Retirement Protection Gaps under the Public System
Case study on China, Japan and Indonesia

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Global Asia Insurance Partnership
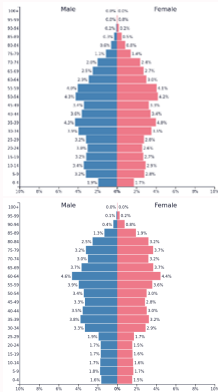
Research Motivation

Macro Factors

- Increased life expectancy
- Extending retirement age
- Medical innovations and rising medical & healthcare costs
- Unsustainable family-based care systems:
    - Declining birth rates and increased labor mobility
- Instability in employment relationships:
    - Triggered by the fourth industrial revolution (AI advancement manufacturing)
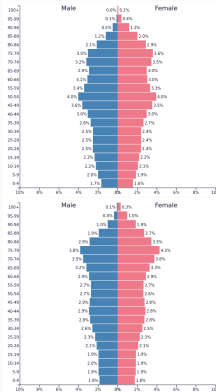
Country-Specific Factors

- China: Transition from pay-as-you-go to partially individual accumulation systems, fast aging and collapse of family-based care.
- Japan: Super-aging population and gaps in care services
- Indonesia: Huge gaps in social protection
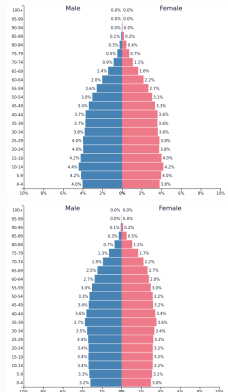
Demographic changes

China
Rapid aging, shrinking youth

Japan
Hyper-Aged

Indonesia
Late-expanding phase

2024

2050

Source:
WHO

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Impact of Demographic Changes: Delayed Retirement Age

Country	Retirement Age	Targeted Retirement Age	Main Reform Measures	Life Expectancy
China	Before 2025: Male 60, Female 50/55	2040: Male 63, Female 55(blue-collar)/ 58(white-collar)	Starting 2025, gradual retirement delay, extending by 1 month every 2/4 months	Female: 80.88 Male: 75.37
Japan	Starting from 2021: incentive bases measures to extend from 65 to 70	70	Mandatory continuous employment. Abolition of retirement age	Female: 87.14 Male: 81.09
Indonesia	2024: 58	2042: 65	Extending by 1 year every 3 years	Female: 73.4 Male: 69.2

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Defining the Retirement Protection Gap

Macro perspective

- **Accessibility** ⇒
  Whether institutional barriers exist for enrollment

- **Universality** ⇒ Coverage rate

- **Affordability** ⇒ Contribution level

- **Adequacy** ⇒
  Benefit eligibility and level; replacement or reimbursement rate

- **Sustainability** ⇒
  Long-term sustainability of contributions/funding

Micro perspective

- Shortfall between needs (daily living, medical, long-term care) and financial resources

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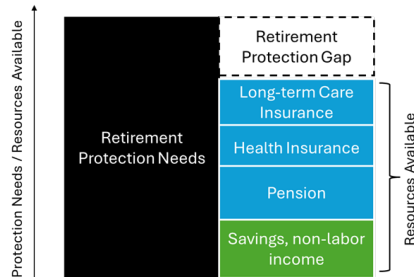
Pension System

Coverage ratio (% of total population)

	Coverage ratio (% of population aged 15+)		
	China	Japan	Indonesia
First Pillar *Government-led*	95.2%	91.7%	19%
Second Pillar *Employer-led*	8.8%	57.5%	1.2%
Third Pillar *Individual-led*	5.0%	84.8%	0.5%

Source:
China: 2023 Annual Statistical Bulletin on the Development of Human Resources and Social Security
Japan: 2022 Ministry of Health, Labour and Welfare: Overview of the Employees' Pension Insurance and National Pension System and Current Status
of Private Pension Systems
Indonesia: 2024 from BPJS Ketenagakerjaan, Taspen, Asabri data

Health insurance

Coverage ratio (% of total population)

	Coverage rate (% of population)		
	China	Japan	Indonesia
Public	95.0%	99.1%	90.7%
Private	53.1%	65.7%	5.1%

Source:
China: National Healthcare Security Administration's 2023 Statistical Report on the Development of Healthcare Security, with data up to the end of 2023. Data on private health insurance comes from the National Financial Regulatory Administration, with data up to the end of 2024.
Japan: Basic Data on Medical Insurance-Status of Medical Expenses- in FY2022
Indonesia: BPJS Kesehatan 2022 & life insurance for helath statistik perasuransian OJK 2022

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Long-term care insurance

Long-term care coverage ratio (% of total population)

		Coverage rate	
	China	**Japan**	**Indonesia**
Public	13.0%	60.9%	Does not have a LTC system at the national level
Private	0.3%	9.5%	0.0%

Source:
China:

– Public LTC insurance: *2023 National Report on the Development of the Aging Cause,* (data as of end-2023). Private LTC insurance: Insurance Association of China (data up to March 2020)

Japan:

– Ministry of Health, Labour and Welfare (2021) *Outline of Long-Term Care Insurance System* 2022 Japan Institute of Life Insurance: *Survey on Life Protection*

Pension System Comparison

Dimensions		China		Japan		Indonesia		
Accessibility		Universal access with no institutional barriers		Universal access with no institutional barriers		Not accessible for unemployed and informal employees		
Universality	Name of Plans	Urban Employee Basic Pension	Urban and Rural Resident Basic Pension	Basic old-age pension from National Pension Plan (1st tier)	Old-age pension from Employees' Pension Insurance (2nd tier)	Old Age Benefit Program (JHT)	Retirement Savings (THT)	Pension Guarantee (JP)
	Relationship between Plans	Mutually exclusive and parallel		Two-tier structure		JHT and THT are mutually exclusive and each forms a two-tier system with JP.		
	Covered Population	Employee (Mandatory) Urban flexible (Voluntary)	Farmers and Urban residents aged 16+ (Voluntary)	Citizens aged 20–59 (Mandatory)	Employees under 70	Enterprise employees	Civil Servants, Military, Police	Civil Servants, Military, Police, Private & SOEs
	Coverage ratio (Age 15+)	38%	57%	92%	58%	19%	4.1%	19%
Affordability	Individual Contribution Rates	Formal Employees: 8% Informal: 20%	12 tiers from USD 14 to 278	Residents: fixed payment Employees' Pension + dependents: no payment	9.15%	2%	3.25%	Taspen & Asabri: 4.75% BPJS TK: 1%
Adequacy	Average Monthly Pension (USD)	438	28	356	917	Lump sum 7,960	Lump sum 2,220	Private: 25–295 Civil: 152 Military: 170
	% of per capita income	91%	6%	25%	65%	141 months	39 months	Private: 41–521% Civil: 268% Military: 300%

The reference base for China is the national per capita disposable income, while for Japan and Indonesia it is the income of the population aged 65 and above. Data reference period – China: 2023–2024; Japan: 2022; Indonesia: 2023–2024.

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Health Insurance System Comparison

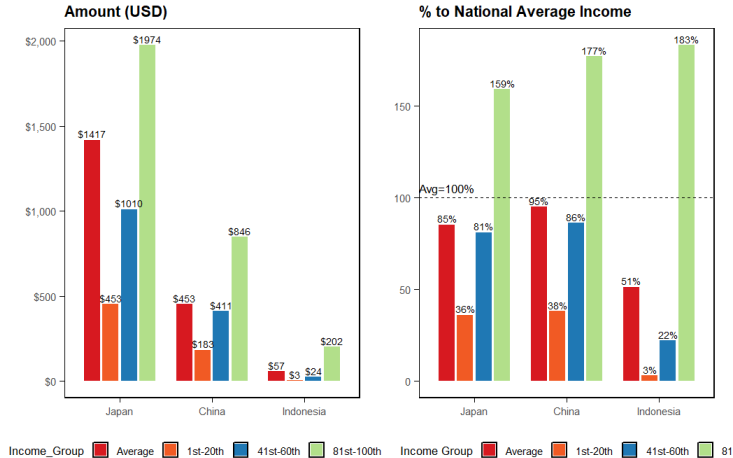| Dimensions		China		Japan			Indonesia
Accessibility		Parallel structure with universal access		Multi-tier structure with universal access			Unique system with universal access
Universality	Name of Plans	Urban Employee Basic Medical insurance	Urban and Rural Resident Basic Medical insurance	National Health Insurance	Employee's Health Insurance	Late-Stage Senior Citizen's Health Care System	National Health Insurance (JKN)
	Characteristic	Mandatory	Voluntary	Mandatory			Mandatory
	Target group	Employees and informal workers	Urban and rural residents	Self-employed, farmers, unemployed, and their dependents	Employees and their dependents	Aged 75+; Aged 65+ and disabled	1. Formal workers 2. Informal workers 3. The poor
	Coverage ratio (% of population)	26.3%	68.3%	22.4%	61.9%	14.7%	90.7%
Affordability	Individual Contribution Rates	Formal employee: 2% Informal workers: 8%	Fixed contribution set by local govnt	Calculated per-household basis by local gov	9.2%	Average: 10.21%	Formal employee: 1% Informal: 2.6–9.2 USD/month Poor: none
	Contribution Years	Male:25, Female:20	Lifetime contribution required				
	Average monthly premiums (USD)	23	3	44	48–76	26	4
	% of national per capita income	4.7%	0.6%	3.1%	3.4–5.4%	1.8%	7.1%
Adequacy	Out-of-pocket ratio	15.2%	31.4%	19.0%		8.0%	61.8%

Data reference period – China: 2023–2024; Japan: 2020-2024; Indonesia: 2023–2024.

Public LTC Insurance Comparison

Dimensions		China	Japan
Accessibility		Accessible to insurees of public medical insurance	65+ years old: All 40-64 years old: enrolled in public medical insurance
Universality (% of population)	Coverage ratio 13%	60.90%	
Affordability	Contribution	Individual: 50%; Employer/Gov't: 50%. e.g., Beijing: $25 per capita/year	Individual: 50%; Government: 50%. Age 65+: $40 per month (national average); Age 40 to 64: 0.795% * monthly salary
Adequacy	Benefit eligibility	Severely disabled employees and residents (Grade 3, 4, 5). Disability level is assessed based on: Activities of Daily Living (ADL); Cognitive Ability; Sensory and Communication Ability. Grades: 0 (normal) to 5 (severe III). Grades 3–5 are eligible for benefits.	Covers individuals requiring support or nursing care. Aged 65+: needing daily living assistance; Aged 40–64: with specific conditions (e.g., terminal cancer, rheumatoid arthritis)
	Reimbursement Rate	Suggested: 70%	70–90% (income-dependent)
	Benefit Amount	Average: USD 185 per capita per month (Beijing Max: USD 417)	Average: $1106 /month

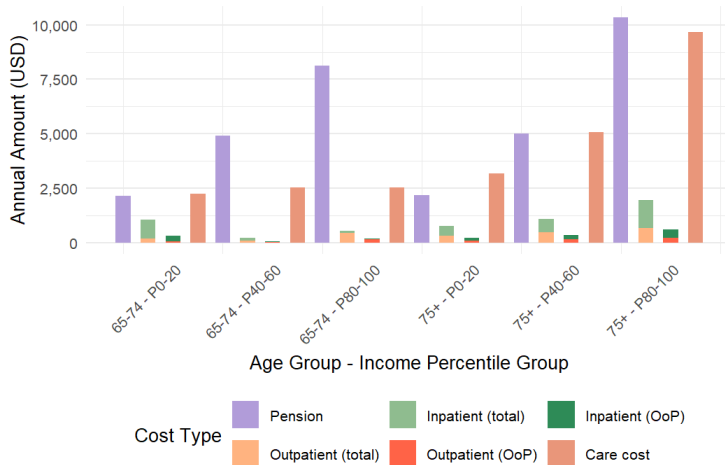Data reference period – China: 2023–2024; Japan: 2024. Source

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Retirement Income Comparison

Amount (USD)

% to National Average Income

Retirement Income Source Comparison

	China		Japan	Indonesia
	Urban	Rural		
Public pension	68%	43%	50%	20%
Private occupational pension			2%	5%
Capital Income	20%	10%	8%	0.3%
Work	8%	37%	40%	29%
Family transfers	4%	11%	–	46%

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Pension and Healthcare Costs in China

Data source: Chinese Longitudinal Healthy Longevity Survey (2018)

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Income and Expenditure in Japan (Age 65+)
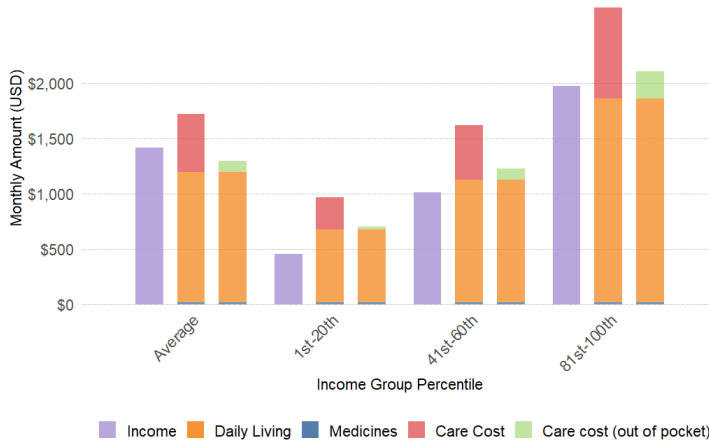
Data source: 2022 Household Survey by Statistics Bureau

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Income and Expenditure in Indonesia (Age 65+)
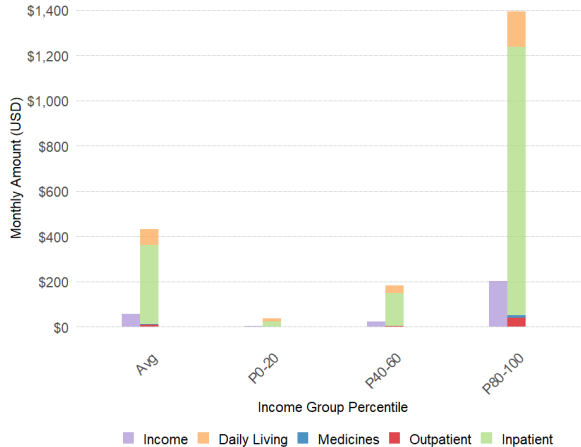
Data source: Indonesia Family Life Survey, Wave 5 (2014/2015)

Comparison of Retirement Protection Gap under the Public System

	China		Japan		Indonesia			
Monthly value in USD	Employee	Resident	Employee	Resident	Corporate employee Min	Max	Civil servants and military/police	Resident
Income								
Average monthly pension after retirement	438	28	1272	356	58	328	170	0
Expenditure								
Average monthly living expenses	371	194	1176	1176	12	157	24	12
Average monthly Public Medical insurance premium	23	3	62	44	4	4	4	4
Average monthly Public LTC insurance premium	25	25	40	40				
Average monthly out-of-pocket medical expenses after public health insurance	33	5	1572	1572	23	1188	350	23
Average monthly out-of-pocket long-term care expenses after public LTCI	79	79	60	23				
Gap								
Gap under no disability (public insurance system)	-34	171	1476	2392	-22	1016	204	36
Gap under disability (public insurance system)	45	250	1536	2415				

Thank you!