

**Noriyuki Takayama (ed).** *Pensions in Asia: Incentives, Compliance and Their Role in Retirement.* Tokyo: Maruzen Co. Ltd. 2005. 256 Pages. Hardbound. Price not given.

In view of the rapid ageing of population in many Asian countries due to a longer life expectancy and a fast decline in fertility, the concerns about the sustainability of public pensions and social security systems have gained increased relevance both at policy and planning levels. Countries that have already experienced demographic transition and indicate rising trends in old-age dependency rates are facing a challenging situation not only to improve their pension systems but also to comply with the financing of retirement and old-age benefit schemes. The effects of an ageing population in these countries are becoming apparent in terms of increasing costs of the health-care system, social security schemes, and changing social attitudes towards older people that demand an assessment of the support base to meet their socio-economic needs.

This volume has been compiled as part of an ongoing academic Project on International Equity (PIE) and the Center of Excellence Project on Normative Evaluation and Social Choice of Contemporary Economic Systems (COE/RES) at Hitotsubashi University, Tokyo, Japan. It consists of ten chapters, by different hands, on major East, Southeast, and South Asian countries including China, Chinese Taipei (Taiwan), Hong Kong, India, Japan, South Korea, Malaysia, Singapore, and Thailand.

The introductory chapter, 'Public Pension Schemes: Labour Market and Compliance Issues', by W. R. McGillivray, sets the tone of the book by highlighting two issues affecting public pension systems. The first is related to the absorptive capacity of the labour market for the elderly persons, and the second pertains to compliance issues including management and administrative concerns. It is argued that the issues arising from population ageing need to be handled with efficient labour market policies and strict compliance with the contribution conditions of the old-age benefit schemes. This chapter elaborates on these issues in terms of the potential labour market implications of the rising numbers of retired persons and the economic impact of contributory public pension schemes. It is emphasised that efforts to increase economic output through enhanced supply of workers should translate into efficient administrative operation of the scheme through compliance with the contribution obligations to ensure adequacy of social protection in older age groups.

Chapter 2, 'A Macro Analysis of China Pension Pooling System: Financial Problem and Incentive Issues', by Vivian Y. Chen, gives a brief historical perspective of the Chinese pension system, its decades-long reform process, and financial problems associated with such changes. It highlights that the current Chinese social security pension schemes suffer from limited coverage of the eligible persons and widespread evasion of the contribution obligations of the programme. Its

pension reform has not yet succeeded in extending coverage beyond the state-owned enterprises (SOEs) sector as the non-state sector and the rural sector account for only a small share of the programme. Further, the old pension liabilities are not separated from current pension financing, which has led to an accumulation of financial gap and additional burden on the budget. Several policy options are suggested for consideration to raise the credibility and performance of the pension programme in China.

Chapter 3, by Shean-Bii, Chiu, focuses on pension and retirement benefits in Taiwan, where old-age dependency rates compare well with countries like UK, USA, Italy, Germany, and Sweden and mark the need for developing an efficient pension system. The author describes that Taiwan's social security programme is characterised by a compulsory occupational pension and insurance system, along with personal savings and family support. Various initiatives of the government are under way to reform the system and bridge the financing gap.

In Chapter 4, Iris Chi discusses the peculiar situation of Hong Kong, which has experienced marked socio-economic and demographic change in recent decades with its implications for retirement and social security benefits for elderly people. Hong Kong has adopted World Bank's three-pillar approach for retirement income protection. Due to inadequate coverage of the compulsory privately-managed pension plan, the financial burden is cumulating and threatening the low taxation policy aimed at preventing poverty in old age.

Country report of India is given by R. Vaidyanathan in Chapter 5, which features the evolution of its income security system, current state of various schemes, incentives and compliance issues, and policy options for the future. It shows the inadequacy of coverage for private sector employees, whereas civil servants and public sector employees benefit solely from government's current revenues. Various reforms are under way to deal with financial gaps and compliance issues.

In Chapter 6, Noriyuki Takayama, the editor of the volume, describes the financing of social security schemes in Japan, and proposes a balance-sheet approach to reforming the current pension system. It is argued that the income statement of a pension scheme often shows a surplus, while its balance sheet suffers from huge excess liabilities, and Japan is no exception to that. It is proposed that the basic design of the pension programme should be incentive-compatible and directly linked to old-age pension benefits rather than an income statement of a pension scheme. This approach is introduced in the new pension reform bill in 2004 to evaluate financial impacts from a specific scheme.

Chapter 7, by Hanam S. Phang, focuses on the Korean pension system, featuring its past pension structure and the future alternative reform model. With financial difficulties and inadequate coverage of the system, it is proposed to develop a coordinated public-private approach to deal with inter and intra-generational inequities and future financial burdens.

In Chapter 8, R. Thillainathan discusses the adequacy and performance of Malaysia's Employees Provident Fund (EPF) and key issues of governance. It has been pointed out that the EPF's contribution rate is high, with undersaving for retirement, as withdrawals for housing, education, and health are allowed. There are serious management and governance issues inherent in the system which require capital market reform.

Chapter 9, by Mukul G. Asher, is devoted to an analysis of Singapore's retirement financing arrangements administered by the Central Provident Fund (CPF). Giving a brief historical background of the CPF system, the author examines its coverage, scope, contribution rates, and financial performance and adequacy and points out the implementation and compliance issues with future policy options. It is found that due to unequal wage structure, high withdrawals before retirement result in low cash balance at retirement, forcing many to give financial support to their old parents. Various reform actions are suggested for improving the system.

Thailand's demographic transformation and its implications for the pension and social security system are addressed in Chapter 10. In this chapter Niwat Kaujanaphoomiu points out that increasing coverage among the private sector workers is a major concern and that Old Age Pension Fund (OAPF) will be insolvent in the future. Although the government is pursuing pension reform, there is still room for improvement in terms of coverage and sustainability, and for keeping a proper balance among public, private, and other sectors.

As a whole, the volume provides useful information on pension and old-age benefit schemes, with lessons to be learnt by other developing countries experiencing demographic transition. The main thrust of the book is on searching for better options for old-age income security in Asian countries, which are facing a big challenge of population ageing and are striving to adjust their budgets and financial resources to the growing needs of the elderly. As the economic impact of population ageing has emerged as an issue of critical concern in many Asian countries in recent decades, this volume is a valuable contribution to an understanding of the underpinnings of labour market issues and the ways to deal with adequacies of pensions and social protection programmes for an elderly population. Apart from the separate country studies, a concluding chapter with common and contrasting features of pension schemes and compliance issues in these countries would have been useful too. Still it is an aid for researchers interested in the subject, and also for policy-makers looking for options to reform the pension systems and sustainable old-age support programmes.

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