]). They may furthermore prompt producers to replace taxed substances in their recipes, such as sugar, for less unhealthy alternatives.[11] Health taxes are less effective in border regions with neighbouring countries where harmful products are cheaper, and if close substitutes of a product that are also harmful are not covered. On average across OECD countries, revenues from excise taxes on alcohol have declined since 2000 despite increasing excise rates due to reduced consumption.[12]

Figure 3.7. Lower tobacco use but higher alcohol consumption, obesity and hypertension



Source: WHO Global Health Observatory indicators "Age-standardised estimates of current tobacco use, tobacco smoking and cigarette smoking (Tobacco control: Monitor)", "Alcohol, total per capita (15+) consumption (in litres of pure alcohol) (SDG Indicator 3.5.2)", "Prevalence of obesity among adults, BMI >= 30 (age-standardised estimate) (%)", and "Prevalence of hypertension among adults aged 30-79 years".

Injuries, in particular from traffic accidents, are another important source of disability and death in the region. Injuries are responsible for 9% of deaths and 10% of disability-adjusted life years in Southeast Asia, with road accidents being the largest contributor – almost one-quarter of all injury-related deaths and one-third of all injury-related disability-adjusted life years are caused by traffic (WHO Regional Office for South-East Asia, 2022[39]). Traffic-related mortality is particularly elevated in Thailand, at double the regional average of 16 annual deaths per 100 000 people (WHO Regional Office for South-East Asia, 2022[39]). In the Philippines, accidents are the fifth leading cause of death of which most are traffic-related (Department of Health of the Philippines, 2018[7]).

Primary healthcare and preventive care play an increasingly important role in the healthcare systems of several ASEAN countries. With the passing of the new health law in 2023, Indonesia shifted the focus of its healthcare system from curative towards preventive care, through stepping up efforts to improve health knowledge, immunise and screen the population in order to reduce prevalence and increase early detection of health problems (Wijayanti, 2023[12]). Malaysia's Health White Paper highlights the importance of primary healthcare in monitoring health and preventive care, including through public information

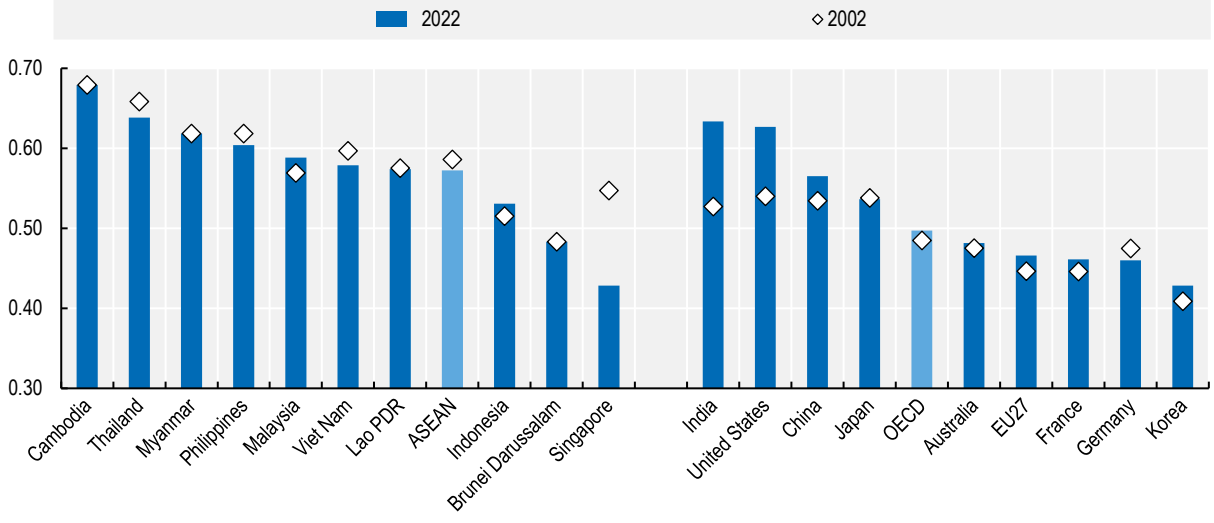
campaigns and setting financial incentives to boost healthier lifestyles (Ministry of Health of Malaysia, 2023[42]). While public information campaigns are important tools to boost health knowledge and improve preventive care, they have to be designed carefully to be impactful. The Philippine Department of Health assesses that previous health-knowledge campaigns have not been very efficient in terms of reducing spending on curative care as they have mostly been targeting people who were already sick, rather than on preventing others from becoming sick (Department of Health of the Philippines, 2018[7]).

3.3. Improving pension systems

Income inequality is deeply entrenched in ASEAN countries and pension systems can only play a limited role to correct the inequality that builds up before retirement. Inequality data for ASEAN countries are limited. While data on labour income inequalities is not available, the World Inequality Database (WID) provides a pre-tax income inequality measure. This measure combines labour and capital income taxes. Based on the Gini coefficient, which is equal to 1 when one person has all the income and 0 when everyone has the same income, income inequality in ASEAN countries is higher on average than in the OECD, with average Gini coefficients of 0.57 and 0.50, respectively (Figure 3.8). Over the last 20 years, pre-tax income inequality has decreased in ASEAN countries on average, while there has been a slight increase in the OECD. The average Gini index fell by 1.4 percentage points in ASEAN countries, while it increased by 1.2 percentage points in the OECD. A more relevant measure of income inequality would be after-tax based on disposable household income, thereby accounting for redistribution through tax systems, but this measure is not available in a harmonised way for ASEAN countries. For the OECD as a whole, the post-tax disposable income measure gives a Gini index for the total population around one-third lower on average than that for the pre-tax measure (OECD, 2024[43]). The difference between after-tax and pre-tax inequality is likely to be much smaller for ASEAN countries as redistribution through the tax and social-protection systems is more limited.

Figure 3.8. Pre-tax income inequality (GINI) is high, but falling, in ASEAN countries

Gini coefficient for pre-tax national income, equal-split adults



Source: WID (https://wid.world/data/)

3.3.1. Structure of pension systems

Pension systems in ASEAN countries follow different formats. Some of them have only been in place for a short period of time for private-sector workers with separate, older schemes being applicable for public-sector workers. Table 3.1 shows the architecture of pension systems in ASEAN countries based on the rules that determine eligibility and benefit levels. The first tier comprises programmes offering the first layer of social protection in old age, and for which past earnings are irrelevant in the calculation of retirement income. Such schemes often target some minimum standard of living in retirement. Mandatory earnings-related components (second tier) contribute to smoothing consumption, and therefore standards of living, between working life and retirement.

Among fist-tier benefits, basic pension benefits can take two forms: available based on only a residence criterium (residence-based) or to those who contributed during their career (contribution-based). Only Brunei Darussalam and Thailand have a residence-based basic pension; in Thailand, there is a proposal to make the benefit means-tested. Six ASEAN countries – Indonesia, Malaysia, Myanmar, the Philippines, Singapore and Viet Nam – have means-tested targeted benefits. By contrast, neither Cambodia nor Lao PDR have either a basic or a means-tested benefit: both countries have no first-tier benefit of any kind for retirees. The Philippines also has a contribution-based basic pension. Minimum contributory pensions, which refer to either the minimum of a specific contributory scheme or to all schemes combined, exist in three ASEAN countries, Indonesia, the Philippines and Viet Nam. Minimum contributory pensions define a minimum for total lifetime entitlements, which may increase in level once the length of the contribution period exceeds certain thresholds.[13]

In ASEAN countries, there are three kinds of mandatory earnings-related (second-tier) pension schemes covering private-sector workers: pay-as-you-go defined benefit (DB), points or funded defined contributions (FDC). For future retirees in the private sector, public pay-as-you-go schemes are DB in five ASEAN countries – Cambodia, Indonesia, the Philippines, Thailand and Viet Nam -, which means that individual benefits are based on the number of years of contributions, accrual rates and pensionable earnings. There is a points scheme in Lao PDR where, at retirement, the benefit is equal to the total acquired pension points multiplied by the estimated average monthly covered earnings of all insured persons in the calendar year before retirement and by 2%. FDC plans are mandatory in five ASEAN countries: Brunei Darussalam, Indonesia, Malaysia, the Philippines and Singapore. In these schemes, contributions flow into an individual account. The accumulation of contributions and investment returns can often be taken as either a lump sum or as a programmed withdrawal. Within the ASEAN countries, all of the FDC schemes are classified as being public because the investment strategy is controlled by government bodies in terms of both the level of risk and the amount of permitted foreign investment, for example. Indonesia and the Philippines have therefore both DB and FDC schemes, though only for high earners for FDC in the Philippines, whilst Myanmar does not currently have any mandatory pension scheme in place for private-sector workers.

Although public-sector workers have the same first-tier pensions as those in the private sector, they often have a different earnings-related pension. Only Brunei Darussalam, Singapore and Viet Nam have the same earnings-related pension for both private- and public-sector workers, with Malaysia intending to enrol new public-sector workers into the private-sector scheme (Employees Provident Fund, EPF) from 2024 while maintaining the separate scheme for current public-sector workers. Indonesia has the same DB scheme for all employees but those in the public sector have a higher FDC contribution rate, while Cambodia has a higher accrual rate for public-sector workers than for those in the private sector. In Lao PDR public-sector workers are covered by a DB scheme with different accrual rates depending on the year they began working.

Table 3.1. Structure of retirement-income provision through mandatory schemes

Mandatory pension schemes currently in place for private- and public-sector workers

	First tier				Second tier	
	Public- and private-sector workers				Private-sector workers	Public-sector workers
	Residence-based		Contribution-based			
	Basic	Targeted	Basic	Minimum contributory		
Panel A. Latest legislation (applying to future retirees entering the labour market in 2023 at age 22)						
Brunei Darussalam	✓				FDC	
Cambodia					DB	DB***
Indonesia		✓		✓	DB + FDC	DB + FDC**
Lao PDR					Points	DB
Malaysia		✓			FDC	DB*
Myanmar		✓				DB + lump sum****
Philippines		✓	✓	✓	DB + FDC	DB
Singapore		✓			FDC	
Thailand	✓				DB	DB*** + FDC
Viet Nam		✓		✓	DB	
Panel B. Current legislation where different from Panel A (applying to new retirees in 2023)						
Brunei Darussalam	✓			✓	FDC	
Cambodia						DB

Note: DB = defined benefit, FDC = funded defined contribution. * New public-sector workers from 2024 are now enrolled in the same FDC as private-sector workers. ** Public-sector workers have the same DB as in the private sector, but their FDC has higher contribution levels. *** Public-sector workers have a higher accrual rate and contributions than for those in the private sector. **** The lump sum for public-sector workers is 50% of last monthly pay for each year of service.
Source: Questionnaire responses from researchers.

Four ASEAN countries – Brunei Darussalam, Malaysia, Singapore and Thailand – have assets held in pension funds – as well as Indonesia and the Philippines to a much lesser extent. As they have had fully funded pension systems in place since the 1950s, Malaysia and Singapore have the largest funds in the region (Table 3.2); the Malaysian EPF has assets equivalent to 63% of GDP in 2023 and the Singaporean Central Provident Fund 38%.[14] The FDC scheme in Brunei Darussalam also has significant assets, worth 23% of GDP while Thailand is at 13% and Indonesia and the Philippines much lower at under 4% of GDP. Across the OECD, assets in pension plans are equivalent to 49% of GDP on average, although some countries have well-developed funded pensions; for example, assets in Australia, Canada, the Netherlands and the United States are over 130% of GDP (OECD, 2023[44]).

Table 3.2. Pension plan assets, at the end of 2023 or latest year available

	as a percentage of GDP	USD million
Brunei Darussalam	23.4	4 009
Indonesia	3.4	46 211
Malaysia	63.3	248 405
Philippines	3.5	13 890
Singapore	38.4	195 757
Thailand	13.6	68 207
Australia	131.4	2089 041
China	2.4	412 854

	as a percentage of GDP	USD million
India	10.7	338 159
Japan	30.2	1 266 230
Korea	32.1	547 214
New Zealand	32.0	78 423
United States	137.5	35 016 907
OECD average	49.0	

Source: OECD Global Pension Statistics, websites and annual reports.

3.3.2. Coverage of old-age pensions is low in many countries

The proportion of the labour force covered by mandatory pensions ranges from 4% in Myanmar to 65% in Thailand (Table 3.3). Being covered means actively making contributions within the last year as either a private- or public-sector worker. The coverage level in Myanmar is much lower than in any other country as there is no mandatory pension scheme for private-sector workers so only government employees are included. Indonesia and Lao PDR also have low coverage levels at 16% and 10%, respectively, while Brunei Darussalam, Malaysia and Singapore have coverage levels around 60% of the labour force, much higher than in the Philippines (45%) or Viet Nam (29%).

Most retirees are not receiving any pension in the majority of ASEAN countries. In both Cambodia and Lao PDR under 7% of those of retirement age or older receive any pension. In Indonesia, Malaysia, Myanmar and the Philippines, 20% or below of the population above the retirement age get a pension. The figures for Cambodia and Lao PDR (as well as Myanmar) only include public-sector pensions as private-sector schemes have only recently been introduced. Conversely, everyone in Brunei Darussalam receives a pension as there is a universal (residence-based) basic pension. In Thailand, 89% of those aged 55 and above receive a pension as it is also residence-based. Only Viet Nam has over 40% receiving an earnings-related pension.

Table 3.3. Coverage of old-age pensions

Pension contributors as a percentage of the labour force and percentage of the population above retirement age receiving a pension

	Active contributors		Recipients		
Country	Year	Percentage of labour force	Year	Retirement age (women where different)	Percentage above retirement age receiving a pension
Brunei Darussalam	2022	56.8%	2020	60	100.0%
Cambodia	2023	33.9%	2018	60	6.6%
Indonesia	2022	15.6%	2020	57	14.8%
Lao PDR	2022	10.0%	2020	60 (55)	6.3%
Malaysia	2023	62.0%	2020	55	18.6%
Myanmar	2022	4.4%	2020	60	14.9%
Philippines	2022	44.7%	2023	60	20.5%
Singapore	2023	57.8%	2020	63	33.1%
Thailand	2023	65.0%	2020	55	89.1%
Viet Nam	2023	28.8%	2023	61 (56.3)	40.9%

Note: If the latest labour force data from ILOSTAT is earlier than the year indicated it has been adjusted based on the change in the population aged 15 to 64.
Source: Questionnaire responses and National reports. ILOSTAT Database.

3.3.3. First-tier benefit levels are very low

Residence-based basic pensions in Brunei Darussalam and Thailand are equal to 11% and 4% of average earnings, respectively (Table 3.4). For the OECD countries shown in the Table, only New Zealand has a residence-based basic pension, but it is much higher at 40% of average earnings, though there is no mandatory pension in New Zealand. New Zealand is a very special case as, among the nine OECD countries with such a scheme, none of the other eight has a benefit above 30% of average earnings, with the OECD average at 21% of average earnings.

Targeted safety-net benefits are at a very low level in ASEAN countries, even though, given the limited universal schemes, they should play the key role in dealing with income vulnerabilities. Targeted benefits are generally only around 5-7% of average earnings; only Malaysia has a higher rate at 16%. These benefits are therefore not of a sufficient level to provide adequate support to retirees. By comparison, the targeted benefit in Australia is worth 28% of average earnings with Japan also above the Malaysian level and the United States equal to it. Only the Philippines has a contribution-based basic pension at 7% of average earnings, equal to the targeted safety-net. Minimum pensions only exist in Indonesia, the Philippines and Viet Nam at 14%, 16% and 24% of average earnings, respectively. Both Cambodia and Lao PDR stand out as having no form of safety-net protection for older people.

The coverage of first-tier benefits varies enormously across ASEAN countries. The percentage of over-65s receiving such benefits is shown in the final four columns of Table 3.4. Unsurprisingly, residence-based basic pensions in Brunei Darussalam and Thailand have the highest coverage. In the Philippines, the contribution-based basic pension is claimed by 35% of the over 65s, which is low in comparison for example to Japan and Korea, at 92% and 57%, respectively. The range in coverage by targeted schemes is wide, with the Philippines having well over 50% of those aged 65 or older in receipt, while recipient levels are under 10% in Indonesia, Malaysia and Myanmar.

Table 3.4. Current level and recipients of first-tier benefits

	Benefit value in 2022 (% of gross average earnings)				Recipients in 2022 (% of population aged 65 and over)			
	Residence-based basic	Targeted	Contribution-based basic	Minimum	Residence-based basic	Targeted	Contribution-based basic	Minimum
Brunei Darussalam	10.8	n.a.			100			
Cambodia		n.a.						
Indonesia		7.4		13.5		2		
Lao PDR		n.a.						
Malaysia		15.6				7		
Myanmar		4.6				6		
Philippines		6.6	6.6	15.8		56	35	
Singapore		4.8				28		
Thailand	3.7	n.a.			97			
Viet Nam		7.2		24.1		21		
Australia		28.2				58		
France		27.0		21.4		4		34
Germany		19.5				4		
Japan		18.2	15.1			3	92	
Korea		7.4	12.5			71	57	
New Zealand	39.7				103*			
United States		15.6				13		

Note: n.a. = not applicable.

* The recipient number exceeds 100% of the population aged 65 and older as some claimants are living abroad.

Source: National reports; Information provided in questionnaire responses; Pensions at a Glance 2023.

In several ASEAN countries, targeting is based on proxy means testing. In a proxy means test, a household's level of need is determined based on observable living conditions, such as the characteristics of the house the family lives in. Indonesia for instance grants certain targeted benefits to households in a database of poor households constructed on 2005 census data and updated through a targeting census requiring home visits to around 25 million households (thus covering about 92 million individuals) every three-to-four years (Banerjee et al., 2020[45]). Characteristics of the house itself, as well as the demographics and assets owned by the occupying household, are taken into account in the evaluation. As a result, benefit recipients' entitlements are connected to the place where they live, and moving to a different area would mean losing the current entitlements and having to re-apply for assistance. This is also the case in Cambodia, for instance, where people identified as eligible for certain benefits through IDPoor (Section 3.1) may not be able to access their benefits when moving to another municipality (OECD, 2017[46]).

Income poverty rates are high in a number of ASEAN countries, particularly for women. Income inequality amongst adults in ASEAN countries have been relatively high in the past. Moreover, poverty rates are higher in rural than in urban areas and the older population is more heavily concentrated in rural communities (UNDP, 2022[47]). In countries with much younger populations, such as Cambodia, Lao PDR and the Philippines, older people are less likely to be in poverty than the general population (ASEAN, 2024[48]). Conversely, in Indonesia, Malaysia and Thailand, countries with much older populations, the poverty rate of older people is higher than that of the general population. Filial support is still prevalent in many ASEAN countries; for example, in Cambodia and Lao PDR, family transfers represent 62% and 72% of the total income of households composed only of older people (Asian Development Bank, 2024[49]). In Thailand, the level, while still quite high, is lower at 37% suggesting that as populations age and there are fewer younger family members available to provide support, the filial level of transfers decreases and consequently poverty rates increase.

As in OECD countries, older women typically have a higher poverty rate than older men (ASEAN, 2024[48]). Family and domestic responsibilities have prevented many women from having paid and full-time jobs. Moreover, those women who work are still expected to provide care in the household, and therefore many have informal employment, which is generally low paid. This leaves women with limited social protection and being financially dependent on other family members, thereby becoming more vulnerable to poverty in their later years.

Creating a social pension that is effective in helping to alleviate poverty is therefore a priority. While this will be costly in the short-term, over time the cost should fall significantly if the earnings-related part offers incentives to participate and the different pension schemes are well co-ordinated. Moreover, as ASEAN countries are currently relatively young, the related short-term financial costs are limited.

3.3.4. Contribution rates are low

In many ASEAN countries, pension contribution rates are low, well below those in the majority of OECD countries. Across ASEAN countries the contribution rate is currently 12.9% on average, split as 5.1% from employees and 7.7% from employers with 0.1% from government (Table 3.5). By comparison the OECD average contribution rate is 18.2%, with average earners in both France and Italy contributing more than 27%. Malaysia, Singapore and Viet Nam have total contribution rates above 20%. By contrast, total contributions in Lao PDR are only 5% of earnings, with Thailand at 7.0%, Indonesia at 8.7% – 3.0% for DB, 5.7% for FDC – and the other countries above 10.0%. In Cambodia, the total contribution rate is 4.0% currently, increasing to 10.75% by October 2032, equally split between employee and employer, resulting in an average of 9.5% for a full-career worker starting at age 22 in 2022.

Table 3.5. Mandatory contribution rates in 2022

Contributions to mandatory and quasi-mandatory pension schemes

	Employee	Employer	Government	Total	Effective rate on average earnings
Brunei Darussalam	0.0	9.5		9.5	9.5
Cambodia*	2.0	2.0		4.0	4.0
Indonesia	3.0	5.7		8.7	8.7
Lao PDR	2.5	2.5		5.0	5.0
Malaysia	11.0	13.0 [w]		24.0	24.0
Myanmar					
Philippines	4.0	9.0		13.0	13.0
Singapore	12.4 [a]	10.6 [a]		23.0	23.0
Thailand	3.0	3.0	1.0	7.0	7.0
Viet Nam	8.0	14.0		22.0	22.0
ASEAN	**5.1**	**7.7**	**0.1**		**12.9**
Australia	0.0	10.5		10.5	10.5
France	11.3 [w]	16.5 [w]		27.8 [w]	27.8
Germany	9.3	9.3		18.6	18.6
Italy	9.19	23.81		33.0	33.0
Japan	9.13	9.13		18.3	18.3
Korea	4.5	4.5		9.0	9.0
United States	5.3	5.3		10.6	10.6
OECD35, effective at average wage	**7.3**	**10.8**			**18.2**

Note: * The total contribution rate for Cambodia was 4.0% for 2022 but will increase 8.0% in 2027 and then to 10.75% in 2032 giving an average rate of 9.5% for a worker starting their career at age 22 in 2022. In the Philippines the total contribution rate increased to 14.0% in 2023 and will increase to 15.0% (5.0% employee, 10.0% employer) from 2025 with contributions based on earnings below 120% of average going to the DB scheme and those above going to the FDC, giving an average rate of 14.8% for a worker starting their career at age 22 in 2022. [a] and [w]: rate varies by age and earnings level respectively.
Source: Country profiles provided by countries.

3.3.5. Retirement ages and replacement rates

Retirement ages in ASEAN countries are low compared to those in OECD countries with limited legislated increases. The OECD defines the normal retirement age in a given country as the age of eligibility to pensions from all schemes (covering either public- or private-sector workers) without penalty.[15] On average across ASEAN countries, the normal retirement age for male private-sector workers who retired in 2022 was 59.2 years compared to an OECD average of 64.4 years ranging from a low of 55 years in Malaysia and Thailand to a high of 63 years in Singapore with half the countries at age 60 (Figure 3.9). Women have the same retirement age as men except in Lao PDR and Viet Nam, where it is 5 years and 4 years 10 months lower. In Viet Nam, with the increase in the retirement age since 2021, it will reach 62 for men by 2028 and 60 for women in 2035, reducing the future gender gap to 2 years. Gender gaps exist in nine OECD countries including Colombia and Poland, where women can retire five years earlier than men.

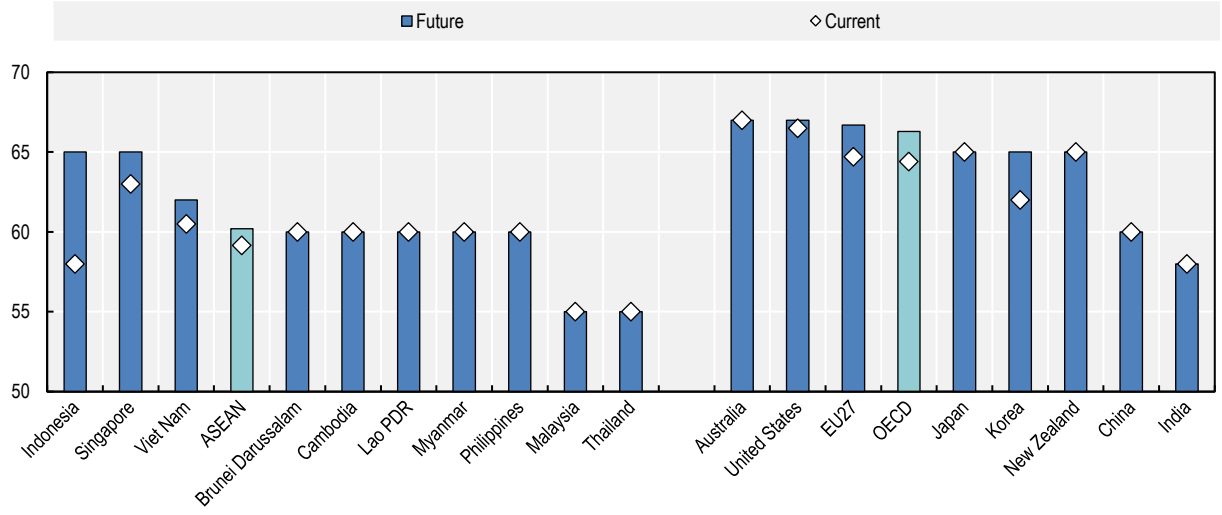
The current gap between the average normal retirement age in ASEAN and OECD countries largely reflects current differences in old-age life expectancy. Remaining life expectancy at age 60 is 20.0 years for men in ASEAN countries on average currently, compared with 24.2 years in the OECD on average and

20.1 years at age 65. By 2065, remaining male life expectancy is projected to increase to 23.6 years in ASEAN countries at age 60 and to 24.0 years for OECD countries at age 65.[16]

The legislated increases in retirement ages are in ASEAN countries on average half those in the OECD while life-expectancy gains in old age are projected to be similar. With legislated increases in normal retirement ages, the normal retirement age for men will increase to 66.3 years in the OECD on average for those entering the labour market today, but it will only go to 60.2 years for ASEAN countries, with only Indonesia, Singapore and Viet Nam having legislated an increase – since 2016 the retirement age in Indonesia has been increasing by one year every three years to reach 65 by 2043. Given projected health improvements, stabilising pension replacement rates in ASEAN countries in a financially sustainable way would require higher contribution rates if retirement ages do not increase much more.

Figure 3.9. Current and future normal retirement ages for male private sector workers

Current and future refer to retiring in 2022 and entering the labour market in 2022, respectively



Note: A full career is assumed from age 22 in both cases. The retirement ages shown for Lao PDR, Viet Nam and China are for men. The current female age is 55 in Lao PDR, 56.3 in Viet Nam and 55 in China with the future ages in Lao PDR and China remaining unchanged and Viet Nam increasing to 60. All other countries have the same ages for both men and women. The figures shown are for private sector workers, but the same ages apply to the public sector with the exception of Thailand which has a public sector retirement age of 60.
Source: OECD calculations based on information provided by countries.

The old-age pension replacement rate measures how effectively a pension system provides a retirement income to replace earnings while working. Under the baseline assumptions, workers earn the same percentage of average-worker earnings throughout their career. Therefore, final earnings for full-career workers are equal to lifetime average earnings revalued in line with economy-wide earnings growth. Replacement rates expressed as a percentage of final earnings are thus identical to those expressed as a percentage of lifetime earnings. For comparability across countries all benefits that can be taken as a lump sum have been annuitised over the remaining lifetime.

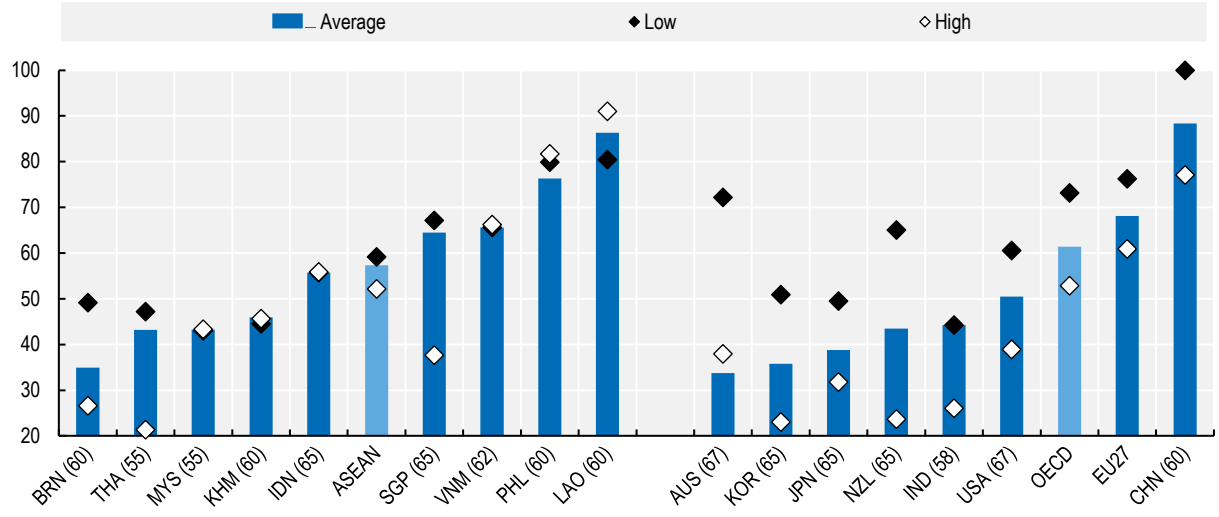
Across ASEAN countries future pension entitlements for average earners are below those within the OECD. Male average earners in ASEAN countries will on average have a net replacement rate – defined as the individual net pension entitlement divided by net pre-retirement earnings, taking account of personal income taxes and social security contributions paid by workers and pensioners – of 57.3% after a full contributory career from age 22 (Figure 3.10). This compares to 61.4% for the OECD average. Given the much lower contribution rates shown in the above Table, this replacement-rate difference between ASEAN and OECD countries on average is relatively limited, potentially reflecting better demographics in

ASEAN countries in the short term but also more serious financial sustainability issues that are discussed in another section below.

Within ASEAN countries, net replacement rates for full-career workers are the lowest in Brunei Darussalam for average earners at 35.0% compared to a high of 86.3% in Lao PDR and 76.3% in the Philippines (Figure 3.10). However, as shown above, the coverage level is currently very low in Lao PDR and of only about 20% in the Philippines. The remaining countries have replacement rates between 43% and 56% with the exception of Singapore and Viet Nam at 65%.

Figure 3.10. Net pension replacement rates by earnings, in percentage

Net replacement rates for low, average and high earners with full career from age 22 entering the labour market in 2022



Note: *Low earners in New Zealand are at 63% of average earnings to account for the minimum wage level. No result is shown for Myanmar as there is currently no mandatory pension system for private sector workers.
Source: OECD pension models.

Future replacement rates for low earners – those earning 50% of the average wage – are low even after a full career in Cambodia – close to 50% or less implying pensions close to one-quarter of net average wages or below. This is comparable to Canada (54%), Japan (50%), Korea (51%) but is well below the OECD average of 73% while the ASEAN average is 59%. The gap between the ASEAN and OECD average is wider for low earners than for average earners as there are low first-tier benefits and limited redistribution within the pension system in ASEAN countries as highlighted above. However, in Brunei Darussalam, and to a lesser extent in the Philippines and Thailand, the basic pensions (whether residence-based or contribution-based) are worth more in relative terms for low earners, and as a result their replacement rates are higher than for average earners.

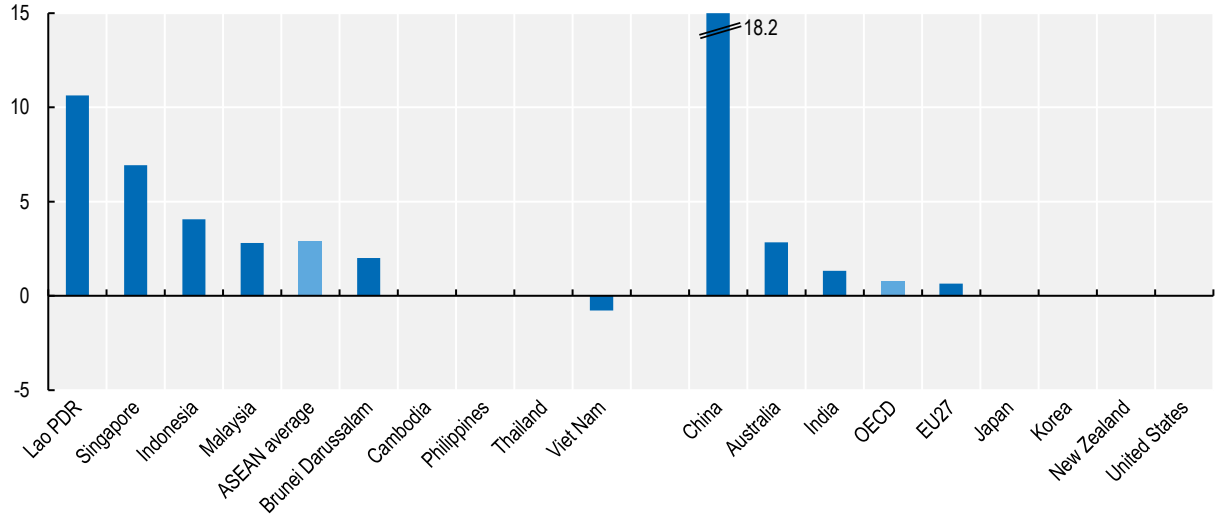
Higher earners with full careers – those earning 200% of the average wage – have similar replacement rates on average in ASEAN countries compared to the OECD average. There are two main reasons for the convergence in results for high earners. First, safety-net or flat-rate benefits are generally more generous in OECD countries, and they have a reduced impact on replacement rates for higher earners. Second, many OECD countries apply ceilings to contributions to their pension systems, which lowers the future pension entitlements from earnings-related pensions for the higher earners, while ceilings are less common in ASEAN countries. Redistribution within pensions that applies in several OECD countries plays a smaller role, whether through a progressive benefit formula, as in the United States for example,

replacing lower incomes at a higher rate, or though part of pension entitlements being based on economy-wide contributions, as in Korea. Unusually, in Lao PDR the net replacement rate actually increases with earnings as pensions are not taxed while taxes on earnings are progressive, meaning that the same gross replacement rate across earnings levels leads to higher net values as earnings increase.

Even if based on the same career, age and earnings levels, women will have lower future pension entitlements than men in Lao PDR and in ASEAN countries with FDC schemes. On average, the net replacement rate for women will be 2.9 percentage points lower than for men at the average wage in ASEAN countries, compared to only 0.8 percentage points lower in the OECD (Figure 3.11). Lao PDR has the largest difference, at 10.6 percentage points, entirely due to women retiring 5 years earlier than men, thereby having accumulated lower pension entitlements. In Brunei Darussalam and Singapore, sex-specific mortality tables are used to calculate pension annuities from FDC schemes, as well as in Australia and Latin American OECD countries. This negatively affects women's replacement rates as their higher life expectancy lowers annuity payments. The same happens in Malaysia and in Indonesia for its FDC scheme, but through a different mechanism. There, no annuities are provided and it is possible to take the entire pension pot as a lump sum at retirement age, generating larger risks that women consume their lump sums before they die as they are expected to live longer. This is therefore reflected in lower replacement rates as calculated by the OECD. However, within EU countries, common mortality tables must be used for both men and women, thereby providing an element of redistribution towards women when calculating retirement incomes, which helps reduce the gender pension gap. Viet Nam actually shows a higher replacement rate for women than for men despite women retiring two years earlier as the base accrual rate of 45% is reached after only 15 years of contribution for women compared to 20 years for men. These replacement rate numbers are based on the assumption of full careers with the same earnings levels for men and women, while in reality as women tend to work for much shorter periods than men and at lower wages, their pensions will effectively be much lower and poverty risks be much higher.

Figure 3.11. Difference in net replacement rates for average earners by gender

Net replacement rate of male average earners minus that of female average earners, full career, percentage points



Source: OECD pension models.

3.3.6. Pay-as-you-go pensions are not financially sustainable in ASEAN countries

One way to examine whether contributions are enough to finance pensions for given career cases is to compare the implicit rates of returns they generate for individuals with the internal rate of return that the system can afford. Using the latest UN projections for mortality data, the implicit rate measures the effective return on contributions paid that generates the flows of projected pension benefits based on current legislation and projected mortality rates. This flow of benefits accounts for the increases in benefits throughout retirement, which for Cambodia, the Philippines and Viet Nam is based on wage indexation whereas it is price indexation for the other countries.

The internal rate of return in a pay-as-you-go scheme is assumed to be equal to the growth rate of the contribution base, i.e. the sum of employment growth and wage growth; the latter is in turn assumed to equal labour productivity growth, which is assumed to be 1.25% per year in real terms. Employment is supposed to grow as the working-age population. Projections of the latter account for legislated increases in the normal retirement age. ASEAN countries that have the same replacement rates from a DB scheme within the range of earnings modelled herein have the same implicit rate of return as contribution ceilings are above twice average earnings. The implicit rate of return in funded schemes is determined by investment returns and annuity calculations. In pure FDC schemes, there is no issue of financial sustainability, and the internal rate of return is equal to the implicit rate. In both DB and DC schemes, a higher wage growth broadly raises one-to-one both internal and implicit rates, with therefore some limited impact on the difference between both rates, which is the focus here. The only small caveat refers to Cambodia, Indonesia and Thailand, as DB pensions there during retirement are price indexed. This means that higher wages driven by higher productivity growth are not fully reflected in pension levels after retirement. For example, if annual real wages were to grow faster by 1 percentage point, thereby raising internal returns by 1 percentage point, implicit returns would increase by only about 0.8 percentage points, improving financial sustainability slightly.

The internal annual real rate of return is around 2% for most of the ASEAN countries but is much lower in Thailand, as well as in Viet Nam to a lesser extent. This is because these two countries are projected to face declining working-age populations over the next decades, which affects the financing of their pay-as-you-go pensions (Figure 1.1) as this measure is based on the projected changes in the size of the working-age population, which accounts for legislated increases in retirement age. The result for Indonesia, for example, uses a long-term retirement age of 65, but is only 58 currently. The level in Thailand is lowest at 0.2% as the long-term retirement age is not increasing from age 55 and the demographic situation is poor with low fertility and rapid ageing. If the retirement age were to be increased to 60 in Thailand for workers starting today the internal rate of return would increase to 0.8%.

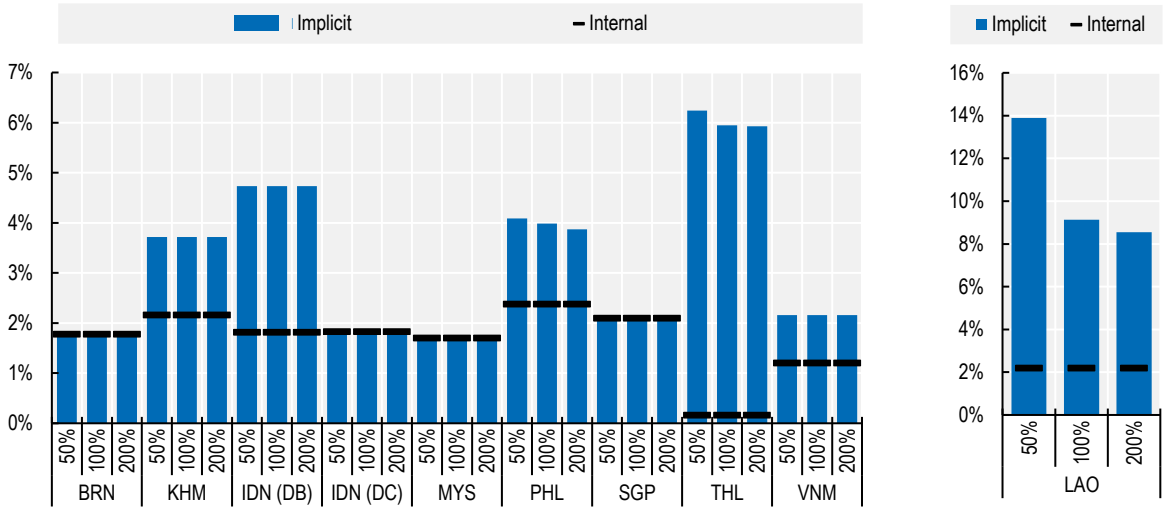
The implicit annual real rates of return are close to 5% or more for the DB schemes in Indonesia and Thailand, and even much higher in Lao PDR. Due to extremely low contribution rates relative to the pension promise – 5% contribution rate and 2% accrual rate – the implicit rate of return in Lao PDR is above 8% for average and high earners and even 14% for low earners (Figure 3.12). In Indonesia (for the DB scheme) and Thailand also, the contribution and accrual rates are not balanced (3% contribution rate for 1% accrual rate and 7% contribution for around 1.4% accrual, respectively) thereby giving implicit rates of return of 5-6%. Likewise in Cambodia, the Philippines and Viet Nam, the accrual rates of 1.25%-1.75%, 2% and 2%-3%, respectively, are unsustainable given the level of contribution rates; as the latter are higher than in Lao PDR, Thailand and Indonesia, at 9.5%, 15% and 22%, respectively, the implicit rates of return are lower. In Cambodia and Viet Nam, in addition, past wages are uprated with price inflation rather than wage growth, which diminishes effective accrual rates (compared to their nominal value above), replacement rates and implicit rates of return.

As a result, the implicit rates of return are much higher than the internal rates in ASEAN countries with pay-as-you-go pensions, casting doubts about their financial sustainability. This is the case in particular of Lao PDR and Thailand, but as well of Indonesia, and to a lesser extent Cambodia, the Philippines and

Viet Nam. Increasing the retirement age would help to improve pension finances, as more contributions would be received and pensions would be paid for a shorter period of time, but this will fall short of ensuring sound finances in some cases. For example, in Thailand, if the retirement age were increased from 55 to 60 years, the corresponding implicit real rate of return would only fall to 5.3% from 6.0% for an average earner, still well above the 0.8% for the internal rate of return.

Figure 3.12. Implicit vs. internal rates of return across earnings levels

Implicit vs. internal rates of return by earnings level for earnings-related pensions, real annual rates



Note: Lao PDR is shown separately to make the results clearer for other countries as it needs a different scale. Only the DB scheme is shown for the Philippines as the DC scheme is only relevant for higher earners. All cases assume stable earnings thought career. The economic assumptions follow those of the OECD pension model and the mortality is based on the unisex mortality tables for the cohort born in 2000 which is expected to retire around 2060.
Source: OECD calculations.

Pension protection is weak and sporadic for the self-employed

In almost all of the ASEAN countries, self-employed workers are not mandatorily covered by the pension system but rather rely on voluntary contributions. Brunei Darussalam, from 2023, and the Philippines are the only countries to have fully mandated pension coverage for this group. Voluntary coverage is not even possible in Indonesia for the DB component as the self-employed are not allowed to join.

Contribution rates for the self-employed are often either flat rate or at a lower percentage than those for employees.[17] In Brunei Darussalam, for example, the self-employed contribute between BND 17.5 and BND 40.0 per month (0.7% and 1.7% of gross average earnings, respectively) with a matching contribution of BND 17.5 from the government, whereas, for employees, employers contribute between 8.5% and 10.5% of earnings – there is no contribution from employees themselves. Thailand also has flat-rate contributions to social insurance for the self-employed, equivalent to a maximum of around 1.2% of average earnings but there is also an additional separate pension system for the self-employed (Social Security Fund) with the government matching contributions at between 50% and 100% depending on age and subject to a ceiling. In Indonesia, the DB scheme is not an option for the self-employed; if joining the FDC scheme they must at least contribute the 2% rate that dependent employees pay to the Provident Fund, but there is no requirement to pay the 3.7% employer contribution. In Lao PDR, the Philippines and Viet Nam, the self-employed pay the equivalent of both the employee and employer contribution, but there

is a lower floor to starting contributions in the latter. Finally, in Malaysia and Singapore there are the same ceilings to contributions, but how much is contributed is totally at the discretion of the self-employed worker.

The schemes for the self-employed are entirely separate in both Thailand and Viet Nam whereas in other countries the voluntary contributions of the self-employed go into the same schemes as for private-sector workers. Therefore, the coverage levels shown in Table 3.3 include self-employed workers for most countries but not for Thailand and Viet Nam, which when included increase the coverage level by 5.6 percentage points and 2.7 percentage points, respectively.

3.4. Facilitating ageing in place and the mobility of older people

Older people's capacity to remain active in society depends among other factors on their living arrangements and their capacity to get around. Living arrangements affect the availability of support to overcome difficulties with personal care or domestic help, allowing older people to live their lives. Older people's integration in the community can be improved by supporting them in the execution of tasks they have difficulties with and by providing them with opportunities to connect and maintain their social networks. Social participation does require that people are able to move around in their own homes, their neighbourhoods and the wider environment. Finally, older people in need of an income or long-term care may have to relocate in search of job opportunities or care providers such as family members. Therefore, this section explores two areas in relation to where older people live and how they move around in the light of active ageing: housing arrangements and community life, and mobility of older people.

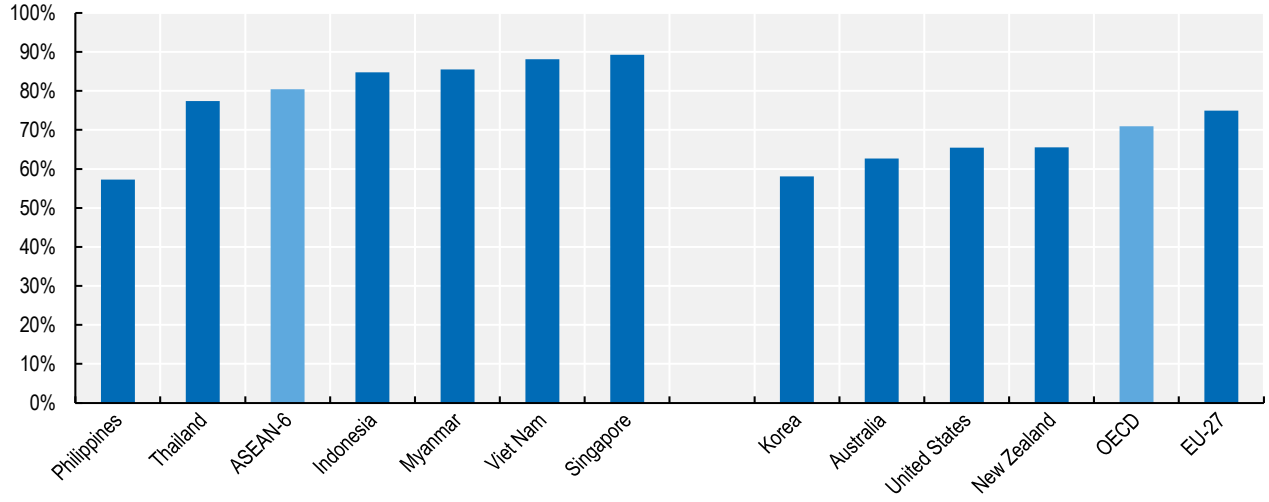
3.4.1. Ageing in place: growing old in the community

Home ownership provides a stable living environment that facilitates the development of durable social connections in the community. With the exception of the Philippines, where only 57% of households live in an owner-occupied home, the home-ownership rate ranges between 77% in Thailand and 89% in Singapore, compared with 71% in the OECD on average (Figure 3.13).

Living in a multigenerational household provides opportunities for social interaction. The share of older people living alone or only with a partner is used as an indicator of active ageing in the Active Ageing Index, developed by the European Commission and UNECE as a tool to assess older people's ability to control their own lives and (capacities for) participation in both society and the economy (UNECE / European Commission, 2019[50]). It is based on the assumption that a setting in which older people can live independently must be supportive to older people. At the same time, however, multigenerational households provide opportunities for social interaction and for older people to contribute to the household's welfare through the provision of childcare, facilitating in practice the labour market participation of their daughters or daughters-in-law.

Figure 3.13. Home-ownership rates are high in most ASEAN countries

Share of households living in an owner-occupied dwelling, latest available

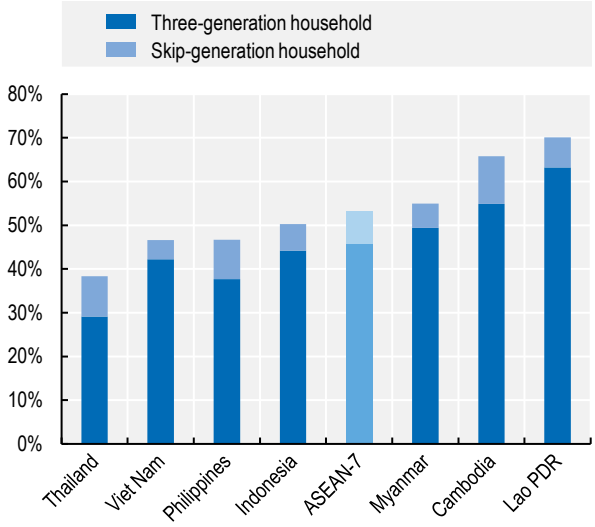


Note: Data refer to 2023 for Indonesia and Singapore, to 2022 or latest for OECD and EU-27; to 2021 for Australia, Korea, New Zealand and the United States, to 2020 for the Philippines, to 2019 for Viet Nam, to 2014 for Myanmar and to 2010 for Thailand.
Source: OECD Affordable Housing Database, indicator HM1.3 Housing tenures; Central Bureau of Statistics of Indonesia, 2023 ([51]); Department of Population of the Republic of the Union of Myanmar, 2017 ([52]); Philippine Statistics Authority, 2023 ([53]); Statistics Singapore, 2023 ([54]); National Statistical Office of Thailand, 2023 ([55]); Viet Nam General Statistics Office, 2020 ([56]).

Multigenerational households are very common in ASEAN countries. On average in the seven ASEAN countries for which data are available, 46% of people aged 65+ live in a household comprising at least three generations (Figure 3.14). This ranges from around 30% in Thailand to over 60% in Lao PDR. In Malaysia the share is likely to be somewhat lower than in Thailand as only about one-third of people aged 60+ live in a multigenerational household, which also includes two-generation households (Asian Development Bank, 2023[57]).[18] Moreover, in Malaysia, multigenerational households are more common in urban than in rural areas, which is likely the result of migration of younger generations away from rural areas and higher housing costs in urban areas making co-housing a more attractive option for urban families (Mohd, Senadjki and Mansor, 2017[58]). In addition, across ASEAN countries 5-10% of older people live in "skip-generation" households, meaning that grandparents cohabitate with their grandchildren, but not with the generation in between. Skip-generation households are particularly common in rural areas where parents migrate in search of better jobs. The main reasons for Thai people to live in this type of household include family care norms, unavailable or unaffordable formal childcare options, problematic family relationships and financial agreements to provide care in exchange for remittances (Ingersoll-Dayton et al., 2018[59]).

Figure 3.14. Older people often live in the same household as their grandchildren

Share of the population 65+ living in three-generation or skip-generation households, latest available



Note: Skip-generation households consist of grandparents and their grandchildren. Data refer to 2020 for Viet Nam, to 2019 for Thailand, to 2017 for Indonesia, Lao PDR and the Philippines, to 2016 for Myanmar and to 2014 for Cambodia.
Source: United Nations Population Division, 2022 ([60]).

Grandparenting can have substantial positive impacts on active ageing. In the Active Ageing Index, grandparenting is considered a form of participation in society, and thus a component of active ageing (UNECE / European Commission, 2019[50]). In addition to looking after children, grandparents support grandchildren in essential daily activities such as feeding, bathing, and providing educational support, particularly in households with working parents or skip-generation households (Mehta and Thang, 2012[61]). Their roles extend beyond daily caregiving to encompass education and cultural transmission by passing down traditions, values, and languages (Hoang and Kirby, 2019[62]; Thang et al., 2011[63]). Providing childcare can also enhance grandparents' social networks as public spaces such as parks and libraries provide opportunities for interactions with other grandparents and parents (Mehta and Thang, 2012[61]). Older people's involvement in grandparenting can reduce loneliness, increase social interactions, and improve mental well-being (Abdullah et al., 2024[64]; Chung and Park, 2017[65]). In Myanmar and Viet Nam, grandparents generally perceive significant benefits from their caregiving roles including gaining a sense of purpose, enjoying the company of their grandchildren, and deriving satisfaction from helping their adult children by caring for their grandchildren (Knodel and Nguyen, 2015[66]).

Grandparents play an important role in caring for, raising and educating children in ASEAN countries. As public early-childhood education and care services are limited in ASEAN countries, in particular for children below age 3, grandparents are a key provider of childcare.[19] In Myanmar, Thailand and Viet Nam, many grandparents co-residing with their grandchildren take on substantial caregiving responsibilities, in particular grandmothers (Knodel and Teerawichitchainan, 2018[67]). Roughly one-third of people aged 60+ with children provide childcare for grandchildren younger than 10 in Myanmar and Viet Nam; 28% do so in Thailand, likely reflecting the lower fertility rate. In the Philippines, one-quarter of people aged 60+ take care of grandchildren partially or fully, 82% of which live in with grandchildren (Cruz, Cruz and Saito, 2019[68]). Older people often continue to provide care even if they need care themselves. In Myanmar, for instance, grandparents and grandchildren often provide mutual support (Knodel and Nguyen, 2015[66]; Teerawichitchainan and Knodel, 2017[69]).

At the same time, care provision may have negative consequences in terms of health, financial independence and time available to pursue other activities. Regular childcare provision reduces participation of grandmothers in social activities (Arpino and Bordone, 2017[70]), in particular when cohabitating with grandchildren (Bulanda and Jendrek, 2014[71]). As societal norms and family structures evolve, there is a growing appreciation among older adults in various regions of Asia for personal independence (Rahut and Destefanis, 2024[72]). Hence, in absence of formal childcare policies in most ASEAN countries in particular for young children, childcare expectations of parents and grandparents may become increasingly conflictual in the future. If grandmothers leave paid labour to look after their grandchildren, grandparenting may reduce their financial independence. Furthermore, while Thai grandparents providing childcare to their grandchildren are in better health than other grandparents, this is the consequence of grandparents in better health taking up an active role as caregiver. Once this selection effect is accounted for, providing childcare has been estimated to have a negative impact on grandparents' health (Komonpaisarn and Loichinger, 2019[73]). This could be the consequence of the arduousness of the care provision itself, as well as of grandparents who provide regular childcare being more likely to neglect medical appointments, exercise routines and social activities for themselves (Winefield and Air, 2010[74]).

Several ASEAN countries have implemented policies to provide opportunities for older people living in the community to participate in social activities. They consist of community centres providing social activities that older people can participate in. Tackling social isolation of older people is one of their key objectives. Brunei Darussalam has five Senior Citizen Activity Centres (PKWE), established under the Ministry of Culture, Youth, and Sports in 2013. While their primary goals include tackling social isolation of older people and promoting life-long learning for instance through ICT and handicraft courses, they also play a role in preventive care. In Malaysia, Senior Citizens Activity Centres (PAWE) provide social and religious activities with an explicit aim to strengthen intergenerational bonds: while the main target group consists of people aged 60+, the centres aim to build bridges across generations by bringing younger generations into their activities. This is, for instance, achieved through bringing in younger people to teach digital skills or English.[20] The Philippines has a network of 87 Senior Citizens Centres organising activities for older people overseen by the Department of Social Welfare and Development.[21] These centres foster partnerships with governmental and non-governmental entities to deliver healthcare services, volunteer training, and community projects, aiming to enhance the well-being and social engagement of older community residents. In Singapore, Active Ageing Centres provide social and sport activities to older people (Singapore Ministry of Health, 2023[75]). Singapore plans to expand its network of centres from 157 in 2024 to 220 by 2025 so that 80% of older people have a centre in their neighbourhood (Age Well SG, 2024[76]). The centres also establish a support network for older adults, which includes other seniors, volunteers, and healthcare professionals. These networks are meant to identify people at risk of social isolation or in need of support and engage them in the centres' activities. Thailand has promoted clubs for older people to increase social participation among older adults through vocational development, exercise, and arts and crafts (Japan International Cooperation Agency, 2022[77]). Finally, Viet Nam's Intergenerational Self-Help Clubs (ISHC) organise community-based intergenerational activities and lifelong learning (HelpAge International, 2023[78]). Through the National ISHC Replication Project, the government actively supports the establishment and operation of these clubs.

The community centres for older people often combine providing social activities with some care-related functions, such as providing or supporting LTC provision to older people or performing preventive-care activities. The Senior Citizen Activity Centres in Brunei Darussalam perform activities promoting healthy lifestyles, and organise health screenings (WHO, 2024[79]). In Malaysia, Senior Citizens Activity Centres provide health checkups and promote healthy lifestyles through providing information and activities such as sports or vegetable gardening.[22] The Senior Citizen Centres in the Philippines can follow up older people after discharge from hospital, organise community networks to provide support to older people living in the community with LTC needs, and organise institutional care for older people who can no longer

care for themselves and cannot rely on family care (Loa, 2022[80]). In Singapore, Active Ageing Centres fall under the responsibility of the Ministry of Health and provide various care services including day care and monitoring of older people (Singapore Ministry of Health, 2023[75]). Most clubs for older people in Thailand are located in community health centres or hospitals, and in Viet Nam these organisations among others promote healthy lifestyles.

Some of these programmes also provide activities to help older people earn an income. In Brunei Darussalam, the centres provide entrepreneurship programmes providing information on entrepreneurship to older people as well as offer opportunities for older people to showcase their work (WHO, 2024[79]). In Malaysia, the centres give classes to acquire and develop marketable skills for instance in terms of food production or handicrafts, as well as offer opportunities for volunteering.

3.4.2. Getting around: public transport and mobility of older people

As people age, they often become more reliant on other forms of transport than driving a car or motorcycle. Disabilities such as loss of eyesight may make driving more difficult or dangerous. Older people may furthermore not have an income that is high enough to cover the cost of owning and driving a personal vehicle. In Jakarta, for instance, half of all microbus passengers are older people.[23] Hence, available, accessible and safe public transport is important to ensure older people maintain a certain level of mobility, which contributes to the quality of their life and supports their continued participation in social life and in the workforce. Public transport is a key component of designing age-friendly environments and of active ageing as older people in ASEAN countries are more likely to partake in activities if there is an accessible bus station in their neighbourhood (Tiraphat et al., 2021[81]).

In Singapore, older workers rely particularly on public transport for their daily commutes. In 2021, 40% of workers aged 57-76 use the subway and around one-quarter walk (Wong, Tan and Cheong, 2022[82]).[24] Furthermore, half of older workers use the bus to commute to work, and even two-thirds of those with a disability affecting their mobility. Indeed, buses are fully accessible for people with disabilities: all buses as well as bus interchanges and 98% of bus shelters in Singapore are barrier-free and wheelchair accessible.[25] Often, a single commute by public transport combines multiple modes, including walking. Only 21% use their personal car to commute to work, which is usually not combined with any other mode of transportation. Transport modes differ somewhat across genders: older men are more likely than women to rely on private motorised modes of transport, whereas older women are more reliant on public transport (Hou et al., 2020[83]). Overall, older Singaporeans are satisfied with their way of commuting, although satisfaction depends on the duration of the commute and the dominant mode of transportation – people mostly relying on active forms of transport such as walking are most satisfied, followed by people making use of private transport and then public transport (Wong, Tan and Cheong, 2022[82]).

However, older people in Malaysia strongly rely on their private car for transportation. Over 60% of older Malaysians mostly rely on their car for transport, compared to 15% relying on public transport (Noor et al., 2022[84]). There are some important differences between urban and rural areas, with older people in rural areas relying somewhat more on bus transport and less on private vehicles compared to older people in urban environments. Moreover, cities can differ starkly in terms of the available public-transport infrastructure, affecting older people's ability to rely on public transport. Older Malaysians are more responsive than other population groups to changes in travel cost and time of public transport, in distance to the public-transport access point and in frequency of public-transport services compared to younger generations (Noor et al., 2022[84]).

Reduced fares are a common initiative to increase older people's use of public transport services. In Brunei Darussalam, Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam, older people benefit from discounts on public-transport fares, often travelling at half the regular price. Locally, discounts may be even more substantial: the city of Hanoi, for instance, introduced free bus travel for people aged 60+ in 2024. Indeed, subsidising the price of a ticket is important for older people's choice of

transport mode in Malaysia and Viet Nam for example (Hoang Thuy et al., 2022[85]). In Thailand, although the use of urban rail and buses by older adults correlates with fare reductions (Thaithatkul et al., 2022[86]), out of a list of 10 topics in relation to public transport, affordability was the least important to people aged 60+ – they in particular valued regular, punctual services and short waiting times, as well as safety and accessibility, including ease of embarking and disembarking (Chaisomboon, Jomnonkwao and Ratanavaraha, 2020[87]).

3.5. Reducing gender inequalities and formalising care

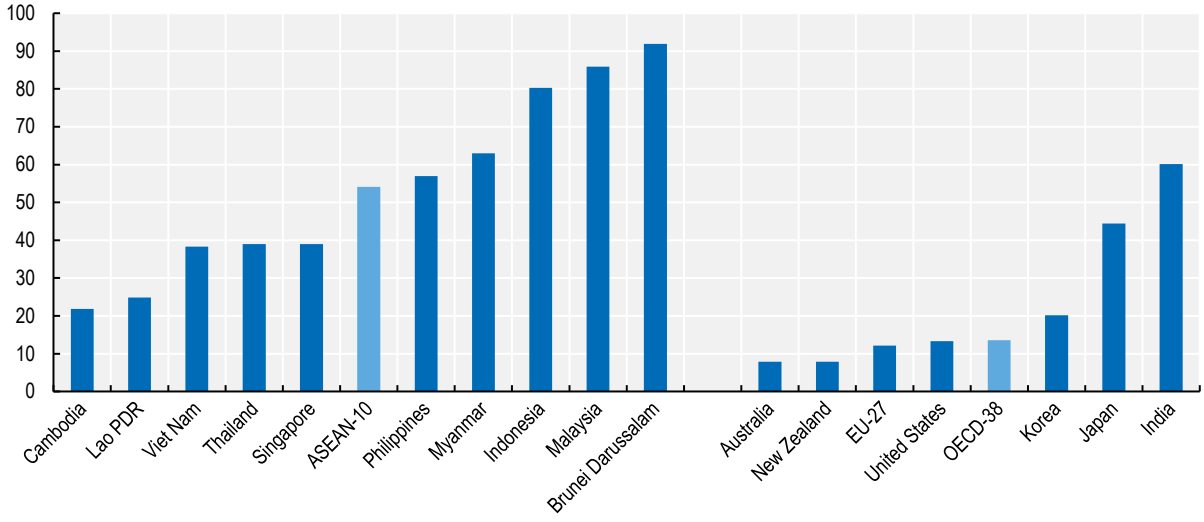
Gender inequalities in certain rights as well as underdeveloped long-term care policies infringe on women's ability to participate actively in society. They limit women's independence to engage in the types of activities they would prefer and limit the time and financial resources available to them to do so.

3.5.1. Gender inequalities in family and inheritance laws

Gender discrimination in Southeast Asia is very prominent in the family sphere (OECD, 2024[88]). The OECD's Social Institutions and Gender Index (SIGI) is constructed based on indicators measuring unequal rights to divorce, inheritance or guardianship over children, and a minimum legal age of marriage for girls under the age of 18 years. On a 100-point scale with a higher score indicating more discriminative laws in the family sphere, women fare far worse in ASEAN countries than in the OECD on average in this area, with a score of 54 compared to 14 (Figure 3.15). Gender discrimination in family and inheritance laws is very high in Brunei Darussalam, Indonesia and Malaysia, with scores of 80 or higher. Cambodia and Lao PDR in contrast have substantially lower scores around 20-25, which remains well-above the OECD average but is comparable to OECD countries such as Korea. The prevalence of gender discrimination in family and inheritance laws may among others hamper women's ability to participate in the labour market. The gender gap in labour force participation rate correlates relatively strongly across countries with the score on discrimination in the family, with a linear correlation coefficient of 0.55 across 169 countries.

Figure 3.15. Gender discrimination in family and inheritance laws is highly prevalent in most ASEAN countries

SIGI dimension "Discrimination in the family", 2023



Note: Scores on the SIGI dimension "Discrimination in the family" range from 0 to 100, with 0 indicating no discrimination and 100 indicating absolute discrimination.
Source: (OECD, 2024[88]).

In all but three ASEAN countries, the different treatment of men and women is formalised through personal status laws, i.e. statutory and customary laws that apply only to particular religious, ethnic or cultural groups within a national jurisdiction (OECD, 2024[88]). All ASEAN member states except Cambodia, Lao PDR and Viet Nam have such personal status laws based on religion or ethnicity. In case of divorce, for instance, personal status laws for Muslims in Brunei Darussalam, Indonesia, Malaysia and the Philippines separate legal guardianship, which is granted to the father, from custody, which is typically granted to the mother up to a certain age. As such, these laws maintain the gendered division of family responsibilities, confirming the father's authority to decide and the mother's role as a care provider. Yet, there is a push towards reducing gender inequalities in the region in recent years. All countries but Brunei Darussalam have passed policy frameworks or national action plans to that end, in particular since 2019. These plans and frameworks in particular focus on reducing violence against women, eliminating child marriage and improving women's labour rights (OECD, 2024[88]).

In some ASEAN countries, women are more likely to face discrimination if they do not live in accordance with the traditional view of the family consisting of a married heterosexual couple with children. Women not living up to societal expectations emphasising this ideal family image are often viewed as less stable or reliable. In Indonesia, for instance, there is a persisting social stigma against divorced and widowed women (Parker, Riyani and Nolan, 2016[89]), and single parents in Singapore have faced similar stigmatisation in the past (Wong et al., 2004[90]), resulting in the marginalisation of these women.

Drastically reducing gender inequality requires a societal transformation of both women's and men's views on which behaviours and types of paid or unpaid work are appropriate for men and women to execute. Employment choices not only depend on what individual men and women, as well as their (potential) employers, think, but also on expectations of family members, the community and the wider society – or at least the individuals' perceptions of the expectations of the people around them (OECD, 2024[88]). Broad information and communication campaigns on the benefits for a more equal sharing of employment and care tasks across genders, including informing men about how doing so can improve their well-being and mental health, can contribute to instigating such a change. Wide sections of civil society should be involved to successfully realise this societal transformation, including advocacy groups and key community members.

Labour regulations can contribute to the societal transformation of the gendered division of labour. Ensuring equal remuneration for work "of equal value", as was introduced in Thailand's labour protection laws with the possibility to punish discriminating employers in 2019, is an important principle in eliminating gender discrimination in the workplace (OECD, 2024[88]). This requires not just that two workers in the same job are paid the same wage, but that two workers using the same skills and generating the same value for the economy are remunerated equally – even if they are employed in different sectors. Even if difficult to enforce in practice, enshrining this principle in the law sends an important signal on a government's commitment to improve gender equality in the labour market. In addition, providing flexible working conditions for people with care responsibilities would facilitate combining paid work and care provision.

3.5.2. Families remain the main care providers

Formal long-term care (LTC) services for older people are underdeveloped in most ASEAN countries, which means that families, and in particular women, often have to step in to provide long-term care (Addati, Cattaneo and Pozzan, 2022[91]; OECD, 2024[88]). Singapore is the only country in the region with a comprehensive LTC system, funded from social insurance contributions while targeted support is financed by taxes. In all other ASEAN countries, the family is the primary LTC provider, with state support often only available in situations of dire need: for poor people, those who are completely bedridden or who have been neglected by their families. Brunei Darussalam provides free home care services only to bedridden people, a targeted LTC benefit and a benefit to family caregivers conditional on cohabitating with the care receiver.

Malaysia, the Philippines, Thailand and Viet Nam only support LTC service provision on a targeted basis, and Indonesia does so for bedridden people. Myanmar in principle has a universal scheme providing free access to LTC, at home as well as in residential and day-care institutions, but in practice families remain the primary providers of LTC. Cambodia, Indonesia and Lao PDR have no formal system of LTC provision. Indonesia, the Philippines and Thailand have LTC institutions for older people who have been neglected by their families.

In all ASEAN countries, the law stipulates that the family has a certain responsibility in providing care for relatives (Addati, Cattaneo and Pozzan, 2022[91]; OECD, 2024[88]). In Cambodia, children have a constitutional duty "to take good care of their elderly parents according to Khmer traditions". However, the Cambodian Government does recognise that population ageing and migration will put familial care provision under pressure and therefore seeks to develop community-care and caregiver-support programmes (Royal Government of Cambodia, 2017[92]). Similarly, Indonesian law prescribes that an adult child has to look after their parents and other family members in straight lineage (e.g. grandparents) if they are in need of care;[26] and Vietnamese law obliges adult children and grandchildren to care for their parents or grandparents if they are sick, old or disabled, although this responsibility can be delegated with the consent of the older person.[27] Singapore has a legal obligation to care for dependent parents, including the co-payment of care fees, although it does provide tax relief to people providing care to older dependents under the Parent Relief scheme, in particular if they live in the same household, with the explicit goal "to promote filial piety".[28] Family-care provision is further encouraged through incentivising people to purchase a home close to their child or parent.[29] Similar obligations for family members to provide long-term care exist in a few OECD countries. In Estonia and Portugal, for instance, family members are legally obliged to provide care to a person with long-term care needs (Hoyer and Reich, 2016[93]), while in Lithuania, municipalities can refuse to provide formal care to persons who could rely on family care (OECD, 2022[94]).

These legal principles are in line with strong expectations towards children to provide long-term care in ASEAN countries (Asian Development Bank, 2024[49]; 2023[57]). Over 80% of people in Indonesia, Malaysia, Myanmar, the Philippines, Singapore and Viet Nam are of the opinion that adult children have a duty to provide LTC to their parents. Children complying with these expectations report higher happiness levels despite the intensity of care provision in Viet Nam, which may further underline wide societal support for this opinion, although the causal direction of the effect remains unclear (Mai and Le, 2024[95]). Yet, there appears to be a generational shift in long-term care expectations as younger generations in Indonesia, Malaysia and Viet Nam are increasingly more willing to receive and pay for professional home care for their future needs.

Women's responsibilities in long-term care provision contribute to the "sandwich generation": an age group of women who simultaneously care for older parents and their children – or even grandchildren. A growing share of women fall in the sandwich generation in the Philippines and Singapore (Chan, 2021[96]; Tongson, 2020[97]). However, in Southeast Asia overall, the prevalence and average duration of having to look after children and parents at the same time is projected to remain largely stable between the 1970 and 2040 birth cohorts. In most lower and middle-income countries, by contrast, demographic evolutions are projected to reduce the occurrence of these dual care responsibilities (Alburez-Gutierrez, Mason and Zagheni, 2021[98]).

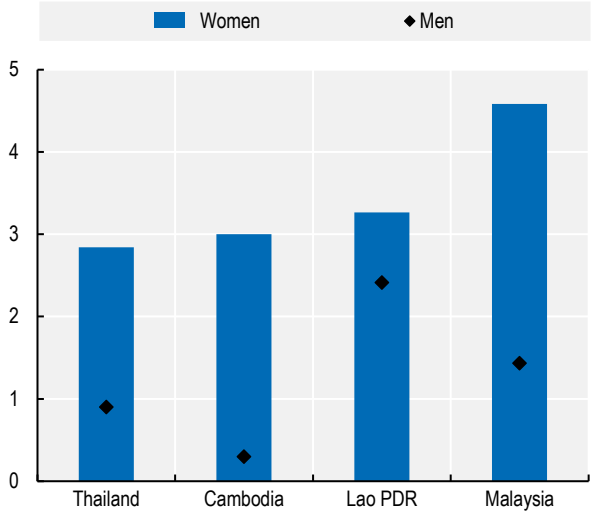
Caregiving can severely limit the time available for paid work. In the age group 55-59, Singaporean family caregivers for dependent older people on average spend 36 hours per week providing care; 29 hours among people who are in employment and 47 hours among people not in employment (Gubhaju et al., 2017[99]), with the need for family-care provision likely to increase by 2030 (Chan, 2021[96]). The average number of hours spent caring increases to around 50 hours per week from age 65 onwards, as dependents' care needs increase and people leave the labour market: in this age group, family caregivers who are still in employment on average provide 38 hours of care per week, or 55 hours per week if not

combined with employment. In Viet Nam, giving care to older people is a time-intensive occupation as well. Family caregivers on average spend 22 hours per week on household tasks, 17 hours on personal care and another 12 hours providing mobility support, or a total of 51 hours per week (Laguna, 2022[100]). The lower amount of time available results in a deterioration of women's income position: in Thailand, women lose about 30% of their potential earnings due to unpaid care burden (Asian Development Bank, 2024[49]).

The gendered division of care and household work translates into women spending more time performing unpaid work compared to men. Women spend around three hours per day performing unpaid care and domestic work in Cambodia, Lao PDR and Thailand, and even around 4.5 hours in Malaysia (Figure 3.16). On average across these countries, men spend about three times less time on unpaid work, although variation is bigger, ranging from 0.3 hours per day in Cambodia to 2.4 hours in Lao PDR. Hence, unpaid work is distributed most equally in Lao PDR where women perform 57% of unpaid care and domestic work, whereas in in Malaysia and Thailand they perform 76% and in Cambodia even 91% of the unpaid work. Cambodia's position illustrates that gender equality in legislation and in social norms do not necessarily coincide: the country's low score in the low overall SIGI score on discrimination in the family (see above) may reflect low gender discrimination in family and inheritance laws, whereas time-use data seem to indicate a strikingly unequal distribution of unpaid work across genders. Unpaid work reduces the time available for women to perform paid work or develop their human capital, which in turn contributes to women being more likely to be enrolled in low-paid work and/or work part-time.

Figure 3.16. The large majority of unpaid care and domestic work is done by women

Hours per day spent on unpaid care and domestic work by gender, 2023



Source: OECD, 2024 ([88]), based on the OECD International Development Statistics data "Gender, Institutions and Development (Edition 2023)".

Family caregiving can reduce people's overall feeling of well-being. Not only can care provision reduce social networks (see above), LTC provision impacts the physical and mental health of care providers as well. Lifting people or providing support in homes that are insufficiently equipped for a person with mobility problems are risks to the physical health of care workers, whereas time pressure and verbal abuse contribute to mental-health risks (OECD, 2023[101]).

3.5.3. Developing formal care policies

Developing formal childcare and LTC can contribute to strengthening women's labour market participation. As care work is largely performed by women, this would provide women more economic security, both in

terms of labour protection and social-security entitlements. At the same time, it would relieve other women from some caregiving responsibilities, facilitating their integration in the labour market. Formalisation of care work would benefit care recipients through improved care quality, in particular if training courses or certification of acquired competences are introduced in the formalisation process, and could in addition attract more men into care work (OECD, 2024[88]).

Formalisation of LTC is important to ensure care needs are met in an ageing society. Declining fertility and increasing internal and international migration (International Organization for Migration, 2021[102]) resulting in older people and their children living further apart, will limit the availability of family care in the future. In absence of a proficient LTC system, a decline in the number of children available to take up caregiving responsibilities is likely to not only result in more older people facing unmet needs, but also to increase pressure on the available children and on hospitals. A lack of affordable LTC services hence comes at a cost of lower labour market participation and reduced working hours in particular among women in their 50s and 60s, and of overburdening healthcare services as people with LTC needs who do not receive appropriate care often end up occupying hospital beds.

Undeclared employment is common in LTC, even in some higher-income countries (OECD, 2023[101]). In absence of formal LTC services, families often rely on undeclared live-in care workers, migrants usually, to provide assistance to older people with care needs. As the work largely takes place in people's homes, it is difficult to protect workers from poor working conditions or abuse through labour inspection or unionisation. Training programmes for LTC workers, as well as well-designed visa schemes, can help incentivise both families and care workers themselves to formally register the care worker and improve worker protection. Moreover, through training programmes and certification, family carers' skills can be recognised, which would facilitate becoming a formal long-term caregiver (Asian Development Bank, 2024[49]).

Universal access to LTC services is aligned with UN commitments including the Sustainable Development Goal on universal health coverage and the Convention on the Rights of Persons with Disabilities (WHO, 2024[103]). This could for instance be achieved through expanding existing universal health coverage programmes to also include basic LTC services as is being done in China (WHO, 2024[104]). Basic LTC packages often focus on activities of daily living (ADL) and in particular the delivery of personal care, such as bathing, dressing and toilet visits. Assistance with instrumental activities of daily living (IADL), such as shopping, cooking and cleaning, can have a preventive function, however, for instance in terms of early detection of ADL limitations (WHO, 2024[105]). Alternatively, a targeted approach can allow for a more efficient use of available public resources if the means-test is effective at identifying people without the means to finance their own care needs.

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Notes

[1] Data for 2021 may even be exceptionally high for several countries due to the response to COVID-19, as ASEAN countries on average spent 4.0% of GDP on health in 2019 with the increase in spending mostly stemming from other sources than out-of-pocket expenditures.

[2] Out-of-pocket expenditures made up 46% of total health expenditures in the Philippines in 2022, down from 59% only a decade earlier due to increased government spending.

[3] https://setkab.go.id/en/govt-fully-subsidises-bpjs-premiums-of-132-6-million-poor-people/.

[4] This refers to a situation where “all people have access to the full range of quality health services they need, when and where they need them, without financial hardship”. www.who.int/health-topics/universal-health-coverage.

[5] The index consists of 14 indicators on disease prevalence and access to health services, across four categories: reproductive, maternal, newborn and child health (contraception use, access to pregnancy care, child immunisation, and access to health services for children with a respiratory infection); infectious diseases (access to basic sanitation, coverage of tuberculosis treatment and HIV therapy and insecticide-treated nets in areas with high malaria risk); non-communicable diseases (access to hypertension treatment, prevalence of diabetes and tobacco use); and service capacity and access (hospital bed density, health worker density and International Health Regulations core capacity index).

[6] The index increased by 1.9 points per year on average across ASEAN countries between 2000 and 2010, and then the progress slowed down to 1.5 points per year between 2010 and 2015 and to 0.4 points between 2015 and 2021.

[7] www.dpd.go.id/daftar-berita/komite-iii-dpd-ri-dorong-uhc-mencapai-98-di-tahun-2024.

[8] https://idpoor.gov.kh/en/about/.

[9] Primary care refers to the first level of contact for the population with the healthcare system, bringing healthcare as close as possible to where people live and work, and addresses the main health problems in the community, providing preventive, curative and rehabilitative services. Secondary care is specialist care provided on an ambulatory or inpatient basis, usually following a referral from primary care. Tertiary care includes highly specialised services in ambulatory and hospital settings or in a facility that has personnel and facilities for advanced medical investigation and treatment.

[10] Consumption has remained below 0.5 litres in Brunei Darussalam and Indonesia over these two decades.

[11] The introduction of a tax on sugar-sweetened beverages in Thailand seems to have motivated producers to lower their sugar content: www.bangkokpost.com/business/general/2536824/sugary-drinks-keep-their-fizz-despite-tax .

[12] There is some trade-off between the goals of raising revenues and promoting healthier lifestyles: the more a health tax manages to decrease consumption of an unhealthy product, the more limited its revenue-raising potential is.

[13] One exception in the OECD is Belgium where they are based on annual minimum pension credits thereby increasing entitlements of low earners.

[14] The latter just includes the retirement specific elements i.e. the Retirement Account and the Special Account.

[15] The normal retirement age is actually defined based on a full career from age 22. This latter requirement of entry at age 22 has no effect on NRA within ASEAN countries as taking entry at age 20 or 25, for example, would give the same result for all countries.

[16] Life expectancy at a given age, say 65, is the number of remaining life years that can be expected. Using remaining life expectancy is therefore redundant as life expectancy already captures remaining years. Yet,

to avoid any misunderstanding, the semantic choice has been made to use remaining life expectancy at a given age.

[17] The information in this paragraph on the rules for self-employed workers is sourced from questionnaire responses by delegates.

[18] All people aged 40+ living in multigenerational households in Malaysia live together with at least one child, three-quarters live together with grandchildren and one-quarter with parents (Asian Development Bank, 2023[57]).

[19] The only nationwide publicly organised childcare service for children aged 0-2 years-old in the ASEAN region is Singapore's targeted childcare scheme (Addati, Cattaneo and Pozzan, 2022[91]). At the same time, Singapore's "grandparent caregiver-relief" scheme encourages grandparents to take up care responsibilities by providing tax relief to working mothers if one of her parents or parents-in-law looks after her children.

[20] www.jkm.gov.my/jkm/index.php?r=portal/left&id=aC90Vy81SVhKTEZDcVoxRE5JRzNRZz09.

[21] www.dswd.gov.ph/wp-content/uploads/2021/12/Senior-Citizens-Centers-for-Posting-11092021.pdf.

[22] www.jkm.gov.my/jkm/index.php?r=portal/left&id=aC90Vy81SVhKTEZDcVoxRE5JRzNRZz09.

[23] https://itdp.org/2024/04/22/how-indonesian-cities-are-prioritizing-inclusive-public-transport .

[24] These percentages add up to more than 100% as different transport modes can be combined in a single commute, in particular the bus, the metro and walking.

[25] www.mot.gov.sg/what-we-do/public-transport/inclusive-transport. Moreover, to make walking safer for older people, moreover, the Green Man+ scheme extending the green light for pedestrians with a tap of the senior citizen concession card for public transport, is being expanded to cover half of all crossings in residential areas by 2027 – www.straitstimes.com/singapore/transport/seniors-to-get-longer-green-man-time-at-half-the-crossings-in-all-housing-estates-by-2027.

[26] https://peraturan.bpk.go.id/Details/47406/uu-no-1-tahun-1974, Article 46.

[27] https://thuvienphapluat.vn/van-ban/Quyen-dan-su/Luat-Hon-nhan-va-gia-dinh-2014-238640.aspx, Article 71; https://thuvienphapluat.vn/van-ban/Van-hoa-Xa-hoi/Luat-nguoi-cao-tuoi-nam-2009-98672.aspx, Articles 10-11.

[28] www.iras.gov.sg/taxes/individual-income-tax/basics-of-individual-income-tax/tax-reliefs-rebates-and-deductions/tax-reliefs/parent-relief-handicapped-parent-relief.

[29] www.hdb.gov.sg/residential/buying-a-flat/buying-procedure-for-new-flats/application/priority-schemes and www.hdb.gov.sg/residential/buying-a-flat/understanding-your-eligibility-and-housing-loan-options/flat-and-grant-eligibility/couples-and-families/proximity-housing-grant-families.

4 Policy implications

This chapter builds on the analyses in the previous chapters to identify the policy implications to promote active ageing among ASEAN countries. Key active ageing policies in the ten ASEAN countries should focus on: tackling labour market informality; reducing gender inequalities in old age and improving care provision; providing inclusive access to health care; enhancing social protection in old age; and, promoting the social participation of older people. The chapter discusses the main measures to be taken in these five areas.

4.1. Introduction

Promoting active ageing aims to ensure that older people can age healthily and independently and avoid feeling insecure, in particular in terms of income. This could be achieved by putting into action policies that foster the well-being of older people through their participation in the labour market and their engagement in various aspects of life, such as volunteering. Active Ageing is a concept that was popularised by the WHO within a policy framework to develop older people's potential for well-being, which in turn may facilitate living longer healthy lives.[1] The European Commission (DG EMPL) and UNECE have developed the Active Ageing Index (AAI) for European countries as a tool to assess older people's ability to control their own lives and capacities for participation in both society and the economy.

Drawing from the analyses in the first three chapters of the report, this final chapter identifies the policy implications to promote active ageing among ASEAN countries. These analyses highlighted that:

- Ageing will be very fast in Southeast Asia (Chapter 1). It will have taken 74 years for OECD countries on average, from 1960 to 2034, to move from an old-age to working-age ratio of 15 (people aged 65+ for each 100 people aged between 20 and 64 years) to 40, although it will be much faster in Japan and Korea. In ASEAN countries on average, this will take only 36 years – less than half the OECD period, meaning that ageing will be twice faster according to this metric – from 2027 to 2063 based on current projections. Thailand is ageing extremely fast with 23 years, similar to Korea.
- Most ASEAN countries have a very large share of informal employment (Chapter 1). This is partly due to the high share of agriculture in some countries, but more importantly this relates to deep socio-economic and cultural reasons. Informal employment is much more widespread in ASEAN countries than in other countries with a similar level of GDP per capita. Large informality generates huge social challenges as the vast majority of informal workers suffer from very limited protection against the risks of income losses related to illness, disability and old age. As a result, many informal workers continue to work in old age to fight vulnerability, with huge costs for individuals and society. These issues are becoming bigger as populations age. Informality also limits public financial resources and distorts competition.
- Employment rates are much lower among women than among men in ASEAN countries, and especially so among older workers, partially due to strong gendered social norms regarding the division of labour in some ASEAN countries (Chapter 2). Some ASEAN countries have large unused health-related work potential, mostly among women: a significant portion of older women is not active even though their health would allow it.
- Contrary to the views that prevailed in the past, economic development alone is not enough to significantly reduce informality: the factors behind such a large informality are deeply engrained in societies. The situation is all the more worrying as old-age safety nets are at very low levels except in Malaysia, exposing older people to high poverty risks and severe vulnerability (Chapter 3). In the absence of significant safety nets and developed pension systems in most ASEAN countries, older people, men in particular, may keep working despite being in bad health (Chapter 2).
- The levels of the key parameters in most public pay-as-you-go pension schemes in ASEAN countries, in Lao PDR and Thailand in particular, must be adjusted to significantly improve financial sustainability (Chapter 3).
- Access to essential health services in all ASEAN countries has significantly improved over the last two decades (Chapter 3). Improved coverage of measures to tackle infectious diseases has strongly contributed to this achievement. Building on these achievements, more needs to be done, for example in terms of access to basic care provision close to home and more generally to more advanced care at affordable cost. While most ASEAN countries provide near-universal coverage of health insurance, they differ a lot in the scope of healthcare services covered.

- Public spending on health is low in ASEAN countries compared to other countries with similar levels of economic development, in particular in Brunei Darussalam, Lao PDR, Malaysia and Singapore (Chapter 3). To meet increasing healthcare costs due to population ageing, the healthcare budget can be increased through expanding the contribution base, raising health-insurance contribution rates, and allocating more resources from general tax revenues.
- Gender discrimination in family and inheritance laws is highly prevalent in most ASEAN countries, and fighting gender inequality is a crucial component of the active ageing strategy (Chapter 3). In most ASEAN countries, gender disparities are pervasive in old age across various aspects of life, including employment, health and poverty. These disparities are heavily influenced by social norms that define gender roles and expectations, creating barriers for women in various dimensions.
- Several ASEAN countries have implemented policies to provide opportunities for older people living in the community to participate in social activities (Chapter 3). Moreover, public transport is a key component of designing age-friendly environments and of active ageing. Reduced fares are a common initiative to increase older people's use of public transport services among ASEAN countries.

Consequently, key active ageing policies in the ten ASEAN countries should focus on: tackling labour market informality; reducing gender inequalities in old age and improving care provision; providing inclusive access to healthcare; enhancing social protection in old age; and, promoting the social participation of older people. This chapter discusses the main measures to be taken in these five areas.

4.2. Tackling labour market informality

Tackling informality is crucial to enhance active ageing in ASEAN countries. This is generally seen as a prerequisite to ensure decent social protection for most older people. Informality hurts the accumulation of pension entitlements financed by contributions on wages and more generally restricts savings over the lifecycle, thereby eroding income security at older ages. Pension entitlements are low because informal workers are rarely covered by contributory schemes. The lack of income at older ages leads to very limited choices on when to exit the labour market, obliges people to work until very old ages and exposes them to high risks of old-age poverty. Beyond directly affecting the well-being of older people, low old-age income also limits their capacity to engage in social activities such as volunteering. Furthermore, informality erodes tax bases and poses substantial challenges for the financing of old-age benefits and activation measures. As population ageing will be particularly rapid in ASEAN countries, these issues will quickly become more severe.

While reducing informality should be a policy priority for most ASEAN countries, this cannot be the only strategy to ensure better social protection in old age. The main reason is that informality has its source in many, deeply engrained factors, which makes this policy issue very complex and means that, even if substantial efforts are put in place, informality will continue to generate serious social and economic concerns in the predictable future. Consequently, one cannot wait for the overall benefits from significant progress made to tackle informality: in the meantime, other measures must be taken to improve social protection in old age. This section deals with ways to reduce informality while section 4 focuses on measures to enhance social protection in old age. Both may be connected as the way social protection is financed can affect the level of informality. Social protection financed by earnings contributions raises the cost of formalisation, which increases informality although the impact varies depending on economical, institutional and historical conditions.

4.2.1. Reducing the large informality, a priority for many ASEAN countries

ASEAN countries should substantially strengthen their policies to fight informality as progress towards formalisation is slow. Informality is large in all ASEAN countries, varying from around 3 in 10 workers in Brunei Darussalam and Malaysia to 9 in 10 in Cambodia and Lao PDR (Chapter 1). Among ASEAN countries except for Malaysia, formalisation is lagging productivity growth and informality has not declined as much as one would have expected given high recorded economic growth. Rapid population growth in ASEAN countries may have contributed to sluggish labour formalisation, by sustaining the supply of low-skilled informal workers (La Porta and Shleifer, 2014[1]). On the sectoral level, informal work is common in all sectors, but particularly prevalent in agriculture: across ASEAN countries, 96% of workers in agriculture are informal (Chapter 1). More than 1 in 3 workers work in agriculture in Cambodia, Lao PDR, Myanmar and Viet Nam. As countries develop economically, more jobs are created in industry and services, creating a push towards formalisation. For example, while most workers in the agricultural sector have traditionally been self-employed in Viet Nam, namely own-account and unpaid family workers, newly created jobs in industry and services are mostly for employees (OECD, 2023[2]).

While fighting informality should be at the top of the policy agenda in most ASEAN countries, the priority level differs a lot across countries. In Cambodia, Lao PDR, Myanmar and the Philippines, informality remains very high and shows no clear sign of decline. In Indonesia, Thailand and Viet Nam, policy efforts seem to have reduced informality significantly recently, although it remains very high; further substantial effort is required. Policy frameworks in Brunei Darussalam, Malaysia and Singapore have been most effective in formalising employment, even though they still lag behind those in many OECD countries. Specifically for Brunei Darussalam and Singapore, informal employment mainly concerns migrant workers who do not have access to most forms of contributory social security (Olivier, 2018[3]). Singapore has managed to reduce informality among the self-employed by, among others, requiring business registration certificate to make any transaction with government agencies, to open a bank account or to apply for credit. Particularly for mobile street vendors (hawkers), Singapore moved their activity from street into special-purpose buildings in the 1970s; their operation has then been subject to licencing and formal registration. Unregistered hawkers face the risk of substantial fines or even imprisonment (OECD, 2020[4]).

The necessity to fight informality has been increasingly recognised by ASEAN countries over the last decade, but limited concrete outcomes have followed. For example, in 2016, ASEAN Member States adopted the Vientiane Declaration on Transition from Informal Employment to Formal Employment. In 2017, they developed a Regional Action Plan of the Vientiane Declaration (ASEAN, 2017[5]), which aims at enhancing the well-being of workers and their families, making growth more inclusive, and eradicating poverty. The plan includes three areas: strengthening policies, improving data collection and building capacity. Most actions included research and knowledge sharing. However, this has not been translated into clear policy measures. For example, a holistic framework to deal with the informal economy in Indonesia, called the Magna Carta of Workers in the Informal Economy, is still in the pipeline in the parliament after some years of delay.

4.2.2. Reducing the costs of formalisation

To reduce the costs of formalisation, governments could lower general labour taxes for low earners. This can be done for example by applying pension contributions only beyond an earnings threshold and by financing flat-rate basic benefits through general taxes.[2] Such a measure should not be thought as a long-term solution as it could be gradually eliminated as formalisation reaches acceptable levels, which is likely to take several decades. Bearing the costs of formalisation can indeed be particularly strenuous for low-wage workers, who often have insufficient skills and encounter scarce opportunities elsewhere (OECD, 2024[6]). In some cases, informal work reflects a subsistence strategy in the absence of opportunities for formal employment, while, in others, it reflects a voluntary choice as workers opt out of formality to avoid having to pay social security contributions and taxes (OECD, 2018[7]). Lower labour taxes and social

security contributions are costly for the public purse in the short run, while bringing additional revenues from broader tax bases over the longer term. This short-term effect may be an obstacle for policy makers, as lowering general labour taxes would require identifying alternative tax revenues and may require substantial reform of tax systems. Furthermore, to bring domestic workers, often women, into the formal economy, subsidised vouchers to pay for domestic tasks were introduced in Austria, Belgium and France (ELA, 2021[8]), as well as in Romania more recently (Pop, 2022[9]). Introducing such vouchers might be particularly relevant when formal employment prevails, as in Brunei Darussalam, Malaysia and Singapore among ASEAN countries.

Costs incurred by formalisation can be more easily paid by high earners, who tend to be more productive. Although largely beyond the scope of this report, raising workers' productivity is therefore an important objective, which requires better skills. One main way to improve skills is increasing participation in formal education and reducing drop-out rates from primary and secondary schools, which is already taking place in ASEAN countries (ASEAN, 2019[10]). Further significant steps are needed in Cambodia, Lao PDR and Myanmar as the share of people without even primary education is expected to remain high in the middle of the 21st century (Chapter 2). It is important to expand the provision of basic skills for adults, in particular for women and marginalised individuals (UNESCO, 2017[11]). For example, in Colombia, skill upgrading would explain two-thirds of the reduction in informality from 70% in 2007 to 62% in 2017 (IMF, 2018[12]), with the impact of cutting employers' contributions coming on top (see references in Box 3.2 in OECD, (2022[13])). Furthermore, governments should improve the recognition of skills acquired through on-the-job learning, because the lack of official certification makes it difficult for informal workers to prove their skills when they aspire to transition into formal employment.

Measures should also be taken to simplify the regulations faced by firms and reduce formalisation costs. Formalisation incurs direct and short-term costs on firms, making informal work cheaper. Formalisation costs include all bureaucratic procedures related to business registration (highly relevant for the self-employed and small businesses) and compliance with safety regulations, the tax code and social security laws. Moreover, when the system is perceived as corrupt, inefficient or ineffective, workers and companies are less inclined to formalise. To ensure that regulations are not overly costly and complicated, the government should: ease the administrative processes of business registration and reporting; remove legal obstacles to firms' growth; fight corruption; and, promote a business-friendly environment by encouraging responsible business conduct. For example, by reducing the administrative burden, Indonesia shortened the period required to start a business from 76 days to 10 days between 2013 and 2020 (OECD, 2021[14]). Brunei Darussalam, Malaysia, Myanmar and Thailand have eased the process of registering informal businesses, by e.g. making it less costly and quicker and by reducing the administrative burden (OECD, 2020[4]). Cambodia and Indonesia have decentralised administration to improve co-ordination, governance and administrative capacity (Ong and Bista, 2015[15]). Among OECD countries, Chile eased registration and reporting procedures for small firms through implementing a so-called "single window", which has contributed to the strong reduction of informality (ILO, 2019[16]). Some countries, including Argentina, Brazil, Hungary and Uruguay, have introduced presumptive tax regimes to simplify procedures and lower the cost of formalisation for the self-employed and small companies – presumptive tax regimes levy tax or social security contributions on a presumed tax base that intends to approximate net taxable income by indirect means (Mas-Montserrat, Colin and Brys, 2024[17]); a robust evaluation of the impact of introducing such tax regimes on labour formalisation is missing. Moreover, informal firms in emerging economies tend to remain small, allowing them to stay under the radar of enforcement agencies and minimise the risk of detection. Barriers to firms' expansion tend to hold down productivity growth as they prevent firms from exploiting economies of scale efficiently and accessing credit (OECD, 2018[7]).

Given low compliance with labour law and social security regulations, governments should ensure that product market regulations are not too strict, employment protection legislation is flexible enough and the minimum wage is not too high. The combination of non-compliance with labour legislation and strong protective measures for workers and businesses may substantially reduce formal job creation.

Furthermore, such an environment likely leads to dual labour markets, where some workers work permanently in better-quality formal jobs, while others are stuck in worse-quality informal jobs. This results in low mobility rates between informal and formal employment in many emerging economies (OECD, 2018[7]). Dual labour markets are more likely to emerge when employment protection legislation in formal employment is strict (Betcherman, 2014[18]), minimum wages are high and enforcement of labour and social protection regulation is weak. Substantial signs of labour-market duality have been observed, for example, in Indonesia (OECD, 2021[14]). Too strict product market regulation might lead firms to remain informal. Compared with OECD standards, product market regulations, employment protection rules and statutory minimum wages in emerging economies, including most ASEAN countries, tend to be relatively strict, while at the same time leaving large parts of the economy informal, hence unregulated (OECD, 2018[7]). That being said, too lax employment protection legislation and too low minimum wages limit benefits that formalisation brings to workers. Striking the right balance is therefore important but not easy.

4.2.3. Ensuring strict law enforcement and equal treatment of all workers

Covering all workers by social protection as soon as possible should remain a clear policy objective in all ASEAN countries. Labour and social protection regulations do not cover all workers in ASEAN countries. Exceptions apply, in particular, to those working in small companies, the self-employed, domestic workers, migrants, part-timers, workers on temporary contracts and seasonal workers (Chapter 2). Companies are also tempted to use service contracts instead of labour contracts to escape regulatory and tax commitments (Arnold et al., 2024[19]). Such exceptions fuel informality. In many OECD countries, including France, Sweden and the United Kingdom, expanding coverage of social security from a few categories – such as civil servants, farmers or sailors – to most workers took decades (SSA, 2019[20]). Among ASEAN countries, Thailand offers the self-employed the option to join social insurance scheme, covering injury, disability and old-age risks, on a voluntary basis but the take-up rate is rather low. Malaysia introduced a separate employment injury insurance for the self-employed and informal workers in 2017 and expanded it to migrants in 2018. It is generally voluntary but is mandatory for delivery and taxi drivers. The scheme covered only 4.7% of the target group one year after its launch (Nguyen and Cunha, 2019[21]). On pensions, informal workers can join the pension scheme voluntarily; in that case the government tops individual contributions with an additional 15%. In 2022, an additional social security scheme was started to cover housewives against domestic injury and invalidity.

Extending formalisation requires to effectively enforce labour regulations and tax rules. The labour and social protection inspection mechanisms are relatively weak in some ASEAN Member States. Some countries do not ensure regular labour or tax inspections and rarely apply penalties on companies for employing workers informally (Chapter 1). Enhancing compliance with regulations requires an effective judiciary, well-equipped labour inspectorates and a greater involvement of social partners. Detected non-compliance cases should result in adequate penalties on companies. Furthermore, public procurement practices should support formalisation through strictly requiring and checking compliance with the labour code among the contractors and subcontractors of public investments. For example, this is particularly important in Viet Nam where public investments boost construction (OECD, 2023[2]). Finally, policy measures should promote appropriate social norms and responsible business conduct. When social norms strongly condemn informal work, the non-pecuniary costs of informality are higher (Kolm and Larsen, 2002[22]).

Mandating a written and registered labour contract instead of an oral agreement is a necessary, albeit insufficient, condition to foster formal employment. For example, Viet Nam introduced the obligation to have labour contracts in writing in 2021 (OECD, 2023[2]). Before, verbal agreements were possible for contracts of less than three-months, which resulted in no written documents for employees with one- to three-month contracts to prove their employment records for social security. Thailand introduced the obligation to have a written contract for home workers in 2010, with substantial fines if this rule is not respected (ILO, 2021[23]).

Platform work, which is developing, is particularly prone to informality and formalising these jobs calls for specific measures (OECD, 2019[24]; ASEAN, 2023[25]). These measures should include: 1) modernising laws to bring digital labour platform work within the scope of existing labour and social protection regulations; 2) leveraging technologies to formalise workers; 3) encouraging the formalisation of self-employment; 4) ensuring that platforms pay their share of taxes and social security contributions; 5) enforcing regulations to categorise workers as employees where appropriate; and 6) encouraging platforms to exercise social responsibility (OECD, 2023[26]; OECD, 2024[6]).

4.2.4. Providing adequate social insurance benefits to formal workers

Social insurance benefits should be adequate, accessible and transparent to make formalisation appealing to workers. Adequacy of contribution-based benefits requires that their level is high enough to convince workers to formalise. Transparent and easy procedures for granting social insurance benefits are particularly important for workers who lack the basic skills needed to deal with more complex administrative procedures. Furthermore, a clear link between contributions and benefits makes advantages of formalisation more straightforward (OECD, 2018[7]). To be consistent, all additional contributions and all additional years of work should lead to higher old-age pension benefits. This is facilitated by a good co-ordination between contributory pensions and safety-net benefits (OECD, 2015[27]).[3]

Informing workers about the benefits of formal employment at the individual and collective levels requires substantial communication effort. Over time, labour formalisation improves economic growth and has positive social effects, while only some of them are immediately seen by individuals.[4] Advantages of public employment services, unemployment insurance and pensions become visible only in the time of job loss or in retirement. Effective communication requires providing accessible and targeted information. Governments should therefore make sure that information about social benefits is communicated regularly and accurately to individuals, through e.g. social security agencies (OECD, 2022[28]). Public awareness campaigns also help promote appropriate social norms.

4.3. Reducing gender inequalities in old age and improving care provision

Integrating a gender dimension into policies is essential for promoting active ageing in ASEAN countries for both women and men. Gender disparities are pervasive in old age across various aspects of life, and are, among other areas, visible in employment, health and old-age poverty. These disparities are rooted in societal norms that define gender roles and expectations, creating barriers for women to participate in the labour market. As gender imbalances exist in multiple aspects of life, gender inequalities must be addressed broadly.

Effectively tackling gender inequalities in ASEAN countries requires addressing discriminatory norms and practices and incorporating gender perspectives into all policy making. Training and awareness campaigns can shift gendered perceptions, and legal reforms can help address gender discrimination in the labour market and in the private sphere if properly enforced. Beyond gender-specific actions and regulations, incorporating a gender perspective into ageing policies can help ASEAN countries reduce gender inequalities in later life. This involves recognising that women's caregiving responsibilities limit their access to employment, healthcare and social protection, and developing policies that reduce gender inequalities in family-care provision and mitigate the impact of caregiving on other spheres of life.

As the organisation of care provision plays an important role in shaping gender inequalities, developing formal care policies is key to reduce gender inequalities. In Southeast Asia, traditional gender roles and norms assign the primary caregiving role to women, leading to care systems heavily reliant on unpaid female labour. Discriminatory norms shape caregiving practices and translate into limited formal care services (Chapter 3). The burden of care, closely tied to the gendered division of labour, widens the gender employment and wage gaps (Chapter 2). These gender gaps, stemming from domestic responsibilities,

leave women with inadequate social protection and an increased risk of poverty in old age (Chapter 3). Developing formal care policies would reduce women's unpaid care responsibilities at home and allow them to take up or increase time in paid work. Moreover, it would also reduce gender inequalities in working conditions and access to social protection among workers as care work is among the most female-dominated occupations in the labour market (OECD, 2023[29]).

4.3.1. Tackling gender inequalities

Including a gender perspective in designing old-age policies is key to ensure that the challenges faced by older women are not overlooked. Women are more exposed than men to some old-age risks, such as losing one's spouse or old-age poverty. As disadvantages in old age are often the outcome of the compounding of disadvantages throughout life – for instance, inequalities in the labour market translate into higher financial vulnerability in retirement, while unequal access to healthcare services at younger ages can result in poorer health in old age – tackling gender inequalities in old age requires interventions throughout the life course.

Although ASEAN countries have recognised the need to pay attention to gender issues in ageing policies, limited concrete action has been taken. The 2015 Kuala Lumpur Declaration on Active Ageing entails a high-level political commitment among the ASEAN countries to eliminate "maltreatment" of older people on the basis of gender (Box 4.1). While a declaration of intentions is an important first step, they need to be translated into concrete actions to improve the situation for older women in Southeast Asia. The Regional Plan of Action to guide the implementation of the Declaration lists very few objectives, activities or indicators on monitoring or tackling gender inequalities. The attention it actually pays to gender issues is clearly lagging behind. Furthermore, the ASEAN Gender Mainstreaming Strategic Framework (2021-25) outlines initiatives to promote gender equality and inclusion, but barely considers specific gender issues in old age.

Box 4.1. The Kuala Lumpur Declaration on Active Ageing and its Regional Plan of Action

In 2015, ASEAN Member States adopted the Kuala Lumpur Declaration on Ageing to take concrete actions aimed at empowering older adults. The declaration outlined several key objectives to promote healthy, active and productive ageing, including supporting families and caregivers in providing care for older adults, fostering intergenerational solidarity, and ensuring equitable access to services, regardless of age or gender. It also called for integrating ageing issues into public policies, building expertise in geriatrics, and improving data collection on ageing. The declaration aimed to create age-friendly communities and strengthen partnerships between governments, civil society, and the private sector for effective implementation.

The Regional Plan of Action on Implementing the Kuala Lumpur Declaration on Ageing, endorsed in 2021, sets a series of objectives, activities and indicators to guide the implementation of each action agreed to in the Declaration. Only very few of these objectives, activities and indicators deal with gender issues, despite the focus on gender in the Declaration. For instance, while Action 3 in the Declaration aims to eliminate all forms of maltreatment on the basis of age and gender, the Regional Plan of Action only mentions concrete objectives, activities and indicators about older people in general, without a gender dimension. Similarly, Action 6 on promoting the development of an evidence base on ageing including gender-disaggregated data, a call recently echoed by the ASEAN Secretariat (ASEAN, 2023[30]), has not been translated into concrete objectives, activities or indicators in relation to gender. The only exception is Action 4, which highlights the importance of integrating ageing issues into national development plans. However, the effective implications of the connected activity and indicator ("Gender, age and ability friendly annual budgets at federal, state and local governments") remain vague.

Educate: tackling gender inequalities through education and training

While women's access to higher education is important to reduce gender inequalities throughout the life course, it is not enough. One very positive achievement is that gender gaps in tertiary education enrolment have largely been eliminated in most ASEAN Member States in recent years. However, women still have less access to higher education compared to men in Cambodia (World Bank, 2024[31]) and Myanmar (Harun and Ibrahim, 2022[32]). In Cambodia, women's enrolment is 12% lower than men's, and in Myanmar, female enrolment rates for higher education are almost half those of the total population. Moreover, women in Malaysia, Singapore and Thailand are much less likely to pursue science, technology, engineering and mathematics (STEM) degrees than men (UNESCO, 2024[33]), and even if they attain such a degree, women are less likely than men to work in STEM fields (Chua, Kline and Lim, 2022[34]), which is also the case in OECD countries (OECD, 2017[35]). Gender-inclusive education policies, such as offering career counselling services specifically geared toward addressing gender disparities in male-dominated fields, can help reduce the still widespread public perception of higher education as primarily for men. In the Philippines, for instance, the Commission on Higher Education advocates for several actions to make education more gender inclusive. These include avoiding gender-discriminatory language in instruction and course materials, raising awareness of gender discrimination, promoting on-campus harassment prevention and reserving research funding for female researchers in male-dominated programmes or fields. Malaysia, Singapore and Viet Nam have implemented similar initiatives in tertiary education. Furthermore, lifelong learning initiatives can help mitigate the effect of historical gender inequalities in access to higher education. While Cambodia still has a way to go to reach gender parity in access to higher education, its Gender Policy and Action (2017-26) outlines strategies to enhance women's participation in vocational education and training programmes (Rakhmani et al., 2022[36]). This includes providing financial support for female students, expanding gender-sensitive facilities, and increasing the number of female instructors.

The public sector can lead the way in tackling gender inequalities in the labour market through education and training programmes for civil servants. For instance, the Philippine Civil Service Commission developed a training manual and a course on gender mainstreaming for their human resources system in 2016 (ASEAN, 2021[37]). The materials were designed to help human resources professionals in the civil service see how they can advance gender equality within public institutions. This includes improving these professionals' awareness and understanding of sex and gender concepts and their workplace implications, of the legal framework on gender and employment in the public sector, and of the role gender plays in talent management. The training also aims to boost knowledge of gender mainstreaming – i.e. the application of a gender perspective in every stage and area of policy making – and of planning gender-responsive interventions. In Malaysia, the Ministry of Health and the Ministry of Women, Family, and Community Development implemented gender mainstreaming training for their health officers. The training seeks to reduce gender inequalities in health, including by raising awareness on how gender norms and inequalities contribute to health issues. By implementing similar gender-responsive trainings across sectors, countries can advance gender equality economy-wide.

Education can also play a role in tackling existing gender inequalities in old age. Improving women's financial literacy and their understanding of the pension system can help them plan better for old age and reduce their risk of poverty in later life. Given the greater financial risks in older age, financial education programmes tackling these issues should be tailored to encourage women's participation. This includes offering gender-responsive materials and inclusive learning environments where women feel comfortable participating. New Zealand's programme called Women in Super educates women on the superannuation system and retirement planning, while Singapore's Financial Education for Mature Women targets low-income women over age 40 to help them achieve financial independence (OECD, 2021[38]). Both programmes specifically help build networks where women can support one another. Similar programmes were introduced in Indonesia and Malaysia. These programmes empower older women to become financially independent and reduce their financial insecurity.

The benefits of gender equality, including for men, can be highlighted through public information campaigns boosted by collaborating with popular media. Communication campaigns should emphasise that gender equality benefits everyone as gaining men's support is key to prevent backlash against women's rights. The #inFAIRness campaign in the Philippines engaged men as advocates for women's economic empowerment, using digital channels and public transportation to spread key messages (OECD, 2024[39]). In Malaysia, the Society for Equality, Respect, and Trust for All works to dismantle harmful gender norms by engaging men and boys in equal-parenting initiatives, such as the Celebrating Fatherhood campaign, which promotes fathers' involvement in childcare and a more balanced gender division of care responsibilities. Similar media campaigns can help reach a broader audience and increase public understanding of the benefits of gender equality.

Legislate: adjust discriminatory legislation and penalise discrimination

Reforms in marriage, divorce, and inheritance laws are imperative for reducing gender inequality in the public and family spheres. Several ASEAN countries have developed laws to boost gender equality in these spheres, but further reforms are needed. Lao PDR's Law on Gender Equality aims to enhance gender equality in areas such as politics, economy, culture, education, healthcare, labour, and justice (OECD, 2024[39]). In addition, the legal marriage age was set at 18 for both men and women and equal rights in all family matters, including joint land titling, divorce and inheritance, were granted in 2019. Singapore has made divorce more accessible for women by enabling married women to apply for divorce without a registration fee since 2022. To build on these reforms, governments and legislators should further amend discriminatory provisions in existing legal frameworks, including in personal status laws, to boost older women's independence. Brunei Darussalam, Indonesia, Malaysia and Myanmar should in particular expand women's access to divorce and inheritance, and Lao PDR should step up efforts to end child marriage.

Labour regulations with a gender focus can eliminate workplace discrimination and enable women's continued participation in the labour market. This includes creating a secure, harassment-free environment where women have equal career opportunities and equal pay for equal work. All ASEAN countries, except for Brunei Darussalam, prohibit gender-based discrimination and workplace sexual harassment. Cambodia, Indonesia, the Philippines, Singapore, and Viet Nam have criminalised such harassment (OECD, 2024[39]). Indonesia passed the Anti-Sexual Violence Law in 2022, and a 2023 decree mandates employers to establish an anti-sexual harassment task force. Viet Nam's Labour Code among others prohibits sex-based discrimination, penalises workplace sexual harassment, and protects women's employment rights, including paid maternity leave and protection against dismissal during leave. However, Lao PDR, Malaysia and Thailand lack civil remedies, which prevents women from seeking compensation for workplace harassment. Policy makers should broaden the scope of regulations on sexual harassment and equal pay as well as enforce stricter regulations in order to drive systematic changes in workplace practices. For example, in Portugal, harassment is criminalised and public employers are legally obliged to have codes of conduct and disciplinary procedures to prevent it (OECD, 2023[40]). Moreover, formalisation of employment would help protect women in the workplace as labour regulations are difficult to enforce in undeclared work (Section 4.1).

Commit: make the focus on gender a persistent commitment across public institutions

Effectively addressing gender equality requires securing a collective commitment from all government actors, and appointing key leaders within government structures. This approach would help ensure that gender considerations are integrated across all policies (OECD, 2023[41]). In Thailand, the appointment of Chief Gender Equality Officers and Gender Focal Points in every ministry is supposed to ensure gender considerations are integrated into policy planning, budgeting, and public-service provision, creating a unified approach across the government (OECD, 2021[42]). Strengthening independent institutions and

advisory bodies to monitor and report on gender equality efforts is also useful for sustained progress. In Cambodia, the National Council for Women monitors compliance with gender-related laws, while the Ministry of Women's Affairs collaborates with other ministries to support the integration of gender considerations into their policies and initiatives. ASEAN countries can benefit from implementing such strategies to establish accountability and enforcement of regulations.

Policy makers should systematically collect age- and gender-disaggregated data to identify the needs of older women and assess their use of current services. National statistics offices can integrate key gender indicators into routine surveys, such as adding modules on economic empowerment to labour force surveys and on health and well-being in household health surveys (OECD, 2024[39]). In 2017, the United Kingdom conducted an audit of data sources to understand inequalities across factors covered by the Equality Act 2010 – including age, sex, race, ethnicity, religion, disability, sexual orientation, and gender (OECD, 2023[40]). The audit highlighted the need to improve data transparency, coverage, and the inclusiveness of collection and reporting processes. Malaysia has made strides by offering gender statistics courses and establishing priorities for improving gender data (ASEAN, 2021[37]). Similarly, Viet Nam has enhanced its collection of gender-disaggregated data, identifying 78 gender indicators (Gender Equity Unit, 2024[43]). More countries should invest in such data collection to better understand social norms affecting older women and develop targeted strategies.

A key challenge women face in the labour market are caregiving responsibilities. They can be mitigated through maternity and parental leave policies that help women stay in the workforce through involving fathers in care work and facilitating mothers' return to work. Due to the gendered division of labour, women spend more time on unpaid care and household work than men (Chapter 3). Paid leave supports female employment as it facilitates labour market re-entry after the end of the leave period. All OECD countries, except for the United States, grant mothers national statutory rights to paid maternity leave (OECD, 2023[40]). While all ASEAN countries mandate paid maternity leave, Cambodia's 90-day leave falls about one week short of the 14-week minimum recommended by the ILO (OECD, 2024[39]). In OECD countries, the average duration of statutory paid maternity leave is 18.5 weeks. Promoting fathers' involvement in childrearing through parental leave can furthermore help mitigate the gender inequality in unpaid work and enable women to stay in the workforce. OECD countries offer on average around 13 weeks of paid father-specific leave, either through paternity leave or father-specific parental or home care leave. With around one year of leave, Japan and Korea provide the longest paid father-specific leaves in the OECD (OECD, 2024[44]). In Denmark, Iceland, Luxembourg and Sweden, close to half of people taking up parental leave benefits are fathers, and rates are also above 40% in Norway and Portugal (OECD, 2022[45]). With the exception of Denmark, all these countries have long periods of leave earmarked for fathers with relatively high replacement rates compared to the OECD average (OECD, 2024[44]). In contrast, virtually no fathers take up leave in Australia, Czechia, New Zealand and Poland. In some countries, including Japan and Korea, the uptake of parental leave by fathers has increased fast over the last decade: the male share of users/recipients increased by more than 20 p.p. in Estonia, Korea, Lithuania and Luxembourg, and by more than 10 p.p. in Italy and Japan (OECD, 2022[45]). Both changes in leave entitlements for father and changes in gender roles can contribute to the higher uptake of parental-leave entitlements by fathers.

4.3.2. Developing formal care

Care provision will be a key component to improve the well-being of older people as populations age in ASEAN countries (OECD, 2024[39]). The existing care system for both older adults and children strongly relies on families, in particular women, contributing to persisting gender inequality in ASEAN societies. The current level of formal care provision limits women's ability to work more hours and further entrenches gender inequality within the family and society. This also affects active ageing, as the caregiving burden often falls on older women, who must balance their own needs with caring for family members, reducing their ability to engage in employment and community life, and maintain independence. Addressing these issues requires a comprehensive approach that improves care provision for children and older people and

betters the working conditions of care workers. By developing a formal care sector, ASEAN Member States can enhance the labour force participation of women, improve their employment and income security, and support the active ageing of the older population.

Develop a formal care sector

Investment in the formalisation of the care economy in ASEAN countries can reduce the care burden women face and enhance their economic participation. Since childcare and long-term care (LTC) are primarily undertaken by women, the development of a formal care economy would make it possible for more women to enter the labour market and improve the working conditions of those currently providing care in the informal economy. To that end, ASEAN Member States adopted the Comprehensive Framework on Care Economy in 2021 (ASEAN, 2021[46]). Among the strategic priorities of the framework are promoting healthy ageing, ensuring inclusive social protection, reducing the care burden on family members and accelerating the digital transformation of the care economy. Given the increased participation of women in the workforce, the framework also emphasises the formalisation of care work to better address the demands for childcare and LTC.

The formalisation of care work would contribute to reducing both informal employment and gender disparities in employment status, especially as women are currently often engaged in the most vulnerable informal jobs (ILO, 2023[47]). Moreover, while family care will continue to play a significant role in Southeast Asia for a long time, it is important to further promote the advantages of formal care systems. Japan introduced its long-term care insurance system in 2000 as demographic trends and urbanisation increasingly hampered family-care provision, resulting in more and more older people being hospitalised for non-medical reasons (Iwagami and Tamiya, 2019[48]). However, different types of formal LTC services may have a different potential for relieving women from family-care responsibilities. In Japan, care recipients are more likely to use daycare and respite care and less likely to use homecare services if their primary caregiver is a woman compared when it is a man (Tokunaga, Hashimoto and Tamiya, 2015[49]). This could be related to the perception that the use of formal homecare services means that female caregivers resign the responsibilities traditionally assigned to them, whereas daycare and respite care are not perceived as resigning one's responsibilities but as temporary relief. Spain has successfully reframed childcare from being primarily a family issue to an integral part of its education policy (León, 2007[50]). This shift began in the 1990s, when the education of children under six was included in the national education system. Although it took time, the expansion of pre-school education in both the public and private sectors has solidified the idea that formal early childhood education is essential. As a result, parents are increasingly relying on these services.

The working conditions of care workers will improve if care work is covered by employment protection legislation. Care workers, particularly domestic workers, are excluded from the national coverage of labour laws in several ASEAN Member States. In Cambodia, Malaysia, Singapore and Thailand, domestic workers are either excluded from or only partially covered by labour laws that regulate maximum daily and weekly working hours, establish national minimum wage standards, and provide maternity leave and pay. This exclusion leaves their work only partially formalised and highlights the gendered discrimination inherent in domestic care work (ASEAN, 2023[51]; ILO, 2023[52]). Improving working conditions for informal and domestic workers would directly strengthen their long-term financial stability and overall welfare, especially for many older women who face severe poverty due to low wages in these sectors (Tsao Foundation, 2019[53]). The Philippines implemented a comprehensive set of labour protections for domestic workers under the Kasambahay Act in 2013, establishing minimum standards for wages and hours, rest periods, and leave entitlements (ILO, 2013[54]). The legislation extends the labour rights and protections typically granted to formal employees to domestic workers. Such protection is essential for safeguarding the long-term financial stability of care workers. Yet, they are in themselves not sufficient to compel employers and workers to register the employment contract and sign up for social security (ILO, 2016[55]). A simple registration procedure and incentives to register, such as tax breaks or subsidised social-security

contributions, could help formalise employment. This could for instance be done through the creation of a special employment statute for casual or irregular employment. Information campaigns help make employers and employees aware of their rights and responsibilities. And in the case of migrant care work, regularisation of irregular immigrant workers may also contribute to formalisation.

Some countries have taken initiatives to improve access to care specifically for women working in the informal economy. In 2007, Mexico implemented the Programme of Childcare Facilities to Help Working Mothers, which provided subsidised daycare for the children of low-income working parents – an essential resource for informal workers who lacked access to childcare funded by social security (OECD, 2017[56]). The programme offered grants to individuals and organisations to establish nurseries in their own premises, as well as subsidies to parents to make use of childcare services. While the scheme managed to formalise childcare businesses, the childcare assistants employed in these establishments often remained hired informally nonetheless. By 2016, approximately two-thirds of the childcare facilities had registered as formal enterprises with the government; however, most did not report their childcare assistants. Consequently, despite an estimated 40 000 assistants required for the programme, only about 3 000 were formal workers incorporated into social security. India's Self-Employed Women's Association (SEWA), a trade union for female workers in the informal economy, established the Sangini childcare co-operative. It operates 11 full-time care centres for SEWA members in the city of Ahmedabad (ILO, 2018[57]). SEWA also provides information on the governments' social security benefits and training programmes to facilitate their entry into the formal labour market. However, limited public financing affects service quality due to low staff-to-child ratios, inadequate wages for childcare workers and insufficient training opportunities. In addition to expanding access to childcare, investing in a comprehensive social protection system is critical to further supporting women's transition into formal employment.

Train care workers

The provision of training and skill development opportunities would professionalise the care sector, enhance care quality and provide career advancement opportunities for care workers. Designating caregiving as a formal occupation can drive this professionalisation, creating job opportunities and improving the quality of care. The current care sector often requires minimum qualifications and skills, and in a context where most people prefer care from family members, the uptake of institutionalised care services depends on both affordability and quality. Dedicated training programmes can help meet these standards, allowing care workers to develop specific skills or specialise in particular areas of the care sector, such as LTC.

Training can also improve the working conditions of LTC workers, particularly for personal care workers. Better training typically coincides with improved remuneration, but training is also vital to make LTC work less arduous. To maximise this benefit, initial instruction should equip personal care workers with the essential knowledge and skills needed to care for older adults with common physical and mental limitations. In 2023, Australia introduced free vocational training opportunities in LTC to elevate the skills of personal care workers nationwide (OECD, 2023[29]). As care providers increasingly qualify as skilled workers, they may find more opportunities for career progression within the sector, enhancing their job satisfaction and improving the quality of care provision (ILO, 2018[58]). Singapore has taken a step forward by offering care-provider training courses and providing credits and grants to reduce training costs (Singapore, 2023[59]). Similarly, the Philippines offer caregiving training courses, including basic caregiver skills, advanced nursing techniques, and gerontology, with some programmes specifically designed to fulfil training requirements for care workers in the main destination countries for Filipino migrant care workers (TESDA, n.d.[60]). These training programmes are crucial for promoting the professionalisation of the care sector, improving care quality, and providing career advancement opportunities for care workers. Not only will these training programmes be essential to meet the increase in domestic demand for care workers in the future as ASEAN countries' populations age: countries will have to finance LTC services to offer

working conditions attractive enough to keep a sufficient number of the care workers they train in the country.

4.4. Providing an inclusive access to healthcare

Ensuring good health among older people is essential for active ageing. The health of older people depends on lifestyle and access to good-quality healthcare, not only in old age as health problems that develop over life are likely to result in poorer health and disability at older ages (OECD, 2017[61]). ASEAN countries have been successful at tackling infectious diseases, but improvements in relation to other aspects of healthcare have been more limited. For instance, improvements regarding non-communicable diseases have been slower and mostly the result of reducing tobacco use. Reforms in three areas are important: increasing public financing of the healthcare system; expanding healthcare coverage, in particular by improving the availability of healthcare services in rural areas; and, strengthening preventive health policies.

4.4.1. Ensuring adequate financing of the healthcare system

Government spending on healthcare will have to increase in ASEAN countries in order to substantially improve older people's health. Total health expenditure is currently low in ASEAN countries: healthcare spending accounts for 4.7% of GDP in ASEAN countries, half the OECD average (Chapter 3). This is largely driven by low public spending, even compared to other countries with similar levels of economic development. This is the case, in particular, in Brunei Darussalam, Lao PDR, Malaysia and Singapore. While total health expenditure could also be increased through higher private healthcare expenditure, the share of total healthcare expenditure that is paid out of pocket is already high in ASEAN countries, on average roughly double the OECD average.

Two strategies deployed in OECD countries to meet increasing healthcare needs could also be relevant for ASEAN countries (OECD, 2024[62]). First, countries have sought to raise new revenues or reallocate resources from other parts of the state budget. Between 2011 and 2019, the share of total government expenditures going to healthcare increased from 14.5% to 15.4% in the OECD on average, with particularly strong increases in Chile, Iceland, Ireland and the United States. The share of the government budget allocated to healthcare also increased faster in Japan and Korea than in the OECD on average over the same period. In countries with low government expenditure on health, as is the case in all ASEAN countries, this should be the primary strategy to meet increasing healthcare needs driven by ageing. In addition to raising taxes, new revenues can come from increasing the healthcare contribution rate or broadening its contribution base. Taxes on harmful products such as tobacco, alcohol and sugar can also generate some revenues in addition to steering lifestyle choices and reducing the consumption of unhealthy products (OECD, 2024[63]).

Second, efficiency gains can be made by improving preventive care, cutting ineffective and wasteful spending, and investing in new technologies. By increasing the efficiency of current healthcare provision, resources become available to expand the healthcare system. Effective strategies include among others reorganising responsibilities across different care providers, reducing expenditure on pharmaceuticals and implementing new technologies. Organisationally, nurses and pharmacists could be given permission to execute certain tasks previously performed by doctors. It is inefficient for doctors to perform tasks that could safely be executed by nurses or pharmacists, and, in particular in countries facing bigger shortages of doctors than of other medical service providers, the allocation of tasks across healthcare professionals should be reviewed. France, for instance, devolved the responsibility for monitoring patients with certain conditions to pharmacists (Ono, Schoenstein and Buchan, 2014[64]). Thailand similarly moved some responsibilities from doctors to local volunteers: the over one-million Village Health Volunteers are elected by the community, monitor patients and are pivotal in preventive health campaigns (Dhillon et al., 2023[65]).

Expenditure on pharmaceuticals can be reduced through increasing the penetration of generic drugs, as well as through regulating both the pricing and the prescribing of medicines. The implementation of new technologies, especially digital technologies and robotic tools, facilitates telemedicine and allows for making better use of health data to improve the management of care resources. Indonesia, the Philippines and Thailand have for instance sought to reduce expenditure through reorganising the purchase of medicines, renegotiating prices of certain treatments, improving tendering and procurement procedures, or using primary care as a gatekeeper to other forms of care (Agustina et al., 2019[66]; Department of Health of the Philippines, 2018[67]; Sumriddetchkajorn et al., 2019[68]). Malaysia's 2023 Health White Paper stresses the importance of implementing electronic health and medical records to improve care co-ordination and monitoring (Ministry of Health of Malaysia, 2023[69]). Moreover, harmful medical practices should obviously be reduced, for example by tackling the inappropriate use of antimicrobials and by taking measures to reduce medical errors. Prescriptions of antibiotics dropped by about 40% when general practitioners applied rapid diagnostic tests in France, and sales of a specific antibiotic fell by 80% in Canada after the country introduced a reimbursement cap for this medicine (OECD, 2017[70]). On average across the OECD, cutting ineffective or wasteful health spending by half would reduce healthcare spending by 1.2% of GDP per year by 2040. In comparison, policies improving healthy ageing, including the promotion of healthier lifestyles, are estimated to allow for the reduction of spending by 0.4% of GDP (OECD, 2024[62]).

4.4.2. Expanding healthcare coverage

Expanding health-insurance coverage for basic healthcare services to the full population by law is an important first step towards making healthcare services more accessible. This could be supplemented with contributory health insurance (which then applies to formal workers only) providing access to a wider set of healthcare services. Both Indonesia and the Philippines initially made enrolment voluntary for certain groups, but this failed to provide protection to a significant part of the population and undermined the financial sustainability of health insurance as explained in Chapter 3. In response, both countries ultimately abolished the option to enrol voluntarily and passed a law covering the full population by health insurance. Cambodia and Myanmar, in particular, need to step up efforts in this area as the large majority of their populations remain uncovered by public health insurance. A supplementary mandatory health-insurance scheme could give access to a wider set of healthcare services. To limit the risk that low-income workers remain in informality to avoid paying these contributions, the supplementary insurance should give access to a significantly wider or better-quality set of services, and health-insurance contributions should have a progressive structure to mitigate the net income loss for low-income workers (OECD, 2024[71]).

Beyond expanding health-insurance coverage, increasing the availability of healthcare services is important to improve people's access to healthcare. This requires that countries have sufficient healthcare capacities, and that these capacities are well distributed across local areas so that also people living outside the main urban centres can access them. Cambodia, Lao PDR and, to a lesser extent, Myanmar trail behind other ASEAN Member States in terms of healthcare capacities – the latter refer to the number of healthcare professionals, in particular doctors and nurses, and available infrastructure such as hospital beds; the WHO furthermore includes a number of capacities needed to detect and respond to events threatening public health, such as food safety and laboratory capacity. Boosting healthcare capacities is costly and requires higher public healthcare expenditures to build the necessary infrastructure and to train and retain doctors, nurses and other healthcare professionals.

Problems of availability and accessibility of healthcare services are often more pronounced in rural areas. In Indonesia, for instance, the number of doctors relative to the population is much lower in rural areas compared to urban areas. In the Philippines, people in rural areas are much less likely to receive medical treatment despite the entire population in principle being covered by health insurance. There are three broad strategies OECD countries have employed to improve coverage in areas with insufficient medical services (Ono, Schoenstein and Buchan, 2014[64]): countries can seek to increase the total number

of healthcare personnel, to distribute the available personnel more equally across the country, or to change medical-service delivery.

A first set of policies focuses on increasing the overall pool of medical staff, which is particularly relevant in countries with a general shortage of medical staff, in particular Cambodia, Lao PDR and Myanmar. These three countries fall well below the target of the WHO's Global Strategy on Human Resources for Health of 44.5 doctors, nurses and midwives per 10 000 population (Boniol et al., 2022[72]; Dhillon et al., 2023[65]). Nationwide shortages allow for medical staff to be more selective in choosing where they want to work and are therefore felt hardest in areas that are generally less attractive for doctors. Southeast Asian countries have faced shortages of health professionals – doctors, nurses and midwives – but the situation has recently improved, with a 30%-increase in health professionals between 2014 and 2020 on average across countries (Dhillon et al., 2023[65]). Through efforts to recruit students into medical programmes, in particular students willing to work in underserved regions or to work longer hours, capacities can be built up over time. For instance, the 2018 Universal Health Care Act in the Philippines expanded the availability of scholarships for medical studies and mandates that people who received such a scholarship work in underserved priority areas for at least three years after graduating (USAID, 2019[73]). While the new requirement did coincide with an expansion of the number of available scholarships, introducing supplementary conditions to existing scholarship programmes can be a risky strategy in countries with general shortages of medical staff as it may reduce a programme's attractiveness to new students. The Bonded Medical Program in Australia provides a subsidised place to study medicine conditional on committing to work in an eligible rural area for three years after completing the course.[5] Japan has a medical school specifically training students to become medical doctors in rural areas. Five years after graduation, graduates of this school are more likely to work in rural areas than graduates who entered medical school on quota and with a scholarship (Matsumoto et al., 2021[74]). The medical school forgives tuition of graduates who work in their home prefecture for nine years.[6] Admission quota to medical schools have been increased as well to create places for such regional-quota students. As a result, the number of physicians in the country increased by 13% over the last decade. Some OECD countries also incentivise doing internships in underserved areas. In Norway, for instance, supplementary professional and social support is available for medical students opting to do an internship in some remote areas.

A second set of policies seeks to impact coverage more immediately through incentivising medical professionals to move from areas more saturated with medical service providers to insufficiently covered areas. This is particularly suitable in countries where there are no nationwide shortages, but medical staff is unequally distributed across local areas. Moving medical staff from saturated to underserved areas can be done either through financial incentives or through regulating where doctors can open practices. The majority of OECD countries have some financial incentives in place to improve the geographic distribution of doctors. However, this is an expensive measure as it is difficult to target only doctors who would not work in an underserved area if there was no financial incentive to do so. Many OECD countries provide a one-off payment for opening a practice in an underserved region, with the level of the financial incentive often depending on an area's rurality or medical service shortages. The Canadian province of Ontario provides grants to doctors who establish a full-time practice in an underserved area, with bigger grants available to communities scoring higher on a "rurality index" – an index combining population metrics (population count and density) with travel time to basic and advanced medical facilities.[7] Several German regions (*Länder)* provide similar payments, sometimes on the condition of committing to work at least a certain amount of years in the underserved area. Other countries provide wage-related subsidies or minimum-income guarantees to compensate rural doctors for the smaller number of patients they can see within the same timeframe, or have programmes in place for the retention of doctors already working in underserved areas. The Canadian province of British Colombia provides doctors working in rural areas with a flat-rate payment and an additional supplement for each service provided, of which the levels depend on the size of the shortage and the distance to major medical centres.[8] The Danish regions of Northern

Jutland and Southern Denmark used to provide bonuses to older doctors to encourage them to continue working.

These incentives for relocation do not necessarily have to be financial: they can also be set through regulatory measures, which generally entail lower direct expenditures than subsidies. Some countries have restricted the choice of practice location for the establishment of new practices, whereas others have sought to tackle rural medical shortages through recruiting medical doctors from abroad. In Germany, there are regional maxima on practice permits for doctors providing services covered by national health insurance, with maxima depending on number of inhabitants and the number of people aged 65+. Doctors who did not manage to secure a permit in the region of their choice can seek a permit in another region. In Australia, doctors with medical degrees from other countries are only free to perform services reimbursed by the universal health insurance scheme anywhere in the country after ten years of working in an area with a shortage of doctors.[9] However, the 10-year period can be reduced by up to five years in case of very remote areas. The policy has drastically reduced the growth rate of general practitioners in urban areas and increased it in remote areas.

A third set of policies aims to change medical service delivery so that the same number of doctors can address the medical needs of a larger group of people. In addition to delegating tasks typically performed by doctors that can safely be performed by other providers (see above), co-location of medical services in rural areas can improve working conditions of doctors. This would make medical services available for a longer period throughout the day without stretching individual doctors' working hours and reduce the number of hours each doctor is on call. It furthermore limits disruptions in service provision in case of temporary absence of an individual doctor. Moreover, co-location allows for hiring support staff such as a nurse who can take over the monitoring of patients with chronic illnesses or providing preventive care. Telemedicine reduces the need for doctors to frequently travel to remote areas. For this to work effectively, however, people living remotely should have access to the required technology and infrastructure such as a sufficiently strong mobile network.

4.4.3. Strengthening preventive health policies

The development of preventive health policies is key to direct people towards making healthier lifestyle choices. Preventive health policies contribute to maintaining functional ability by reducing unhealthy lifestyles and preventing accidents. Unhealthy lifestyles and accidents are major contributors to illness and disability among older people. Regulation, taxation, public awareness campaigns and health counselling can contribute to healthier lifestyles and help reduce the number of accidents. As health problems tend to accumulate throughout life, preventive health interventions are necessary at all stages of life to improve the health of older people and reduce health inequalities in the long term (OECD, 2017[61]). While on average, spending on preventive health programmes as a share of GDP in ASEAN countries is on par with the level in the OECD, preventive health efforts should be increased in Member States of both organisations. Among ASEAN countries, Lao PDR, Myanmar and Thailand particularly lag behind in terms of spending on preventive health policies. Furthermore, Indonesia and Myanmar trail behind in terms of tackling non-communicable diseases, for which preventive health programmes are key.

Promoting exercise and active lifestyles can help older adults incorporate physical activity into their daily routines. Exercise has multiple benefits for older people, including lowering the risk of falling and of developing certain medical conditions including heart disease, diabetes, obesity, and certain types of cancer (Lee, Chia and Komar, 2022[75]). Beyond disease prevention, exercise improves physical performance, mental health and the quality of life. All ASEAN countries have physical-activity guidelines and have government agencies responsible for promoting physical activities and healthy ageing for older adults. For instance, in Malaysia, the Youth and Sports Ministry plans to expand the 2024 Exercise Programme for Senior Citizens to 120 locations nationwide to encourage an active lifestyle. Brunei Darussalam published National Physical Activity Guidelines in 2022, recommending regular exercise for

older adults. These guidelines and programmes could be enhanced by shifting the focus from merely issuing recommendations to implementing practical, actionable strategies that can be integrated into everyday routines of older adults.

It is essential that responsible ministries not only formulate guidelines on healthy and active lifestyles but also take an active role in their execution, whether by organising initiatives themselves or by providing support to organisations to do so. This can include developing localised, accessible exercise programmes, partnering with community organisations, and utilising digital platforms to promote engagement. Active ageing centres could serve both as a platform to organise activities, and as a hub to bring older people in contact with organisations providing such activities. China's National Fitness Plan (2021-25) exemplifies efforts to promote mass fitness among older adults (Liu et al., 2022[76]). It includes creating older-people-friendly gyms and public sports facilities that older people across the country should be able to reach within 15 minutes, known as "15-minute fitness circles". These are easily accessible exercise areas located within a short walking distance from residential areas, equipped with basic workout gear, exercise trails, or open spaces for activities like tai chi (The State Council Information Office, 2024[77]).

Community-wide interventions are effective in educating older adults about preventive health, and in fostering collective engagement. This can include community education on the benefits of exercise to raise awareness as well as information about evidence-based methods to increase physical activity and make lifestyles healthier (Lee, Chia and Komar, 2022[75]). Peer support can also motivate older adults to engage in such programmes. Active ageing centres are ideal facilities for educating older adults about healthy lifestyles, as for instance happens in Brunei Darussalam and Singapore. Malaysia's Senior Citizen Community Clubs and Viet Nam's Intergenerational Self-Help Clubs have been actively promoting physical health by raising awareness and educating older adults on the benefits of exercise as well. To raise community awareness, similar structures in other ASEAN Member States can be used to run health promotion campaigns and educational programmes. This localised approach ensures that the programmes are more relevant and accessible, encouraging greater participation and fostering a supportive environment for healthy, active ageing.

Regular health checkups are critical for accelerating preventive health efforts. Although preventive care is gaining attention in ASEAN, fewer than half of older people in the region undergo periodic checkups (ADB, 2024[78]). Indonesia's *posyandu* programme monitors the health of people aged 45+ and Singapore's Healthier SG initiative offers personalised health plans for older adults that include regular checkups, health maintenance, and preventive measures, such as vaccination, all at highly subsidised rates (Japan External Trade Organization, 2023[79]). Including health screenings in universal healthcare coverage programmes, as happens in Brunei Darussalam, Malaysia and Thailand, can boost the well-being of older people and reduce over time the burden on the healthcare system by detecting potential health conditions in an early stage. Meanwhile, the Philippines has recently started considering free annual medical checkups for older citizens (Quismorio, 2024[80]). Cambodia, Lao PDR, Myanmar and Viet Nam have yet to fully implement affordable preventive health screenings for older adults.

Providing older adults with self-monitoring tools can be an effective way to maintain health. These tools include wearable devices such as pedometers that track steps and sitting time, cardiac and blood-pressure monitors, biosensors, and smartwatches. Older adults who use these tools increase their step count, reduce sitting time, and participate more in light physical activity (Izawa, 2024[81]; Lee, Chia and Komar, 2022[75]). A notable example is Seoul's Wrist Doctor 9988 program, launched in 2021, where 450 000 users adopted digital-health tools to build healthier habits (Seoul Metropolitan Government, 2024[82]). Similar digital solutions could be integrated into primary healthcare systems in ASEAN countries to facilitate the screening of non-communicable diseases, early detection, monitoring, and health management. For this approach to be effective, older adults should be familiarised with these technologies. Furthermore, public-health officers could be involved in monitoring the collected health information. Australia's My Health Record is a national digital health platform that allows individuals, including older adults, to store and

monitor health data (Australian Digital Health Agency, 2024[83]). It integrates healthcare providers into the system, allowing them to access and track these data. Educational campaigns and online learning portals have been launched to help older adults navigate the tool. By combining self-monitoring technologies, education, and involvement of healthcare providers, ASEAN countries can improve preventive health routines for older adults. Self-monitoring reduces hospitalisation rates and hospital re-admissions, although it could increase the use of primary healthcare services (McBain, Shipley and Newman, 2015[84]).

4.5. Enhancing social protection in old age

Old-age safety-net levels are very low in most ASEAN countries, which exposes the most vulnerable to high poverty risks. Many older people have not been able to build contributory pension entitlements, in part due to large informality. For them, raising non-contributory benefits is key. For current workers, coverage by contributory pensions needs to be expanded to promote active ageing. The first line of attack is to reduce labour market informality along the lines discussed above, to strengthen the communication about the advantages of contributing to pensions and to strive to enrol most workers into the same schemes. Moreover, substantial reforms are needed to raise employment at older ages in some countries and to improve financial sustainability in those with pay-as-you-go pensions. Some other important parametric reforms are needed to significantly improve future pension income prospects.

4.5.1. Reducing income vulnerability in old age

With the current high levels of informality in many ASEAN countries, it is key for social protection to ensure a well-defined set of non-contributory benefits for all retirees, with no distinction between formal and informal workers. Hence, even those that have not made any pension contributions during their careers, and who are therefore currently at great risk of being in poverty, would be reasonably well protected. Indeed, given weak contribution records for most current older people, non-contributory pension payments need to cover many people. Increasing the recipiency levels can be achieved in several ways. A benefit can be paid based solely on age and a residency requirement such as in Brunei Darussalam and Thailand.[10] Conversely, a targeted (i.e. means-tested) benefit can be implemented, as is the case in all other ASEAN countries except Cambodia and Lao PDR.

Improving basic social protection in old age can be achieved through either higher flat-rate or higher means-tested benefits. A flat-rate basic pension typically helps every resident above a certain age, but total expenditure will increase as more and more people become eligible with population ageing. With a means-tested benefit, the cost may be better contained over time, especially if more and more employees retire after having built entitlements to an earnings-related pension, thereby reducing their entitlements to non-contributory means-tested benefits.

There are clear trade-offs between flat-rate and means-tested benefits. For a flat rate benefit, the main decision concerns the level of the benefit. Means testing allows benefits to be targeted to those truly in need, which can either be defined by income level or as a target percentage of the population. Therefore, means testing costs less overall for a given protection for the most vulnerable. Reciprocally, for the same overall spending level, it better protects the more vulnerable. The key parameters for a means-tested social pension on top of the administrative capacity and data availability to effectively means-test the benefits are: the benefit level; the speed at which the benefit is withdrawn as income increases, i.e. the withdrawal rate; whether the benefit applies at the individual or household level; and, the type of income that is means-tested. Beyond the risk of targeting errors especially in less developed countries, one main drawback of means testing is that it raises disincentives to contribute. This is because contributory pensions may make contributors non-eligible to the targeted benefit. Benefits should therefore not be withdrawn fully (corresponding to a withdrawal rate of 100%) once tested income reaches a set threshold. Instead, they should be withdrawn gradually as other income increases. The higher the withdrawal rate, the less costly

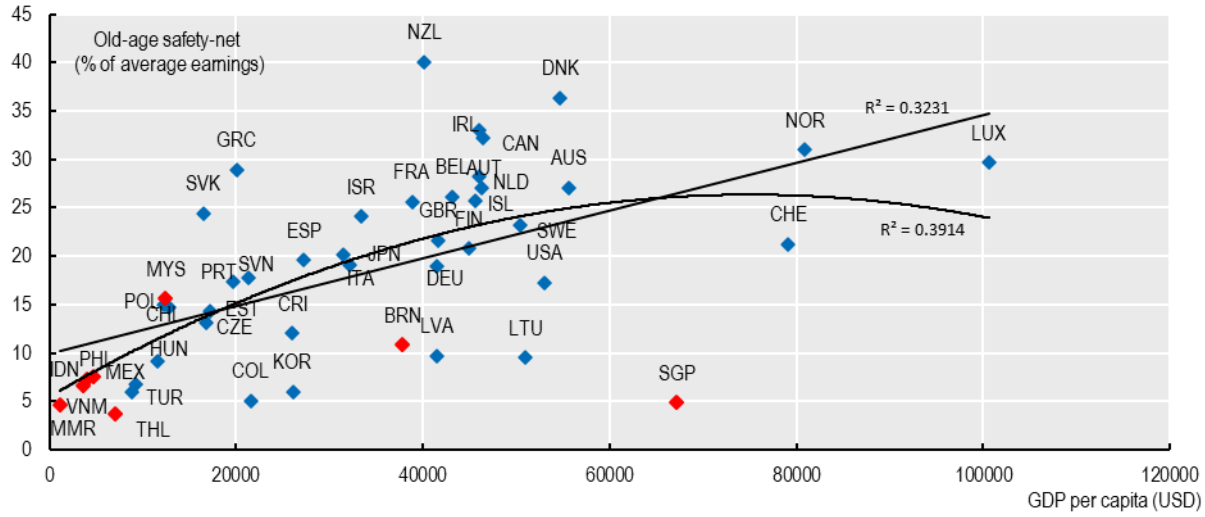
the scheme is for a given level of maximum benefit but the larger the disincentives. The majority of OECD countries assess at the individual income level, including only other pension income in the calculation. Taking into account the public finance cost, Valdés-Prieto (2009[85]) suggests that it is optimal to opt for a scheme with a relatively low withdrawal rate, around 30%-50%, as for example in Chile (30%) or Finland (50%). Moreover, administrative costs of means testing may be high compared to universal benefits. This is particularly the case in countries that are less economically developed than OECD countries and where informality is large. Indeed, eligibility needs to be assessed for each claimant and both the income data availability and the administrative capacity can make it difficult to assess eligibility for the benefits.

Many Latin American and Caribbean (LAC) countries increased social pensions in the early 2000s to help alleviate poverty among the older population. In 1995 around 10% of the population aged 60+ were receiving a social pension on average among the 26 LAC countries. The recipiency rate nearly trebled to 28% by 2014, while spending as a proportion of GDP doubled from 0.28% in 1995 to 0.56% in 2014 (Abramo, Cecchini and Morales, 2019[86]). One of the reforms that took place and that could be adapted to ASEAN countries was in Chile in 2007. This reform, which has since been used as a benchmark for other countries in the region, was designed to provide a level of protection to the poorest pensioners as the funded defined contribution (FDC) pension scheme was not sufficient for people with no or irregular contributions. The reform increased the safety-net benefit level for those without contributions to the FDC scheme while giving an additional top-up benefit for those with contributions. To further incentivise contributing, the withdrawal rate for this top-up benefit against the FDC pension was set at 30% only.[11] In 2022, the benefit level was substantially increased and the target population broadened (OECD, 2023[87]). Bolivia provides another example. In 2007, Bolivia introduced a flat-rate pension covering all Bolivians aged 60+, with a slightly lower flat-rate amount for those receiving contributory pensions. The impact was very quick as poverty levels among households including an older person fell by 14 percentage points within the first few years (Durán-Valverde and Barbero, 2013[88]). To increase access, payment centres were installed in both military bases and mobile units so that rural populations could be covered.

Cambodia and Lao PDR need to make the introduction of first-tier pensions a priority. These two countries have never had a first-tier benefit for retirees. The scheme could be flat rate or means-tested, but the latter is more appropriate for the long-term as the ultimate aim is to increase pension coverage from earnings-related schemes, thereby reducing the cost associated with the first-tier benefit. The initial level of the benefit is entirely dependent on available finances, but it should ideally be a meaningful amount to help older people maintain at least a basic standard of living.

First-tier pension levels need to be increased in virtually all ASEAN countries, and significantly so in many of them. Beyond Malaysia, at 16% of average earnings, and Brunei Darussalam at 11%, the first-tier safety-net benefits are at 7% or below in the other ASEAN countries. By comparison the OECD average is around 21% of average earnings. OECD countries with higher level of economic development tend to offer higher levels of old-age safety-net benefits relative to average earnings (OECD, 2015[27]). Including ASEAN countries in the analysis indicates that, when controlling for economic development level, there is scope to substantially increase old-age benefit levels in Brunei Darussalam, Thailand and Singapore in particular (Figure 4.1). Based on GDP per capita, the benefit levels in Brunei Darussalam, Singapore and Thailand could be increased from 11%, 5% and 4% of average earnings to around 20%, 25% and 12%, respectively. In terms of expenditure, only Brunei Darussalam (0.7%) and Thailand (0.4%) spend more than 0.2% of GDP on first-tier benefits, while even low-income OECD countries such as Chile and Mexico spend 1.0% and 0.6%, respectively (ASPIRE, 2024[89]). By contrast, Denmark, New Zealand and Norway spend around 5% of GDP (ILO, 2022[90]). Raising the basic pension in Thailand, for example, to the poverty line[12] would cost around 1.2% of GDP according to the World Bank (World Bank, 2023[91]), which would reduce poverty rates from 6.2% (in 2019) to 3.5%.

Figure 4.1. Old-age safety-net benefits compared to GDP per capita, 2022



Source: ASEAN country chapters provided by delegates, (OECD, 2023[87]).

All ASEAN countries should put in place indexation mechanisms for their first-tier benefits to maintain living standards during retirement for the most vulnerable. The absence of suitable indexation mechanisms increases old-age poverty risks. With a legacy of high labour market informality and relatively immature pension systems in many ASEAN countries, current retirees are overwhelmingly dependent on social support. The already very low levels of safety-net benefits are likely to decline over time in real terms as no ASEAN country has any legislated indexation rule. For example, the basic pension in Thailand was THB 500 in 2009, increasing to THB 600 in 2011 and has remained at that level since – benefit was equivalent to 5.8% of average earnings in 2011 but only 3.6% in 2022; the basic pension in Brunei Darussalam has likewise been at BND 250 since 2007. In the Philippines, the social pension was at PHP 500 for many years before doubling in 2022, illustrating how erratic changes can be in the absence of a reliable indexation rule.

4.5.2. Increasing pension coverage of workers

Most ASEAN countries should significantly increase the coverage of contributory pensions among workers to improve their future pensions. Myanmar is in a unique position with no pension system for private-sector workers so introducing one is the priority. Low coverage is not unique to ASEAN countries as similar trends also prevail in other regions of the world. This is especially the case for low- or middle-income countries where pensions for private-sector workers were recently introduced and that have to deal with large informal employment. Given the large degree of informality in most ASEAN countries, it is unlikely that coverage is going to reach high levels in the medium term unless deep structural reforms extending well beyond pensions are undertaken.

Tackling the high levels of labour market informality and enforcing enrolment rules are the priorities to significantly raise the pension coverage of workers. There are many measures that can foster the formalisation of labour, as outlined in Section 4.1. As more workers become formal, pension coverage will automatically increase. However, this will happen only if enrolment rules are effectively enforced. In theory, penalties for non-compliance need to be introduced and rigorously applied. These sanctions should be accompanied by technical assistance to help workers and firms navigate administrative processes. In practice in many ASEAN countries, a large number of informal workers face income constraints, which make contributing to social security very difficult for them. As a result, the introduction of a flat-rate basic

pension financed by general taxes may be the best option. An alternative could be to subsidise contributions up to an earnings threshold. In both cases, funding from general tax revenues will be required depending on the fiscal space to offset the loss of contribution revenues.

Informal workers need to see the value of contributing. This means that the non-contributory benefits should not be fully withdrawn against contributory pensions, otherwise the incentives to contribute are very weak. As explained above, a good compromise is to set withdrawal rates around 30%-50%. Also, contributing additional years needs to be rewarded by generating higher pension benefits in order to provide effective incentives to contribute (see more on this below). In addition, trust in the management of the pension system is key to encourage contributing.

Informal workers can be incentivised to enrol in the same social security scheme covering formal workers. While a separate scheme can be designed for informal workers to account for the volatile nature of their employment, it risks limiting the portability of entitlements and creating barriers for labour mobility, as many workers move in and out of formal employment during their careers. Therefore, having one system covering both formal and informal workers eliminates this issue. However, as highlighted above, given that informal workers are often reluctant to participate, countries have tried to offer incentives to encourage participation. Many governments in Asia have introduced voluntary programmes for informal workers by introducing FDC schemes with no contribution floor or no requirement for regular payments thereby accounting for the volatility of their income (ADB, 2024[78]). Directly matching contributions up to a limit provides an immediate and easily understandable value proposition to prospective entrants to the system (Hinz et al., 2012[92]), while limiting the advantages for high earners and their cost. For example, India launched a scheme in 2010 (NPS-Swavalamban) with a matching contribution of INR 1 000 every year if the worker managed to contribute INR 1 000 to their National Pension System accounts. The matching contribution was given for three years. The scheme was replaced in 2015 by Atal Pension Yojana (APY) which included a minimum pension component but retained the matching contribution. There are currently around 62 million members of APY (Ministry of Finance, Department of Financial Services, 2024[93]), representing just over 10% of the labour force. Among ASEAN countries, Malaysia's i-Saraan programme provides state matching contributions to the private-sector pension scheme (Employees Provident Fund, EPF) for informal workers and the self-employed up to a maximum of MYR 500 per year with a lifetime limit of MYR 5 000. The matching contribution rate is currently 15% and will increase to 20% according to the 2025 budget.

The self-employed should be covered by the same pension schemes as private-sector workers. Self-employed workers are mandatorily covered in only Brunei Darussalam and the Philippines (Chapter 3), while contributing voluntarily is possible in the other countries. Voluntary schemes can have negative effects as they may create perverse incentives for employers not to cover workers. For example, if employers have no obligation to make payments, then they benefit from the informality of their employees. The self-employed can be included within the same rules as applied to private-sector workers or they can have a separate scheme as long as it is mandatory. Among OECD countries, the United States, for example, includes the self-employed in the general Social Security scheme, while France and Spain have separate schemes for different categories of self-employed workers.

Migrant workers should be mandatorily covered by the pension system even if they are only temporary. For all the defined benefit (DB) schemes in ASEAN countries, nationality or residency status is not considered. This means that coverage is mandatory for migrant workers in Cambodia, Indonesia, Lao PDR, the Philippines, Thailand and Viet Nam. From 2025 in Malaysia, foreign workers will be mandatorily covered within the EPF scheme, potentially benefitting over 2 million workers (KWSP, 2024[94]). Migrant workers are covered by the DC scheme in Indonesia once they have been working for six months, but migrants cannot join the DC schemes in Brunei Darussalam and Singapore. There is, however, a separate Supplementary Retirement Scheme (SRS) in Singapore that is voluntary for all workers and has a much higher contribution ceiling for migrant workers than for citizens or permanent residents (35% vs. 15% of

earnings) to compensate for the former's ineligibility to the main DC scheme. Upon leaving their host country, migrant workers should ideally be able to transfer their pension funds to their new resident country, with assets remaining ringfenced for retirement. Portability of social security benefits for migrant workers is an ongoing topic of discussion for ASEAN countries with the recent release of the "Declaration on Portability of Social Security Benefits for Migrant Workers in ASEAN" (ASEAN, 2022[95]) and the January 2024 workshop to discuss guidelines. Brunei Darussalam and Singapore should therefore make coverage of migrant workers mandatory and in the same scheme as for citizens and permanent residents.

Policy efforts should focus on developing effective information campaigns about income protection provided by pension systems as one gets older. Policy makers, as well as regulators and supervisors of private pension funds, need to ensure that all workers are informed about being able to contribute towards a pension and about the benefits it could bring. Communication campaigns should be part of an overall national strategy for financial education aimed at improving the financial awareness and literacy of the population (OECD, 2012[96]). If the pension is flat rate or has a means-tested safety net, then this needs to be publicised so that everyone who may be eligible claims it. Advertising on television, radio or newspapers or billboard campaigns in areas of high informal employment greatly help. For earnings-related schemes, enhancing the financial literacy of younger workers is critical to prepare them for old age (ADB, 2024[78]). Calculators and dashboards are good digital tools to engage people on their pensions and help them visualise the effects of different decisions. Pension statements can then be used to show the value of the contributions made, but they should be designed in a way that provides clear information and engages people to take action (OECD, 2022[28]).

Given technological advancements and assuming improved publicity, mobile phones can now easily be used to make voluntary contributions towards retirement savings. As mobile phones are commonplace everywhere the opportunities for making payments, even very small ones, has significantly increased. Those without access to a bank can use microfinance institutions for saving (ADB, 2024[78]). Many low-income informal workers are willing to make contributions towards pensions when they are able, but as their income levels are volatile, they are not always able to do so on a regular basis. By providing alternative savings mechanisms, some countries are trying to overcome this obstacle. For example, in India, both the NPS-Swavalamban system and its replacement APY permit many more institutions or organisations to collect the contributions (PFRDA, 2011[97]). In Rwanda, informal workers represent over 90% of the entire labour force (ILO, 2018[98]). The government therefore established a voluntary savings mechanism (EjoHeza) for informal workers in 2018. Joining the scheme takes only a few minutes and can be done entirely with a mobile phone and the scheme allows for irregular payments with matching contributions from the government for the lowest earners. The latest annual report indicates that about 30% of the workforce were active savers representing at the end of 2022, with 0.3% of GDP of assets under management.

When formality eventually progresses, the cost of providing non-contributory means-tested benefits could gradually be reduced. If policies are successful in significantly reducing informality, then more workers will acquire some contributory pension entitlements, lowering their eligibility to means-tested benefits. The cost of these means-tested benefits may therefore decrease over time; alternatively, the level of the benefits for the most vulnerable could be increased if the spending level is maintained. For flat-rate benefits as in Brunei Darussalam and Thailand, the cost of the scheme is unaffected by increased coverage as there is no reduction in non-contributory benefit levels with greater contributory pensions.

Minimum contributory pensions should be pro-rated for short careers to encourage participation. Minimum contributory pension schemes that only grant a benefit after 15 or 20 years of contribution do not encourage workers to contribute if they believe they are unlikely to contribute regularly. Rather the minimum contributory pension should be available even with a very short contribution history, say one year, pro-rated based on the duration of contributions. This would then show the merit of each year of contribution even if only a few years are ultimately possible. Only Indonesia, the Philippines and Viet Nam currently

have minimum contributory pensions, but they require, 15, 10 and 20 years of contributions, respectively. A pro-rated scheme could be applied instead in these countries and introduced in Cambodia, Lao PDR and Thailand within their DB schemes. In Brunei Darussalam, Malaysia and Singapore within their FDC schemes, pension benefits are determined by financial returns on paid contributions, so the question of disincentives to contribute is very limited.[13]

4.5.3. Boosting retirement-income prospects

Raising retirement ages is needed to boost pension benefits in Malaysia and Thailand in particular. In Malaysia and Thailand, earnings-related pensions can be accessed in full at the age of only 55 years. In general, retirement ages are low in many ASEAN countries relative to OECD standards, in particular future ones. Indonesia and Singapore are the exceptions as both have a future retirement age of 65 years, while in Singapore, in addition, employers have to offer their employees contracts until five years beyond the retirement age. In the other ASEAN countries, the relatively low retirement age better reflects low life expectancy (see below). In a few ASEAN countries, raising the retirement age would need to be accompanied by improved labour market protection to prevent companies from terminating employment contracts based on age. For example, employment protection ceases at the age 60 in Malaysia and Thailand, while workers can be dismissed at age 65 in the Philippines and firms in Indonesia are able to set retirement ages based on collective agreements (Chapter 2). Over time to deal with longevity trends and ease the political process, retirement ages should be linked to improvements in life expectancy. Implementing such a link is one major pension policy innovation over the last decades and one-quarter of OECD countries have legislated this type of automatic adjustment mechanism (OECD, 2023[87]).

Defined contribution pension schemes need to provide a regular income throughout retirement through annuities, at least after a certain age. Flexibility can be provided by allowing for partial or deferred lifetime income combined with programmed withdrawals (OECD, 2021[99]). Full lump sums should be discouraged, except for low account balances. While half of ASEAN countries have at least some FDC within their pension design, only Brunei Darussalam and Singapore mandate that a lifetime annuity be taken at retirement. Full lump sums are possible in Indonesia and Malaysia while the Philippines has a regular payment for only 15 years, hence failing to insure against longevity risks. These three countries should transition to annuitising the majority of the pension pot from a given age, to guarantee regular income at older ages and protect against longevity risk. Furthermore, the contribution rates in Brunei Darussalam (8.5% – 10.5%) should be increased to provide a higher level of retirement income.

Lifetime earnings should be used as the reference wage for calculating pensions based on DB or points schemes as a matter of equity. The large majority of OECD countries take into account wages throughout the whole career for calculating pension benefits. Recently, the Czech Republic, Greece and Norway joined this group. Exceptions are Colombia, Costa Rica, France, Portugal, Slovenia, Spain and the United States (OECD, 2023[87]). Using only part of the career to calculate pension entitlements generates inequities as people with the same lifetime earnings and the same total contributions might have very different pensions (OECD, 2022[28]). While taking into account only the best years is the most favourable to pensioners *all other things equal*, it also generates perverse, regressive effects by favouring workers experiencing large wage improvements who tend to be high earners as low-wage periods are ignored (Aubert and Duc, 2011[100]). For people with low earnings throughout the career, using part of or the whole career as the reference wage does not make a big difference. But all other things are not equal: for a given level of total pension spending, using lifetime earnings as the reference wage thus tends to increase pension of low earners and decreases that of high earners, thereby improving equity. For countries using only part of the career, moving to lifetime earnings in a budget-neutral way means raising accrual rates at the same time. Among the ASEAN countries, Cambodia, Indonesia and Viet Nam use lifetime earnings, while the Philippines and Thailand use the last five years. Lao PDR uses the average covered earnings of all insured persons in the calendar year before retirement. All ASEAN countries with separate public-sector

pension schemes use final salary as the base for civil servants – the Philippines actually uses the highest salary.

Contribution ceilings need to be set at appropriate levels and should increase over time in line with average-wage growth. Due to socio-economic differences in life expectancy, contribution ceilings that prevent building up pension entitlements at very high earnings levels in public pensions or in private pensions with annuities markets limit inequality in pension income: without these ceiling, the regressive effect from people who have shorter lives (and tend to have low income) to those with longer lives (and high income) is compounded as high pensions are paid for long periods to the detriment of people receiving low pensions and dying at relatively young ages. Across the OECD, most pension systems have an earnings ceiling for contributions, which is typically around twice average earnings and often substantially above. Some ASEAN pension schemes have high ceilings – such as Indonesia and Viet Nam at 3.4 and 8.0 times the average earnings, respectively – but there are exceptions. In Singapore, the wage ceiling to contributions is only around 1.3 times average earnings, and there is on top a cap to the amount that can be placed in the retirement account at retirement age. The ceiling should be linked to wage growth and the cap eliminated as the earnings ceiling is sufficient. The biggest issue is in Thailand where the contribution ceiling is relatively low, at THB 15 000 per month or 0.9 times average earnings; it has been flat in nominal terms for over 20 years.

Earnings-related benefits during retirement should be indexed based on a clear rule. There are trade-offs between the two main options of indexing pensions during retirement to either price inflation or wage growth. Indexing to prices maintains purchasing power, while indexing to wages ensures stable relative benefit levels. Wage indexation typically generates a higher progression over time due to productivity gains translating in positive real-wage growth. For different components of the pension system, different indexation policies are often followed, with price indexation being more common among OECD countries for earnings-related pensions and wage indexation for the (means-tested or flat-rate) first-tier components. Choosing a particular index is a political choice. For the same (discounted) spending levels over time, indexing to price inflation results in higher initial benefits, but their relative value declines over the retirement period, while wage indexation generates constant benefits in relative terms but with lower levels in the years immediately after retirement. Hence, by generating initially higher benefit levels, price indexation compared with wage indexation benefit those with a lower life expectancy. Without any indexation, benefits gradually lose their purchasing power during retirement; moreover, discretionary and irregular indexation generates uncertainty and increases inequality between generations. Therefore, both Cambodia and Thailand that have no pension indexation rule for their DB schemes need to adopt one, either in line with CPI (as in Indonesia and the Philippines) or average wages (as in Lao PDR and Viet Nam), or a combination of both.

Additional schemes may be introduced to diversify the pension system and increase retirement savings. The benefits of mixing DB and FDC schemes, PAYG and funded schemes stem from diversifying the nature of risks, those driven mainly by the political process and financial markets, respectively. In the majority of OECD countries, these complementary schemes are FDC. Indonesia and the Philippines already have dual systems with mandatory DB and FDC components. Cambodia, Lao PDR, Thailand and Viet Nam, the other countries with only PAYG DB schemes, may benefit from diversification by adding an FDC component.[14] However, Cambodia, Lao PDR and Thailand need to first reform their DB schemes to ensure long-term financial sustainability (see below). Hence, only Viet Nam is currently in a position to consider introducing a supplementary FDC scheme.

Several OECD countries have introduced supplementary FDC schemes in the last couple of decades, many giving incentives to try and encourage participation. For example, when New Zealand started the auto-enrolment KiwiSaver scheme in July 2007 the government provided NZD 1 000 as a kick-starter whenever an account was created. This policy remained in place until May 2015, by which point there were 2.3 million accounts in place (TAAO, 2022[101]). The design of financial incentives should reflect the

retirement saving needs and capabilities of different population subgroups as well as the government's fiscal space. In particular, low earners in Viet Nam may be responsive to matching contributions and fixed nominal subsidies.

4.5.4. Improving pension financial sustainability

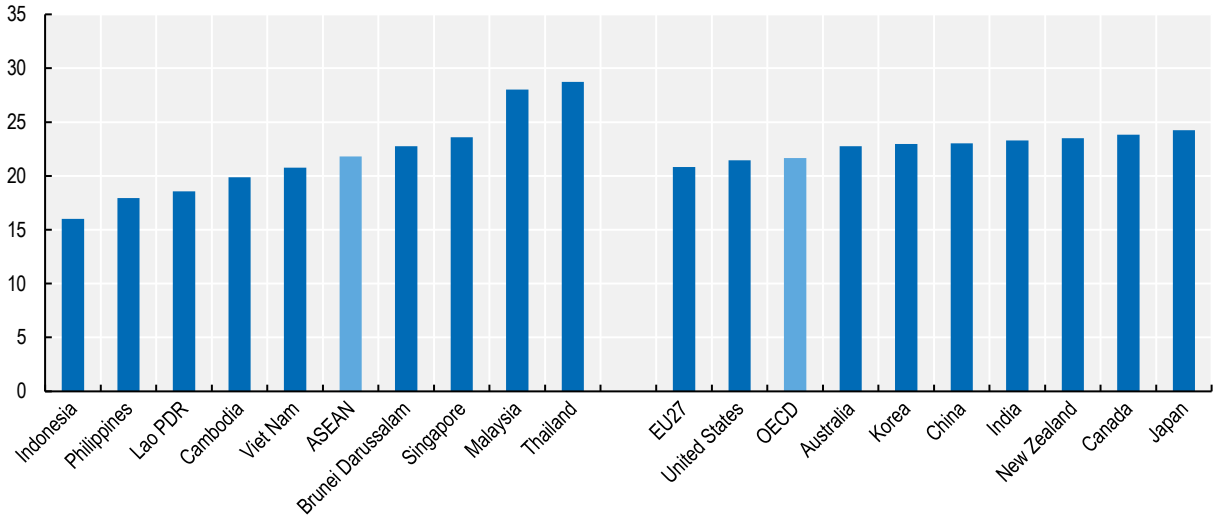
Pensions must be financially sustainable to build confidence in the system and, beyond, to ensure macroeconomic stability. When pension parameters are not set at adequate levels to ensure sound finances, in particular in the ageing context, they are or are expected to be frequently revised. Such an unstable framework hurts confidence that individuals could count on predictable retirement income. Moreover, given the growing share of older people, pensions will account for an increasing share of social spending. As a result, financially unsustainable pensions can threaten macroeconomic balances, with potentially dire consequences for the economy as a whole and for the most vulnerable in particular.

Profound reforms are needed to improve the financial sustainability of pay-as-you-go (PAYG) pensions – defined benefit (DB) or points schemes – in ASEAN countries. For the pension provider, defined contribution (DC) schemes are financially immune to changes in longevity, at least to well-predicted ones in case of annuitisation, i.e. when total pension assets at retirement are transformed into a stream of monthly pension payments. More generally, FDC schemes are funded individually and avoid that demographic changes, such as fertility trends, generate financial sustainability issues (for pension providers). The situation is very different for PAYG pension systems.[15] DB PAYG pensions based on annual accrual rates and points systems based on the accumulated number of points over the career provide a set monthly pension; the benefit level is not explicitly linked to the expected duration of retirement or, more generally, to the ageing structure of the population. Of course, ultimately demographics influence the benefit levels that PAYG pensions can finance in a sustainable way. Yet, regardless of population ageing, Chapter 3 shows that, by comparing the promised (or implicit) returns with the internal returns of PAYG pensions, PAYG parameters in ASEAN countries are not set in a financially sustainable way. Moreover, the difficulties will be compounded by population ageing as no country provides automatic adjustments of pension parameters to demographic changes.

At 55 years, the retirement age is too low in Thailand. In Malaysia, as discussed above, the low retirement age of also 55 years lowers pension benefits, but it does not raise financial sustainability issues as the scheme is FDC. In Thailand, by contrast, the low retirement age significantly contributes to the large gap between the implicit and the internal rate of return on paid DB contributions as was highlighted in Chapter 3. As a result of such a low retirement age, the projected remaining life expectancy at the normal retirement age for the 2000 birth cohort reaches 28 years or more in Malaysia and Thailand for men, against an average of 21.8 and 21.7 years among ASEAN and OECD countries, respectively (Figure 4.2).[16] While Cambodia, Lao PDR and the Philippines have a retirement age of 60 years that is low in OECD comparison, their future remaining life expectancy at retirement age is also low in international comparison due to relatively low longevity. However, even in Thailand, raising the retirement age will not be enough to make the pension system financially sustainable, and other significant parametric measures are needed.

Figure 4.2. Projected remaining life expectancy at normal retirement age

Remaining life expectancy in years



Source: OECD calculation based on UN Population Prospects.

Some ASEAN countries need to reduce benefit accrual rates or increase contribution rates to address the imbalances between contribution rates and pension promises in their PAYG pension systems. The difference between the implicit and the internal rate of return is extremely large in Lao PDR and Thailand, very large in Cambodia, Indonesia and the Philippines and significant in Viet Nam (Chapter 3). In Cambodia, Lao PDR and Thailand, contribution rates are clearly too low, while on top the accrual rate is too high in Lao PDR, and in Thailand as well, although to a lesser extent (Box 4.2). The Philippines also has a large accrual rate. To overly simplify (in particular because demographics and retirement ages come into play) based on OECD comparison, accrual rates may have to be divided by at least 3 in Indonesia, Lao PDR, the Philippines, Thailand (and even 7 in Lao PDR) or contribution rates be multiplied by at least 3 (and even 7 in Lao PDR) or a mix of both.

Box 4.2. Accrual rates versus contribution rates in pay-as-you-go pensions

On top of demographics and the level of the retirement age, one key indicator of the financial sustainability of pension promises is the ratio of effective accrual rate to the contribution rate. The effective accrual rate of pension promises is determined by the nominal accrual rate and the way the reference wage for pension purposes is calculated.[17] In a PAYG DB pension, the pension benefit *b* is the product of the number of contribution years *N*, of the accrual rate *a* and of wages *w*: $b = N\,a\,w$. The financial balance of the system means that paid contributions finance pension spending: $CR\,w\,L = b\,R$ where CR is the contribution rate, L is employment and *R* the number of retirees. It follows that:

$$\frac{a}{CR} = \frac{L}{R}\frac{1}{N}$$

In a financially balanced PAYG pension, the ratio of the accrual to the contribution rate is equal to the employment-to-retirees ratio divided by the number of contribution years. It is therefore primarily determined by demographics, employment performance and retirement ages. Hence, when the system is financially sustainable the accrual and contribution rates can be increased by the same proportion. Lao PDR has an effective annual accrual rate of 1.94% financed by a 5% contribution rate while

Thailand has an effective accrual rate of 1.26% financed by a contribution rate of 7% (Table 4.1).[18] In Cambodia, the effective accurate rate is equal to 1.15% with an average annual contribution rate of 9.5%. In Indonesia, DB pension promises, which complement the original FDC scheme, are built on an effective accrual rate of 0.77% based on a contribution rate of 3%. The Philippines has a large accrual rate of 2% based on a contribution rate of 13% (increasing to 15%). By contrast, Viet Nam has a relatively high contribution rate of 22%, but it is insufficient to finance the effective accrual rate of 1.47%. Within OECD countries, Germany for example has a much lower effective accrual rate of 0.97% for its points scheme while the contribution rate is 18.6%. In Germany as in most OECD countries shown in the table, the ratio between the accrual rate and the contribution rate is around 0.05 while it is between 3 to 7 times larger in Indonesia, Lao PDR, the Philippines and Thailand, (Table 4.1).

Table 4.1. Ratio of effective accrual to contribution rates

Effective accrual and contribution rates for PAYG pensions

	Effective accrual rate	Contribution rate	Ratio
Viet Nam	1.47	22.0	0.067
Cambodia	1.15	9.5	0.121
Philippines	1.98	13.0	0.152
Thailand	1.26	7.0	0.180
Indonesia	0.77	3.0	0.257
Lao PDR	1.94	5.0	0.388
Japan	0.50	18.3	0.027
Italy	1.55	33.0	0.047
Finland	1.24	24.2	0.051
Germany	0.97	18.6	0.052
Sweden	0.80	14.7	0.054
Canada	0.72	9.1	0.079
United States	0.87	10.6	0.082

Note: The effective accrual rate accounts for the uprating of past wages and is therefore lower than the nominal accrual rates for countries with price uprating.
Source: Country profiles provided by countries.

The uprating of past wages to calculate the reference wage for pension purposes should be based on average wage growth. This should at least apply to new pension entitlements. Uprating past wages based on prices instead of wages makes the management of pension finances complicated and adds a large and unneeded uncertainty. The reason is that pension revenues are based on contributions: they tend to grow in line with wages. If uprating is based on prices, then pension spending does not grow in line with wages, with the gap between revenues and spending, i.e. the financial balance, being heavily dependent on real-wage growth (the difference between wage growth and price inflation), which is closely related to labour productivity growth, a variable that is very difficult to predict. When the value of pension parameters (contribution rate, accrual rate, retirement age, etc.) are decided such as to ensure financial sustainability based on given productivity-growth assumptions, pension finances then become sensitive to actual productivity-growth trends. For example, if productivity growth is less than initially expected, revenues are lower than projected while spending is not affected, thereby deteriorating pension finances. And vice versa if productivity growth is larger than expected. Hence, for a given spending target, the uprating of past wages should be done based on wage growth, and the shift from price to wage uprating should be accompanied by lower nominal accrual rates in order to maintain the same projected effective accrual rate and therefore the same replacement rates. Countries should refrain from moving from wage to price uprating to generate savings, because this generates this undesirable sensitivity of pension finances to

productivity growth; if generating savings is the pursued policy objective, accrual rates should instead be cut, also improving transparency. Cambodia, Indonesia and Viet Nam are the most affected by this serious issue as they uprate lifetime earnings based on prices.

Once pension parameters have been set at levels that ensure sound finances, automatic adjustment mechanisms (AAMs) can be put in place to accompany ageing prospects. This will help ensure long-term financial sustainability. In the face of demographic, economic or financial trends, policy makers can choose not to act and accept the negative consequences these trends might have for financial sustainability (OECD, 2021[102]). Alternatively, they can adjust pension parameters. These adjustments can be discretionary, by undertaking regular legislative action as circumstances change or they can occur automatically by setting rules about how pension parameters should be adjusted. These automatic rules are one way to better include future generations who have neither a vote nor a voice today. AAMs refer to predefined rules that automatically change pension parameters or pension benefits based on the evolution of a demographic, economic or financial indicator. Automatic adjustments can protect pensions from uncertainties by, for example, making benefit levels or contribution rates based on demographic or economic changes and by linking retirement ages to life expectancy.

Linking retirement ages to old-age life expectancy is one main way to deal with increasing longevity. After the standard indexation of pensions to prices or wages, this type of link is the AAM that is becoming increasingly implemented in the OECD. Nine OECD countries, including Italy and Sweden, now have such a link in place (OECD, 2023[87]). The automatic change in the retirement age varies by country, with some choosing a one-to-one link and others changing retirement ages by two-thirds of the changes in old-age life expectancy. Putting in place such a link may be an attractive option especially in the countries where the retirement age is at 60 years – Brunei Darussalam, Cambodia, Lao PDR and the Philippines – beyond the discretionary changes that are needed regardless in Malaysia and Thailand.

Public- and private-sector workers should be covered under the same pension scheme. Among ASEAN countries, only Brunei Darussalam, Singapore and Viet Nam have the same schemes for public- and private-sector workers. Malaysia plans to enrol new civil servants into the private-sector EPF from 2024 (Chapter 3). In the other ASEAN countries public-sector workers have either entirely different schemes or at least one component is different. In all cases, the resulting pension benefits are much higher than what would result from the private-sector scheme. Only 4 of 38 OECD countries still maintain entirely separate pension schemes for their public-sector workers with around one-third of countries having aligned the systems over the last two decades (OECD, 2016[103]). Having public-sector workers under the private-sector scheme would increase equity, remove any obstacles for portability or labour mobility, reduce administrative costs and improve public finances.

Beyond pensions, demographic changes will affect all components of age-related expenditure, including healthcare and long-term care. For example, according to World Bank (2021[104]), public expenditure on healthcare in Thailand is projected to increase from 3.2% of GDP in 2022 to 5.5% in 2060. On the pension side, pension expenditure from the civil-service scheme would increase from 1.6% to 2.9% of GDP over the period, while the social security funds would be depleted in the 2050s. This illustrates that Thailand will face strong fiscal pressure related to ageing.

4.6. Promoting the social participation of older people

The number of people aged 65+ is projected to more than double in most ASEAN countries between 2025 and 2050. Limitations in the social participation of older people will thus affect an increasing number of people at a fast pace. While it is difficult to increase social participation directly through policies, policy makers can shape the conditions in which it is easier for older people to remain an active member of the community. Promoting social participation can help reduce social exclusion, which is a risk factor for depression and lower self-esteem in older people (Marquet et al., 2018[105]) and can result in disadvantages

in other spheres of life as social contact is a resource for people to find help when they need it (OECD, 2017[61]). To counteract these effects, policies can facilitate older adults to remain integrated in society. It is never too late to start something new or make new friends. The Kuala Lumpur Declaration on Ageing, adopted by all ASEAN Member States, recommends promoting a positive image of older persons though the recognition of their rights and contributions to society as well as conducting research on age discrimination in ASEAN Member States. Policy makers can further facilitate the social participation of older people through creating age-friendly spaces in which older people can meet each other and younger generations, and through providing accessible public transport.

4.6.1. Creating places for older people to meet, and helping them to get there

Inclusive urban planning can strengthen the social inclusion and active ageing of older adults. Age-inclusive physical environments are essential for older residents to move around in their own neighbourhoods. This includes removing barriers such as making high or uneven pavements accessible, improving traffic safety in particular at crossings, and providing benches at regular intervals for people to rest (WHO, 2007[106]; Van Hoof et al., 2018[107]). One study in metropolitan areas in Malaysia, Myanmar, Thailand and Viet Nam found that, except in Viet Nam, most older people did not consider their neighbourhood to be accessible (Tiraphat et al., 2020[108]). Older people's assessment of accessibility of their neighbourhood was particularly negative in Myanmar. Singapore in contrast is a good example for creating an age-inclusive urban environment, for instance through Silver Zones making residential neighbourhoods safer for older people to go around in (Box 4.3). Indonesia and the Philippines have made some high-level commitments to move towards more age-friendly environments (Irwansyah and Febrina Ernungtyas, 2023[109]; Parial, 2024[110]), and Malaysia is the only ASEAN country in addition to Singapore that is represented in the WHO's Global Network for Age-friendly Cities and Communities. While intentions are important, realising age-inclusive environments ultimately depends on implementing very concrete changes to the physical environment. For instance, despite several expressions of intent from the local government around 2013, the Indonesian city of Depok had made little progress towards becoming more age-friendly five years later (Fatmah, Dewi and Priotomo, 2019[111]).

As older people are more reliant on public transport, affordable and well-designed public transport networks with accessible vehicles, stops and stations are important to help older people move around. With the exception of Lao PDR and Myanmar, all ASEAN Member States provide public transport fare reductions to older adults. Less is known about the state of the accessibility of public transportation in ASEAN countries, although the ASEAN Secretariat assesses access to public transport as "poor" for most older people (ASEAN, 2023[30]). Singapore, in contrast, invested heavily in making public transport more accessible (Chapter 3). Several OECD countries, such as Germany and Spain, mandate public-transport providers to provide barrier-free transportation as well (OECD/ITF, 2017[112]).

Box 4.3. Urban ageing in Singapore

Singapore is actively enhancing its urban environment to cater to older citizens through several initiatives. Doing so requires that public spaces be designed with the inclusion of older people in mind, often in collaboration with local universities. Examples include redesigning streets to improve traffic safety in certain zones, designing parks to facilitate activities for older people and integrating housing and services for older people.

Through the creation of Silver Zones, Singapore aims to enhance road safety specifically for older pedestrians in neighbourhoods with significant numbers of older residents and higher rates of accidents involving older adults (Ministry of Health Singapore, 2023[113]). These areas are designed to be walkable without obstacles to reduce the risk of falling and contain two-stage crossings making it easier and safer

for pedestrians to cross (Land Transport Authority, 2022[114]). Traffic is slowed through to lower speed limits and street design features such as 3D road traffic markings and S-shaped roads. Penalties for traffic violations are higher in Silver Zones to enforce compliance. Small areas furnished with benches for residents to rest are also installed, which provide opportunities for social interaction. Between 2014 and 2022 30 Silver Zones were developed, which is expected to increase to 50 zones by 2025.

In order to improve older citizens' well-being and health, Singapore created "therapeutic gardens" (Ministry of Health Singapore, 2023[113]). The gardens provide opportunities for older people to partake in horticultural activities such as gardening, crafting, and growing edible plants, which are meant to reduce depression and enhance immunity. The gardens are designed to be easily accessible and the activities are tailored to older visitors' physical and cognitive capabilities. Established in collaboration with the National University Health System and the Alzheimer's Disease Association in 2016, the National Parks Board aims to establish 25 therapeutic gardens across Singapore by 2027.

Kampung Admiralty, completed in 2017, is an integrated development designed to cater specifically to older residents. It combines public housing for older adults designed to reduce the risk of falling – e.g. with grab bars and anti-slip floors – and equipped with alarm buttons, with extensive social, healthcare, communal, commercial, and retail facilities. The complex includes among others a medical centre, an Active Ageing Hub, and childcare facilities in which the older persons are involved for instance for storytelling or crafts workshops (Zhuang, 2020[115]). Beyond amenities, Kampung Admiralty emphasises community spaces, fostering community engagement and a sense of belonging among older residents. Singapore expects to open a retirement village with a similar approach in 2026.

In addition to shaping the physical environment, governments can play a key role in establishing or supporting initiatives that bring people together. While older people's participation in social gatherings other than religious services is limited in ASEAN countries (ASEAN, 2023[30]), peer social gatherings can reduce loneliness and increase social engagement (Cattan et al., 2005[116]). Brunei Darussalam, Malaysia, the Philippines, Singapore, Thailand and Viet Nam have community centres for older people that often combine providing social activities with some care-related functions (Chapter 3). While such centres can help older people to remain healthy, active and socially engaged, a comprehensive evaluation of their impact on older people's well-being is often lacking. In Thailand, some clubs do serve as successful models for community development, while others face challenges in effectiveness due to inadequate funding and poor management (Torut and Pongquan, 2012[116]). In Viet Nam, key factors contributing to the success of social clubs for older adults include dedicated management committees, regular activities, support from local authorities, and external financial backing (HelpAge International, 2023[117]). Strengthening these elements enables these social hubs to better facilitate community engagement and provide meaningful opportunities for older adults to stay connected.

4.6.2. Promoting intergenerational contact

Intergenerational contact can improve the well-being of older people. Intergenerational programmes are associated with lower social isolation, better self-rated health and a sense of purpose in older people, especially when it concerns community-service programmes such as volunteering (Giraudeau and Bailly, 2019[118]; Peters et al., 2021[119]; Zhong et al., 2020[120]). To foster intergenerational contact, Japan has reinforced a community-based inclusive society for older adults by amending the Social Welfare Act in 2020 (Ministry of Health, Labour, and Welfare, 2021[121]). Under the new act, municipalities must establish an integrated support system that meets the needs of all age groups. To achieve this, the government encourages intergenerational exchanges to strengthen mutual understanding and reliance among residents across generations.

Intergenerational interactions can help ease negative perceptions of ageing and older people. Alongside Africa, Southeast Asia is the region with the highest prevalence of moderately or highly ageist attitudes

according to the WHO (WHO, 2021[122]). All ASEAN countries except for Brunei Darussalam have implemented national action plans to safeguard the rights of older persons. The Philippines, Singapore, and Thailand have enacted specific laws prohibiting age-based discrimination in employment in order to ensure more equal opportunities for older workers. Beyond prohibiting discrimination, activities facilitating positive intergenerational contact can reduce ageism (Marques et al., 2020[123]; WHO, 2021[122]). Interventions that combine educational elements with intergenerational contact can effectively reduce negative attitudes toward ageing (Burnes et al., 2019[124]). Intergenerational programmes that create positive shared experiences can accelerate mutual respect between different generations and combat age stereotypes. These programmes can take the form of mentorships, of shared activities such as gardening and arts and crafts, or of community volunteering (WHO, 2023[125]). Meeting regularly and pairing older adults with younger people based on interests and needs can significantly enhance the benefits of intergenerational programmes (Lou and Dai, 2017[126]). The outcomes can further be boosted by providing participants with some training at the start of the programme to equip them with the knowledge and skills needed to effectively interact with other generations, including with people with dementia. Singapore's Council for Third Age for instance launched the Intergenerational Learning Programme in 2011, introducing a classroom-based model where older learners are paired with young teachers.

The regional and local level play an important role in creating the settings in which positive intergenerational contact can take place. Local intergenerational programmes can address the specific needs of a community and speak to the interests of older people in the area. The Kampung Admiralty project in Singapore provides a good example of facilitating positive intergenerational contact in an urban environment. It combines childcare and long-term care facilities to strengthen intergenerational relationships within the neighbourhood. Different generations engage together in arts and music programmes, volunteer services, and exercise activities. Arts can also bring people together across generations, as exemplified by two projects in Australia listed in the WHO's Age-Friendly Practices Database. In the City of Maroondah, located in the Melbourne area, the Intergenerational Musical Memories Project connected older adults in care facilities with youths through music, helping them build meaningful relationships and overcome generational barriers. The Young and Gold Intergenerational Urban Art Project in Rockingham, near Perth, brought together young people and older people to create a mural, transforming a blank wall into vibrant art. These initiatives highlight how intentional design and intergenerational activities can promote active ageing and build more age-inclusive communities.

4.6.3. Promoting societal engagement through volunteering

Recognising older volunteers and building the capabilities to effectively engage them – from training and development to appreciation – will encourage older adults to engage with society. Volunteering in activities like visiting people, mentoring youth and assisting nonprofit organisations with fundraising and community services positively impacts older adults' quality of life by enhancing their sense of social support and connections (Ang and Malhotra, 2024[127]). The Philippines' Senior Citizens Volunteer Resource Project has organised public campaigns informing older people of opportunities for volunteering, linked older people with volunteering opportunities in particular in community social welfare and development programmes, and has provided training to older volunteers to equip them with the knowledge and skills to perform their tasks (Quieta, 2005[128]). Singapore's Silver Volunteer Fund assists community organisations in recruiting and developing older volunteers, empowering older adults to contribute their skills and experience to local initiatives. While Singapore does not have formal compensation schemes for older volunteers, its micro-job programmes at active ageing centres allow older adults to earn small allowances for tasks such as food delivery and organising community activities (Ministry of Culture, Community and Youth, 2024[129]). Korea's Senior Employment and Social Activity Support Program provides public service opportunities for older adults, including support for vulnerable groups and volunteering at public facilities (Ministry of Health and Welfare, 2023[130]). In Japan, the municipality-led volunteer point system rewards older adults for their community service participation, enabling them to exchange earned points for cash

and coupons (Ministry of Health, Labour and Welfare of Japan, 2021[131]). Japan's Silver Human Resource Centres furthermore provide opportunities for older people across the country to perform paid work or to volunteer in their local communities. These centres primarily aim to provide older people with a sense of purpose in life.[19] These programmes in Japan and Korea offer training courses for older volunteers and involve a third party to match volunteers with hosting organisations. Investing in capacity building to implement programmes that support older volunteers can improve their well-being by creating opportunities for social connections.

4.7. Recommendations

The following recommendations are based on the analysis in the respective sections above.

Recommendations to reduce labour market informality to promote active ageing

- Lower the cost of formalisation for low-income workers by limiting general labour taxes on their earnings. This can be done for example by applying mandatory pension contributions only beyond an earnings threshold and by financing flat-rate basic benefits through other taxes. Depending on the fiscal space, finding alternative general tax revenues will be needed to compensate for the loss of contribution revenues.
- Ensure adequate levels of contribution-based benefits so that formal work provides substantial advantages to individuals in a transparent way.
- Enhance compliance with labour and social security regulations through an effective judiciary, well-equipped labour and tax inspectorates, large enough penalties for non-compliance, strong involvement of social partners and strict requirements for contractors of public procurement to employ workers formally.
- Ensure that labour and social protection regulations cover all workers, including migrants and those in small businesses and platform-based jobs.
- Ensure that product market regulations are not too strict, employment protection legislation is flexible enough and the minimum wage is adequate but at a level that does not create substantial barriers to formalisation.
- Ease administrative processes of business registration and reporting, remove legal obstacles to firms' growth, fight corruption and encourage a responsible business conduct to promote a business-friendly environment.
- Expand the provision of learning opportunities for adults and develop systems for certifying skills acquired in both formal and informal employment.
- Inform workers about individual and social advantages of formal work through consistent and regular communication by social security institutions and through ad hoc public awareness campaigns.

Recommendations to reduce gender inequalities in old age

- Follow up with concrete action on the commitment in principle to gender equality in old age by ASEAN countries.
- Systematically include a gender perspective in designing policies for all stages of life to mitigate compounding inequalities. This can be achieved by: appointing key leaders within government structures responsible for integrating gender considerations into planning, budgeting and implementing policies; strengthening independent institutions and advisory bodies that monitor

and report on gender equality; and, improving data collection to monitor and report on gender equality efforts.

- Raise awareness about gender inequalities in education and training and how to address them. Public information campaigns highlighting the benefits of gender equality and of programmes that help women plan financially for retirement would improve women's income security in old age. The public sector can lead the way by implementing training on gender inequalities in career development and talent management.
- Develop gender-inclusive education policies, such as offering career counselling services specifically geared towards addressing gender disparities in male-dominated fields. Cambodia and Myanmar should implement such policies to reduce gender inequalities in enrolment in tertiary education, while other countries, including Malaysia, Singapore and Thailand, should do so to reduce gender inequalities in enrolment in STEM degrees.
- Reform legal frameworks to reduce gender discrimination in public and private life and in the workplace. Brunei Darussalam, Indonesia, Malaysia and Myanmar have laws, often personal status laws, that currently still cement gender inequalities in the family as these laws grant men and women different entitlements to marriage, divorce and inheritance. Brunei Darussalam, Lao PDR, Malaysia and Thailand need to step up efforts to tackle gender discrimination and harassment in the workplace.
- Strengthen women's labour market attachment through maternity and parental leave policies as well as formal childcare and long-term care policies. Providing training to care workers will increase service quality and boost people's confidence in using these services. As the care sector is largely female-dominated, formalisation of care work would also significantly increase income security for women both in the labour market and in old age.

Recommendations to provide inclusive access to healthcare

- Allocate more public financial resources to the healthcare sector, in particular in Brunei Darussalam, Lao PDR, Malaysia and Singapore.
- Improve efficiency in the way healthcare resources are spent by: cutting ineffective and wasteful spending, for instance through increasing penetration of generic drugs, regulating both pricing and prescribing medicines; strengthening preventive health policies; and, investing in new technologies such as digital health records.
- Establish in law that the full population is covered by health insurance for basic healthcare and use contributory health insurance to provide access to a wider set of healthcare services. In particular, Cambodia and Myanmar need to step up efforts to expand coverage as the large majority of their respective populations remain uncovered by public health insurance, resulting in very high out-of-pocket healthcare expenditure.
- Improve access to healthcare in rural areas. Cambodia, Lao PDR and Myanmar should increase the total number of healthcare personnel through increasing efforts to recruit students into medical programmes. This could be done through scholarships conditional on working in underserved areas after graduating to recruit students willing to work in rural areas. In countries where there is no overall shortage of healthcare personnel, providing financial incentives for healthcare personnel to work in underserved areas, or granting limited licenses for establishing a practice in overserved areas can help improve access to healthcare in rural areas. Access to healthcare in rural areas can also be improved by changing healthcare service delivery, for instance through telemedicine or through delegating some tasks typically performed by doctors to other providers.
- Promote the incorporation of physical exercise and active lifestyles in older people's daily routines. Ministries should play an active role through locally embedded public organisations such as active ageing centres to educate communities on the benefits of physical exercise and healthy lifestyles,

to bring older people in contact with organisations providing such activities or to directly organise physical activities.

- Provide regular health checkups and self-monitoring tools to older adults to detect and treat health issues early on. In particular, Cambodia, Lao PDR, Myanmar and Viet Nam should implement affordable preventive health screenings for older adults.

Recommendations to enhance social protection in old age

- Increase first-tier benefit levels in all ASEAN countries, significantly so in many, to ensure adequate support for current pensioners. This particularly applies to Brunei Darussalam, Singapore and Thailand.
- Clearly highlight the benefits of contributing to pensions and develop communication campaigns. The latter should be part of an overall national strategy for financial education related to pensions, aimed at improving financial awareness and financial literacy.
- Remove contribution floors to voluntary pensions and give informal workers incentives to contribute to the pension system through matching contributions up to a ceiling.
- Mandatorily enrol self-employed workers in the same social security scheme that covers private-sector workers as in Brunei Darussalam and the Philippines. Likewise, mandatorily enrol migrant workers in Brunei Darussalam and Singapore in the same schemes as for citizens and permanent residents.
- Raise the retirement age in Malaysia and Thailand. Once this discretionary adjustment is legislated, introduce an automatic link between the retirement age and life expectancy in both countries, as well as in other ASEAN countries.
- Increase contribution rates in the defined contribution pension scheme in Brunei Darussalam.
- Significantly reform pay-as-you-go pension schemes so that contributions are sufficient to finance current promises by either increasing contributions or reducing accrual rates or a combination of both. More precisely, at the minimum, accrual rates should be lowered in Lao PDR and the Philippines and PAYG contribution rates increased in Indonesia, Lao PDR and Thailand, while a better balance should be found in Cambodia.
- Enrol public-sector workers into the same pension scheme that applies to private-sector workers.
- Regularly index all earnings-related pensions paid during retirement based on a clear rule.
- Use lifetime earnings as the reference wage for calculating pay-as-you-go pensions and uprate past earnings with wage growth.
- Increase contribution ceilings over time in line with average-wage growth in all countries, substantially increase the ceiling level in Thailand and remove the retirement-account cap in Singapore.
- Annuitise pension assets in defined contribution schemes to provide a regular income throughout retirement, at least after a certain age, and limit lump-sum withdrawals to small accounts only.

Recommendations to promote the social participation of older people

- Redesign neighbourhoods to make it easier and safer for older people to go outside. This includes removing obstacles such as high pavements, improving traffic safety, particularly close to crossings and installing benches for older people to rest. Singapore provides some good practices on how to make environments more age friendly.
- Increase accessibility of public transportation by making it safer and easier for people to reach the platform on foot and to get from the platform on the bus or train. Policy makers could prescribe accessibility requirements to public transport providers.

- Create social opportunities for older people to meet on a regular basis. For example, locally embedded social clubs bring older people together in Thailand and Viet Nam.
- Create opportunities for older and younger people to meet. Positive intergenerational contact can improve older people's well-being and is a good antidote against ageism. Local governments can play a key role in establishing or supporting initiatives that bring people together across generations.
- Promote volunteering of older people. Successful programmes to promote volunteering of older people have included: public information campaigns to make older people aware of the possibilities; a system to match older volunteers with organisations; and, some training to equip the volunteers with the skills needed to execute the tasks they are assigned to.

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Notes

[1] https://extranet.who.int/agefriendlyworld/wp-content/uploads/2014/06/WHO-Active-Ageing-Framework.pdf.

[2] An alternative is to have contributions subsidised by the State. One advantage is to clearly identify and reveal the cost of future pension entitlements, another advantage is broadening the coverage of contributory schemes and ensuring more consistent design of pensions. But the main drawback compared with tax-financed basic pensions is the complexity of managing subsidies and difficulties in formalising these contributions.

[3] For the same reason, unemployment benefit levels should be related to wages and contributions rather than taking a form of flat-rate benefits.

[4] The expansion of formal work increases tax revenues needed to finance social security and social assistance, and promote inclusive growth through supporting public investment in infrastructure, education and labour market programmes (Besley and Persson, 2014[132]). Formalisation of labour further supports skill development, because formal work helps recognition of skills acquired through on-the-job learning while the lack of official certification makes it difficult for informal workers to prove their skills when they aspire to transition into formal employment. Better skills of workers help disseminate productivity-enhancing technologies and thereby support lagging firms in catching up with the technological frontier (OECD, 2018[7]). Formalisation strengthens employees' rights and employees bargaining power through applying the minimum wage and improving coverage of collective agreements. The effects of being covered by the minimum wage and better working conditions are seen immediately by some workers, while effects of increasing co-operation among workers and higher bargaining power on wages and working conditions reveal over time (OECD, 2024[6]).

[5] www.health.gov.au/our-work/bonded-medical-program/about.

[6] Moreover, under Japan's "One Prefecture, One Medical School" policy implemented in 1973, medical programmes were opened around the country. Most of the schools involved now offer scholarships to students committing to work in the region for a certain amount of years after graduation or reserving places for students originating from the region. Ten years after opening a school in a region, on average the number of doctors permanently increased by 25% and all-cause mortality decreased by 2%, particularly driven by a decline in mortality among older people (Hoshi, 2023[133]).

[7] www.ontario.ca/document/northern-health-programmes/northern-and-rural-recruitment-and-retention-initiative.

[8] www2.gov.bc.ca/gov/content/health/practitioner-professional-resources/physician-compensation/rural-practice-programmes/rural-retention-program.

[9] www.health.gov.au/topics/doctors-and-specialists/what-we-do/19ab/moratorium.

[10] The amount of the basic benefit in Thailand increases with age, with monthly rates of THB 600 for those aged 60-69, THB 700 from age 70 to 79, THB 800 from age 80 to 89 and THB 1 000 from age 90.

[11] A withdrawal rate of 30% means that for every 100 pesos of pension from the FDC the top-up pension is reduced by 30 pesos.

[12] The 2019 poverty line used is THB 2 329 per month, based on the USD 5.5/day (2011 PPP) benchmark.

[13] Some disincentives may be caused by inefficient investment regulations and by contributors' myopic behaviours.

[14] In Thailand an additional FDC scheme has been discussed since 2008 with the Cabinet of Thailand approving the draft National Pension Fund Act in March 2021. However, as yet no fund has been established.

[15] Of which none are set up as DC, i.e. NDC, in ASEAN countries.

[16] Life expectancy at a given age, say 65, is the number of remaining life years that can be expected. However, to avoid any misunderstanding, the semantic choice has been made to use remaining life expectancy at a given age.

[17] When lifetime earnings are used and past wages uprated with average-wage growth, the effective accrual rate is equal to the nominal accrual rate for workers with constant wage relative to the average wage throughout the career. However, if past wages are only uprated with prices, the effective accrual rate is much lower, depending on the assumption about real-wage growth. In Cambodia, Indonesia and Viet Nam, the gap between the effective and the nominal accrual rate is large because these countries use lifetime earnings uprated with prices. In Viet Nam for example, the nominal accrual rate is between 2% and 3% depending on gender and the number of years of contribution, but the effective accrual rate based on OECD economic assumptions is equal to 1.47%.

[18] In Thailand, the effective accrual rate of 1.26% for the whole career results from a nominal accrual rate of 1.33% for each of the first 15 years and 1.5% per year thereafter.

[19] www.zsjc.or.jp/about/about_02.html.

Promoting Active Ageing in Southeast Asia

Ageing will be very fast in Southeast Asia and most ASEAN countries have a very large share of informal employment. Promoting active ageing aims to ensure that older people can age healthily and independently and avoid feeling insecure, in particular in terms of income. This could be achieved by putting into action policies that foster the well-being of older people through their participation in the labour market and their engagement in various aspects of life, such as volunteering. Key active ageing policies in the ten ASEAN countries should focus on: tackling labour market informality; reducing gender inequalities in old age and improving care provision; providing inclusive access to health care; enhancing social protection in old age; and, promoting the social participation of older people. This report highlights the main measures to be taken in these five areas.

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