Adding life to years

A review of tax-financed pensions in the Asia-Pacific region

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DEVELOPMENT PATHWAYS

HelpAge International

Executive summary

The Asia-Pacific region is undergoing a demographic transformation. In over 20 countries, people aged 60 and above already comprise more than 10 per cent of the population and, by 2050, this figure will exceed 20 per cent in as many countries. Although the concurrent rise in life expectancy is overall, a positive development, the reality is that ageing is occurring in a context of widespread financial insecurity. Most families live on low and volatile incomes: in 16 countries, over half the population survives on less than $8.30 per day (PPP)—the poverty line for upper middle-income countries—and the majority live on under $20 (PPP) per day, which would be regarded as living in poverty in high-income countries. Without adequate pension systems in place, this convergence of ageing and insecurity poses deep challenges. Older people risk entering old age without sufficient income, either obliging them to work well into old age, or acquiring a disability and experiencing dependency. It increases the burden on families, who may shoulder growing caregiving burdens, threatening their own financial stability and the wellbeing of their children.

Pension coverage and models across the Asia-Pacific region

It is essential that countries establish comprehensive old age pension systems that guarantee a minimum income in old age to all members of society. In fact, citizens across the Asia-Pacific region already see the state as the preferred source of old age financial support. Despite this recognition, currently the coverage of older people by state pensions varies significantly. In 23 countries across the region, pension coverage is above 90 per cent. However, in others, coverage is far from universal and falls to below 20 per cent.

Countries in the Asia-Pacific region have built their pension systems in different ways, with some more effective than others. Well-designed pension systems tend to be multi-tiered, with each tier serving a different objective. The most effective means of providing a guaranteed minimum income throughout old age is via a pension financed from general government revenues. A tax-financed Tier 1 pension (also called "social pension") ensures income security, prevents poverty and reduces inequality in old age. Tier 1 pensions can be designed in three basic ways: either universal, benefit-tested, or means-tested models. Of these, means tested pensions cannot guarantee coverage since the use of targeting excludes many older people as well as creating perverse incentives. Although benefit-tested models fare better, and come at a lower cost, they are more complex to implement and there is evidence that they can exclude vulnerable older people. Universal pensions have proven most effective at expanding coverage and ensuring inclusivity.

Review of Tier 1 pensions in the Asia-Pacific region

The main purpose of this report is to examine the quality and effectiveness of the tax-financed Tier 1 pensions that have been introduced across the Asia-Pacific region. Today, 13 countries in the region have universal Tier 1 pensions, 7 offer benefit-tested schemes, 10 rely on means testing, and 12 countries are still without a Tier 1 pension (although, recently, Thailand has introduced a means-tested to its pension for new entrants). Age eligibility also varies: 12 countries set it at 60 years, 9 at 65, and a few—such as Myanmar—have very high thresholds. Several countries have reduced the eligibility age over time to expand coverage affordably. Coverage remains uneven: while 12 countries provide universal or near-universal coverage

(over 90 per cent), 5 have coverage below 10 per cent of the population over 65. Overall, universal pensions consistently provide higher relative coverage.

For pensions to be effective, they must also be adequate. There is significant variation in the transfer value of Tier 1 pensions. On average, pensions amount to 15 per cent of GDP per capita, ranging from just 1.5 per cent in China to 68 per cent in Timor-Leste. A reason behind this variation is the design of the pension: universal and benefit-tested pensions generally provide higher value transfers, while those of means-tested schemes are lower. The fact that poverty-targeted pensions are more likely to offer low transfer values undermines one of the key arguments put forth in favour of means-testing: that they can provide a higher transfer value in the context of limited fiscal space. There is a good correlation between the wealth of a country and the value of its pension, with richer countries likely to provide higher value pensions.

Government expenditures on Tier 1 pensions vary significantly across the region, averaging around 1.1 per cent of GDP. Whereas Niue and New Zealand spend 6.5 and 5.1 per cent of GDP, 12 countries spend less than 0.3 per cent of GDP and, as noted earlier, 12 countries still do not provide a tax-financed pension. Contrary to common assumptions, pension spending does not correlate with national wealth, underscoring that inclusive pension systems are a matter of political priority and design and not fiscal capacity. This is further reinforced when looking at when countries introduced their pensions and how wealthy they were: some high-income countries in the region introduced generous tier 1 pensions when they were at similar levels of wealth as some middle-income countries are now.

The effectiveness of pension systems in offering a minimum income can be assessed through a composite index of coverage and adequacy. Countries with universal pensions consistently score highest, with Kiribati, Timor-Leste New Zealand and Nepal leading in the region. Conversely, countries with means-tested schemes generally rank lowest, with the notable exceptions of Australia, Japan, and South Korea, which compensate with high contributory coverage or a high threshold income eligibility. Democratic responsiveness plays a key role. In smaller or more democratic countries, pensions tend to be more generous and inclusive. Where political systems are less responsive, pension systems often reflect limited public accountability and investment.

Evidence of the impacts of old age pensions

There is strong and growing evidence of the positive impacts of tax-financed Tier 1 pensions. These schemes significantly increase household consumption, by 16 per cent in Nepal to 88 per cent in Mongolia. The highest increases are among the poorest households. Pensions also improve health outcomes, reduce disability rates, and enhance cognitive functioning, likely due to better diets and access to healthcare. Mental health benefits have also been documented, even for modest pension levels. Moreover, pensions extend benefits to entire households. Older people often support grandchildren and contribute to household needs, while families with children can redirect resources from supporting ageing parents to investing in their children. Pensions strengthen community life, enabling older people to participate in voluntary work and local leadership. In contrast, poverty-targeted schemes often generate community tensions and are less pro-poor in practice. Together, these impacts play a key role in fostering economic growth within the country.

Political economy considerations and advocating for the introduction of effective pensions

Understanding the political economy behind pension systems is essential. Where governments are more democratic and responsive to citizen demands, they are more likely to invest in inclusive pensions. This is evident in smaller states where leaders are closer to the population and in countries with stronger civic engagement. Conversely, where political institutions are weaker or more authoritarian, pension systems tend to be more limited. Building effective systems will require political will and strategic advocacy. To that end, this report identifies several strategies to strengthen the case for universal pensions. These include debunking the myth that universal pensions are unaffordable, highlighting the demographic and economic challenges of ageing, framing pensions as an investment in national well-being and productivity, and appealing to the moral imperative of dignity in old age.

Simulations of costs and benefits of introducing universal Tier 1 pensions across the Asia-Pacific region

Effective and inclusive pensions are not only desirable: they are also affordable, particularly when introduced gradually and expanded over time. This would mimic the strategies of some countries in the region that currently have effective Tier 1 pensions but have only reached this stage over time by either starting with a higher age of eligibility and reducing it over time or commencing with a low transfer value and increasing it over time, or both. Therefore, the simulations propose commencing with an age of eligibility of 70 and reducing the age to 65 over a period of 5 years and beginning with a pension that is two-thirds the value of a median value pension currently and slowly increasing to the median value (in 2025 terms). Introducing such a pension would cost less than 0.3 per cent of GDP in 9 countries, and under 0.5 per cent in nine more. Only three countries (China, Sri Lanka, and Palau) would face costs above 0.5 per cent. By 2040, additional expenditures would remain under 1 per cent of GDP in most countries. Even in countries with a high proportion of older people—such as China and Thailand—long-term costs would remain well below those seen in high-income countries. The belief that countries in the Asia-Pacific region cannot afford to introduce effective, universal tax-financed Tier 1 pensions is not born out by the evidence.

The impacts would be profound: pensions would significantly increase the spending power of households with older persons, resulting in large increases in consumption, with the highest reaching 45 per cent in Indonesia. As mentioned earlier, universal pensions are pro-poor: in India and Indonesia, the poorest households with older members could see consumption rise by over 70 per cent, dramatically reducing old age poverty and strengthening resilience.

Conclusion

In conclusion, old age pensions are not only a moral imperative but strategic tools for development. They reduce poverty, empower older people, enhance child development, strengthen social contracts, and foster inclusive growth. As countries in the Asia-Pacific region navigate the pressures of rapid ageing, they face a clear choice. They can treat ageing as a burden, or they can rise to the occasion with policies that honour the dignity of all citizens. Universal, tax-financed pensions offer a path that is not only feasible, but just and transformative.

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Acronyms

ADB	Asian Development Bank
AHS	Annual Household Survey
APIS	Annual Poverty Indicators Survey
ASL	Associates of Successful Lawyers
BLSS	Bhutan Living Standard Survey
CES-D	Center for Epidemiological Studies Depression
CGE	Computable General Equilibrium
CSES	Cambodia Socio-Economic Survey
EIU	Economist Intelligence Unit
FAO	Food and Agriculture Organization of the United Nations
FIES	Family Income and Expenditure Survey
GDP	Gross Domestic Product
GNI	Gross National Income
HIES	Household Income and Expenditure Survey
IADL	Instrumental Activities of Daily Living
IGNOAPS	Indira Gandhi National Old Age Pension Scheme
IHDS	India Human Development Survey
ILO	International Labour Organisation
IMF	International Monetary Fund
INR	Indian Rupee
ISSA	International Social Security Association
Lao PDR	Lao People's Democratic Republic
LECS	Lao Expenditure and Consumption Survey
MP	Minimum Pension
MPLCS	Myanmar Poverty and Living Conditions Survey
NGO	Non-governmental Organisation
NRPS	New Rural Pension Scheme
POP65+	Percentage of population over the age of 65
PPP	Purchasing Power Parity
P4SP	Partnerships for Social Protection
SES	Household Socio-Economic Survey
SPR	State Pension Recipient
SUSENAS	National Socio-Economic Household Survey
UDHR	Universal Declaration of Human Rights

UNDESA	United Nations Department of Economic and Social Affairs
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNICEF	United Nations Children's Fund
UNFPA	United Nations Population Fund
VHLSS	Viet Nam Household Living Standards Survey
WEO	World Economic Outlook

1 Introduction

The Asia-Pacific region is ageing rapidly. Currently, 15.4 per cent of the region's population is over 60 years of age and this will increase to 25 per cent by 2050.[1] While it is positive that life expectancy is increasing, the ageing of the region is happening in a context of widespread low and insecure incomes. Therefore, many families with financial care responsibilities for their older parents are struggling to provide them with adequate support. Unless steps are taken to guarantee income security to all members of society in old age, there is a significant risk that many people will live their final years in poverty. Families that are left to care for older people by themselves also find that they struggle to support their own children, thereby hindering child development.

Consequently, across the Asia-Pacific region, it is essential that countries establish comprehensive old age pension systems that guarantee all members of society with a minimum income in old age. As New Zealand's Minister of Finance declared, in 2003: "*The ability to retire in a degree of personal comfort, without worry and with dignity, is the least that citizens can expect in a modern, developed economy.*"[2] People in the Asia-Pacific region appear to agree with this statement: when offered to choose the best form of financial support in old age, large majorities in China, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam opted for 'the government' over relying on themselves or assistance from their adult children.[3] This should not be surprising given that access to social security in old age is a fundamental human right.[4]

The extent to which countries in the Asia-Pacific region have pension systems guaranteeing everyone a minimum income in old age varies. Across the entire Asia-Pacific region, Sibun and Seglah (2024) found that 25 low- and middle-income countries had pension systems offering universal coverage which, according to the ILO (2024), are complemented by a further 6 high-income countries, making 31 in total. However, there are large coverage gaps in many countries while the adequacy of pensions varies considerably, with some countries offering very low minimum pensions which cannot provide a decent standard of living. Some countries do not provide any pensions for those outside the formal economy.

The inadequacy of many of the region's pension systems can have significant consequences for older people especially in a context of widespread low incomes. Across the Asia-Pacific region, most families are living on low and insecure incomes, so most of those with financial care responsibilities for their older parents may well struggle to provide them with adequate support.

The absence of comprehensive pension systems will, over time, reduce the ability of countries to tackle poverty. As countries age, and a growing proportion of the adult population is unable to work or gain adequate incomes, poverty rates will naturally increase compared to a situation in which all older people are guaranteed a minimum income that significantly reduces their risk

[1] Author's calculations based on UNDESA World Population Prospects (October 2024 revision).
[2] Willmore (2006a).
[3] Jackson and Peter (2015).
[4] The Universal Declaration of Human Rights states that everyone has the right to social security and this is repeated in a range of other international human rights covenants.

of living in poverty. A growing older population without income security will also be a threat to economic growth as the demographic dividend that the region has enjoyed recedes.

Achieving universal old age pension coverage across the Asia-Pacific region should be a policy priority for all countries. Some countries are making better progress than others. The aim of this paper, therefore, is to examine the progress that countries have made in building comprehensive pension systems that guarantee all members of society with a minimum income as well as the challenges that remain. It will also examine the feasibility of achieving universal pension coverage across the Asia-Pacific region. The paper, however, has a specific geographic focus encompassing South Asia, East Asia, South-East Asia and the Pacific.

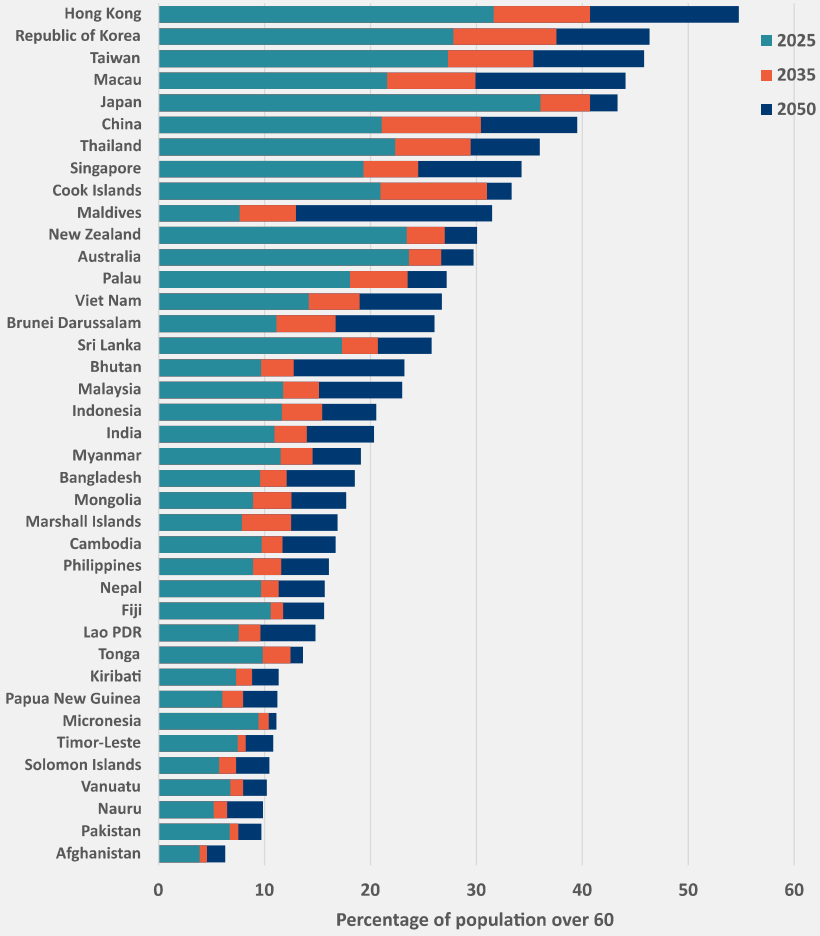
A range of methodologies have been employed in this study. These comprise an extensive review of the literature, research on Government websites and other databases to compile a profile of pensions across the region, and quantitative analysis using household survey datasets. The main methodologies are explained in more detail in Annex 2.

The paper will provide a comprehensive review of pension systems across the Asia-Pacific region, with a particular focus on tax-financed pensions. Section 2 examines in more detail the challenge of ageing in the Asia-Pacific region in the context of widespread low incomes. The following sections examine pension systems more broadly: Section 3 presents data on the coverage of older people by pensions across the region, while Section 4 outlines the different pension models in use. Section 5 focuses specifically on tax-financed pension schemes, analysing their coverage, adequacy, and expenditure, and assessing their effectiveness in providing a minimum standard of living for older people. Section 6 explores the impacts of tax-financed pensions in the Asia-Pacific region, presenting evidence on the positive outcomes of universal schemes. Section 7 discusses the political economy of pension reform. Section 8 estimates the costs and benefits of introducing universal tax-financed pensions across countries in the region, and the final section presents key conclusions and policy implications.

2 Ageing in the Asia-Pacific region in the context of widespread low incomes

As indicated above, much of the Asia-Pacific region is ageing rapidly. In 20 countries over-60s already comprise more than 10 per cent of the population (see Figure 2-1). The proportion of over-60s in the region will continue to grow so that, by 2050, in 20 countries over-60s will be more than 20 per cent of the population while, in 10 countries, the proportion will rise to more than 30 per cent.

Figure 2-1: The projected proportion of the population above 60 years of age in selected countries in the Asia-Pacific region in 2025, 2035 and 2050[5]

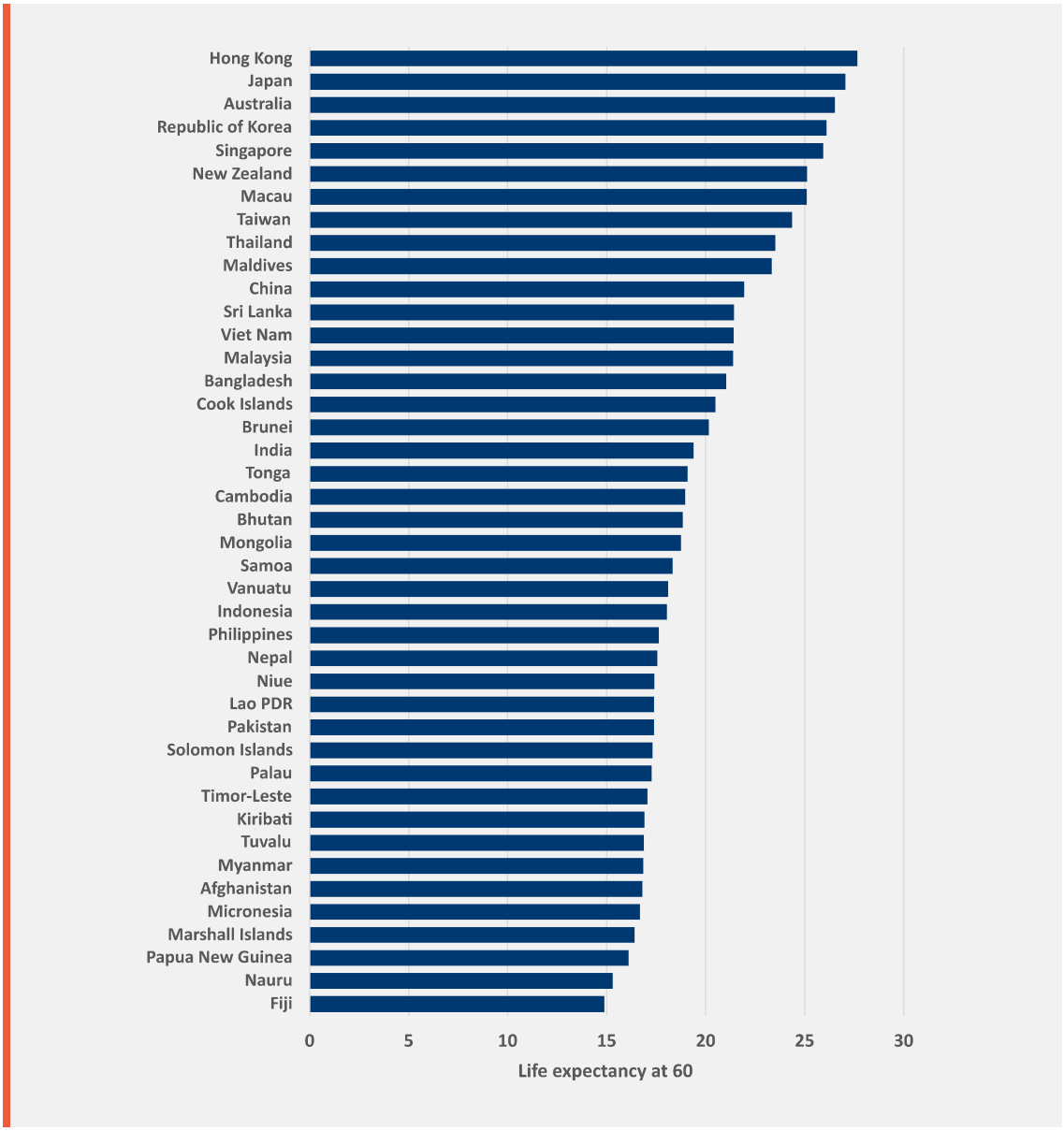


Source: UNDESA World Population Prospects (2024 Revision).

[5] The population projections for Tuvalu, Niue, and Samoa have not been included in this chart since the population of older people is predicted to decrease over time. That is, the percentage of the population over 60 years of age is lower in 2050 than in 2025 or 2035.

In line with a growing older population, life expectancy is also increasing. Across all countries, the length of time that people can expect to still live on reaching 60 years of age is already 20 years and, as Figure 2-2 shows, in 7 countries people can expect to live, on average, a further 25 years. Over time, life expectancy will likely continue to increase. While, in many respects, this is positive it does provide a significant challenge since a growing proportion of national populations will face challenges in providing for themselves financially given that they face a greater risk of disability as they age. This will have significant negative impacts on economic growth and poverty while place a large financial burden on families who care for their elderly parents in countries without adequate pension systems.

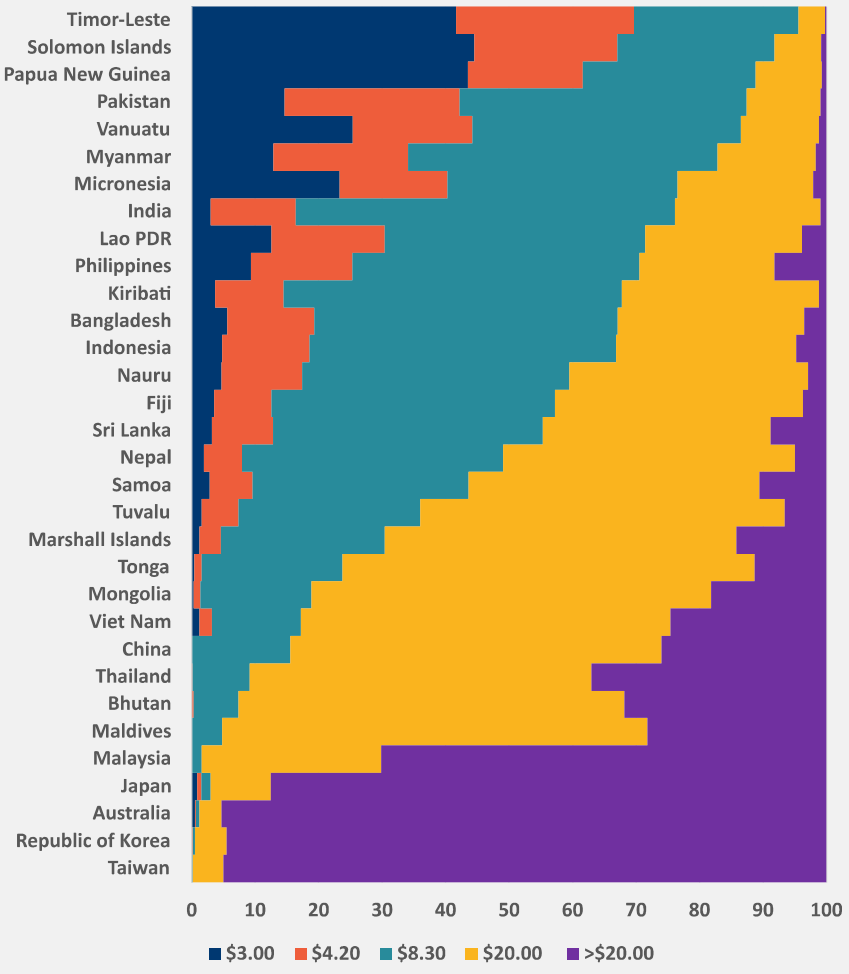
Figure 2-2: Life expectancy at age 60 years across countries in the Asia-Pacific region



Source: UNDESA World Population Prospects (2024).

Ageing in the Asia-Pacific region is happening in a context of broader financial insecurity. Most families in the region are living on low and insecure incomes and are likely struggling to provide their elderly parents with adequate financial support. As shown by Figure 2-3, in 16 countries more than 50 per cent of the population live on less than the poverty line for upper middle-income countries of $8.30 in purchasing power parity (PPP) terms while, in most countries, the majority are living under $20 (PPP) per day. Given that the World Bank's poverty line for high-income countries is set at $29.40 (PPP) per day, per capita consumption below $20 (PPP) per day would be regarded as living in poverty in high-income countries.[6] In reality, most people in the Asia-Pacific region would benefit from access to social security.

Figure 2-3: Proportion of the population living under different levels of consumption when measured in purchasing power parity terms, in selected countries in the Asia-Pacific region

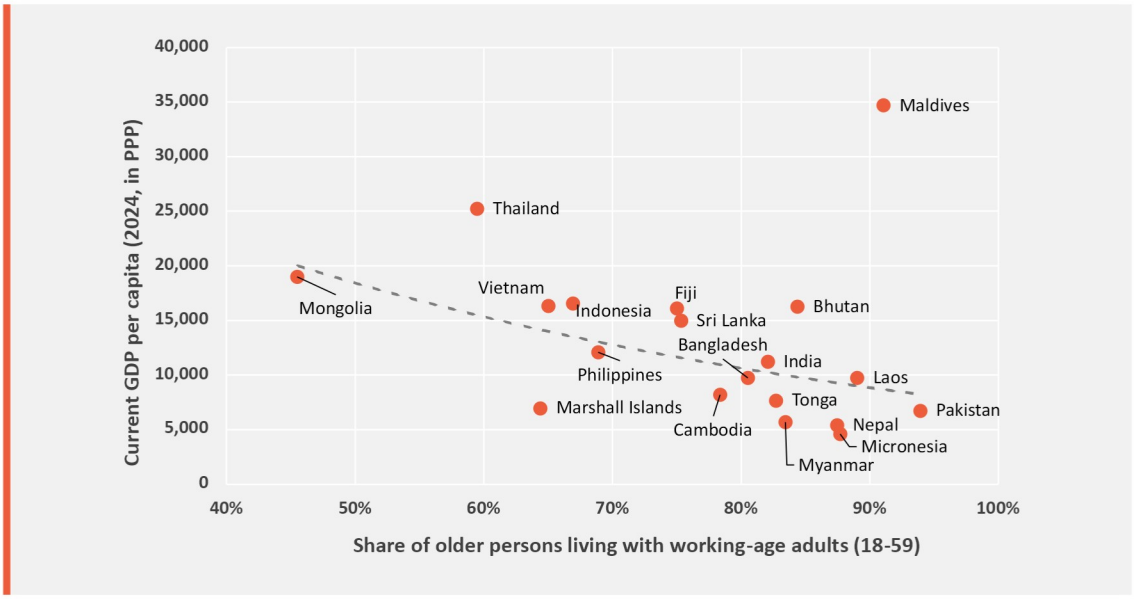


Source: World Bank's Poverty and Inequality Platform, 2025. Notes: For most countries, consumption was used as the welfare metric. However, for countries like Australia, Japan, the Republic of Korea, Malaysia, and Taiwan, where no consumption-based headcount estimates were available, income was considered.

[6] World Bank's Poverty and Inequality Platform, 2025.

The absence of old age pensions in a context of widespread low incomes can generate a range of negative consequences both for older people and their families. Often, people must work well into old age to gain income. For example, Giles and Huang (2015) have shown that labour is by far the leading source of income for those aged 60-85 years in Cambodia, Indonesia, the Philippines, Thailand, Timor-Leste and Vietnam.[7] Further, as people age, they become increasingly likely to experience a disability and less able to work. Many older people live their final years in a state of dependency on others, implying a significant loss of autonomy. Families may find it challenging to financially support their older parents and, as a result, the risk of older people experiencing mistreatment and social exclusion increases. Growing numbers of older people in the region are living apart from their children. Figure 2-4 shows how, in some countries over 30 per cent of over-65s are not living with working age adults, including in Indonesia, Mongolia, Philippines, Thailand and Vietnam. Other sources have found a similar phenomenon: for example, in Thailand, in 2014, only 56 per cent of older people were living with their adult children; in China, the proportion was 43 per cent in 2011; and, in Korea, it was well below 30 per cent by 2010.[8] Figure 2-4 further indicates that, as countries become more wealthy, older people are more likely to be living apart from their adult children. While some older people are choosing to live apart from their children due to their access to good quality pensions, others are likely to be struggling financially in countries where pension coverage and/or adequacy are low. As people live longer many adult children of the oldest older people will, themselves, be older people and will struggle to support their parents.

Figure 2-4: Share of older persons (65+) living in households with working-age adults (18-59) against current GDP per capita in selected countries

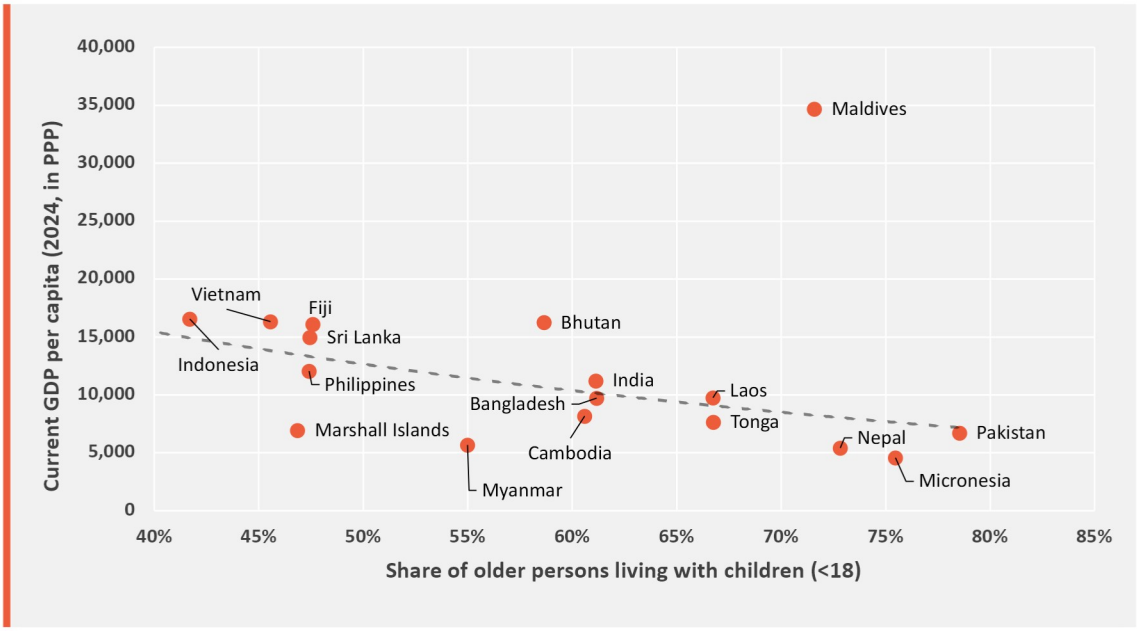


Source: Analysis by the authors of Bangladesh HIES 2016, Bhutan BLSS 2017, Cambodia CSES 2019-20, Fiji HIES 2019-20, India IHDS-II 2011-12, Indonesia SUSENAS 2017, Lao PDR LECS6 2018-19, Maldives HIES 2019, Marshall Islands HIES 2019-20, Micronesia HIES 2013-14, Mongolia HIES 2021, Myanmar MPLCS 2014-15, Nepal AHS 2015-16, Pakistan HIICS 2015-16, Philippines APIS 2019, Sri Lanka HIES 2016, Thailand SES 2018, Tonga HIES 2021, and, Vietnam VHLSS 2016.

[7] Giles and Huang (2015).
[8] Knodel (2014); World Bank (2016a).

The families of older people can also experience financial challenges, in the absence of pensions. As Figure 2-5 shows, in all countries surveyed, over 40 per cent of over-65s are living with children, rising to over 60 per cent in some countries, including India, Nepal and Pakistan. In fact, the poorer a country is, the more likely that older people are living with children. Without pensions, families are less able to invest in their children, which impacts negatively on child development, increasing the risk of poor nutrition, non-attendance at school and weak educational performance. In the long-term, this will impact on children's ability to gain good jobs and increase the risk of the inter-generational transmission of poverty. Families will also have less money available to invest in micro-enterprises and self-employment, further impacting on family incomes. Parents will also be less able to travel or migrate to find better paying jobs, since their children's grandparents will be less likely to be able to care for them in the absence of pensions.

Figure 2-5: Share of older persons (65+) living with children against current GDP per capita in selected countries



Source: Analysis by the authors of Bangladesh HIES 2016, Bhutan BLSS 2017, Cambodia CSES 2019-20, Fiji HIES 2019-20, India IHDS-II 2011-12, Indonesia SUSENAS 2017, Lao PDR LECS6 2018-19, Maldives HIES 2019, Marshall Islands HIES 2019-20, Micronesia HIES 2013-14, Mongolia HIES 2021, Myanmar MPLCS 2014-15, Nepal AHS 2015-16, Pakistan HIICS 2015-16, Philippines APIS 2019, Sri Lanka HIES 2016, Thailand SES 2018, Tonga HIES 2021, Vietnam VHLSS 2016.

The challenges that many older people experience in the Asia-Pacific region means that it is imperative that all countries provide adequate pensions to every member of society on reaching old age. The following section examines the extent to which countries are currently providing pensions and the gaps that remain across the region.

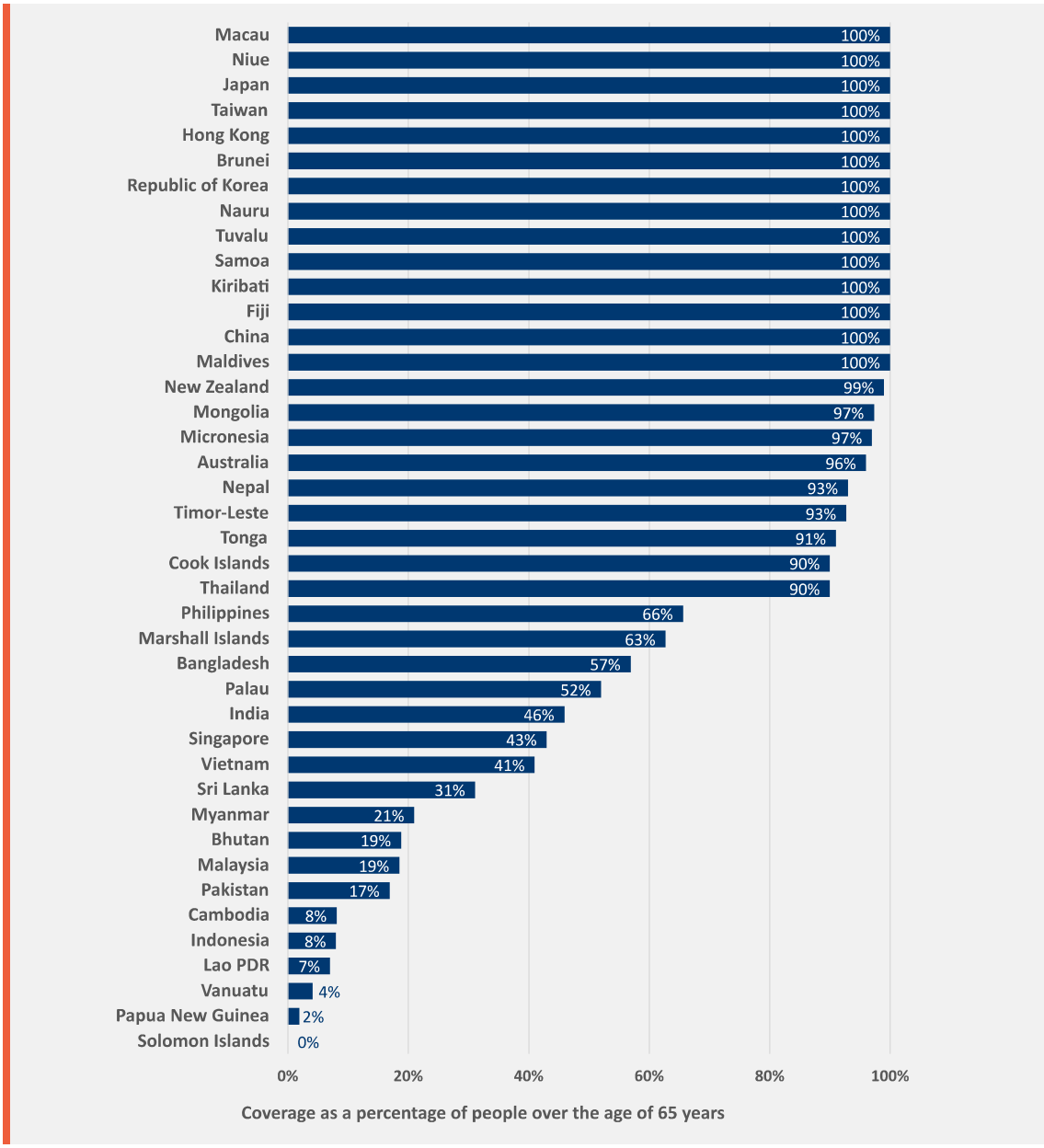
3 Pension coverage in the Asia-Pacific region

The coverage of older people by state pensions, whether contributory or tax-financed, varies significantly across the region. The ILO (2024) estimates that a total of 77 per cent of people above the statutory retirement age have access to a state pension, although this is largely driven by high coverage in East Asia, where it is almost 99 per cent. In South-East Asia and the Pacific, the combined coverage is much lower at 48 per cent, and 47 per cent in South Asia.[9] As Figure 3-1 indicates, coverage of those aged over 65 years varies across countries. In 23 countries, pension coverage is above 90 per cent but, in others, coverage is far from universal and falls to below 20 per cent in Bhutan, Cambodia, Indonesia, Lao PDR, Malaysia, Pakistan, Papua New Guinea, Solomon Islands and Vanuatu.[10] Across many countries there is much to do to ensure that every member of society has access to a pension once they reach old age.

However, full coverage alone is insufficient to build an effective pension system. It is also important that the values of the pensions provided are adequate. As Section 5.4 will show, the adequacy of pensions across the Asia-Pacific region varies significantly. Consequently, although some countries provide high pension coverage, their pensions are less effective due to the inadequacy of the minimum pension.

[9] The ILO includes Iran in the coverage figure for South Asia, although it is not considered as part of South Asia in this study.
[10] Malaysia has a high performing Provident Fund. However, it provides members with lump sums on retirement, rather than pensions. Consequently, actual pension coverage is very low.

Figure 3-1: Coverage of the over-65 population by state pensions in the Asia-Pacific region[11]



Source: Authors' calculations based on national government reports and websites, reports by international development partners like UNICEF and the ADB, Gorman et al. (2023), Knox-Vydmanov et al. (2022), Te Ara Ahunga Ora Retirement Commission (2024), IMF (2023), Chalmers (2023), and the ILO (2024). *The authors have undertaken analysis of Mongolia's HSES (2021) dataset. In the cases where retirement age is less than 65, it is assumed that the proportion of coverage of those above retirement age remains the same for the 65+ population. In the case of Australia, where retirement age is above 65 years, coverage is calculated as a percentage of persons above retirement age in the country.*

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[11] The ILO (2024) does not provide a coverage figure for Myanmar. Further, for many countries, coverage figures are relatively old, from 2021 and earlier.

4 Pension models across the Asia-Pacific region

Countries in the Asia-Pacific region have built their pension systems in different ways, with some more effective than others. This section will examine the different types of pension systems found in the region.

Effective and comprehensive pension systems have three basic purposes (although, as Section 6 will show, they also have a wide range of broader impacts on individuals, families, communities and nations):

- Guaranteeing a minimum income in old age for every citizen or eligible resident in a country so that everyone can live in dignity during their final years;
- Ensuring that those who desire a higher old age pension income than the guaranteed minimum can save during their working lives and draw down on those savings in old age in the form of a pension; and,
- Insuring everyone against the [welcome] risk of a long life so that even the oldest older people still enjoy financial security.[12]

The most effective and, indeed, only means of providing a guaranteed minimum income throughout old age to every member of society is via a pension financed from general government revenues.[13] Such schemes are often referred to as 'social pensions.' They are also commonly called 'non-contributory pensions' although the term is misleading since recipients have often contributed during their lives through the tax system for these pensions (with direct and/or indirect taxes).[14] In this paper, they will be referred to as ***tax-financed pensions***.[15]

The most effective means of providing a pension in old age above the minimum guaranteed by the state is through a contributory pension. These are usually financed from the contributions that employees and employers pay during someone's working life, which are converted into a pension following retirement. There are various types of contributory pension, although the simplest distinction is between social insurance and private account schemes (see Box 4-1 for a further distinction between defined-benefit and defined-contribution schemes):

- **Social insurance schemes** include an element of solidarity and risk sharing, with those contributing more receiving less while those contributing less receive more.
- In **private account schemes**, each individual receives a pension commensurate with their savings and returns on investment, and there is no sharing with others.

Box 4-1: Defined benefit and defined contribution pensions

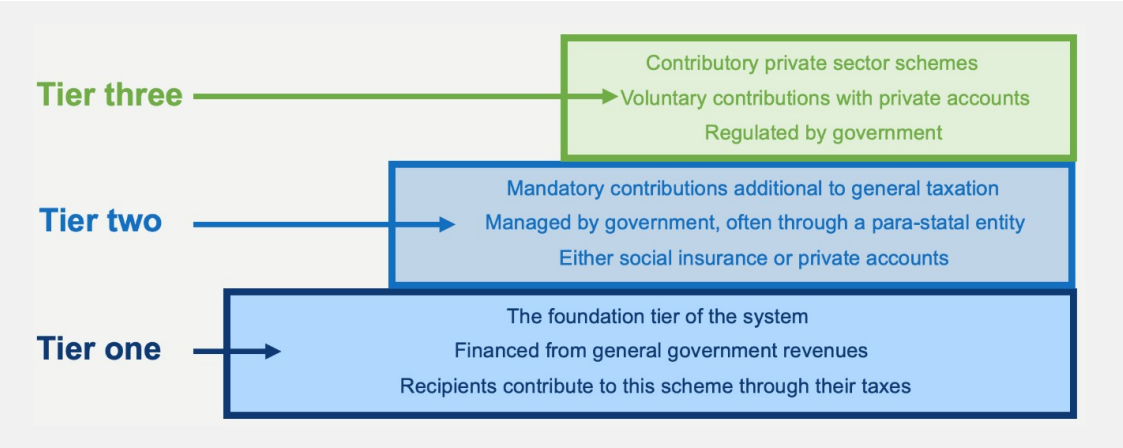
A further simple distinction between types of contributory pension schemes is related to how pension values are determined:

- In **defined benefit pensions** the value of a pension is calculated as a proportion of the employee's previous salary.
- In **defined contribution pensions,** the pension value depends on the employee's level of savings in the pension fund. The savings are annuitised and a pension value is offered to the pensioner for the rest of their life.

[12] See Kidd (2015) for further information.
[13] Social insurance pensions often provide a 'minimum pension.' However, this should not be confused with a minimum income guarantee for all members of society since the 'minimum pension' is only available to members of the social insurance scheme.
[14] See McClanahan (2019).
[15] In some contexts, tax-financed pensions may not be financed only by taxes. For example, some Pacific Island countries generate a large proportion of government revenues from fishing licences, which are not strictly regarded as taxes.

Well-designed pension systems are multi-tiered. There are three basic tiers, as illustrated by Figure 4-1 (although the World Bank and International Labour Organisation use different nomenclature – see Box 4-2).

Figure 4-1: The three basic tiers in a multi-tiered pension system



Source: Authors' depiction.

Below is a more detailed description of each tier:

- **Tier 1** is a pension financed from general government revenues, which we have called a tax-financed pension. It should be considered the foundation of the pension system since, as discussed earlier, it should guarantee everyone a pension in old age.
- **Tier 2** is financed by contributions from employers and employees. However, the key feature of this tier is that the contributions are **mandatory** for all those in employment although, in practice, in low- and middle-income countries, this largely applies to those in formal employment. The schemes are usually government-run via a quasi-independent para-statal entity. As discussed above, some Tier 2 schemes are financed through social insurance contributions while others comprise private accounts. In the Asia-Pacific region some countries have Provident Funds which, while they require mandatory contributions, often pay only lump sums rather than pensions and, therefore, should not be considered to be Tier 2 pensions (see Box 4-3).
- **Tier 3** comprises voluntary contributory schemes, often through schemes managed by employers. The role of government is largely to regulate these schemes. Some voluntary schemes are implemented by the agencies delivering Tier 2 mandatory pensions.

Box 4-2: Tiers or pillars; Tier 1 or Pillar 0?

Both the World Bank and ILO often refer to multi-tiered systems as multi-pillared (e.g. see Holzmann et al 2008 and ILO 2018). While the concept is the same, the term multi-tiered seems more intuitive since pillars are vertical. Both institutions are, though, relatively inconsistent in their use of the terms multi-tiered and multi-pillared: for example, in ILO (2022) and ILO (2023) the ILO refers to multi-tiered systems in China and Vietnam respectively, although in its review of Thailand's pension system in 2022 – in Knox-Vydmanov et al (2022) – the term multi-pillared is used; and, the World Bank (2011), refers to both tiers and pillars

The World Bank and ILO usually refer to the Tier 1 pension as Pillar 0, which sounds like a significant underappreciation of the importance of tax-financed pensions. The reason is probably because historically neither the World Bank nor ILO used to recognise the importance of tax-financed pensions and employed Pillar 1 to refer to social insurance schemes. Once they recognised the importance of tax-financed pensions, they did not change their model and continued to refer to social insurance pensions as Pillar 1 while creating the term Pillar Zero for tax-financed pensions. Nonetheless, both the ILO and World Bank are inconsistent in this: the World Bank (2011) and ILO (2023) both refer to a tax-financed pension as Tier 1.

The OECD (1998) has used the term tiers and referred to multi-tiered systems with 3 tiers, as illustrated in this paper. The Government of New Zealand also uses the concept of tiers, highlighting the same key 3 tiers.[16]

While a Tier 1 pension is essential for a well-functioning pension system – since this is the only means of guaranteeing universal coverage – this is not the case for Tiers 2 and 3. For example, New Zealand's pension system comprises only Tiers 1 and 3, since there is no mandatory contributory pension.[17] Some Pacific Island countries – such as the Cook Islands, Kiribati, Tuvalu, Tonga, Samoa – only provide a Tier 1 pension, as do some other countries with Provident Funds such as India, Malaysia, Nepal and Sri Lanka.[18]

Tier 2 contributory pensions have largely proven themselves ineffective in guaranteeing universal old age pension coverage in the Asia-Pacific region. According to the ILO (2024), coverage rates are 57 per cent in East Asia but only 14 per cent in South-East Asia and the Pacific, and 15 per cent in South Asia. Around two-thirds of Asia-Pacific countries provide less than 30 per cent of older people with Tier 2 contributory pensions.[19] The coverage within individual countries is shown in Figure 4-2. According to the ILO, only Japan, Mongolia and Palau provide 100 per cent of their older citizens with contributory pensions although the figure from Mongolia is misleading since a high proportion of funding for its contributory pensions is via a large subsidy from general government revenues,

Box 4-3: Provident Funds

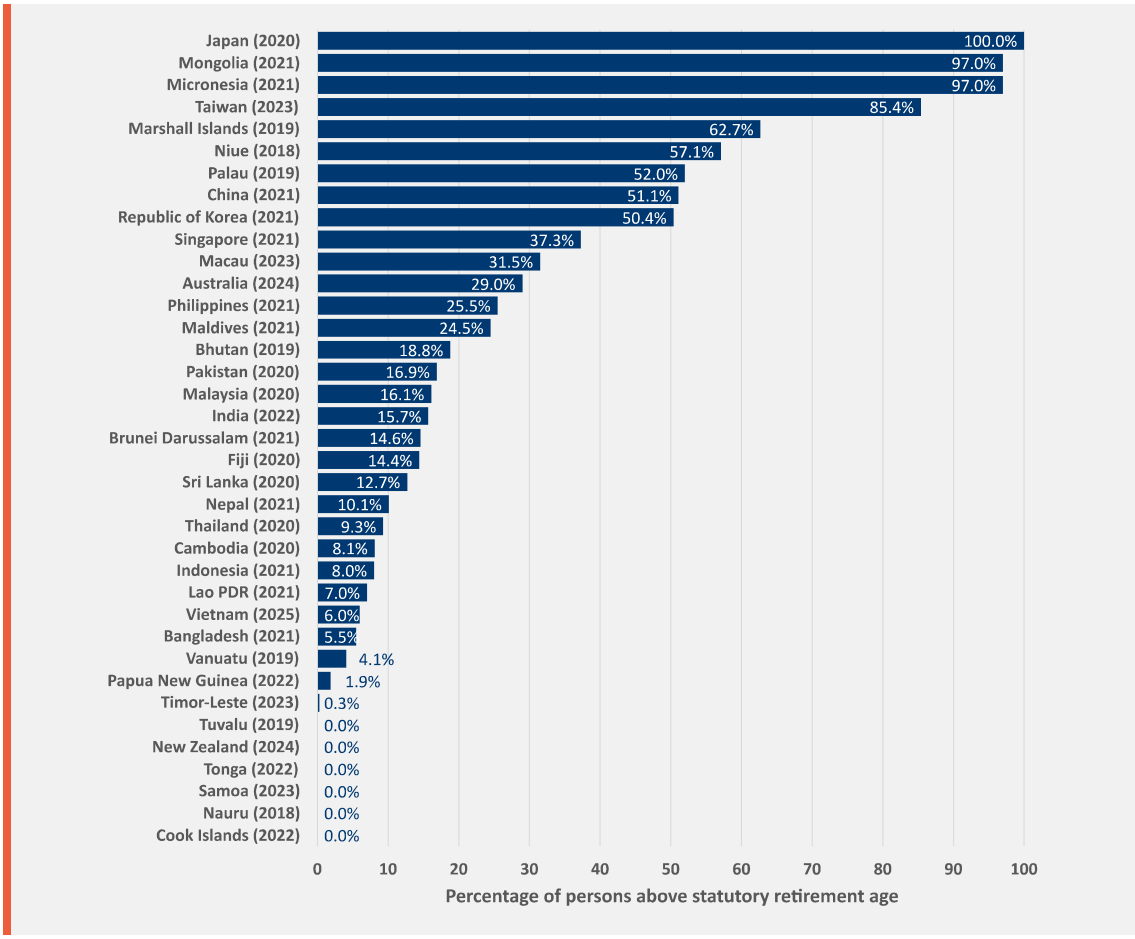
Provident Funds – and similar schemes – are found in many Asia-Pacific countries such as Fiji, India, Kiribati, Malaysia, Nauru, Nepal, Papua New Guinea, Samoa, Solomon Islands, Sri Lanka, Tuvalu and Vanuatu. While Provident Funds enable employees to save funds for when they retire, many should not be regarded as pensions. This is because employees can often withdraw all their savings as a lump sum on retirement – or earlier – and, as a result, are left without a pension in old age. However, Fiji is an example of a Provident Fund that provides its members with pensions.

When Provident Funds provide lump sums, they are best regarded as savings schemes for retirement (although often funds can be withdrawn earlier) rather than pension schemes.

[16] Te Ara Ahunga Ora Retirement Commission (2021).
[17] While it is compulsory for employers to enrol new employees in a contributory pension scheme, employees can opt out. The government oversees one contributory pension scheme – KiwiSaver – largely as a competitor to private sector pension funds to encourage them to maintain at least the same level of efficiency and effectiveness of KiwiSaver (Te Ara Ahunga Ora Retirement Commission 2024).
[18] Some Pacific Island countries – such as Kiribati, Samoa, and Tuvalu – have a Provident Fund which do not provide pensions.
[19] In reality, this proportion may be slightly different since the ILO's figures may not be accurate. For example, the ILO (2024) does not provide coverage for Vietnam.

costing 2.8 per cent of GDP.[20] Further, in recent decades contributory pension coverage has increased only very slowly in most countries in the Asia-Pacific region and in some, such as Indonesia, it has fallen.[21]

Figure 4-2: Coverage of people above retirement age by mandatory Tier 2 contributory pensions in the Asia-Pacific region[22]



Source: ILO (2024). Data for contributory coverage in Australia has been taken from Chalmers (2023), although the ILO give a much lower figure of 6 per cent, likely because they do not include Australia's Superannuation schemes, despite contributions being mandatory. The data for Vietnam is from ASL (2025). The data for Palau is from IMF (2023). The authors have undertaken analysis of Mongolia's HSES (2021) dataset, which gives a coverage of 97 per cent, although the ILO (2024) states that coverage is 100 per cent.

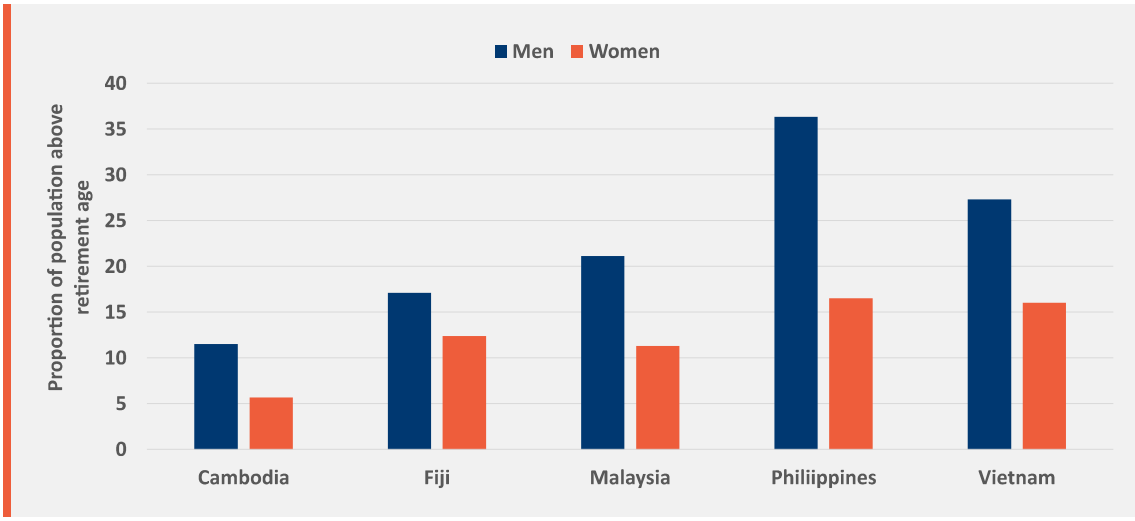
[20] The value of the state subsidy in Mongolia is from World Bank (2020). There should also be caution with the figures provided by the ILO as they may not be 100 per cent accurate. For example, Japan provides a public assistance scheme for older people which suggests that some do not have a contributory pension; and, Mongolia's pension system is benefit-tested which indicates that some people do not access the contributory pension. The ILO (2024) states that only 6 per cent of older people receive a contributory pension in Australia, which suggests that they do not consider the Superannuation Funds – which offer private account schemes managed by the private sector – as Tier 2 pensions, although contributions are mandatory.

[21] World Bank (2016a).

[22] Caution should be taken with the ILO figures since they can be inaccurate, such as the absence of a coverage figure for Vietnam in ILO (2024). Further, the ILO may be including public service pensions as contributory schemes even when they are financed from general government revenues. The ILO (2021) suggests that 20.5 per cent of older people receive retirement pensions, but this likely includes civil servants who were in service prior to 1995 and receive pensions paid for from general government revenues. The Micronesia figure appears high given that the scheme only pays pensions to members.

Tier 2 contributory pensions often include significant gender biases, with men more likely to receive contributory pensions than women.[23] Figure 4-3 shows the proportion of men and women above retirement age who are receiving contributory pensions across a number of countries, highlighting the significant gender gaps that exist. This is due to women being less likely to be in formal employment. Further, women are also more likely to receive lower values contributory pensions due to their lower salaries and spending less time in the formal workforce as a result of care responsibilities. For example, in Vietnam, women's contributory pensions are 18 per cent lower than those of men.[24]

Figure 4-3: Proportion of older men and women receiving contributory pensions in selected countries in the Asia-Pacific region[25]

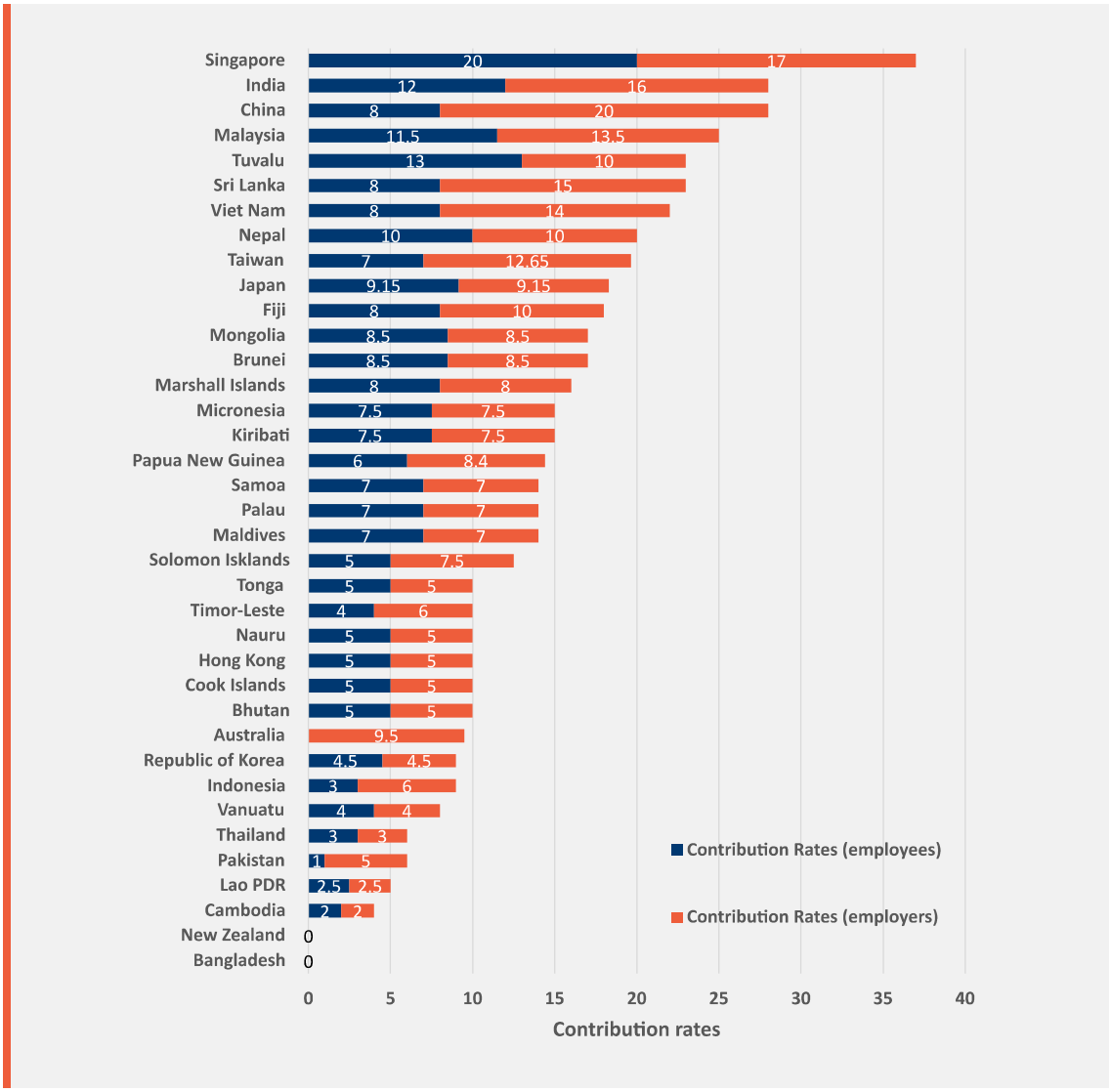


Source: ILO (2021; 2024).

A further challenge with Tier 2 contributory systems – as well as Provident Funds – is that many require high contribution rates from employers and employees. Figure 4-4 shows the contribution rates across Tier 2 schemes and provident funds in the Asia-Pacific region and in 21 countries the combined contribution rate is above 10 per cent and above 20 per cent in 8 countries, reaching as high as 37 per cent in Singapore and 28 per cent in India and China. Such rates are a significant burden on employers and employees and call into question the feasibility of expanding Tier 2 pensions to low-income workers across much of the Asia-Pacific region.

[23] For a further discussion on gender biases within contributory pension schemes, see Kidd (2009).
[24] ILO (2021).
[25] The results from Vietnam cover both the contributory scheme and the civil servants in employment prior to 1995 whose pensions are funded from general government revenues.

Figure 4-4: Employee and employer contribution rates in Tier 2 contributory pension schemes and Provident Funds across the Asia-Pacific region



Source: International Social Security Association (ISSA) Country Profiles.

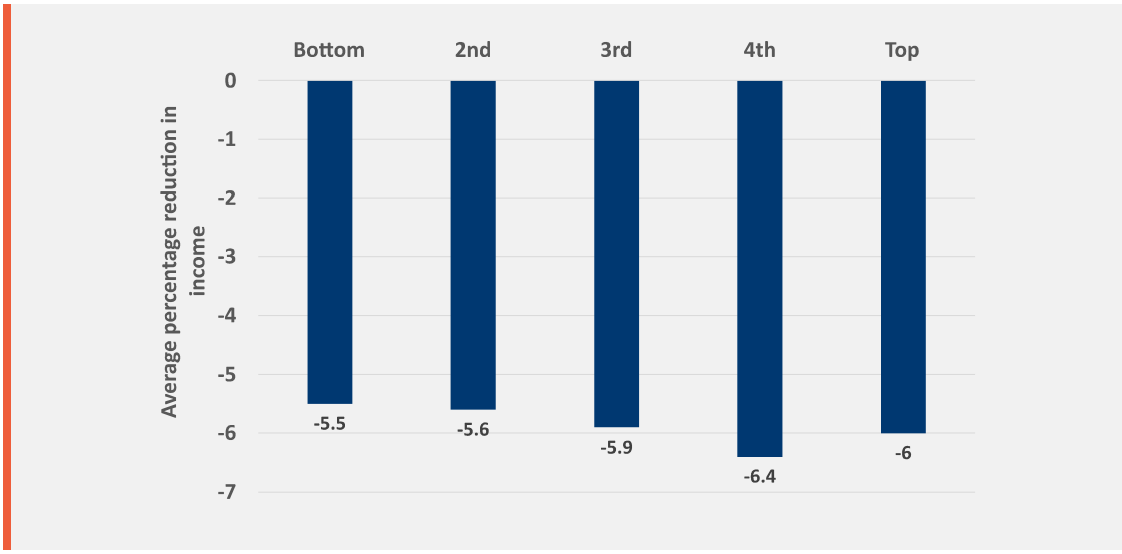
In many mandatory social insurance pension schemes, the effective contribution rates for those on higher incomes are, in reality, much lower. This is because the contribution rates only apply up to a specific salary and, above that level, employees do not have to pay a contribution. In Thailand, for example, contributions are paid only up to a monthly salary of around THB15,000 (US$480), a value that has not changed for 30 years, resulting in extremely low benefits.[26] Therefore, while those earning up to US$480 per month pay a contribution equivalent to 5 per cent of salary, someone earning US$2,000 pays an effective contribution of only 1.2 per cent.[27] When these maximum salary contribution caps are in place, those who are better-off can

[26] USP2030 (2025).
[27] While the value of the maximum salary contribution will increase to THB23,000 by 2032, this is still very low (Suntheeraporn and Nakhwan [2025]).

contribute a much higher amount into private pension schemes. This approach significantly undermines both the so-called solidarity component of social insurance pensions and their financial viability.

In many countries, high contribution rates are likely a key driver of informality in the labour force and businesses. Given widespread low incomes across the region, it is challenging for many working families to pay high contributions. If they did, they would experience a significant loss of income and a reduction in their standards of living. Figure 4-5 shows the impact on household per capita incomes of paying a 10.5 per cent employee contribution rate in Vietnam. The average reduction in income is 6 per cent which is relatively consistent across the welfare distribution. Consequently, those who can avoid paying this level of contribution would, unsurprisingly, avoid it, which likely results in many people seeking to remain in the informal economy. Similarly, high contribution rates can be a significant burden on employers and, indeed, imposing these high taxes on businesses could threaten their viability. Therefore, it is also unsurprising that many businesses avoid formalisation and prefer to maintain many of their employees on informal terms of employment.

Figure 4-5: Impact on household per capita incomes across the welfare distribution of paying a 10.5 per cent social insurance contribution in Vietnam

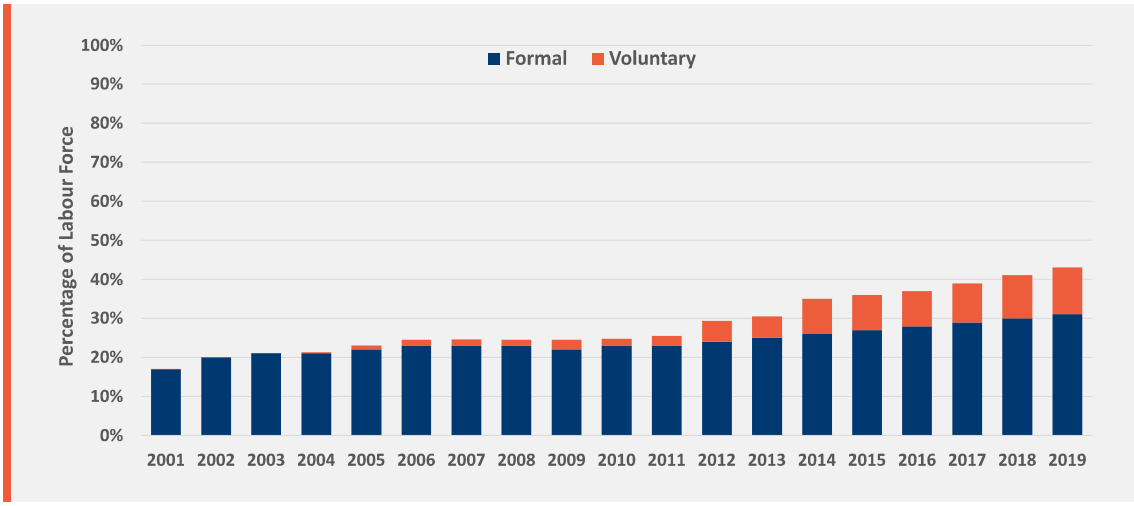


Source: McClanahan and Gelders (2019).

A further reason for the self-employed not entering the contributory pension system is that they would not benefit from an additional contribution from their employer but would have to rely only on their own contribution. This would mean that their final pension would be much lower than those who enjoy additional contributions from their employers. To address this, some governments have offered to increase employees' contributions by providing an additional government subsidy (often known as 'matching contributions'). Yet, this model has had little success globally. For example, for many years, the Government of Thailand has provided a subsidy to people who make voluntary contributions into the social insurance

system.[28] Yet, despite a low contribution rate, as Figure 4-6 shows, by 2019 only 12 per cent of the labour force were paying voluntary contributions. Even then, only a third – or 4 per cent of the labour force – were active contributors while the pensions they will receive in old age will be of lower value than Thailand's tax-financed pension (which, itself, pays a relatively low amount). Another example can be found in Korea where the Duru Nuri scheme provides a subsidy to low-income wage workers. Between 2012 and 2015 the coverage of employees increased by a mere 1.4 per cent.[29] Since eligibility was based solely on a worker's income level, the scheme may have helped reduce non-compliance among existing eligible workers. However, it was less effective in reaching informal workers who lacked the capacity to contribute without the subsidy. As a result, many recipients of the scheme may have enrolled even without the subsidy, leading to high costs with only modest gains in additional coverage.[30]

Figure 4-6: Proportion of the labour force contributing into Thailand's social insurance system, in both the formal and subsidised voluntary scheme



Source: Knox-Vydmanov et al (2022)

Many contributory schemes in the Asia-Pacific region are likely to enter financial crises in the near future. The World Bank (2016a) estimated that, by 2070, the cost of contributory pensions in the region will be the equivalent of around 8-10 per cent of GDP. Further, it is estimated that most defined-benefit schemes in the region will have deficits of 1.4 per cent to 4.5 per cent of GDP, which will likely require governments to undertake significant reforms – for example, by increasing retirement ages or contributions – or subsidise them from general taxation potentially at the expense of support to the majority of older people outside contributory systems.

Given that contributory pensions are not, in most countries, capable of guaranteeing everyone an old age pension, as discussed earlier a Tier 1 pension financed from general government revenues is the only option. The following chapters, therefore, examine in more detail tax-financed pensions across the Asia-Pacific region.

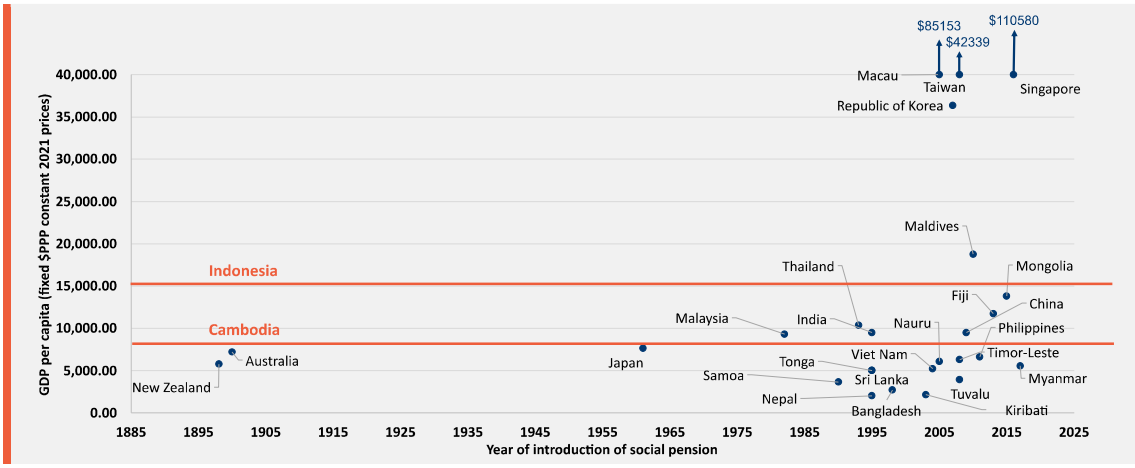
[28] Knox-Vydmanov et al (2022).
[29] Kim (2016).
[30] Ibid.

5 Review of Tier 1 tax-financed pensions across the Asia-Pacific region

The first tax-financed pension globally commenced in 1890 in Iceland. Within the Asia-Pacific region, New Zealand and Australia introduced their schemes only a few years later, in 1898 and 1909 respectively, although they were very different to the current schemes.[31] For example, New Zealand's pension was means-tested initially and only given to those of 'good moral character.'[32] It did not become a universal scheme until 1940.[33]

As Figure 5-1 shows, it was not until 1982 that another country in the region – Malaysia – introduced a tax-financed pension, although by then many countries had implemented contributory schemes. As indicated by Figure 5-1, some countries have introduced their tax-financed schemes when they were much poorer than Australia and New Zealand in relative terms, although other countries only started theirs when they were wealthier. Figure 5-1 also shows how some countries currently without tax-financed pensions – such as Cambodia and Indonesia – are wealthier than when most countries in the region introduced their schemes. This should limit concerns about whether countries can afford to introduce tax-financed pensions: in effect, as will be discussed later, the decision is largely political rather than financial.

Figure 5-1: Dates when countries in the Asia-Pacific region commenced their tax-financed Tier 1 pensions and the relative wealth of the country when the scheme was introduced



Source: Authors elaboration based on Palacios and Knox-Vydmanov (2014), ISSA country profiles, Sibun and Seglah (2024), and various national sources. The following countries are not included in the graph as data for the economic context for their year of introduction was not available: Brunei (1984), Cook Islands (1965), and Niue (1991).

[31] Two of Australia's states introduced old age pensions in 1900, but the first national scheme was implemented in 2009 (Department of Social Security 1988).
[32] See Zokoroa (n.d.) for a good description of the history of New Zealand's tax-financed pension.
[33] Even in 1940, New Zealand's tax-financed pension still had a significant means-tested component: everyone who fulfilled the residence requirement received a minimum pension, with a means-tested addition. It did not become fully universal until 1960 (Zokoroa, n.d.). However, it still applies a residence test: recipients must have been resident in New Zealand, the Cook Islands, Nuie and Tokelau for at least 10 years since the age of 20 and at least 5 years since the age of 50 (Te Ara Ahunga Ora Retirement Commission 2024).

The following sections examine the quality and effectiveness of the Tier 1 pensions that have been introduced across the Asia-Pacific region. This section will examine the Tier 1 pensions in more detail, focusing on the following areas: types of schemes; ages of eligibility; coverage; transfer values; and, levels of expenditure. The section will also present a simple index on the effectiveness of pension systems in the region in terms of their a) coverage and b) adequacy of transfer values.

5.1 Types of Tier 1 pensions across the Asia-Pacific region

At a simple level, pension systems can be divided into three basic models, depending on the nature of the Tier 1 pension:[34] means-tested, universal and benefit-tested although some countries have no Tier 1 pension. All three models are found across the Asia-Pacific region and Table 5-1 classifies countries by the type of Tier 1 pension in place, including those without any form of Tier 1 tax-financed pension. Overall:

- 12 countries have no Tier 1 pension;
- 10 countries have a means-tested Tier 1 pension;
- 13 countries have a universal Tier 1 pension; and,
- 7 countries have a benefit-tested Tier 1 pension.

While Thailand's Tier 1 pension, the Old Age Allowance, was historically benefit-tested for all persons aged 60 and above, the scheme was converted to a means-tested pension for new recipients beginning in 2023.[35] Since the majority of the evidence and data presented in this report reflect the period during which the pension operated under a benefit-tested model, it continues to be classified as such throughout the analysis.

Table 5-1: Classification of countries in the Asia-Pacific region by type of Tier 1 pension

No Tier 1 pension	Means-tested Tier 1 pension	Universal Tier 1 pension	Benefit-tested Tier 1 pension
Bhutan	Australia	Brunei	China
Cambodia	Bangladesh	Hong Kong	Cook Islands
Indonesia	India	Kiribati	Fiji
Lao PDR	Japan	Macau	Maldives
Marshall Islands	Korea, Republic of	Myanmar	Mongolia
Micronesia	Malaysia	Nauru	Thailand[36]
Pakistan	Philippines	Nepal	Vietnam
Palau	Singapore	New Zealand	
Papua New Guinea	Sri Lanka	Niue	
Solomon Islands	Taiwan	Samoa	
Tokelau		Timor-Leste	
Vanuatu		Tonga	
		Tuvalu[37]	

[34] There is another pension model, which is no Tier 1 pension with the only pensions being either contributory or public service pensions (or both).
[35] ISSA (2025a).
[36] Note that, from 2023, Thailand's Tier 1 pension has been means-tested for all new beneficiaries reaching age 60. For those who reached the age of eligibility prior to 2023, the pension was benefit-tested. Source: ISSA (2025a).
[37] While Tuvalu's pension is nominally means-tested – with eligibility set at AU$10,000 per year – there is no evidence that anyone is excluded. As a result, in this paper it is being treated as a universal scheme.

Some countries also have pensions provided by local governments which are not linked to national systems. Examples can be found in Indonesia and the Philippines. In Papua New Guinea, the government of New Ireland also provides an old age pension. However, there is minimal information on these schemes so they will not be examined in this paper. In addition, in Vanuatu a group of landowners in Ifira island own a trust that delivers a monthly universal pension of around US$80 per month to everyone on the island over 50 years of age (almost 500 people).[38]

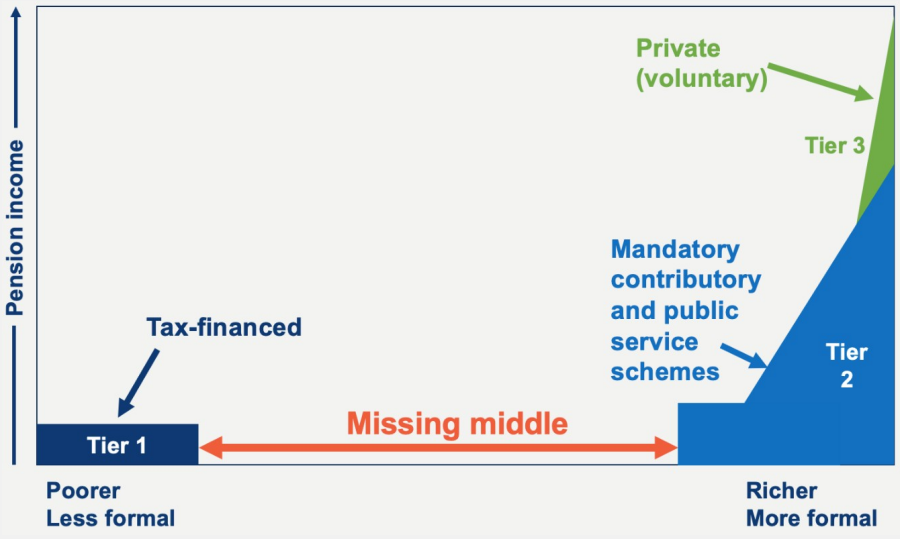
The different types of tax-financed pension model are discussed further in the sections below.[39]

Model 1: Means-tested Tier 1

The first type of pension system provides a means-tested Tier 1 pension, as illustrated by Figure 5-2. In effect, only the poorest older people are eligible for the tax-financed pension. In countries where contributory pensions have limited coverage, or do not exist, there are large coverage gaps, with many people finding themselves not only without a contributory pension but unable to access the means-tested pension, on reaching old age. This group is often known as the missing middle. Many of those without pensions will have worked previously in the informal economy and have continued to work during old age, though often for a low income. Often older people without an independent source of income are disqualified from accessing a tax-financed Tier 1 pension if they live in households that are not regarded as 'poor.' This is because, despite a pension being for an individual, some countries assess eligibility against household income, which can significantly disadvantage many older people without an income if they live in a household that is better-off. For means-tested pensions to be human rights compliant, the assessment of means should be on the individual's income rather than that of the household.[40] Proxy means tests should never be used to select old age pension recipients since they can only estimate – inaccurately – household welfare and, therefore, will discriminate against many older people who have no personal means.[41]

[38] Fingleton et al (n.d.).
[39] See Kidd (2015) for a more in-depth discussion on types of pension models.
[40] See Sepulveda (2010) for further discussion on a rights-based approach to using means tests in tax-financed pensions.
[41] See Kidd et al (2017; 2020) for a further discussion on proxy means tests and their inaccuracies.

Figure 5-2: The means-tested Tier 1 pension system model



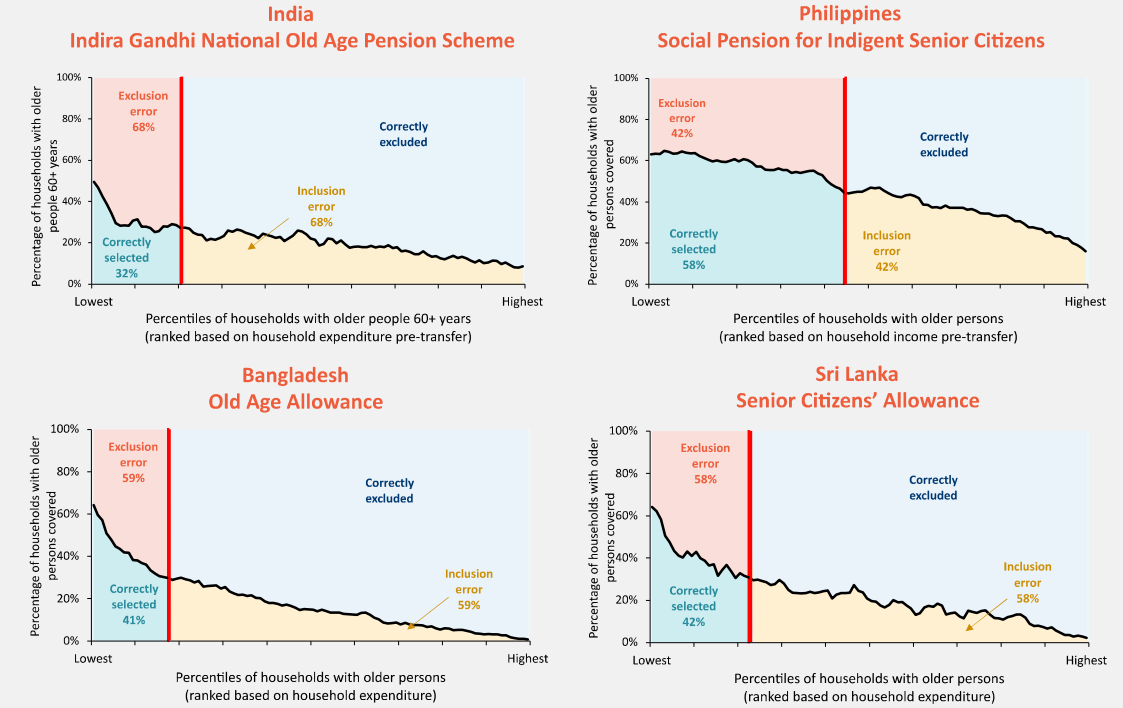
Source: Authors' depiction

As indicated in Table 5-1, a range of countries in the Asia-Pacific region have means-tested Tier 1 including rich countries like Australia and South Korea and poorer countries such as Bangladesh and India.[42] However, as Figure 5-7 will show, coverage of the schemes varies from 4 per cent in Malaysia to 71 per cent in South Korea.

The coverage gap is not the only challenge with means-tested pensions. In low- and middle-income countries, the targeting of means-tested pensions is ineffective meaning that many of the poorest older people miss out on pensions. Figure 5-3 illustrates the targeting effectiveness of the means-tested tax-financed pensions in Bangladesh, India, the Philippines and Sri Lanka, assessed against the age-eligible population. The red vertical line shows the coverage of the pensions among the age-eligible population and, if they were perfectly targeted, all recipients would be to the left of line. However, those actually on the scheme, across each percentile of the age-eligible population, are under the black line. The proportion of the intended recipients excluded reaches 68 per cent in India, 59 per cent in Bangladesh, and 58 per cent in Sri Lanka. The lowest targeting errors is in the Philippines at 42 per cent, which is the result of higher coverage (yet, still, almost half the intended recipients are excluded). Thailand's decision to means-test its tax-financed pension for new entrants will likely significantly increase the exclusion of older people living in poverty from the pension system and reduce the effectiveness of the scheme.

[42] Hong Kong provides a means-tested pension to those aged 65-69 but a universal pension to everyone over 70 years (see also Footnote 23). Similarly, Vietnam provides a means-tested pension to those aged 60-79 years and a benefit-tested pension to those aged 80 and over, although the age of eligibility for the benefit-tested pension is lower in some richer provinces.

Figure 5-3: Targeting accuracy of means-tested tax-financed pensions in Bangladesh, India, the Philippines and Sri Lanka



Source: Kidd and Athias (2020) and analysis of the Philippines FIES 2023 dataset) by the authors.

Means-tested pensions can create perverse incentives.[43] They can discourage working age people from investing in contributory pensions since, if they eventually access a contributory pension, they could have a level of income that would mean they lose out on the means-tested scheme. In low- and middle-income countries, this can impact negatively on the formalisation of the labour force. In Australia, means testing of the state pension encourages people to withdraw their contributory pension funds as lump sums on retirement. These funds are often spent by retirees in various ways so that they become poor enough to qualify for the state pension, resulting in many Australians living on low incomes in old age.[44]

A further perverse incentive created by means-tested tax-financed pensions is to discourage work in old age. Many older people are capable of working and would like to do so to increase their incomes or keep themselves active. Yet, by working they can put at risk their access to a means-tested pension since, if their incomes are above the means test, they would lose out on the pension. Therefore, means-tested pensions can create poverty traps by incentivising older people not to work. Indeed, these are both likely impacts of the decision in Thailand to means-test its pension: the change may weaken incentives for informal economy workers to participate in the contributory social insurance system since some may perceive a greater net benefit from not contributing into the social insurance pension, thereby ensuring that they are

[43] Cf. World Bank (1994).
[44] Schrager (2022) provides a good description of the perverse incentives generated by the means testing of the state pension in Australia.

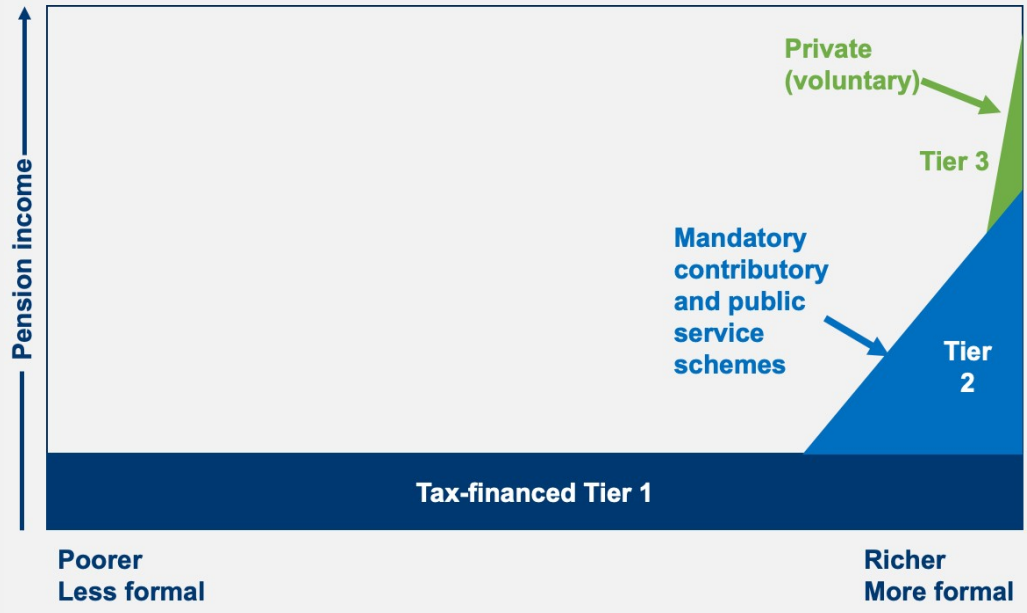
poor in old age and can access the means-tested tax-financed scheme; and, the means test may also discourage older people from remaining economically active.

A means-tested tax-financed pension is, therefore, an ineffective choice if policymakers wish to guarantee all citizens a pension in old age. It can leave a large coverage gap while also creating damaging perverse incentives. While means-tested pensions are much lower cost than universal schemes, this comes at the price of lower effectiveness. Further challenges with the effectiveness of means-tested pensions will be examined in Section 5.6.

Model 2: A universal Tier 1 pension

A much more effective pension model is one offering the tax-financed Tier 1 pension to every member of society on an equal basis when they reach the age of eligibility.[45] As illustrated by Figure 5-4, it is common for the Tier 1 pension to be provided at the same rate to everyone, recognising that access to a pension is a basic human right, although there are sometimes variations in the amount paid to different age groups (see Section 5.4).

Figure 5-4: The universal Tier 1 pension model



Source: Authors' elaboration

Thirteen countries in the Asia-Pacific region offer a universal Tier 1 pension including high-income countries, such as Hong Kong and New Zealand, but also much poorer countries such as Nepal and Timor-Leste (see Table 5-1 for a full list of countries). Many Pacific Island countries are leading the way in the region in providing universal Tier 1 schemes. However, Nepal is an

[45] In practice, universal pensions may not be given to every older person. For example, qualification for the scheme may require a minimum number of years of residency in the country. In New Zealand, for example, people must have had 11 years residency – including 5 years after 50 years of age – which is rising to 20 years by 2042. Source: https://workandincome.govt.nz/eligibility/seniors/nz-super-and-veterans-pension-residency-changes-2024.html

example of how a larger country in the Asia-Pacific region can also deliver a simple universal scheme, while in other regions of the world, there are other examples of larger countries offering simple universal Tier 1 pensions. The ages of eligibility for the schemes vary, as will be discussed in Section 5.2.

According to the World Bank (1994), a universal Tier 1 pension is by far the best and simplest design, and highly appropriate for low- and middle-income countries:[46]

> *"Administratively, this is the simplest structure, with the lowest transaction costs, for the public pillar – an important advantage in developing countries with limited institutional capacities and incomplete record-keeping systems. It avoids the disincentive to work and save inherent in means-tested plans. Its universal coverage helps ensure the fulfilment of poverty reduction goals [and] provides a basic income for all older people."*

As argued by the World Bank, an important attribute of a universal Tier 1 pension is that it does not create perverse incentives. Employees are not disincentivised from saving in contributory pension schemes while pensioners are not discouraged from working. Universal schemes are, by their very nature, also much more effective than means-tested schemes in reaching the poorest older people.[47] Most universal schemes in the Asia-Pacific region deliver almost 100 per cent coverage.

Universal Tier 1 pension schemes are, therefore, the easiest and most effective means of ensuring that all older people can access a minimum pension. They also tend to bring further advantages such as popular support, financial sustainability and greater positive impacts, which will be discussed further in Chapters 6 and 7.

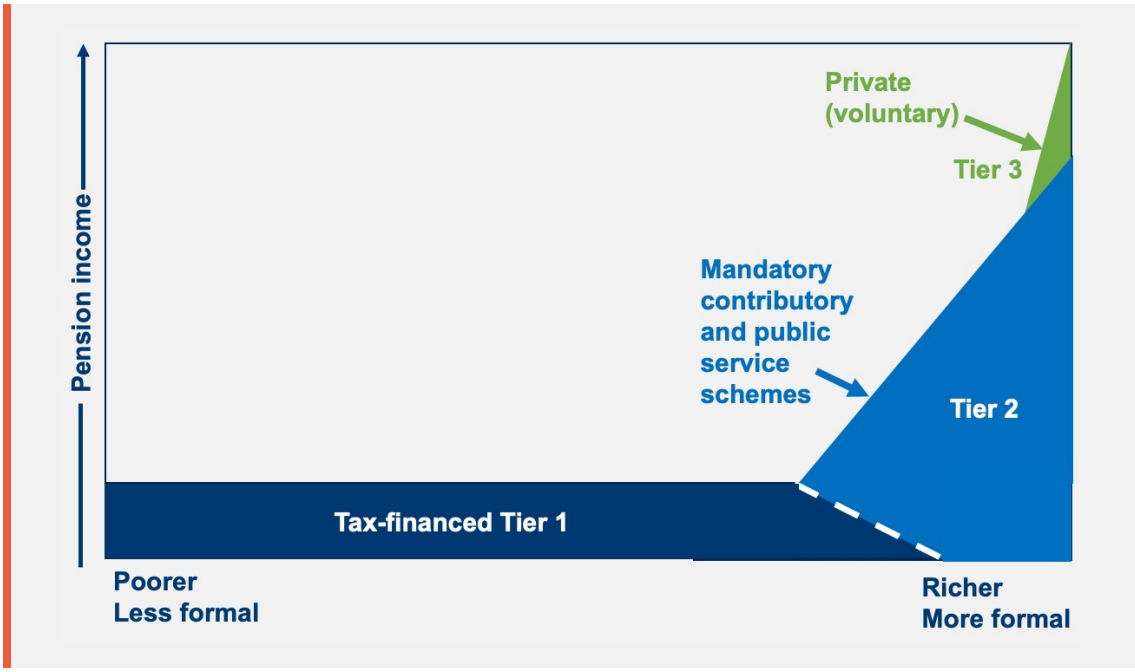
Model 3: A benefit-tested Tier 1 pension

The third model for a Tier 1 pension is, by design, intended to guarantee universal pension coverage while not providing the tax-financed pension to everyone. This is a benefit-tested model whereby the Tier 1 pension is withdrawn from those receiving another state contributory or public service pension. There are various approaches to benefit-testing. One is to withdraw the entire Tier 1 pension from those receiving another form of pension, while another is to gradually withdraw it, as illustrated by Figure 5-5.

[46] The World Bank subsequently re-affirmed this view in Holzmann et al (2005): *"is probably the best way to provide poverty relief to the elderly. Considering the difficulty of identifying who among the elderly is poor, the principal merit of the program is that its universality avoids the targeting issue."*

[47] See Kidd and Athias (2020) for some examples from across the world.

Figure 5-5: A benefit-tested Tier 1 pension model, illustrating a gradual withdrawal of the Tier 1 pension



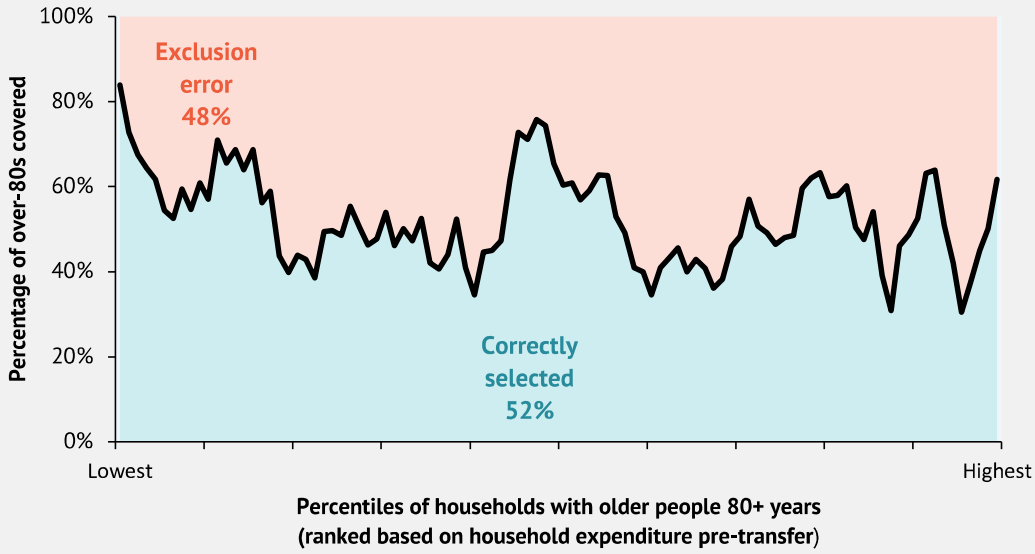
Source: Authors' elaboration

A number of countries in the Asia-Pacific region have benefit-tested Tier 1 pensions including: China, the Cook Islands, Fiji, the Maldives, Mongolia, Thailand (pre-2023) and Vietnam (see Table 5-1 for a full list). The Cook Islands does not benefit-test against another state pension but, rather, against receipt of New Zealand's pension. Thailand's Tier 1 pension was only benefit-tested against the country's civil service pension: recipients of the private sector contributory scheme were still able to receive the tax-financed pension.

As with means-tested pensions, benefit-testing could, potentially, create disincentives for working age people to save in contributory schemes given that, by contributing, they could lose out on the Tier 1 pension. This is particularly problematic if the contributory scheme is not guaranteed to provide a larger pension than the Tier 1 pension. Gradually withdrawing the Tier 1 pension from those who have a Tier 2 pension, as illustrated in Figure 5-5, could reduce this disincentive, but this would depend on the degree of tapering.

There is evidence from Vietnam that benefit-testing may not offer universal coverage if it is not well-implemented. As Figure 5-6 shows, while, at the time of the survey, Vietnam's Tier 1 pension was offered to everyone over 80 years without another state pension, in 2014 around 48 per cent of eligible people were excluded. It is possible that this is due to the contributory and tax-financed pensions being delivered by different institutions. If the pensions were delivered jointly by the Vietnam Social Security scheme, it is likely that errors would be lower since information on the two schemes could be more easily shared, while people would only have to apply for a pension to one institution.

Figure 5-6: The effectiveness of Vietnam's benefit-tested pension for over-80s in reaching its intended recipients[48]



Source: Kidd and Athias (2020).

The main reason for using benefit testing is to reduce the cost of the Tier 1 pension. And, if contributory pensions expand over time, expenditures on Tier 1 pensions could fall further. However, this comes at the price of greater complexity and, as shown in Vietnam, the risk of people missing out on a pension may increase.

5.2 Ages of eligibility for tax-financed Tier 1 pensions in the Asia-Pacific region

Countries in the Asia-Pacific region have different ages of eligibility for their tax-financed pensions, as shown by Table 5-2. Among the countries listed below, 12 set the age of eligibility for most pensioners at 60 years and 9 at 65 years. Two countries have a higher age of eligibility at 70 years while the highest age of eligibility is 85 years in Myanmar. In Bangladesh and Mongolia, the age of eligibility is different for males and females, with the age of eligibility for females being 5 years lower. In fact, in Mongolia, women can access the tax-financed pension at just over 57 years of age.[49] Some countries—such as Hong Kong and Vietnam—have a higher age of eligibility for the benefit-tested or universal component of their scheme and a lower age of eligibility for the means-tested component.

[48] While this graph shows targeting effectiveness when the age of eligibility for Vietnam's tax-financed benefit-tested pension was 80, the age of eligibility has more recently been reduced to 75 years and is lower in some provinces (Cai 2025).
[49] This is not unusual globally. In Brazil, women can also access the tax-financed rural pension at 55 years.

Table 5-2: Ages of eligibility for tax-financed pensions in the Asia-Pacific region

Country	Age of eligibility
Brunei, China, Cook Islands, India, Kiribati, Nauru, Niue, Malaysia, Philippines, Thailand, Timor-Leste, Tuvalu	60 years
Mongolia	**Men:** 62 years and 3 months **Women:** 57 years and 3 months
Bangladesh	**Men:** 65 years **Women:** 62 years
Fiji, Republic of Korea, Japan, Macau, Maldives, New Zealand, Samoa, Singapore, Taiwan	65 years
Tonga	66 years
Australia	67 years
Nepal[50]	68 years
Sri Lanka, Hong Kong[51]	70 years
Vietnam[52]	75 years
Myanmar	85 years

*Source: Authors' compilation based on ISSA country profiles and various national government websites. *This represents the age of eligibility for the means-tested pension.*

Some countries initially commenced their Tier 1 pensions with a high age of eligibility and subsequently reduced it over time. A key reason for this is that schemes can be introduced at much lower cost, while retaining the principle of universality (which will be discussed further in Section 8.1). Some examples of countries that began with a higher age of eligibility include:[53]

- **Fiji:** The pension commenced in 2013 with an age of eligibility of 70 years and was later reduced to 65.
- **Kiribati:** The age of eligibility for Kiribati's old age pension was initially 70 years, when the scheme commenced in 2004. It is currently 60 years.[54]
- **Myanmar:** Myanmar introduced its social pension in 2017, initially setting the age of eligibility at 90 years. However, the next year, in 2018, it was reduced to 85 years.[55]
- **Nepal:** When Nepal's pension commenced in 1995, the age of eligibility was 75 years for most of the population, but 60 years for Dalits and those living in the Karnali region. As part of a peace dividend, following the end of the civil war in 2008, the age of eligibility was reduced to 70 years and the current age of eligibility of 68 years was set in 2022.
- **Philippines:** The initial age of eligibility of the Philippines' Tier 1 pension was 77 years. In 2015 it was reduced to 65 years of age and, in 2016, to 60 years of age.[56]

[50] In the Karnali region of Nepal and among Dalits the age of eligibility is 60 years.
[51] In Hong Kong the age of eligibility for the means-tested component of the tax-financed pension is 65 years.
[52] In Vietnam, the age of eligibility for the means-tested component of the tax-financed pension is 70 years.
[53] Other countries that have lowered their ages of eligibility include Tuvalu which reduced it from 70 years to 60 in 2022 and the Cook Islands which moved from 65 to 60 years of age in 1989.
[54] Kidd and Mackenzie (2012); Republic of Kiribati (2020).
[55] HelpAge International (2019).
[56] Knox-Vydmanov et al (2017).

- **Tonga:** The age of eligibility was initially 75 years when the scheme was introduced in 2012. It was later reduced to 70 years and is currently 66 years.[57] The government plans to decrease the age of eligibility further to 63 years in 2027.[58]
- **Vietnam:** When Vietnam's tax-financed pension commenced in 2000, the age of eligibility was 90 years. It fell over time and is currently 75 years for the benefit-tested component, although lower in some wealthy provinces.[59] However, for those assessed as "needy" and living alone without family support, the age of eligibility is 70 years.[60]

Australia, however, is moving the other way due to the ageing of its population. The age of eligibility for the tax-financed Age Pension was 65 years in 2017 but was gradually increased to reach 67 years of age in 2023. Similarly, other countries are also increasing the age of eligibility gradually. For instance, Mongolia is moving towards equalising the age of eligibility for men and women and increasing it to 65 years for both.[61]

5.3 Coverage of tax-financed Tier 1 pensions in the Asia-Pacific region

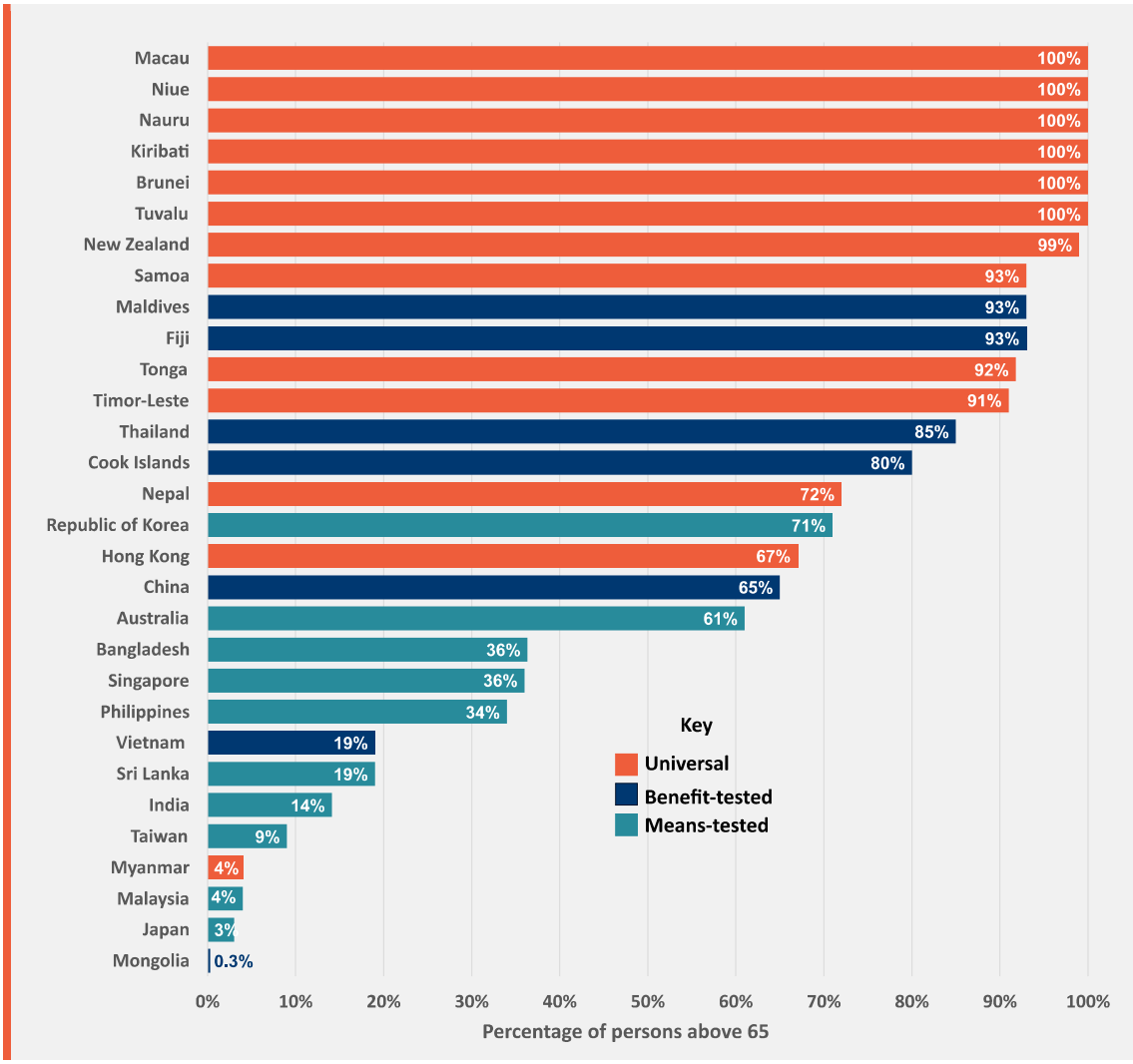
The coverage of tax-financed Tier 1 pensions varies greatly across the Asia-Pacific region. The ILO (2024) provides information on coverage but, as indicated above, it is focused on those above retirement age, which varies between countries. Across the whole region, the ILO (2024) state that 44 per cent of older people above retirement age access a tax-financed pension, although there are variations within regions: coverage is highest in Eastern Asia at 53 per cent, while it falls to 34 per cent in East Asia and the Pacific and 33 per cent in South Asia.[62] Coverage across individual countries also varies, as illustrated by Figure 5-7 which shows coverage among those aged above 65 years by type of scheme. Some countries with universal schemes – such as Nepal and Hong Kong – do not have 100 per cent coverage, due to the age of eligibility for the main component of the scheme being above 65 years. For instance, the age of eligibility for the universal component of their schemes is 68 years in Nepal and 70 years in Hong Kong.[63] In India, while the coverage of the national pension is low due to the means testing of the national Tier 1 pension, overall coverage in India is higher due to the provision of additional pensions in some states although there is no reliable information. Nonetheless, to give the best example, the State of Bihar implements a universal old age pension which, combined with the national pensions, provides coverage to 81 per cent of the population above 60 years, a much higher coverage rate than the national pension.[64]

Despite this, universal schemes almost consistently have the highest coverage although it should be borne in mind that some countries with benefit-tested schemes – such as Maldives and Mongolia – are providing almost universal coverage when the contributory pensions are taken into account, as indicated by Figure 5-7. In fact, given the very high coverage of the

[57] P4SP (2025).
[58] Knox-Vydmanov (2025).
[59] Kidd et al. (2019); Cai (2025).
[60] Cai (2025).
[61] ISSA (2025b).
[62] Some caution should be taken with ILO figures.
[63] As indicated above, Nepal provides a pension for Dalits and those in the Karnali region at 60 years, while Hong Kong means tests its pension between 65 and 69 years.
[64] Authors' calculations based on coverage reported by Preyashi (2025); population estimates from NITI Aayog (2023), UNDESA World Population Prospects (October 2024 revision), and https://www.dataforindia.com/age-distribution-states/

social insurance pension in Mongolia – which is subsidised from general government revenues – the tax-financed benefit, which reaches only 0.3 per cent of older people, could almost be ignored (see Box 5-1).

Figure 5-7: Coverage of Tier 1 pensions among those over 65 years of age across the Asia-Pacific region (among countries that have tax-financed pensions in place)[65]



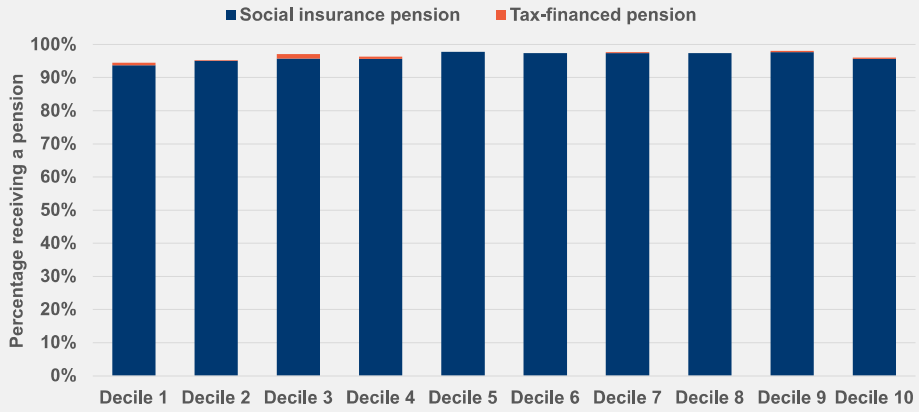
Source: See Annex 3 for detailed sources. Note that, post-2023, the pension in Thailand has been means-tested for new entrants, and coverage is likely to reduce over time as a result. Coverage in Mongolia has been taken from analysis of the HSES 2021 dataset by the authors. In the absence of updated coverage figures for Tonga since it reduced its age of eligibility, coverage has been estimated as the proportion of population over 66 amongst the total population over 65 years, since the pension is universal. Some caution should be exercised with figures provided by the ILO: for example, while the ILO states that New Zealand's pension has 100 per cent coverage, given that it applies a residence test the actual coverage is lower, at 99 per cent, which we have used here (Te Ara Ahunga Ora Retirement Commission 2024).

[65] Note that coverage for Vietnam is likely to be higher as it reduced the age of eligibility for its benefit-tested Tier 1 pension in July 2025.

Box 5-1: Mongolia's old age pension system

Although Mongolia has a benefit-tested pension system, in reality, 97 per cent of older people over-60 receive a social insurance pension and only 0.3 per cent receive the tax-financed benefit. The coverage of pensions among women between 55-59 (which was the age eligibility at the time of the survey) is 86 per cent. Coverage of the two pensions across the welfare distribution can be seen in Figure 5-8. The tax-financed benefit pays US$105 per month while the minimum social insurance pension pays $190 per month. According to the World Bank (2025), the social insurance pension receives a subsidy equivalent to 1.7 per cent of GDP from general government revenues out of a total social insurance pension expenditure of 5.8 per cent of GDP. However, the National Statistics Office of Mongolia (2025) suggests that these figures may be out of date and that there was no social insurance pension deficit in 2024. Given the extremely low coverage of the tax-financed pension and the fact that 80 per cent of pensioners receive the minimum pension from the social insurance pension – although this is projected to fall to 60 per cent in the future[66] - it is likely best to consider Mongolia as an exceptional case and regard the social insurance minimum pension of $190 per month as the national minimum pension.[67] In effect, this is what we have done in this paper.

Figure 5-8: Coverage of the Mongolian pension system across the welfare distribution among men over 60 years and women over 55 years[68]



Source: Authors' analysis of Mongolia's HSES 2021 dataset.

As indicated in Figure 5-7, sometimes universal pensions do not provide full coverage even for those who qualify on the basis of age. One reason could be that some older people may not qualify based on a residence test: in other words, they may not have lived in the country for sufficient years. However, sometimes older people who are better-off may decide not to apply for the scheme because the value is too low. For example, in Thailand, Knox-Vydmanov et al (2022) found that the lowest coverage in the pension system was among older people near the top of the welfare distribution and speculated that some may have voluntarily not applied due to the pension's low value.

[66] World Bank (2025).
[67] World Bank (2020).
[68] The analysis examines the post-transfer situation. In 2021, the age of eligibility for the pension was 60 years for men and 55 years for women. As explained earlier, the age of eligibility is now gradually increasing.

5.4 Transfer values of tax-financed Tier 1 pensions across the Asia-Pacific region

There is significant variation in the transfer values of Tier 1 pensions across the Asia-Pacific region. However, different parameters can be used to measure and compare pension values. Figure 5-9 compares transfer values measured in equivalent international dollars, which would give an indication of the comparable standards of living that the pensions may support across countries. It also shows the comparative wealth of countries, measured as GDP per capita in nominal dollars. Although, for several Pacific island countries, the benchmark used is GNI per capita as opposed to GDP, to account for their economic composition (see Box 5-2 for a further explanation).

Box 5-2: Using GDP and GNI as reference points

Throughout this report, government expenditure and benefit values are generally expressed as a share of GDP, which accounts for a country's relative wealth and capacity for financing, to enable comparison across countries. However, for Pacific Island countries, figures are instead presented as a share of Gross National Income (GNI).

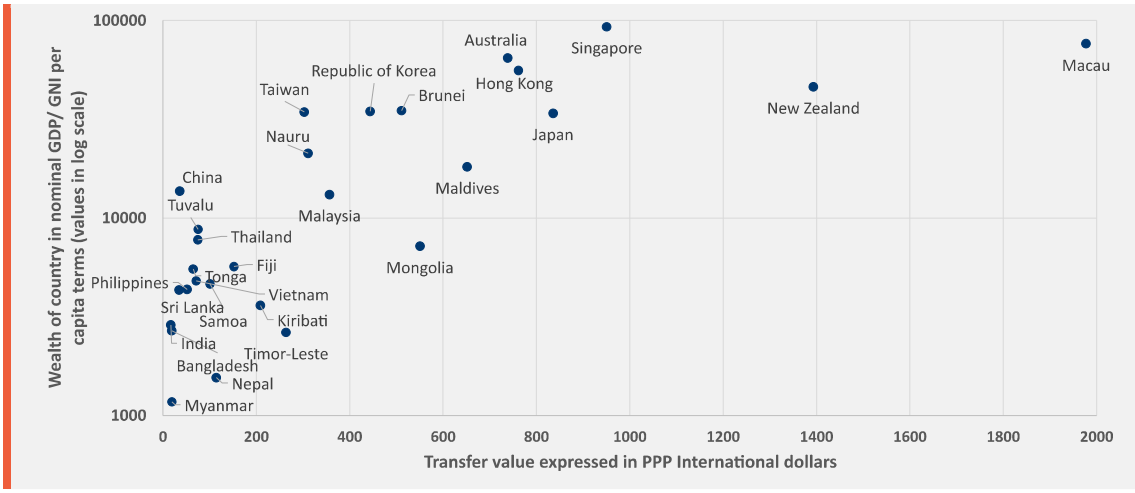
This reflects the unique structure of the economies of Pacific Island countries, where a significant share of national income comes from external sources, such as fishing licence fees, donor grants, and remittances, that are not captured by GDP owing to the way it is calculated. Using GNI as the reference therefore provides a more accurate measure of economic capacity and fiscal space in these contexts, while ensuring comparability.

The most recently available GNI values provided by the World Bank's World Development Indicators have been used for the purposes of this study.

There is a good correlation between the wealth of a country and the value of its pension, with richer countries likely to provide higher value pensions.[69] However, some countries perform better or worse than expected: those below the line are outperforming expectations based on their wealth, while those above are underperforming. For example, Kiribati, Nepal and Timor Leste are poor countries that provide relatively high pensions. In contrast, China, India and Thailand are significant underperformers, offering lower value pensions than would be expected based on their relative wealth.

[69] The R-squared value is 0.67.

Figure 5-9: Transfer values of Tier 1 pensions in the Asia-Pacific region measured in terms of equivalent international dollars correlated with the wealth of countries[70]

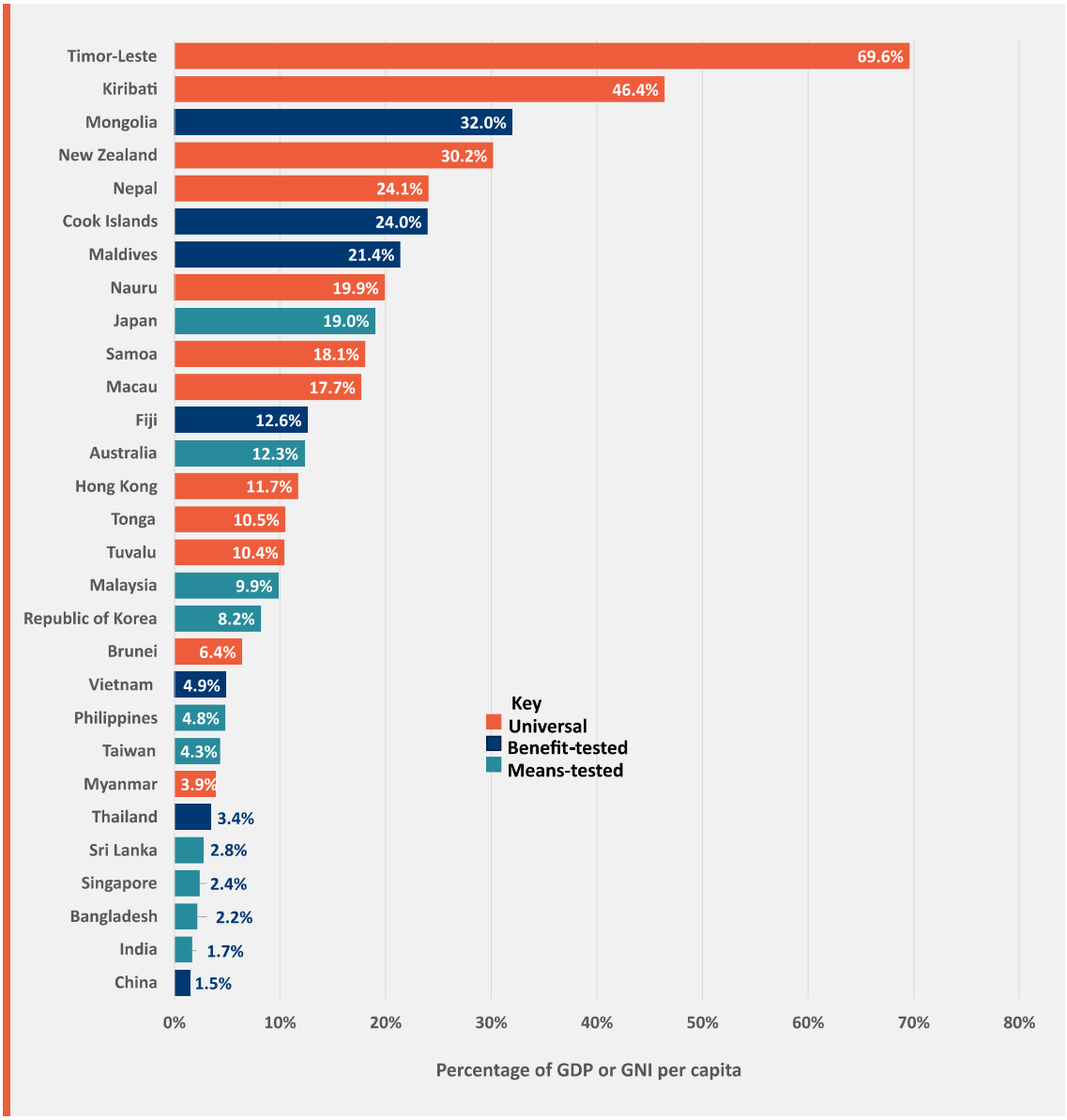


Source: See Annex 3 for sources. Economic data has been obtained from the IMF World Economic Outlook (WEO) Database (2025) and the World Bank's World Development Indicators (2025). Countries for which the transfer value is expressed as a percentage of GNI per capita are Cook Islands, Fiji, Kiribati, Nauru, Samoa, Timor-Leste, Tonga, and Tuvalu.

However, a fairer measure of pension values for comparative purposes – which accounts for the capacity of a country to finance a pension, based on their relative wealth – is to use GDP per capita.[71] Figure 5-10 shows the value of tax-financed Tier 1 pensions across the Asia-Pacific region, using the average value pension provided by the country. There is considerable variation, with the lowest value at 1.5 per cent of GDP per capita in China and the highest at 70 per cent of GNI per capita in Timor-Leste. The average value is 15 per cent of GDP per capita. The two largest countries in the region – China and India – are characterised by very low transfer values although, as Box 5-3 indicates, the value of the pension provided by the central government in India is, in many cases, increased by state governments. Similarly, in Vietnam, some richer provinces provide higher value pensions.[72]

[70] For Mongolia, the social insurance minimum pension has been used (see Box 5-1 for an explanation).
[71] Or GNI, in the case of Pacific Island Countries.
[72] Kidd et al. (2019).

Figure 5-10: Value of tax-financed Tier 1 pensions in the Asia-Pacific region, measured as a percentage of GDP per capita or GNI per capita[73]



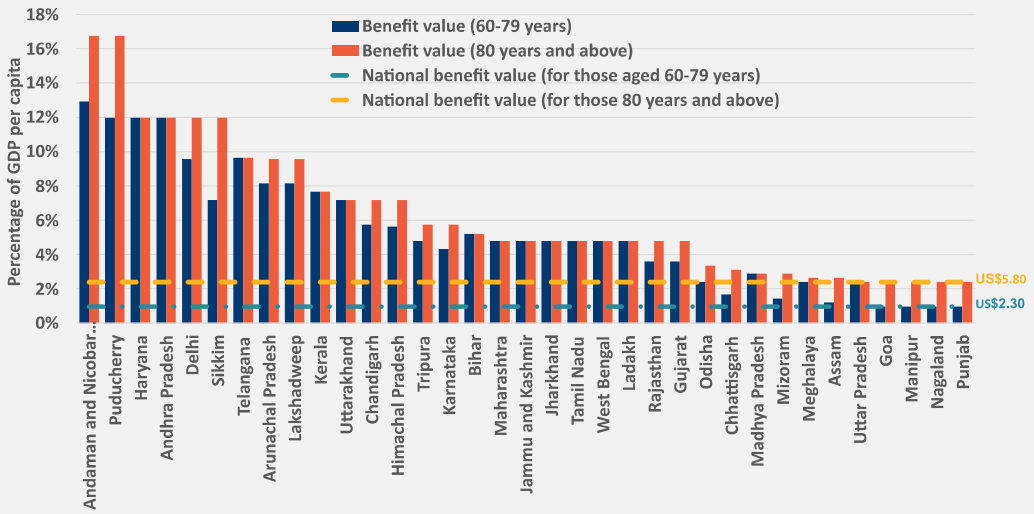
Source: Sources are provided in Annex 3. Notes: In the case of Timor-Leste, Nauru, Singapore, Thailand, Tonga, and India, which vary the benefit value by the recipient's age, the average value provided is represented in the graph. Vietnam has values varying by age as well as welfare status and the average value has been represented in the graph. Economic data has been obtained from the IMF WEO Database (2025) and the World Bank's World Development Indicators (2025). Countries for which the transfer value is expressed as a percentage of GNI per capita are Cook Islands, Fiji, Kiribati, Nauru, Samoa, Timor-Leste, Tonga, and Tuvalu. Note that, in 2023, Thailand's pension has been means-tested.

[73] In Mongolia, the value of the social insurance minimum pension has been used. See Box 5-1 for an explanation.

Box 5-3: The value of tax-financed Tier 1 pensions across states in India

The tax-financed Tier 1 pension in India, the Indira Gandhi National Old Age Pension Scheme (IGNOAPS), is a means-tested pension for those above 60 years of age who are identified as living 'below the poverty line.' The national government has set the value of the pension at INR200 (US$2.30) for those between 60 and 79 years and INR500 (US$5.80) for those aged 80 years and above. However, State and Union Territory governments are encouraged to provide an additional amount as a top-up the national benefit, to ensure beneficiaries receive an adequate level of income support. This results in significant variation in the value of the IGNOAPS pension across states, as can be seen in Figure 5-11, with top-up values ranging from INR50 (US$0.60) to INR3,000 (US$35). The highest transfer values are equivalent to almost 17 per cent of GDP per capita, so slightly above the Asia-Pacific region average. Four State governments do not provide a top-up at all, resulting in residents within these states receiving a monthly pension of only 1 per cent of GDP per capita for 60–79 year olds and 2.4 per cent of GDP per capita for those above 80 years.

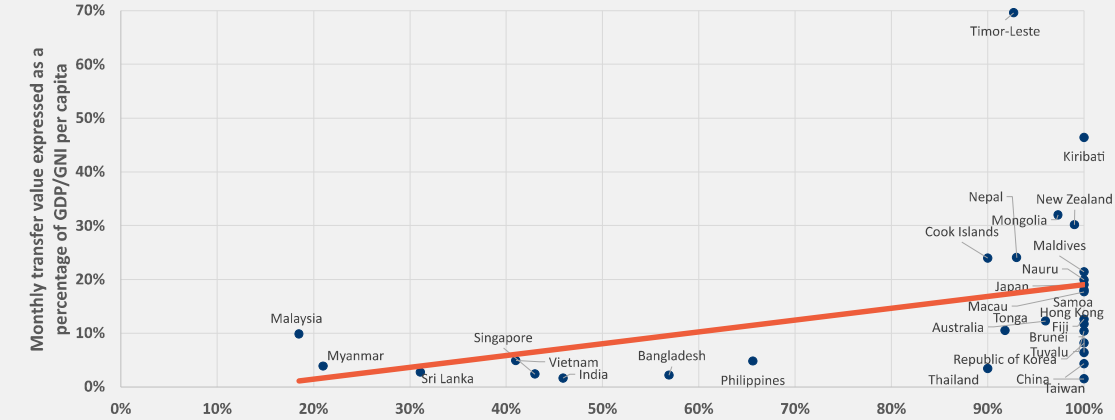
Figure 5-11: Value of tax-financed Tier 1 pensions across India, measured as a percentage of India's GDP per capita



Source: Ministry of Rural Development (2023)

One reason for the variation in the value of the pensions is the type of scheme. Figure 5-12 maps the coverage of pension systems (not just tax-financed pensions) among persons above 65 years of age against transfer values expressed as a percentage of GDP per capita. It shows that higher transfer values are more likely with universal or benefit-tested schemes while means-tested pensions tend to have lower values. All countries with low pension system coverage offer low value pensions at less than 10 per cent of GDP per capita. Among countries with higher pension coverage there is greater variation. Ten countries with high pension coverage have transfer values above 15 per cent of GDP per capita while 9 have values below 10 per cent of GDP per capita.

Figure 5-12: Comparison of transfer values of Tier 1 pensions as a percentage of GDP per capita with coverage of pension systems among persons above 65 years[74]



Source: Authors elaboration based on IMF WEO Database (2025). See Annex 3 for a detailed list of sources for the transfer values.

The political economy of targeting helps explain why higher coverage is correlated with higher transfer values.[75] When pension systems offer universal or high coverage, they are likely to be more popular across society, including among those paying higher levels of taxation. Taxpayers are likely to push for higher value pensions since they themselves will benefit from them in old age. In contrast, when Tier 1 pensions are only offered to the poorest members of society, there is little pressure on government to provide higher value pensions since those living in poverty are a weak political constituency. Indeed, higher value means-tested pensions are likely to be opposed by the better-off, who may resent their taxes being used to pay for pensions from which they will not benefit.

However, this dynamic is more likely to happen in contexts where democracies are stronger or governments are more likely to experience pressure from the population, such as in countries with small populations where government is necessarily close to the people (e.g. Kiribati, the Maldives, Nauru, Timor-Leste, Samoa and Tuvalu). When governments feel less need to respond to their populations, such as under authoritarian regimes, higher coverage is less likely to translate into higher value pensions. This likely explains the relatively low Tier 1 pension value in China, despite its high pension coverage. Weaknesses in Thailand's democracy may also explain its relatively low pension value despite high coverage.

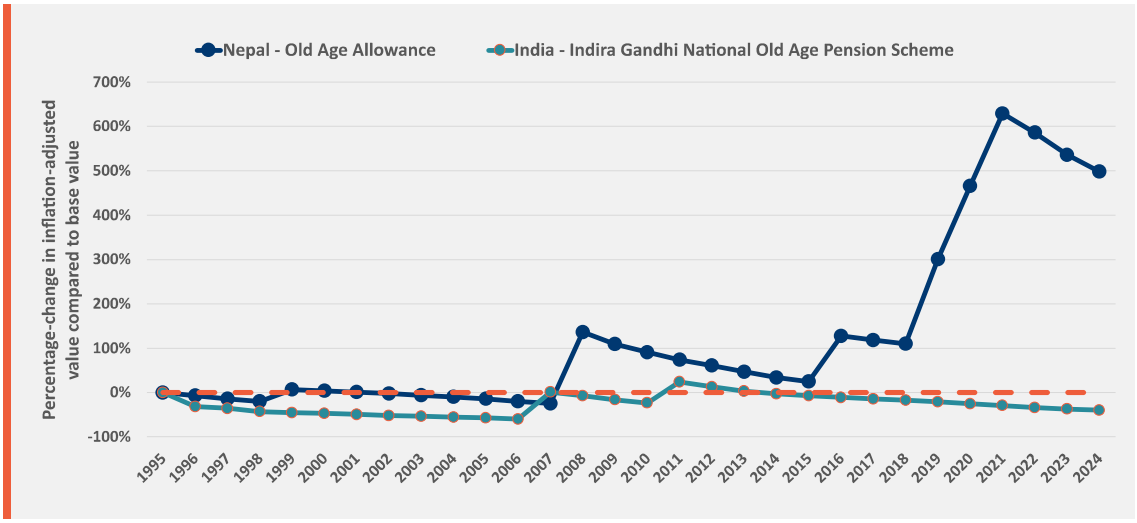
The South Asia region is an interesting case study. The countries with low value pensions – in other words, Bangladesh, India and Sri Lanka – all have schemes targeted at the poorest members of society. In contrast, Nepal and the Maldives have much higher value pensions while also providing universal schemes. Another interesting case study is the comparison

[74] Note that in July 2025, Vietnam reduced the age of eligibility for the benefit-tested component of the pension system, therefore coverage is likely higher than reflected here. For Mongolia, the value used is that of the social insurance minimum pension for the reasons explained in Box 5-1.
[75] See, for example: Sen (1995); Moene and Wallerstein (2001); Pritchett (2005); Kidd (2015b).

between New Zealand and Australia: New Zealand offers a universal pension and has a transfer value that is 60 per cent higher than Australia's, where the pension is means-tested.

The values of pensions do not remain constant: governments can choose to increase them or, if they do not, their values may be eroded by inflation. Figure 5-13 shows the trajectory of change of the national Tier 1 pensions in India and Nepal. Nepal's pension commenced at a very low value in 1995, and, during the civil war, its purchasing power did not change much until the end of the civil war. As indicated earlier, following the end of the civil war, and as part of a peace dividend, the transfer value was increased by over 100 per cent, alongside a reduction in the age of eligibility from 75 years to 70. Over the next few years, the transfer value was gradually eroded by inflation: at the time, the Government was under pressure from the World Bank to means-test the pension and may have been reluctant to increase its value and its budget. However, since 2016, the real value of the pension has increased considerably likely due to the pension's universality, which makes the scheme more popular and the Government more willing to increase transfer values and gain the political rewards. Other universal pensions in the region have similarly increased in value over time despite fluctuations: the value of Kiribati's pension was 240 per cent higher in 2023 than when it first began while Nauru's pension increased by 205 per cent and Tuvalu's by 29 per cent.[76]

Figure 5-13: Change in real transfer values of Tier 1 pensions in India and Nepal



Source: Author's calculation using Ministry of Rural Development (2023), Lawati (2023), and IMF WEO Database (2025)

In contrast, the value of India's Tier 1 pension has fallen by 40 per cent since its introduction, likely because it is means-tested and, therefore, less popular. Similarly, in the Philippines, the means-tested Tier 1 pension did not increase in value for 11 years following its introduction in 2011, losing 28 per cent of its value. However, in response to the impacts of the Covid-19 pandemic, the value doubled in 2022, although it has not increased in value since then.[77]

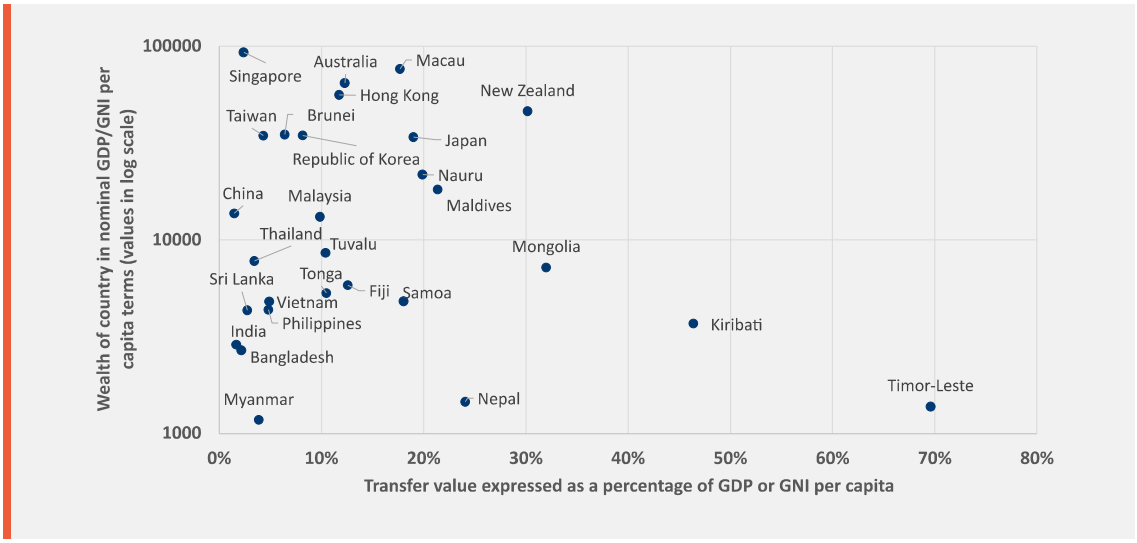
The fact that means-tested pensions are more likely to offer low transfer values undermines one of the key arguments proffered in favour of means testing. It is often claimed that, when

[76] P4SP (2024).
[77] De la Pena (2022).

budgets are limited, it is better to target benefits at those living in poverty since countries can provide a higher transfer value compared to a universal budget by sharing the limited budget among a smaller number of people. Yet, as explained above, the evidence does not bear this out. In reality, budgets are never 'limited' or fixed: if a scheme has higher coverage, it is likely to be more popular and, therefore, have a higher transfer value. The budget, therefore, will, in turn, be much larger, as discussed further in Section 7.

There appears to be no relationship between the value of Tier 1 pensions, when measured as a percentage of GDP per capita and national wealth[78] (see Figure 5-14). This is a fairer means of comparing the commitment of countries to providing decent old age pension values than using nominal or equivalent purchasing power parity values (as in Figure 5-9), since it considers the financial capabilities of countries. Figure 5-14 shows how some of the poorest countries in the region – such as Nepal and Timor-Leste – provide high value pensions while some richer countries – such as China and Taiwan – offer much lower value pensions. Therefore, the quality of tax-financed pensions offered by countries does not depend on their wealth but, rather, on other factors, including political commitment (as discussed above and in Section 7).

Figure 5-14: Correlation between the value of Tier 1 pensions and the wealth of countries



Source: Author's elaboration based on IMF WEO (2025). See Annex 3 for sources.

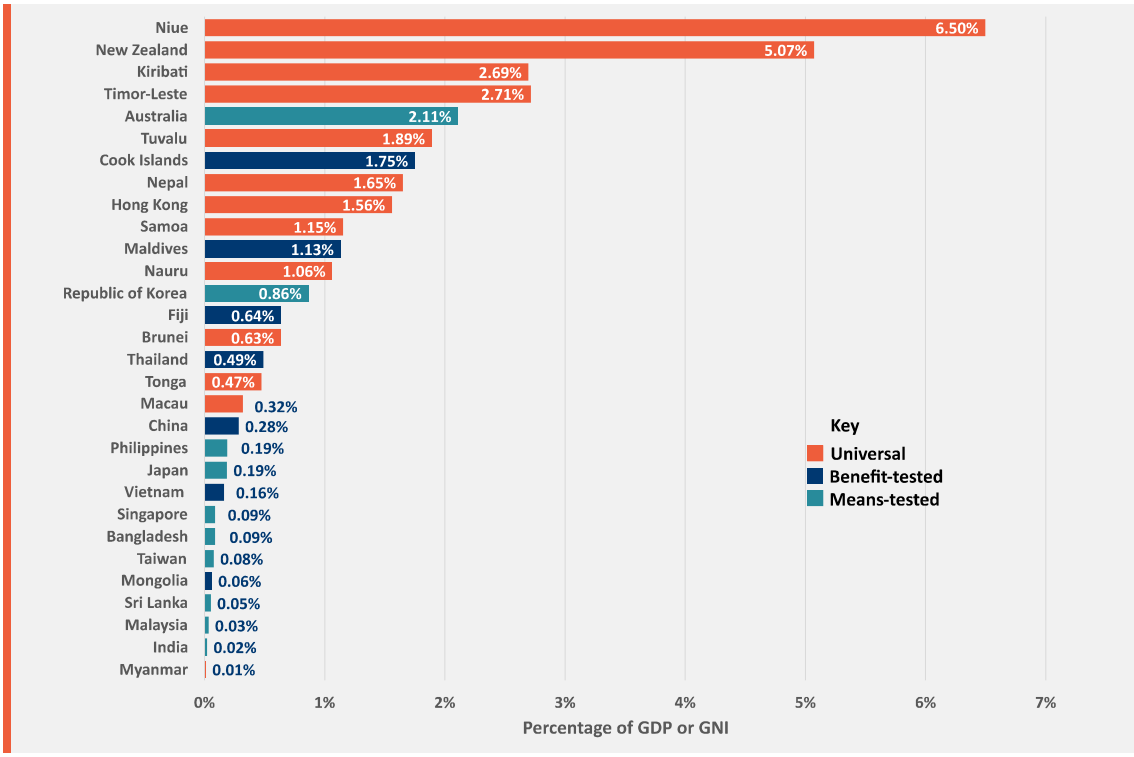
5.5 Expenditures on tax-financed Tier 1 pensions in the Asia-Pacific region

There is significant variation in the level of investment in tax-financed Tier 1 pensions across the Asia-Pacific region, as shown by Figure 5-15 which reports spending as a percentage of GDP or GNI per capita.[79] The average level of spending across countries is 1.13 per cent of GDP/GNI but there is wide variation. The tiny country of Niue has the highest expenditure at

[78] The R-squared value for the chart in Figure 5-14 is 0.001, which means that there is essentially no correlation.
[79] In most cases, GDP is used as the measure of the wealth of a country. However, in some smaller countries, it is better to use GNI since GDP does not include many components of their economies and, therefore, provides an artificially low figure.

6.5 per cent of GNI,[80] followed by New Zealand, which spends 5.1 per cent of GDP. Twelve countries spend more than 1 per cent of GDP but in 12 countries expenditures are below 0.3 per cent of GDP, including in some countries with large populations such as China, India and the Philippines. India's overall cost, though, will be somewhat higher once state spending on pensions is included although it is still likely to be low. The highest levels of expenditures tend to be in countries offering universal Tier 1 schemes – often combined with higher transfer values – although Australia spends 2.1 per cent of GDP on its means-tested pension, which is explained by the relatively high coverage. This, in turn, is partly the result the perverse incentives introduced into the system by means testing, which encourages Australians to take their contributory pensions as lump sums and, by reducing their wealth, qualify for the tax-financed pension (see Section 5.1 for further discussion). As indicated earlier – see Box 5-1 – while Mongolia appears to have a very low expenditure on its Tier 1 pension, this is misleading because of its high expenditure on its almost universal social insurance pension. If the World Bank's (2025) estimate that the state provides a subsidy to the social insurance pension of 1.7 per cent of GDP, then overall tax expenditures on pensions would be 1.76 per cent of GDP.[81]

Figure 5-15: Expenditures on tax-financed Tier 1 pensions in the Asia-Pacific region, as a percentage of GDP or GNI[82]

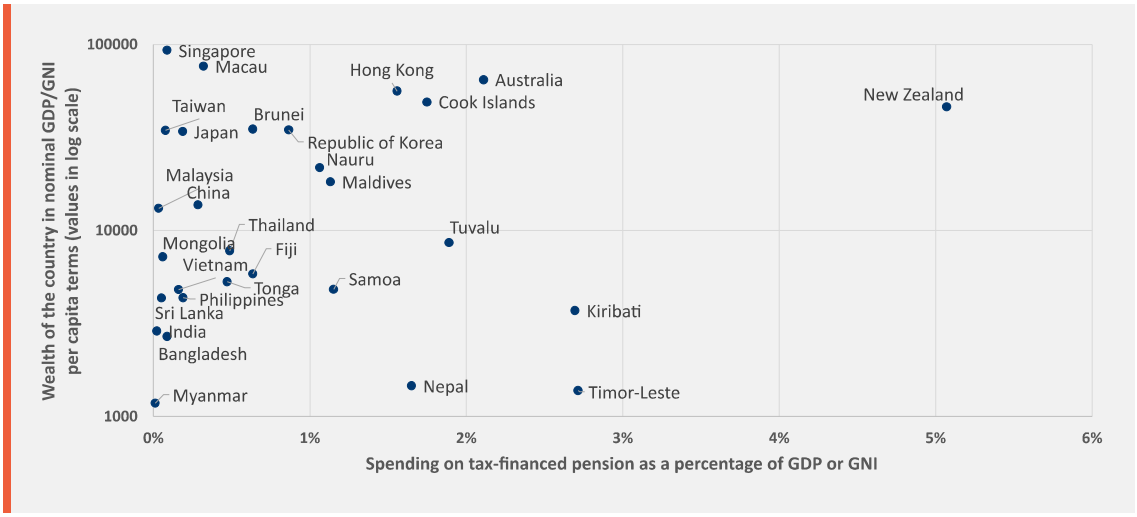


Source: See Annex 3 for sources. Countries whose transfer value is expressed as a percentage of GNI per capita are Cook Islands, Fiji, Kiribati, Nauru, Tonga, Tuvalu, Timor-Leste and Samoa. Note that, since 2023, Thailand's pension has applied a means test for all new recipients.

[80] Note that this value is from 2018, as that is the most recent estimate available.
[81] The World Bank (2020) suggested a higher subsidy in Mongolia of 2.8 per cent of GDP.
[82] Although data is not available, it should be noted that Vietnam is likely to have a higher level of expenditure from 2025 onwards due to the expansion in coverage.

As shown by Figure 5-16, there is no meaningful correlation between the wealth of a country and the level of expenditure.[83] Some of the higher spending countries – such as Nepal, Timor-Leste and Kiribati – are large spenders while some much richer countries – such as China, Korea, Malaysia and Taiwan – spend much less. In the South Asia region, there is a stark contrast between Bangladesh, India and Sri Lanka, which spend very little on their Tier 1 pension, and Nepal which spends much more despite being a lot poorer. As with the value of the pension, the level of expenditure likely depends more on political will, coverage and the popularity of schemes than on the wealth of countries (see Section 7 for a further discussion).

Figure 5-16: Relationship between the wealth of countries and their expenditures on tax-financed pensions



Source: Author's elaboration based on IMF WEO Database (2025). See Annex 3 for sources on expenditures. Figures for Niue are not in this graph the IMF does not publish economic data for Niue.

It should be borne in mind that the expenditure figures given do not account for the amount of the pension that is clawed back through taxation, thereby reducing the effective cost. In some countries – such as New Zealand – older people continue to pay income tax: Willmore (2006b) estimated that New Zealand clawed back 0.7 per cent of GDP through income tax. Countries also claw back pension expenditures through sales taxes.

New Zealand provides an innovative approach to funding their tax-financed pension.[84] Currently, the scheme is financed from general government revenues. However, in 1999, New Zealand created a Superannuation Fund as a means of financing the pension in the future. The Government placed financial resources in the Fund, which also invests the funds as a means of growing the funds resources. In 2020, the fund was the equivalent of 4.1 per cent of GDP and it is predicted to reach 8 per cent of GDP by 2100. In the future, the Government will draw down on the fund to finance a small portion of the cost of the tax-financed pension, known as 'tax-smoothing.' The fund is also used to promote economic growth by investing in enterprises.

[83] The R-squared value is 0.0244 in Figure 5-16, indicating a very weak correlation.
[84] Te Ara Ahunga Ora Retirement Commission (2024).

5.6 Effectiveness of countries in the Asia-Pacific region in providing a minimum pension to their citizens

As indicated above, an effective pension system should provide all members of society with a monthly pension that enables them to enjoy a minimum standard of living on reaching old age. Previous sections have demonstrated the efficacy of provision in the Asia-Region by examining both coverage of current pension systems and the value of the tax-financed Tier 1 pension transfers. However, the effectiveness of a pension system in offering a minimum income to all citizens is best assessed by examining both coverage and transfers values.

Tran (2021) developed an index to assess the effectiveness of pension systems in offering a minimum income in old age. It used both coverage and the pension value as the two basic parameters for determining effectiveness. The same methodology has been used in this study. The two parameters are calculated in the following ways:

- **Coverage** is determined by assessing the number of people aged 65 and above in receipt of a state pension (**SPR**) – combining both contribution-based and tax-financed Tier 1 pensions – and calculating the proportion as a percentage of the total population aged 65 years and above (**POP65+**). However, when information is not available on coverage of those over-65 years, the ILO's (2024) coverage figure has been used.
- The **value of the minimum pension** (**MP**) is calculated as the annual value of the pension as a proportion of GDP per capita.[85] As mentioned earlier, by using GDP per capita rather than the absolute values of pensions – even if adjusted for purchasing power parity – it allows a comparison between countries that considers their financial capability to fund a minimum pension.

The index employs a simple calculation. It measures the product of coverage and transfer value, which is then multiplied by 100, as shown below:

Score of pension effectiveness = **(SPR/POP65+)** x **(MP as % of GDP/GNI per capita)** x **100**

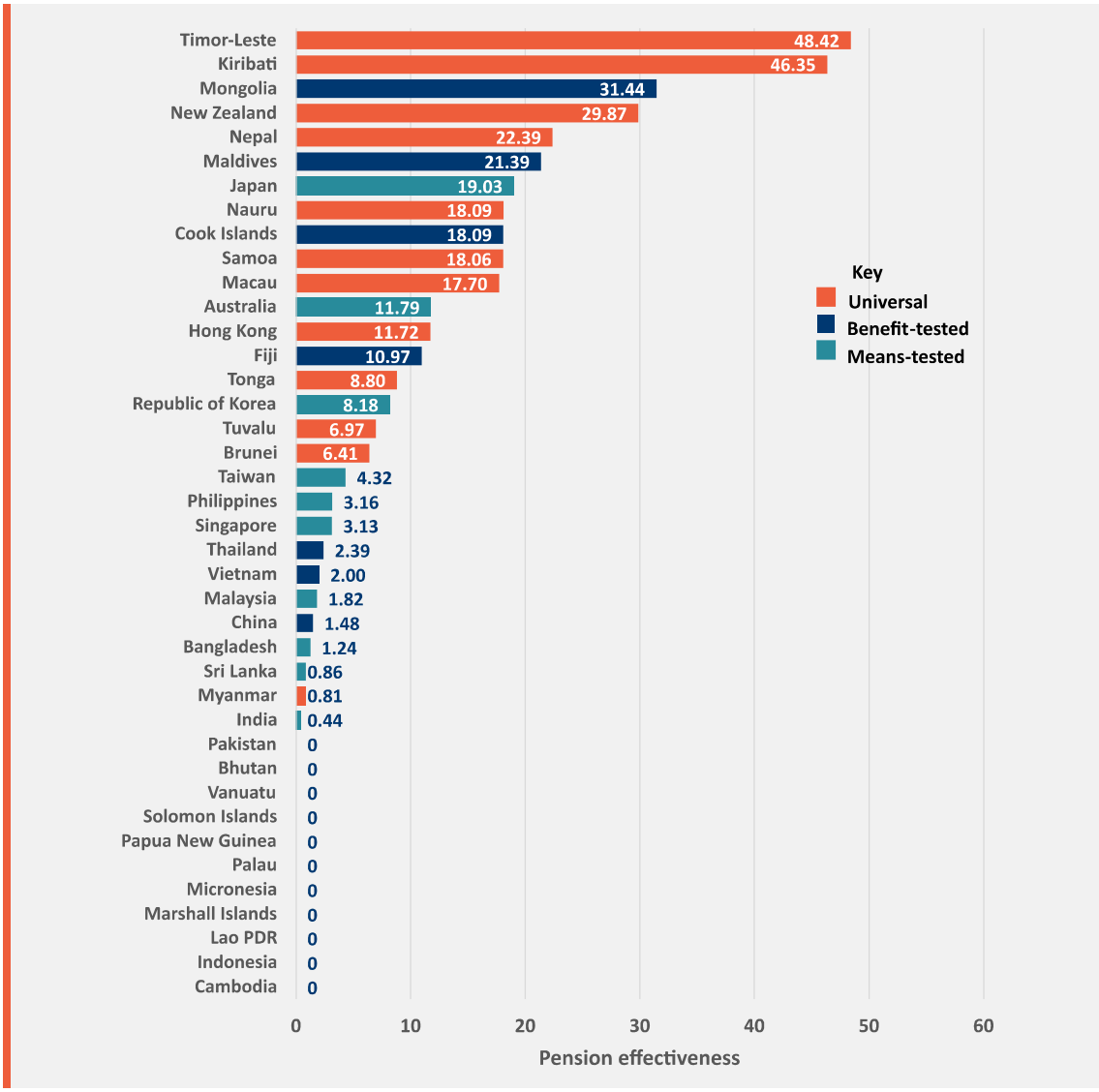
The resulting index gives a score between 0 and 100. A score of 100 could theoretically be achieved by a system that guarantees a minimum income equivalent to 100 per cent of GDP per capita for everyone aged 65 years and above.

Countries in the Asia-Pacific region vary greatly in terms of their effectiveness in offering a minimum pension to their citizens. The pension effectiveness index scores for almost all countries in the Asia-Pacific region are set out in Figure 5-17. The lowest score of zero is for countries that do not provide a tax-financed Tier 1 pension, which is the case for 11 countries. Among countries that provide a minimum pension, the effectiveness index varies from 0.44 in India to 48 in Timor-Leste. However, the scores of individual states within India might be

[85] Using GDP per capita is a pragmatic choice. GDP does not capture a range of aspects of wellbeing, but it is an easy measure of the relative value of pensions. In some Pacific Island Countries and Timor-Leste, we have used GNI per capita, to be consistent with our earlier approach when assessing the value of tax-financed pensions. This is because in these countries, there is a very large difference between GNI and GDP and GNI better reflects the wealth of these countries. The Pacific Island countries in question are: Cook Islands, Fiji, Kiribati, Nauru, Tonga, Tuvalu and Samoa.

higher than depicted here once state-level variation in the value of the minimum pension is taken into account (see Box 5-3). Countries that provide universal pensions have a higher effectiveness index, with the highest scores reported in Timor-Leste, Kiribati, Mongolia and New Zealand. With the exception of Australia, Japan and South Korea, countries with means-tested Tier 1 pensions are the least effective, with much lower scores. However, Australia, Japan and South Korea all have high pension coverage which helps drive higher scores.

Figure 5-17: Effectiveness of countries in the Asia-Pacific region in offering a minimum pension[86]

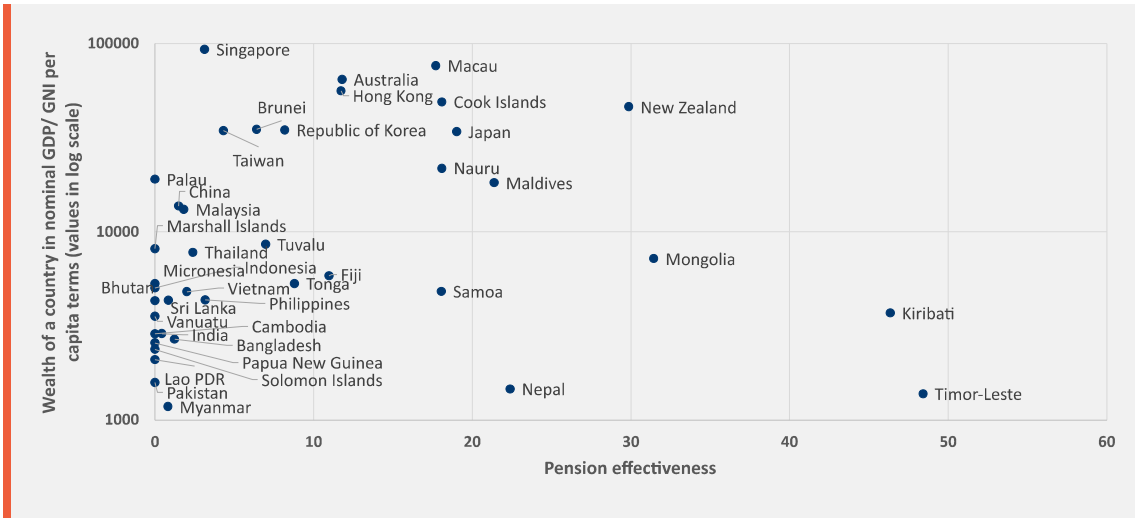


Source: Authors' calculations based on data collected on transfer values and coverage. See Figure 3-1 and Annex 3 for sources. Note that, since 2023, Thailand's pension applies a means-test for all new recipients, and as such, will result in reduced effectiveness over time.

[86] In this graph, we have mainly used GDP per capita for the calculation. However, as explained in Box 5-2, we have used GNI in some small countries, mainly in the Pacific. And, as explained in Box 5-1, we have used the value of the minimum social insurance pension for Mongolia.

There is minimal correlation between the effectiveness of a pension system in guaranteeing a minimum standard of living for older people and the wealth of countries, as illustrated by Figure 5-18.[87] Some high-income countries do not provide an adequate minimum standard of living for all older people, such as Singapore, Australia and Taiwan. On the other hand, countries like Kiribati, Timor-Leste and Nepal effectively provide a good minimum standard of living, despite their wealth being much lower in comparison. Several factors beyond wealth inform the design of pension systems within countries, and in particular the Tier 1 pension, and will be discussed in Section 7.

Figure 5-18: Correlation between the effectiveness of pension systems in providing a minimum standard of living for older people and the wealth of countries



Source: Author's calculations based on IMF WEO Database (2025). See Figure 3-1 and Annex 3 for sources.

[87] The R-squared value for the chart is 0.0398.

6 Impacts of tax-financed Tier 1 pensions

Globally, there is strong evidence that tax-financed Tier 1 pensions have made a significant difference to the lives not only of older people but also their families, communities and nations. There is similar evidence from the Asia-Pacific region although the size of impacts depends on coverage and transfer values. Therefore, it would be expected that those pensions scoring higher on the minimum pension effectiveness index are more likely to have positive impacts. The methodology used in this section to estimate the impacts of the tax-financed pensions can be found in Annex 2.

6.1 Impacts of pensions on household consumption

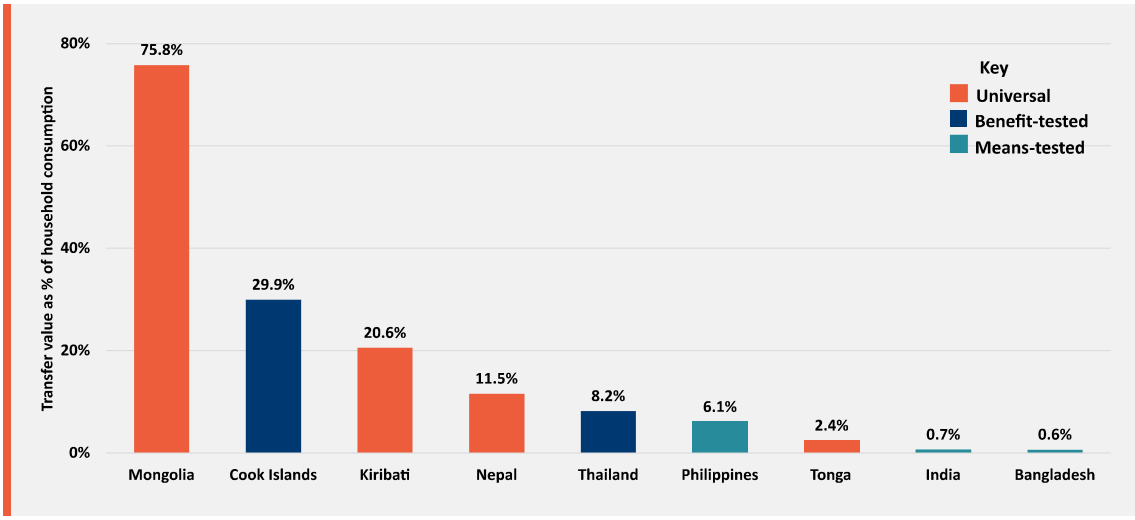
Tax-financed Tier 1 pensions can have significant impacts on consumption among older people, if well-designed. As Figure 6-1 shows, the universal and benefit-tested pensions in the Cook Islands, Kiribati, Mongolia and Nepal have significantly increased per capita household consumption among older people aged 65 and over. The current pension values in countries with universal coverage represent an average of between 2 per cent (in Tonga) and 76 per cent (in Mongolia) of household per capita consumption among households with over-65s. However, benefits targeted at older people living in poverty have, usually, much lower impacts, due to their low coverage, targeting errors and low transfer values.[88] In Bangladesh and India, the share of consumption provided by the pensions is less than 1 per cent. Qualitative research in Vietnam on its benefit-tested pension for over-80s – which is of low value – suggests that the scheme was welcome but failed to satisfy the needs of the pensioners due to its low value (see Box 6-1).

Box 6-1: Vietnam pensioner views of the Tier 1 pension

Kidd et al (2016) report on how pensioners in Vietnam regard the Tier 1 pension: "Recipients of the social allowance for the elderly commonly referred to it as 'breakfast money' or 'enough for a snack', or 'daily coffee'. A recipient of the disability allowance stated: 'The allowance is only enough for breakfast. It is not much, so how can it affect poverty reduction?' Others observed that they could not use the cash for home improvements: 'The supporting money we enjoy from the social assistance programme is not enough for housing renovation, just enough for paying the monthly electricity bill.' One recipient stated: 'As my children provide for my daily expenses, the benefit is just my pocket money.' Indeed, some expressed feelings of inferiority because they were living in poverty and the allowance was insufficient to feed even themselves, thus forcing them to rely on their children.

[88] Another study in India found similar low increases in consumption, with an average increase of 5.5 per cent (Unnikrishnan and Imai, 2020).

Figure 6-1: Tier 1 pensions' share of average current household per capita consumption among older people 65+ across selected countries in the Asia-Pacific region[89]

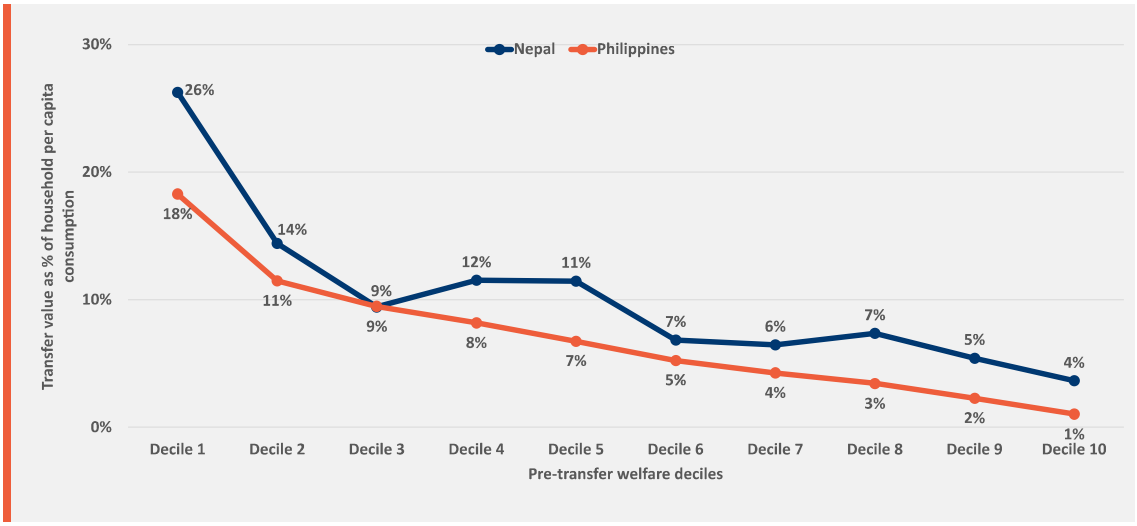


Source: Bangladesh HIES 2016, Cook Islands HIES 2015-16, India IHDS-II 2011-12, Kiribati HIES 2019-20, Mongolia HIES 2021, Nepal AHS 2015-16, Philippines FIES 2023, Thailand SES 2018 and Tonga HIES 2021.

Universal pensions are pro-poor. As Figure 6-2 shows for Nepal's Tier 1 pension, the highest relative increase in consumption among older people aged 65 and over is among the poorest. Over-65s among the poorest decile receive, on average, the equivalent of 26 per cent of their household per capita consumption from the pension. In contrast, the increase in consumption among the poorest 10 per cent of recipients due to the Philippines Tier 1 pension is much lower, with current transfers representing 18 per cent of their consumption. One reason for the relatively higher than expected impact of the means-tested tax-financed pension in the Philippines is due to the low average size of households that have an older person as a member (at only 3.9 members). In contrast, in Nepal, older people's households have an average of 6.1 members, which explains the lower per capita impacts of Nepal's pension.

[89] For Mongolia, the analysis has used the minimum pension for the Social Insurance scheme.

Figure 6-2: Tax-financed pensions as a share of current per capita household consumption across the welfare distribution among older people 65+ in Nepal and the Philippines

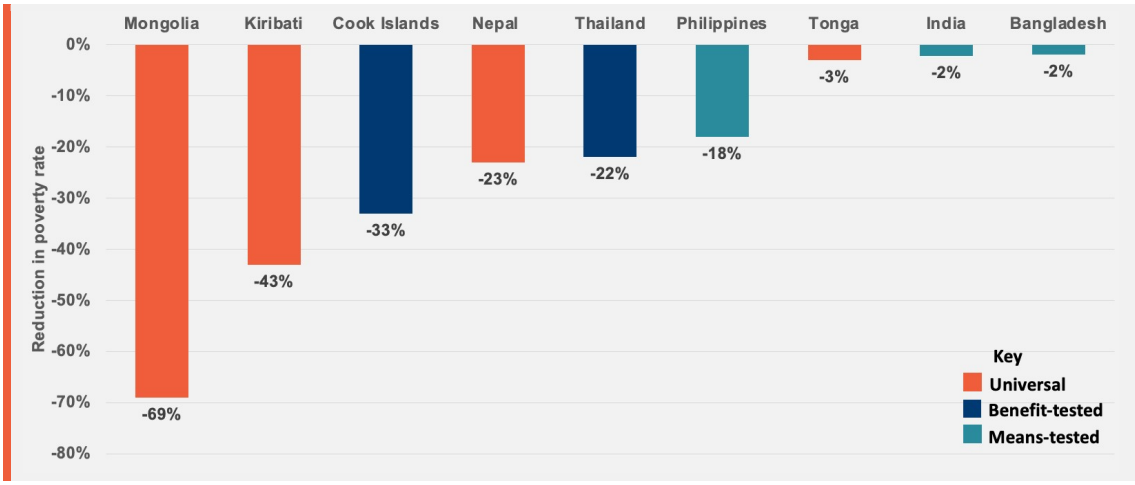


Source: analysis of Nepal's AHS 2015-16 dataset and Philippines FIES 2023.

6.2 Impacts of pensions on poverty in old age

The increases in consumption resulting from Tier 1 pensions translate into poverty reduction. Figure 6-3 shows the impacts of a range of Tier 1 pensions across the Asia-Pacific region on the poverty rates of older people. In most cases, universal and benefit-tested pensions have much larger impacts on poverty reduction than means-tested pensions due to reaching many more older people with higher value pensions. In Mongolia, for example, the poverty rate among older people falls by 69 per cent as a result of the pension and by 43 per cent in Kiribati and 23 per cent in Nepal. In contrast, in the means-tested pensions in Bangladesh and India, the reduction in the poverty rate is only around 2 per cent. Tonga, however, is an anomaly. The reduction in the poverty rate due to the means-tested pension in the Philippines is relatively higher because of the aforementioned small size of households with older people.

Figure 6-3: Impacts of tax-financed Tier 1 pensions on poverty rates of older people 65+ across selected countries in the Asia-Pacific region[90]

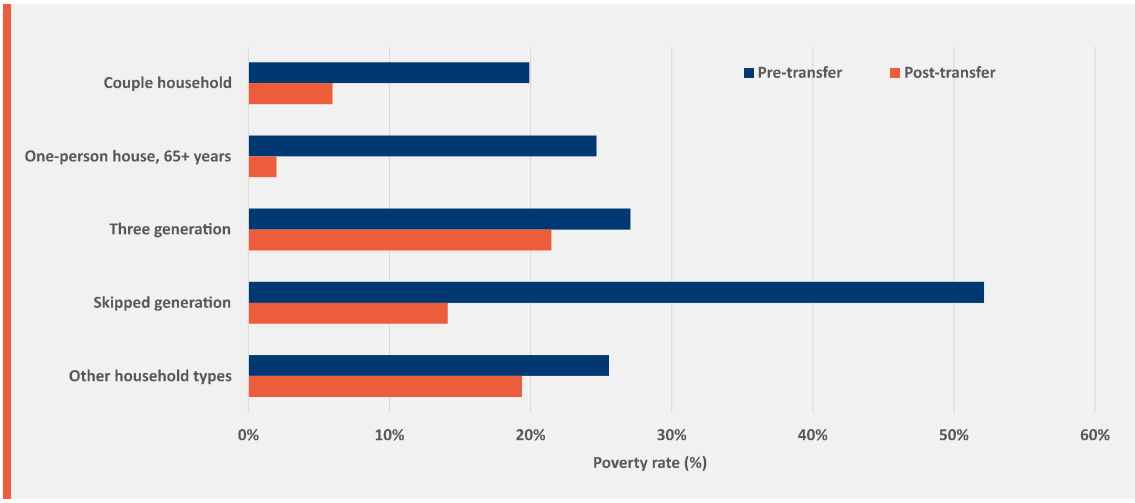


Source: Bangladesh HIES 2016, India IHDS-II 2011-12, Kiribati HIES 2019-20, Mongolia HIES 2021, Nepal AHS 2015-16, Cook Islands HIES 2015-16, Philippines FIES 2023, Thailand SES 2018 and Tonga HIES 2021.

While Figure 6-3 shows the reductions in poverty across all older people, the impacts of pensions on older people can vary significantly, depending on their household circumstances. For example, Figure 6-4 shows the impact on poverty of Nepal's Tier 1 pension by different household types. The greatest impacts on poverty are among one or two person households without children, likely because the households are small and the pension comprises a higher proportion of overall household income. Pensions also have a relatively large impact on skipped generation households, in other words, households where older people are carers of children. The least impact is among larger three generation households where older people are living with both their adult children and grandchildren, and the pension income is likely distributed among more people.

[90] A post-transfer poverty rate for over-65s has been used in each country. In the case of Mongolia, it has been assumed that the transfer value of the tax-financed pension has been received by all recipients of the social insurance pension, given that the latter is subsidised by taxes.

Figure 6-4: Nepal's Old Age Allowance's impacts on the poverty rates among older people 65+ of different categories of households



Source: analysis of Nepal's AHS 2015-16 dataset

6.3 Secondary benefits of pensions on older people

The increase in older people's income resulting from pensions has further secondary benefits for older people themselves. However, robust evaluations and studies on the impacts of pensions are relatively rare in the Asia-Pacific region. Some of the main findings are set out below.

Physical and cognitive health of older people

There is good evidence that older people use their pensions to support their own healthcare, even when pension values are small, as in China, India, and Bangladesh. For example, in India, 91 per cent of pension beneficiaries reported increased spending on healthcare, with 46 per cent indicating that their health improved.[91] In Bangladesh, 90 per cent of beneficiaries used their pension to access health services, spending 16 per cent more on health than non-beneficiaries;[92] in Nepal, when the pension was much lower in value than it is now, recipients spent a significant portion of their pension on healthcare, especially medicine, to address challenges with respiratory issues, diabetes, and heart disease;[93] in Mongolia, over 80 per cent of pensioners reported medical care becoming more affordable for them to access;[94] and, in Korea, pensions were also found to increase spending on health services.[95] In China, the small tax-financed pension was found to increase the uptake of health services by older people.[96] It also has reduced incidents of hypertension by 21 percentage points while the probability of being affected by instrumental activities of daily living (IADL) limitations was reduced by 11

[91] Government of India (2009).
[92] Mannan (2010).
[93] HelpAge International (2009).
[94] UNFPA and MOSWL (2007).
[95] Kang et al (2022).
[96] Eggleston et al (2018).

percentage points.[97] Another study in China found that disability rates fell by 3.2-percentage points.[98] China's pension has further reduced health inequalities among rural pensioners by 39 per cent.[99] In fact, two studies have shown how China's tax-financed pension has reduced mortality rates among older people by 6 percentage points over a 3 year period in one study and by 2.2 percentage points in another.[100] In Korea, the reduced mortality rates found among pensioners were explained by reductions in the rate of suicides.[101]

In China there is evidence of delays in the cognitive decline of older people. Pensioners were found to have improved cognitive function scores, with increases in their mini-mental state examination scores of more than 2 percentage points, with the probability of good cognitive function increasing by 18 percentage points.[102]

One factor driving better health among pensioners is that their diets improve. There is evidence that much of the increased consumption by pensioners is on food. In Bangladesh, nearly all recipients of its Tier 1 pension reported spending their pension on food, with up to 95 per cent of respondents indicating that the food security situation of their household had improved significantly. As a result, expenditures on protein as well as improvements in body weight were significantly higher among recipient households compared to non-recipient households.[103] In Nepal, 98 per cent of recipients used their pension allowance for essential needs, primarily food.[104] In Thailand, 84 per cent of pensioners spent, on average, 50 per cent of their pension on food. In China, the Tier 1 pension has increased expenditure on food by 9.6 per cent while reducing the likelihood of being underweight by 1.8 percentage points.[105] In India, 44 per cent of recipients reported spending their pension on food.[106]

However, the results above are largely for low value pensions and, given widespread low incomes among older people in these countries, it is unsurprising that food has been prioritised. In countries with higher value pensions older people may well have broadened their expenditures to other areas.

Mental health of older people

There is good evidence of even low value pensions driving improvements in the mental health of older people. In Korea, the pension brought about an 8-9 per cent reduction in depressive symptoms, as measured by Center for Epidemiological Studies Depression (CES-D) scores while, in China, one study found a 3-percentage point fall in CES-D scores, while another measured a 40 per cent decrease in the prevalence of depressive symptoms among older adults.[107]

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[97] Cheng et al (2016).
[98] Huang and Zhang (2016).
[99] Yuan et al (2022).
[100] Cheng et al (2016); Huang and Zhang (2016).
[101] Pak (2020).
[102] Cheng et al (2016)
[103] Ahmed et al (2008); Begum and Wesumperuma (2010).
[104] Sedhai (2020).
[105] Huang and Zhang (2016).
[106] Government of India (2009).
[107] Pak (2020); Comploj et al (2024); Cheng et al (2016).

Improved social relations of older people with others

There is good global evidence that pensions can strengthen the relations of older people with their families as they may viewed more as contributors than a burden. In Nepal, for example, pensioners reported improved social relationships, with more frequent interactions and strengthened connections with friends and family, including their adult children. This was particularly the case in rural areas where family ties tended to be stronger.[108]

6.4 Secondary benefits of pensions on the family members of older people

Pensioners often live with other family members while they usually have wide kinship networks. Globally, there is good evidence of older people sharing their pensions with other family members, in particular with their grandchildren, due to the special caring relationship between grandparents and their grandchildren.[109] For example: in South Africa, girls are up to 5 centimetres taller if they live with a female pensioner, demonstrating how pensions can impact on stunting by helping improve diets, a particular challenge in South and South-East Asia where stunting rates are high;[110] and, in Bolivia and Brazil, there is good evidence of children being able to attend school as a result of living with pensioners.[111]

In the Asia-Pacific region, a small number of studies have examined the impacts of pensions on family members. In China, the New Rural Pension Scheme (NRPS) has been found to decrease the labour supply among older people by 34 per cent while increasing the labour supply of migrants by 6 per cent.[112] In effect, older people appear to be more likely to take on care responsibilities for their grandchildren, enabling parents to migrate for work. This has resulted in an 86 per cent increase in the wages of those able to migrate and a 15 per cent increase in family welfare, measured in terms of consumption.[113] The increased wellbeing of families has likely had positive benefits for children. Given the low transfer value of the NRPS at only 1.5 per cent of GDP per capita (see 5.4) the researchers simulated the potential impacts of increasing the transfer value fivefold, which would mean a pension equivalent to 7.5 per cent of GDP per capita, so still relatively low. Nonetheless, they estimated that if such a pension were implemented, the labour supply of older people would fall by 73 per cent, the labour supply of migrants would increase by a further 6.6 per cent, while household wellbeing would further increase by 28.5 per cent. Other research on the NRPS has similarly found that the pension has increased the likelihood of grandparents caring for their grandchildren as well as facilitating parents' ability to migrate for work.[114] In addition, research has found a greater likelihood of family members engaging in on-farm activities as a result of the NRPS.[115]

Elsewhere in the Asia-Pacific region there is evidence of the positive impacts of pensions on children and other family members. In the Cook Islands, there is evidence that the Tier 1

[108] HelpAge International (2009).
[109] Cf. Barrientos and Lloyd-Sherlock (2011).
[110] Duflo (2000); Case (2001).
[111] de Carvalho Filho (2008); Mendizábal and Escobar (2013).
[112] Gai et al (2025a).
[113] Gai et al (2025b).
[114] Jiao Na (2016), Eggleston et al (2018), Li et al (2018)
[115] Li et al (2018).

pension is often used by grandparents to support the needs of their grandchildren.[116]A study in Nepal – again, at a time when the value of the pension was much lower than now – found that 37 per cent of the pension was spent on the broader household and other family members.[117] In Thailand, research has shown tangible evidence of the impacts of pensions on children: when the Tier 1 pension was expanded to reach most over-60s, in households with new pensioners children aged 12-18 years were found to be 20 percentage points more likely to enrol in school than children living with non-recipients.[118] Further, older children were 23 percentage points less likely to be engaged in work.

One of the benefits of pensions for families with children is that they have less need to financially support their older parents and, therefore, can invest more in their own children (which may explain, in part, the positive impacts of pensions on children). In the Asia-Pacific region, evidence for this has been found in China, where pensions have reduced the value of transfers from adult children to older people.[119] Pensioners are also less likely to rely on their children for support, including when they are ill.[120]

6.5 The support that can be provided by older people to their communities if pensions are in place

Many people remain active in old age and capable of working, at least until the point that they experience disabilities. They still, therefore, have much to offer to their communities. The receipt of a pension can enable older people to more effectively provide voluntary support within their communities across a wide range of areas including through leadership, support to local organisations or charities, or through the provision of care to others. The engagement of pensioners in voluntary activities is common in countries with good quality pensions. Therefore, if older people in the Asia-Pacific region were to receive decent pensions, large cohorts of volunteers who are able and willing to support their communities could be created.

Universal and poverty-targeted pensions can have very different impacts on social relations in communities. There is good evidence that poverty-targeted social security schemes can exacerbate tensions in communities, including in Asia. Various researchers in Indonesia have found that poverty targeting has generated significant tensions in communities.[121] Research in India and Bangladesh has also demonstrated the significant challenges that older people experience in applying for their poverty-targeted pensions, with access determined by local elites with patronage and bribery often playing an important role.[122] For many people, applying

[116] UNICEF Pacific & Government of the Cook Islands Ministry of Internal Affairs & Economic Policy and Research Institute (2020).
[117] HelpAge International (2009).
[118] Herrmann et al (2021).
[119] Chen et al (2018); Nikolov and Alderman (2019); Comploj et al (2024).
[120] Egglestone et al (2018): Li et al (2018); Guo et al (2025).
[121] Widjaja (2009); Cameron and Shah (2011); Hannigan (2010); Hossain (2012).
[122] Pellissery (2005); Hossain and Zahra (2008).

for a poverty-targeted pension can be highly stigmatising while, as Box 6-2 describes, minority groups may find it particularly difficult.

In contrast, when everyone in communities can access Tier 1 pensions, and the rules of access are very clear, the schemes are popular and are likely to strengthen cohesion within communities, while reducing the social exclusion of older people.

Box 6-2: Challenges experienced by the Adivasi of Bangladesh in accessing pensions

A study by Hossain (2011) in the Naogaon district of Bangladesh found that 92 per cent of Adivasis were eligible for social protection schemes – including the Old Age Allowance – but only 8 per cent were recipients. Government policy did not mandate or monitor the equal access to schemes by Adivasis, and, at local level, they were subject to widespread discrimination. As a result, they found it difficult to access information on schemes; they suffered from labelling and stereotypes by those elites responsible for selection, such as being characterised as drunkards, nomads or already receiving support from Non-Governmental Organisations (NGOs) and churches; they are excluded from participation in committees responsible for selecting beneficiaries, and, they do not have the local political connections that are necessary to access old age pensions in Bangladesh.

6.6 Impacts of pensions on fertility and child preference

There is good evidence that, historically, pensions have reduced fertility.[123] This is because, once people are guaranteed a reliable income in old age, they no longer feel it necessary to have so many children who, in the absence of a pension, they would have relied upon to care for them in old age. In China, however, pensions also seem to have reduced son preference, thereby resulting in a more equal sex ratio at birth.[124]

6.7 Economic benefits of old age pensions

While policymakers often view old age pensions as a cost, in reality they play a key role in strengthening economic growth. This can happen through a range of pathways.[125] Four key pathways are outlined below.

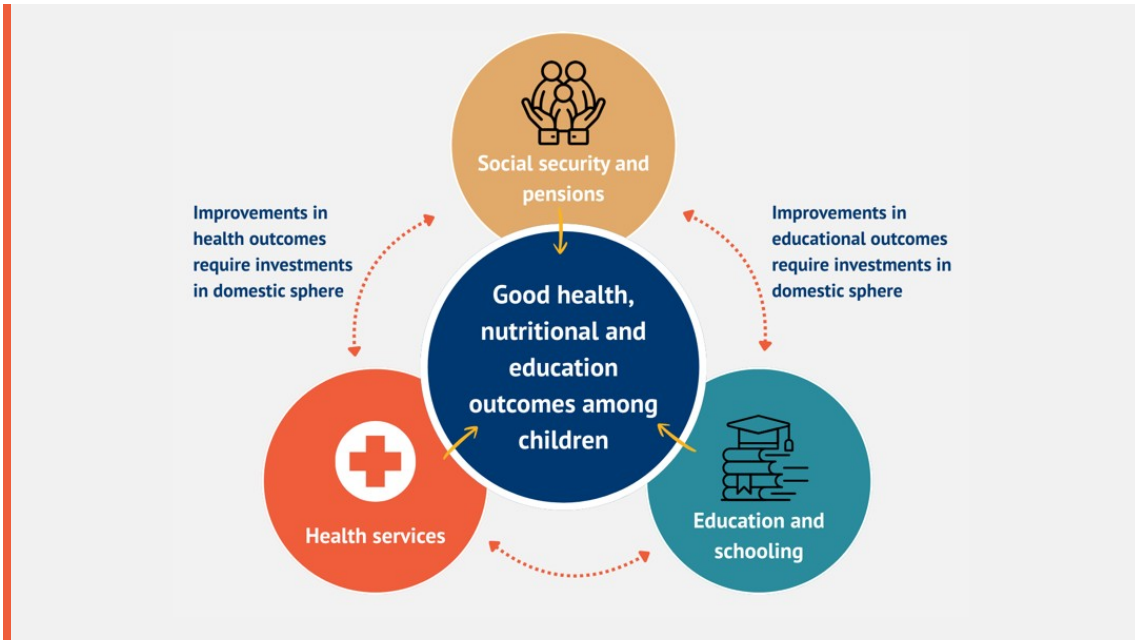
Building the nation's human capital

For countries to achieve good health, nutrition and educational outcomes among their children – which will strengthen their human capital and create a more highly skilled workforce – they must invest in health, education and social security, as depicted in Figure 6-5. If investment in one arm of these three essential public services is insufficient, children will lose out. The global evidence – as indicated above – shows that old age pensions can play a critical role in strengthening the home environment for children. Older people often use their pensions to support their grandchildren while families can reduce their financial support to their elderly parents and, as a result, invest more in their children. This can include through providing children with improved diets and nutrition, enhanced access to school and a more conducive home environment for studying. For example, pensions can play a major role in tackling stunting among children which, if not addressed, can really hold them back from reaching their

[123] Galaso et al (2008); Holmqvist (2010).
[124] Guo et al (2025).
[125] Kidd and Tran (2017).

full potential: if children experience stunting during their first few years of life – which impacts on their brain development – they may never recover and could experience, on average, a 26 per cent reduction in lifetime earnings.[126] Therefore, by investing in old age pensions – as part of a broader social security system – child development can be strengthened thereby building the human capital stock of countries and delivering a more highly skilled workforce, which is essential for economic growth.

Figure 6-5: Social security as part of an integrated system approach to improve health, nutritional, education and other outcomes in children



Source: Authors' elaboration

Stimulating the economy by generating demand

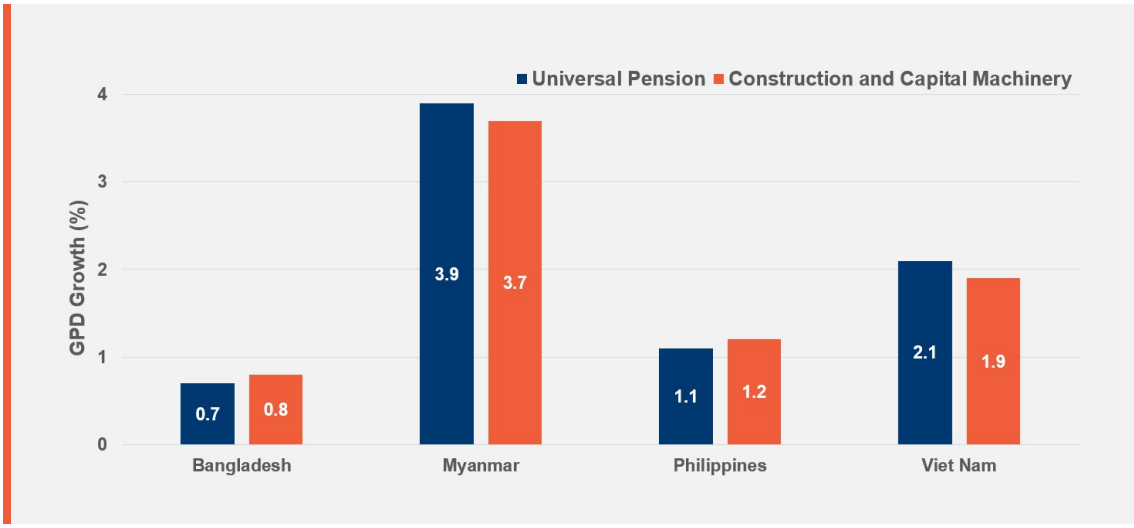
Older people spend the cash they receive from their pensions which can broaden markets for entrepreneurs. There is good evidence globally that if cash is injected into communities through social security schemes, it can generate multipliers. The cash received in households circulates through local communities as it is invested in small businesses, spent in local shops and markets, or provides short-term employment, thereby creating more dynamic local economies. A range of studies in Africa by the FAO (2016) have found multipliers of between 1.3 and 1.8, meaning that each dollar given to recipients generates an additional US$0.30 to US$0.80 as it circulates within communities. In Mexico, Sadoulet et al (2001) found local multipliers of between 1.5 and 2.6. A range of other studies across countries as diverse as Brazil, Mexico, Namibia and Uganda have also demonstrated similar boosts to local economies.[127]

[126] Richter et al (2019).
[127] Examples include: Brook et al (2016); Llewellin and Kuss (2017); Devereux (2001); Ministério do Desenvolvimento Social e Combate à Fome (2007); Landim (2009); and, Barrientos and Sabates-Wheeler (2009).

Old age pensions have the same impacts. Indeed, because older people are more likely to purchase local produced goods, the impacts may be greater: in Vietnam, for example, recipients of the Tier 1 pension use their income to purchase food locally, implying a positive increase in the amount sold by local producers;[128] and, in Thailand, a study of the Old Age Allowance found that 53 per cent of total income from the pension circulates within the community, while only 17 per cent flows out.[129]

Not only can local communities become more dynamic, but pensions also increase demand at a national level and stimulate economic growth. Simulations using computable general equilibrium (CGE) models across Asia have found that pensions can generate as much impact on economic growth as investments in infrastructure, as shown by Figure 6-6. This is in line with findings on the impacts of similar social security benefits globally.[130]

Figure 6-6: Potential impacts of old age pensions and construction/capital machinery on economic growth using CGE analysis



Source: Khondker (2014; 2015; 2017a; 2017b; 2019); and, Schanzenbach et al., (2016).

Supporting investments in income generating activities and access to employment

There is strong global evidence of older people and their household members using pensions to invest in micro-enterprises.[131] This is supported by evidence from the Asia-Pacific region. In Bangladesh, despite the very low transfer value, a study found that 15 per cent of pensioners – mainly women – invested their money in income-generating activities;[132] and, in Nepal, another study found that pensioners invested an average of 7 per cent of their pension in income generating activities (when the pension value was much lower than today).[133] With higher value pensions, the effects on household level investments would likely increase. Nonetheless, some

[128] Samson (2012).
[129] Suwanrada and Leetrakul (2014).
[130] Hanson (2010); Ananat and Garfinkle (2024); and, Cardoso et al (2025).
[131] Kidd and Tran (2017).
[132] Ahmed et al (2008).
[133] HelpAge International (2009).

older people are taking the opportunity to withdraw from the labour force, which is a key purpose of pensions: in India, the Tier 1 pension was associated with a fall in household labour supply fell by 10 per cent;[134] and, in China, the labour supply among pensioners decreased by 3 percentage points, with most of the decline in farm work.[135] In effect, even low value pensions may be sufficient to encourage some older people to give up what may be, for some, unpleasant work.

As discussed in Section 6.4, it is likely that the receipt of pensions enables more older people to withdraw from the labour market to provide childcare services that can facilitate their grandchildren's parents' engagement in the labour market. In China, as a result of the pension facilitating greater migration by parents to the cities – where they earn much higher incomes – recent research has found that New Rural Social Pension has boosted GDP growth by 2.4 per cent.[136]

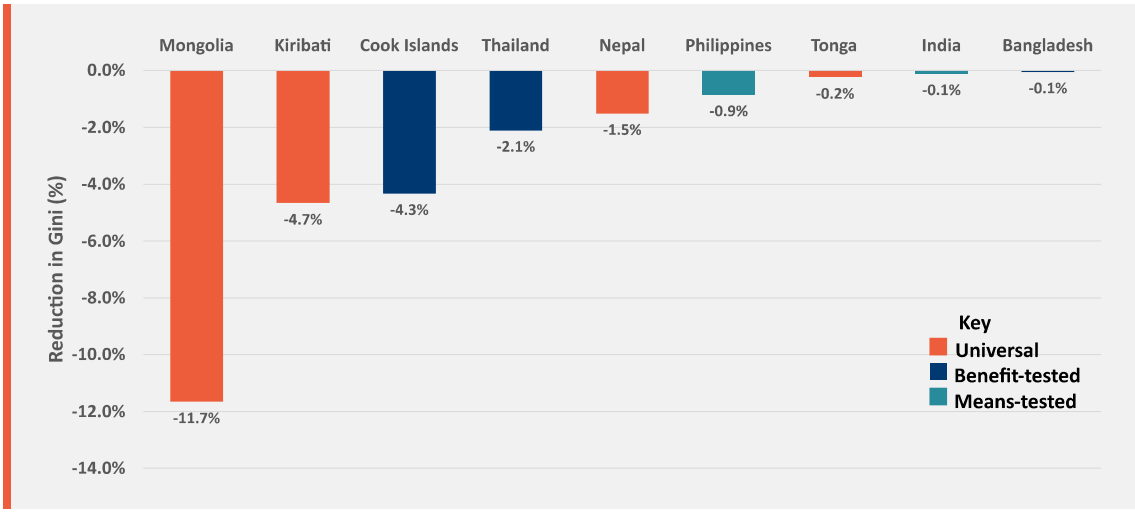
Reductions in inequality and potential impacts on economic growth

The IMF argues that greater equality promotes higher economic growth. They have demonstrated that income inequality has a positive effect on economic development until the Gini index reaches 0.27, at which point inequality has a negative impact, which becomes more severe as inequality increases.[137] The IMF have also found that, while a one percentage point increase in the income share of the top 20 per cent of the population is associated with a reduction in GDP of 0.08 percentage points in the following five years, a one percentage point increase in the income share of the bottom 20 per cent leads to a 0.38 percentage point rise in economic growth.[138] Therefore, the current high levels of inequality in many countries in the Asia-Pacific region almost certainly hinder economic growth.[139] In fact, UNESCAP (2015) has argued: "*inequality could threaten the [Asia and Pacific] region's economic dynamism, sow the seeds of economic crisis, and undermine the sustainability of economic growth.*"

Tax-financed Tier 1 pensions can have significant impacts on inequality and, therefore, on economic growth. However, as shown by Figure 6-7, the level of impact depends on the design of the pension. Impacts are much larger in countries with high coverage or universal schemes while means-tested pensions have minimal impact. This is largely due to the higher levels of expenditure on universal pensions and their greater coverage of the poorest members of society (as well as those on middle, but still low, incomes), which result in a greater redistributive effect. This is enhanced by the fact that universal pensions require higher levels of taxation which, in most societies, is likely to fall mainly on those near the top of the welfare distribution.

[134] Unnikrishnan Imai (2020).
[135] Huang and Zhang (2016).
[136] Gai et al (2025a; 2025b).
[137] Grigoli (2017).
[138] Dabla-Norris et al. (2015).
[139] See Kidd et al (2022).

Figure 6-7: Impacts of tax-financed Tier 1 pensions on inequality (Gini Co-efficient)



Source: Bangladesh HIES 2016, India IHDS-II 2011-12, Kiribati HIES 2019-20, Nepal AHS 2015-16., Cook Islands HIES 2015-16, Philippines FIES 2023, Thailand SES 2018, Tonga HIES 2021.

There are many other benefits to society resulting from lower levels of inequality, not least more socially cohesive societies.[140] For example, in Indonesia Yunma and Suryahadi (2015) found a positive correlation between inequality and the number of incidents of violent crime while the World Bank (2016b) discovered that districts with above-average levels of inequality had rates of conflict 1.6 times higher than districts with lower levels of inequality.

Strengthening the social contract and improving national finances

Universal old age pensions could play an important role in building trust in the state across Asia. Historically, the provision of universal public services has been a core driver of greater trust in the state and, therefore, stronger national social contracts.[141] In contrast, poverty benefits – including poverty-targeted Tier 1 pensions – can undermine trust in the state, especially given that they cannot be accurately delivered to those who are eligible. With stronger national social contracts, people will be more willing to pay taxes to finance universal public services, including pensions. With higher revenues, governments will be in a better position to invest in its population and infrastructure which will, in turn, help generate greater economic growth.

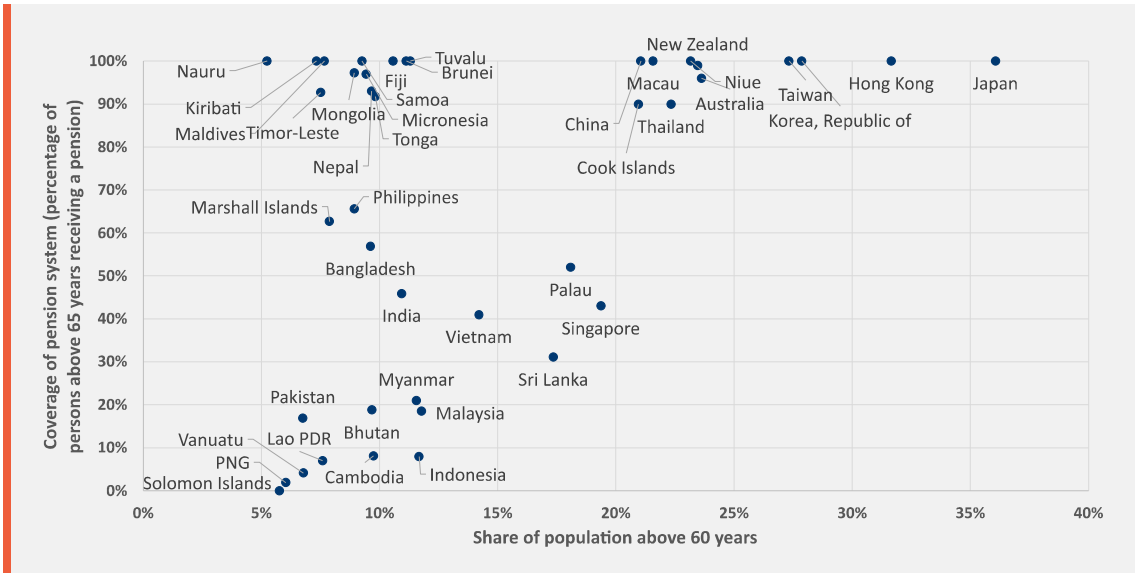
[140] Pickett and Wilkinson (2009); Kidd et al (2022).
[141] Ministry of Finance, Sweden (2017); Rothstein (2018); Kidd et al (2020).

7 The political economy of tax-financed old age pensions in the Asia-Pacific region

As this paper has described, there is a wide variety of pension systems across the Asia-Pacific region. There are also different reasons explaining the evolution of pension systems across the countries in the region and their effectiveness. This Chapter, therefore, will examine some causes behind the development of strong pensions systems – including effective Tier 1 pensions – in some countries, and the factors that may have held back other countries.

The countries with the highest proportion of older people have all implemented comprehensive pension systems, likely recognising the consequences of not doing so, especially in contexts where many older people are living in poverty. Governments were likely also responding to the demands of their populations, which would have become stronger as older people – and those approaching old age – became a higher proportion of the population. This was the case when Australia and New Zealand commenced their tax-financed pensions over 100 years ago and in many countries that are currently ageing rapidly. As Figure 7-1 shows, those countries where over-60s comprise over 20 per cent of the population all have pension systems providing high coverage. Some countries, however, that are rapidly ageing – in particular Singapore, Sri Lanka and Vietnam – have not yet established comprehensive pension systems that will enable them to address the ageing challenges they will face.

Figure 7-1: Comparison across countries of the coverage of old age pension systems among over-65s and proportion of the population over-60 years

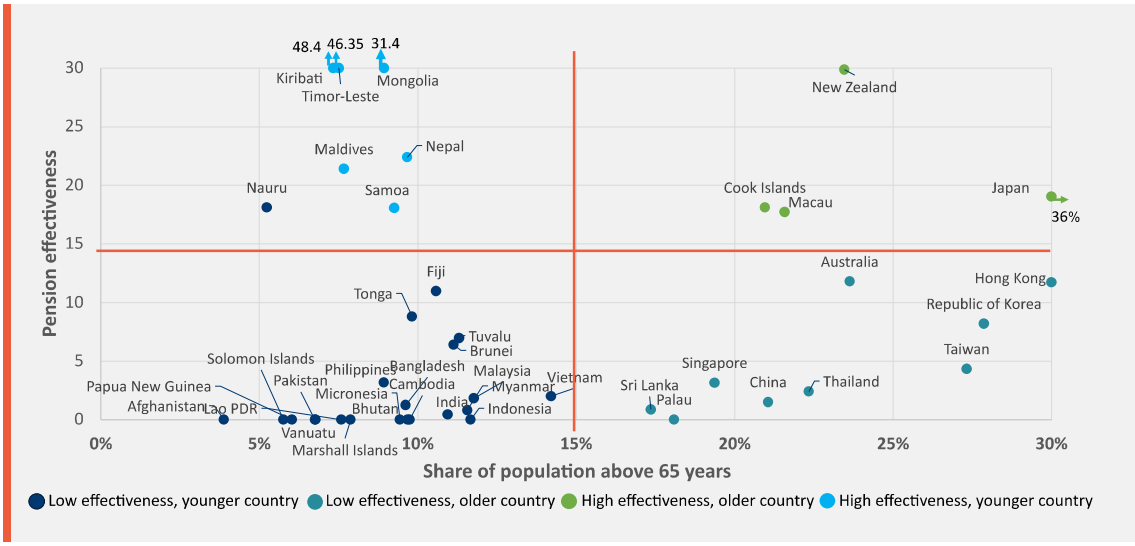


Source: Authors' elaboration based on UNDESA World Population Prospects (2024). See Figure 3-1 for sources.

Although those countries with high proportions of older populations have pensions with good coverage, some have not yet provided effective pension schemes due to low transfer values. Figure 7-2 uses the effectiveness index from Figure 5-17 and maps it against the proportion of the population above 60 years of age. Countries with older populations are divided into two types: those that provide effective pensions with a score above 15 (in the top right-hand

quadrant) and those with much less effective pensions (in the bottom right-hand quadrant). Therefore, although ageing has likely influenced countries with high populations of older people to build large-scale pension schemes, these pressures have not always translated into offering adequate pensions. China, Thailand and Taiwan have particularly low scores, reflecting the low value of the minimum pensions provided. Similarly, countries where older people are a lower proportion of the population are also divided into two types: those that provide effective pensions (in the top left-hand quadrant), which are mainly countries with smaller national populations; and, those with less effective pensions (in the bottom left-hand quadrant). In this latter group, those that performing better are largely small island countries. Many countries have much to do to prepare for the ageing of their populations.

Figure 7-2: Comparison across countries of the effectiveness of old age pension systems among over-65s in providing a minimum benefit to older people and proportion of the population over-60 years[142]



Source: Author's elaboration based on UNDESA World Population Prospects (2024). See Annex 3 for sources.

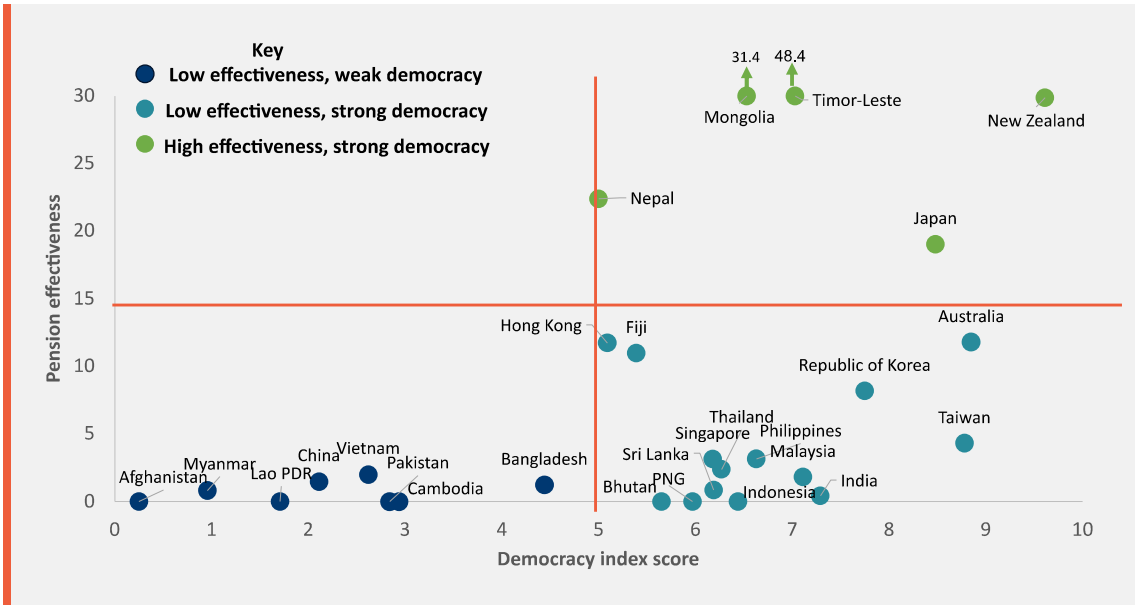
A key driver of good quality pension systems – with high coverage and transfer values – has likely been the responsiveness of governments to their citizens, which may well explain why some countries with ageing populations have not yet developed effective systems. As discussed in Section 5.4, when examining the value of pensions, states are likely to be more responsive when democracies are stronger, or countries have small populations and governments are necessarily closer to their people. Almost all countries scoring above 5 in the pension effectiveness index have either small populations or relatively strong democracies – with competitive elections – or both. Among those countries that have pension systems scoring above 5 in the pension effectiveness index – see Figure 5-17 – 10 out of 18 are countries with populations below 1 million. This could also explain why many state-level governments in India provide higher benefit values than the national government (see Box 5-3). In fact, in Bihar – the only state in India with a universal pension – one of the reasons that the incumbent

[142] In the case of Timor-Leste and Kiribati, which are outliers in terms of their pension effectiveness index score which distorts the graph, data points have been placed lower than they actually are, with the actual value mentioned in text next to the data points. Similarly, for Japan is an outlier in terms of its old age population, a similar approach was taken as not to distort the message.

government secured a strong majority and return to power in recent elections is because of their promise to raise the pension value from INR400 (US$4.50) a month to INR1,100 (US$12.30).[143]

Figure 7-3 maps the effectiveness of schemes against the strength of democracies in countries, as determined by the Economist's democracy index score (although most small countries in Asia are missing from the democracy index so cannot be mapped here). No country with a democracy index score under 5 has an effective pension. It indicates that, when democracies are weak or countries are more authoritarian, they are not responding to their populations who would almost certainly wish to have more effective pension systems. However, in countries with strong democracies there is a more mixed picture. Some countries appear to have responded better to their populations, such as New Zealand, Japan, Timor-Leste, Mongolia and Nepal (while some small countries with high scores also have relatively strong democracies). Further, all countries that score more than 7.5 on the democracy index have pension effectiveness scores above 8. However, there is a group of countries in the bottom right-hand quadrant with democracy index scores below 7.5 that have pension effectiveness scores under 5, indicating that pension systems are not yet responding to democratic pressures or that the countries with a democracy index score below 7.5 are still weak in terms of their democracies and the responsiveness of politicians to their populations.

Figure 7-3: Correlation between the strength of democracy in countries in the Asia-Pacific region and the effectiveness of pension systems in delivering guaranteed minimum pensions to their citizens[144]



Source: Author's elaboration based on the EIU Democracy Index (2024). See Annex 3 for sources.

[143] Preyashi (2025)

[144] Since Timor-Leste is an outlier in terms of its pension effectiveness index score, to accommodate the figure within the graph without distortion, the data point has been placed lower than it actually is, with the actual value mentioned in text next to the data point.

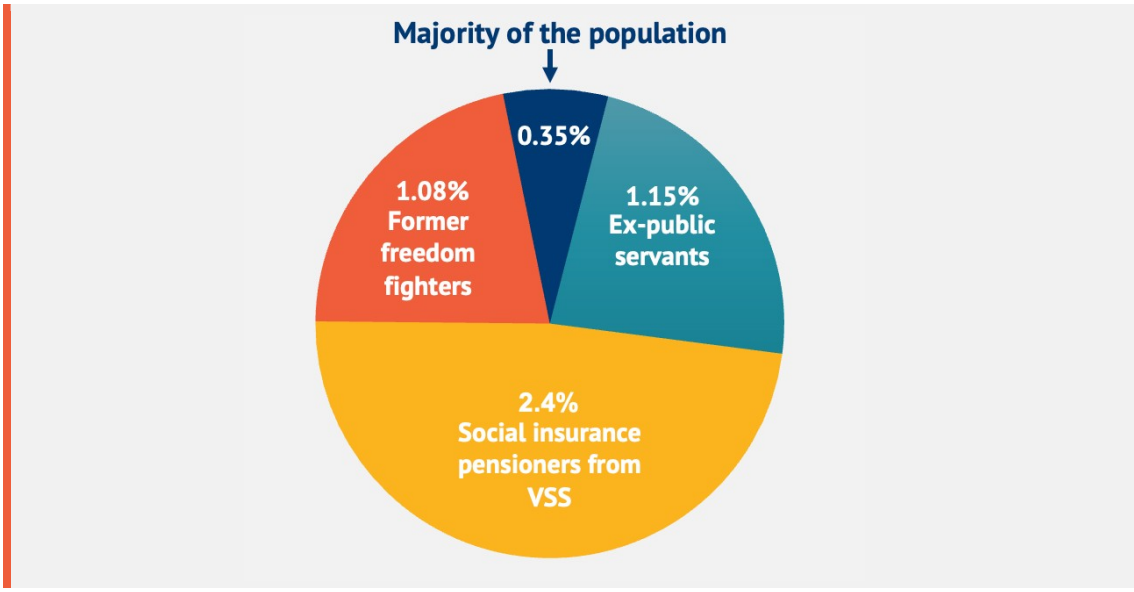
Therefore, in countries where governments are more responsive to their citizens, it is unsurprising that they respond through higher coverage and higher transfer values and, therefore, more effective pension systems – in terms of offering a minimum pension to all citizens – and higher budgets. An effective old age pension system is a core component of an effective social security system which, in turn, is an essential public service. In strong democracies, establishing and extending tax-financed old age pensions is popular and can help political parties win elections.[145] For example, the result of the 2012 election in South Korea was influenced by the introduction of the tax-financed pension.[146]

However, countries where the state is less responsive to its citizens are less likely to build pension systems for everyone. Some of the countries with ineffective pension systems in the region are authoritarian regimes, such as Cambodia, China, Lao PDR and Vietnam. Others – including Bangladesh, India, Indonesia, Pakistan, the Philippines and Sri Lanka – have weaker democracies in which the winners of elections have still not demonstrated a responsiveness to their citizens, with low levels of taxation tending to benefit elites rather than those on low- and middle-incomes.[147]

In fact, in line with adapted political settlements theory – which postulates that governments tend to spend resources on those members of society that it regards as being more powerful[148] – in these countries pension systems have been built that largely benefit those that governments need to keep onside, such as civil servants, the military, formal economy workers and former freedom fighters. Therefore, pension systems in these countries are, in terms of levels of funding, often mainly contributory for formal economy workers or providing pensions financed from general government revenues to groups such as retired public sector workers or former freedom fighters. For example, in Vietnam, as Figure 7-4 shows, most spending on pensions is on former public servants, formal economy employees (through the social insurance system) or former freedom fighters[149].

[145] Kidd et al (2023).
[146] Hwang (2014).
[147] If countries have strong democracies, with strong social contracts, they are more likely to have strong redistribute policies, with higher levels of government revenues and more universal public services (see Kidd et al 2020).
[148] Lavers and Hickey (2015; 2016).
[149] Many former freedom fighters are now above retirement age and so the former freedom fighters' scheme likely acts as a form of pension.

Figure 7-4: Levels of spending on tax-financed social security in Vietnam



Source: Kidd et al (2016)

Some countries with authoritarian regimes or democracies with scores below 7.5 on the democracy index have introduced low-cost tax-financed pensions. The low cost is achieved through a number of strategies: in some countries schemes are targeted at older people living in poverty (such as in Bangladesh, India, Malaysia, Sri Lanka and the Philippines); in others, they have high ages of eligibility (such as Myanmar and Vietnam); while, in others the value of the pensions is low (such as China and Thailand). As indicated above, low-cost Tier 1 pensions tend to benefit elites since they require low levels of taxation.

Nonetheless, within the Philippines, in recent years there has been a significant push within the national Congress for a universal tax-financed pension. During the Congress that finished in 2025, a bill for a universal pension was passed unanimously in the House of Representatives but the Senate ran out of time to approve the bill before the elections. Since the 2025 election, a quarter of Senators have proposed their own universal pension bills and over 20 bills have been submitted in the House of Representatives. There is a good chance that a unified bill will be passed within the next two years. The Philippines experience shows the potential for legislatures to engage on pension policy if the executive branch of government does not take action.

Across the Asia-Pacific region, in some countries there are specific reasons explaining the introduction or expansion of tax-financed pensions. In Nepal – as discussed earlier – and Timor-Leste, the current success of their Tier 1 pensions is, in part, the result of peace dividends following violent conflicts.[150] Thailand decided to make its pension universal in 2009 as a response to the global financial crisis to stimulate demand within the economy and support economic recovery.[151]

[150] ILO (2016b); Kidd et al (2020).
[151] Brixi et al (2012).

In China, it is likely that one reason behind the introduction of the Tier 1 pension was to support economic growth: China's population has very high household savings rates, in part driven by inadequate social security system, in particular old age pensions.[152] In combination with the one-child policy, the absence of an adequate pension system encouraged the working age population to save for old age. One reason for introducing a universal pension was to encourage people to save less and, by doing so, it was hoped that demand would increase in the economy. However, given that household savings rates are still high, at 32 per cent in 2023, it appears that the introduction of the pension did not discourage savings.[153] This is unsurprising given that the value of the Tier 1 pension in China is very low – see Section 5.4 - and does not provide an adequate income in old age. If China is to achieve its objective of reducing savings, it should significantly increase the Tier 1 pension value, bringing it in line with effective pensions elsewhere in the world.

In some countries in the Asia-Pacific region, a strong belief in the responsibility of adult children to care for their elderly parents has likely held back the development of pension systems. This belief is so strong in some countries that it has been codified in law, such as in Bangladesh, China, India and Singapore.[154] Yet, these beliefs and laws no longer correspond to the reality of these countries, where family support for older people is falling, especially in countries where most of the population is living on low incomes and, as discussed in Section 2 increasing numbers of older people are living apart from their families. As UNFPA (2007) has pointed out in China, *"the tradition for family to provide older persons with basic life assurance is being continuously weakened, and the proportion of older persons receiving economic support from their children is declining."* Research in Vietnam has also indicated that many older people do not wish to be regarded as a burden on their families and would prefer their autonomy, which is likely to be the case across the Asia-Pacific region.[155]

International development agencies may have influenced the limited development of Tier 1 pensions in some countries. The World Bank, for example, has consistently promoted poverty-targeted social assistance in the Asia-Pacific region – sometimes in coordination with the IMF – including the means testing of old age pensions. Soon after the Thai government transformed its Tier 1 pension to a benefit-tested design, the World Bank began to encourage the government to return to means testing.[156] When Bangladesh developed its National Social Security Strategy – which was approved in 2015 – the World Bank successfully persuaded the government to maintain the Tier 1 pension as means-tested, rather than moving to a universal option.[157] Indeed, at a regional level, the World Bank has suggested that poorer countries in the region – such as Cambodia and Myanmar – should not even develop old age pensions but, rather, depend on household poverty benefits to support older people living in poverty.[158]

However, it is difficult to assess the actual influence of the World Bank, although their policy messages may resonate and give justification to a government's own neo-liberal thinking. In Nepal, the World Bank put pressure on the government to means-test its Tier 1 pension for many years, without success. And, occasionally, the World Bank has proposed a universal

[152] Hutton (2008).
[153] Rasid and Qiu (2024).
[154] Hutton (2008), Serrano et al (2017); Dong (2020).
[155] Kidd et al (2016).
[156] Brixi et al (2012).
[157] Source: one of the authors was involved in supporting the development of Bangladesh's National Social Security Strategy.
[158] World Bank (2016a).

pension: in Fiji, in 2010, while advocating for a poor relief scheme to replace the Family Assistance Programme – which supported older people and persons with disabilities – the World Bank, following advice from the Australian High Commission, also proposed a universal pension to the government (although the Tier 1 pension in Fiji was not introduced until a number of years late).[159] In Mongolia, the World Bank has proposed achieving universal coverage by significantly extending the Tier 1 tax-financed pension – with a large increase in the transfer value – to replace the social insurance minimum pension combined with benefit testing.[160]

There is little evidence of international development agencies that support universal pensions – such as the ILO – successfully persuading governments to introduce Tier 1 pensions. As discussed earlier, most, if not all, effective Tier 1 pensions in the region have been introduced by governments themselves.

[159] Source: one of the authors was funded by the former AusAid to work alongside the World Bank team.
[160] World Bank (2020). At the same time as promoting universal coverage within the pension system, the World Bank has also argued strongly to means test the popular – and very effective – universal Child Money scheme: see World Bank (2025) as an example of the World Bank's advocacy against the Child Money programme.

8 The costs and benefits of introducing universal Tier 1 pensions across the Asia-Pacific region

As demonstrated in Section 5, introducing a guaranteed minimum income for all members of society on reaching old age through a tax-financed Tier 1 benefit would be a very positive move for all countries in the Asia-Pacific region, bringing significant benefits for older people themselves as well as their families, communities and nations. Yet, it is often argued that countries are not ready for universal pensions due to the potentially high costs of universal Tier 1 pensions. This argument is made despite the evidence that some of the poorest countries in the region – Nepal and Timor Leste – already provide good quality and effective Tier 1 pensions (see Section 5.6)

This chapter, therefore, examines how much it would cost for countries to introduce universal Tier 1 pensions across low- and middle-income countries in the Asia-Pacific region and their potential impacts.[161] The methodology for calculating the costs and the impacts can be found in Annex 2. We only provide the costs for countries that do not have a universal pension that aligns with the parameters set out below.

8.1 Design of potential universal tax-financed Tier 1 pensions across the Asia-Pacific region in middle-income countries

One means of implementing effective Tier 1 pensions in a way that is financially feasible is to introduce them gradually, over time. In this way, costs can be low initially and grow over a period of 10-20 years. This would mimic the strategies of some countries in the region that currently have effective Tier 1 pensions but have only reached this stage over time by either starting with a higher age of eligibility and reducing it over time or commencing with a low transfer value and increasing it over time, or both (see Section 5.2). As this paper has shown, Nepal is an excellent example with the age of eligibility falling by 7 years since the scheme commenced while the effective transfer value has increased by 500 per cent.

Therefore, this paper outlines one option for introducing an effective Tier 1 pension, which, if implemented, would enable all countries to score 15 on the pension effectiveness scale outlined in Section 5.6, if the full rollout were implemented immediately.[162] This would mean that all countries would have pension systems that are better than those currently found in, for example, Australia, Hong Kong and Fiji. The pension would aim, over a period of ten years, to provide everyone aged over 65 years and above with a pension equivalent to 15 per cent of GDP per capita in 2025 equivalent values, which, as explained earlier, is around the median value of universal and benefit-tested scheme in the Asia-Pacific region (see Figure 5-10). The schemes are projected to commence in 2026, and the design parameters are, as follows:

- The age of eligibility would commence at 70 years and would fall by 1 year each year over a period of 5 years until it reaches 65 years.

[161] The analysis also includes Palau and Nauru which, as of FY2026, are high-income economies.
[162] In reality, although the proposed pensions would maintain their purchasing power at the same level as if they had been introduced in 2025, their scores on the pension effectiveness scale would fall since the value of pensions would be less than 15 per cent of GDP per capita once the schemes have been fully rolled out.

- The transfer value would commence at the equivalent of 10 per cent of GDP per capita but, over a period of 10 years would increase each year by 0.5 per cent of GDP per capita, to reach a maximum of 15 per cent of GDP per capita by 2036, which is the current average value of tax-financed Tier 1 pensions across low- and middle-income countries.[163]
- The value of the transfers would be indexed to inflation so that they retain their purchasing power while the economic growth rate predicted for each country aligns to the IMF's average projections for each country for the next 5 years.[164]
- For each country, the future population of older people follows the medium projections set out by UNDESA in its World Population Prospects.[165]
- If countries already have a Tier 1 pension, the current cost is deducted from the overall cost, so that the cost estimated is not the total cost of the pension, but the additional budget required to deliver the universal pension along the lines set out above.[166]
- If countries already have a Tier 1 pension that has a higher level of expenditure than that calculated for the option here, then it is assumed that the cost of implementing the scheme is zero. In effect, older people will already be receiving more than is proposed here. Therefore, no costs are given for Kiribati, Maldives, Mongolia, Nauru, Nepal, Samoa, Timor-Leste and Tuvalu since they already spend more on their pension systems than the costs calculated for the pension proposed in this paper.[167]

The monthly transfer values proposed for each country in nominal United States dollars are set out in Figure 8-1. The values are given for 2026 and 2036, but in 2025 equivalent values. While the transfer values may appear to be low in some cases, to gain a better perspective, they should be compared to the values of current Tier 1 pensions in countries that are already implementing a low-cost scheme. This shows that the transfer values proposed are much higher than the pension values that some countries are currently paying. Some examples are given below:

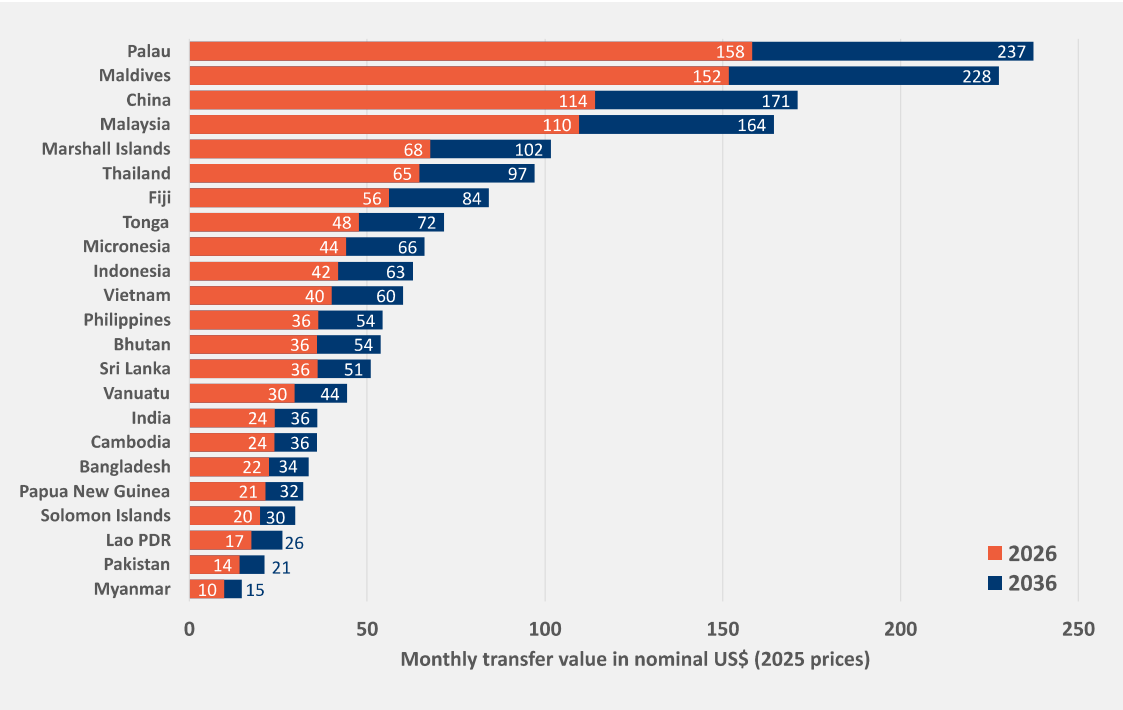
- **Bangladesh:** A pension of US$22 per month is proposed for 2026 and US$34 per month for 2036. This compares to Bangladesh's current tax-financed pension which offers US$4.90 per month.
- **China:** A pension of US$114 per month is proposed for 2026 and US$171 per month for 2036. In contrast, China's tax-financed pension currently provides only US$17 per month.
- **India:** A pension of US$24 per month is proposed for 2026 and US$36 per month for 2036. This can be compared to the current value of India's means-tested Tier 1 pension

[163] The GDP per capita values are calculated in 2025 terms. Therefore, in 2036, the actual values would likely be less than 15 per cent of GDP per capita.
[164] The values are taken from the IMF's World Economic Outlook, April 2025, at: https://www.imf.org/en/Publications/WEO/weo-database/2025/April/select-country-group. As the IMF do not predict Sri Lanka's future growth rate, a rate of 3 per cent per year has been assumed for Sri Lanka.
[165] The values are taken from UNDESA World Population Prospects, at: https://population.un.org/dataportal/home?df=a0abf9d1-b4a3-400c-9457-77cd1eb81938
[166] There are challenges with this approach since, if countries currently offer a pension that has a lower age of eligibility than the option provided in the paper, it is assumed that all those currently receiving the scheme who are under the proposed age of eligibility will be removed from the scheme. In reality, countries may decide to retain all current pensioners below the age of eligibility but not register any new older people under the age of eligibility. If this happened, the costs would be slightly increased in some countries, but it would be very little given the low pension values in many of these countries.
[167] In the case of Nepal, if it were to reduce the age of eligibility to 65 years and maintain current transfer values, some increase in expenditure would be required, which is not costed here.

which offers US$2.30 per month for those aged 60-79 and US$5.80 per month for those above 80 years.

- **Philippines:** A pension of US$36 per month is proposed for 2026 and US$54 per month for 2036. Currently, the means-tested Philippines' Tier 1 pension provides US$17.50 per month.
- **Sri Lanka:** A pension of US$36 per month is proposed for 2026 and US$51 per month for 2036. Sri Lanka's current means-tested scheme provides a pension of just US$17 per month.

Figure 8-1: Monthly transfer values – in 2025 values – utilised to estimate the costs of establishing Tier 1 pensions across low- and middle-income countries in the Asia-Pacific region (in countries that do not already have effective pensions)



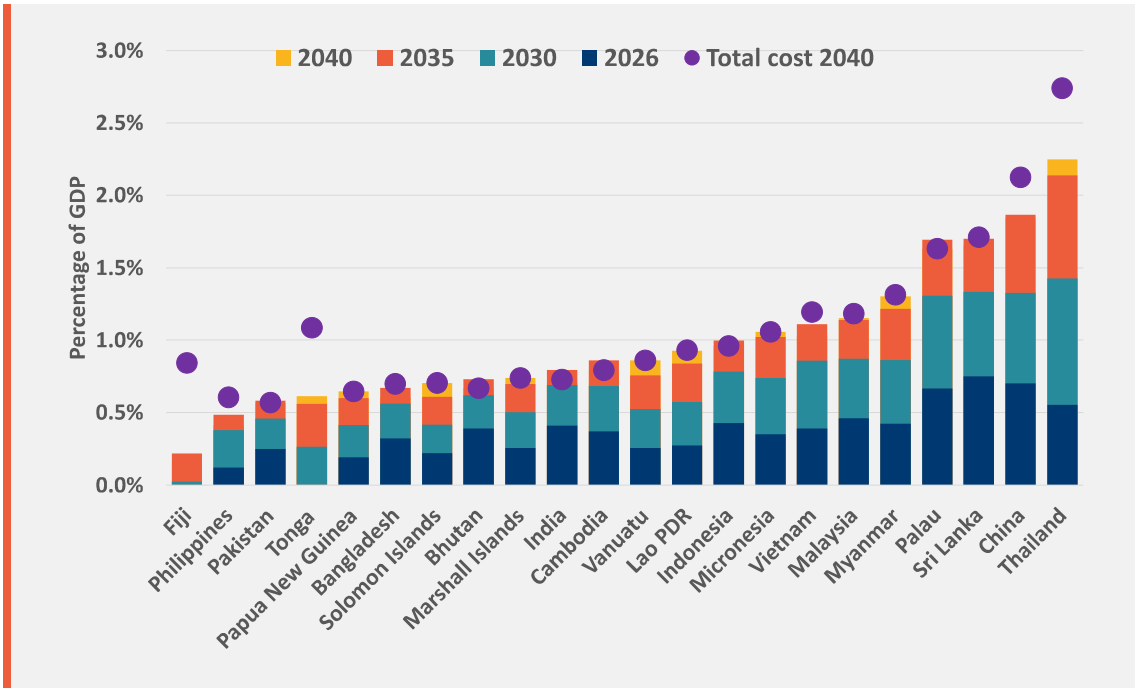
Source: Authors calculations based on IMF WEO April 2025.

8.2 Potential costs of tax-financed Tier 1 pensions across the Asia-Pacific region

It would be relatively low cost for all countries currently without an adequate universal old age tax-financed pension to finance a Tier 1 benefit in 2026 in line with the parameters outlined above. The levels of additional expenditure required to introduce the proposed Tier 1 pension are set out in Figure 8-2, providing expenditures at four points in time: 2026, 2030, 2035 and 2040 (although, if the expenditure in 2040 is lower than 2035, then the highest value is provided). More detailed year on year costs for each country are provided in Annex 2. In establishing universal pensions, 9 countries would spend less than 0.3 per cent of GDP, 9 countries between 0.3 and 0.5 per cent of GDP, and in only four countries (China, Palau, Sri Lanka, and Thailand) would the cost exceed 0.5 per cent of GDP. The additional costs required

would increase gradually over time so that, by 2040, in 14 countries they would be less than 1 per cent of GDP, in 4 countries the additional cost would be between 1 and 1.5 per cent of GDP, and only 4 countries would have additional costs greater than 1.5 per cent of GDP. The highest additional costs would be in China and Thailand, reflecting their rapidly ageing populations. Figure 8-2 also shows – in purple dots – the total costs of introducing universal tax-financed pensions, including both the proposed costs and the current expenditures.

Figure 8-2: The additional and total costs of introducing a minimum value tax-financed Tier 1 pension across selected low- and middle-income countries in the Asia-Pacific region[168]



Source: IMF WEO April 2025, UNDESA World Population Prospects (2024 Revision). Notes: Current expenditures on schemes can be found in Annex 3.

The total costs of schemes in 2040 are shown by the purple dots above each country. Thirteen countries would have future total costs below 1 per cent of GDP and only China and Thailand would experience total costs above 2 per cent of GDP. Therefore, some of Asia's largest countries would be able to introduce effective Tier 1 pensions at relatively low cost. By 2040, Malaysia would be required to spend 1.2 per cent of GDP, Indonesia 1 per cent, India 0.7 per cent of GDP, Bangladesh 0.7 per cent of GDP, the Philippines just 0.6 per cent of GDP and Pakistan 0.6 per cent of GDP. Costs would also be low in some of the region's poorer countries, such as Cambodia, Lao PDR and Papua New Guinea.

The belief that countries in the Asia-Pacific region cannot afford to introduce effective, universal tax-financed Tier 1 pensions is not born out by the evidence. Even in China and Thailand, where older people would comprise a high proportion of the population in 2040, the costs would be manageable and well below the costs of similar schemes in high-income

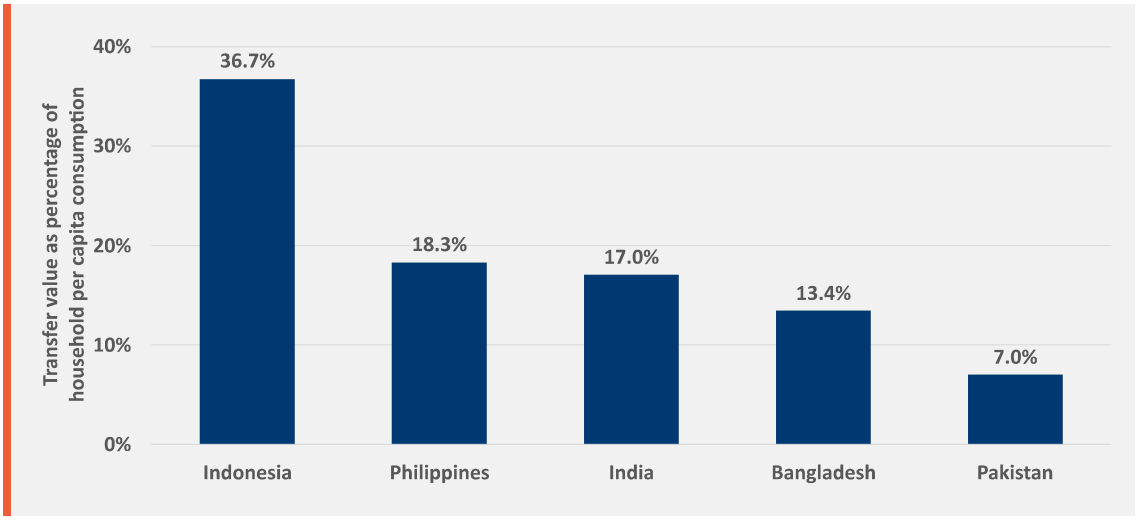
[168] Costs have not been provided for Afghanistan, due to the unreliability of data. The dots show the total cost, including both current expenditures on tax-financed pensions and the additional costs.

countries (e.g. New Zealand currently spends 5.1 per cent of GDP on its Tier 1 pension). Given that, as discussed earlier, countries could claw-back some of the costs through taxation, the effective cost would be even lower than set out here.[169] Further, the fact that some of the poorest countries in the region are already providing effective Tier 1 pensions at higher costs than would be required in wealthier countries in the region – such as the 1.6 per cent of GDP invested by Nepal in its pension and the 2.15 per cent of GDP by Timor-Leste – demonstrates that the costs proposed in the option set out above are well within the financial capabilities of almost all countries in the region.

8.3 Potential impacts of the tax-financed Tier 1 pensions across the Asia-Pacific region

The Tier 1 pensions proposed above would deliver significant positive impacts among recipients. Figure 8-3 shows the share of current per capita household expenditure among over-65s that the proposed pensions would comprise, once introduced, across 5 countries (assuming that the pension is shared equally across the household). While the impacts would be lower in Pakistan with the pension comprising 7 per cent of per capita consumption—due to the large average size of households—they would be much higher in other countries, reaching 37 per cent in Indonesia. In effect, the spending power of households would be significantly increased. In reality, pensioners may keep a larger portion of the pension for themselves, while sharing some with other members of the household (when they live with other family members), which would mean that the increase in consumption of older people alone would be higher than set out in Figure 8-3.

Figure 8-3: The pensions as a share of current per capita consumption among over-65s, in selected countries in the Asia-Pacific region

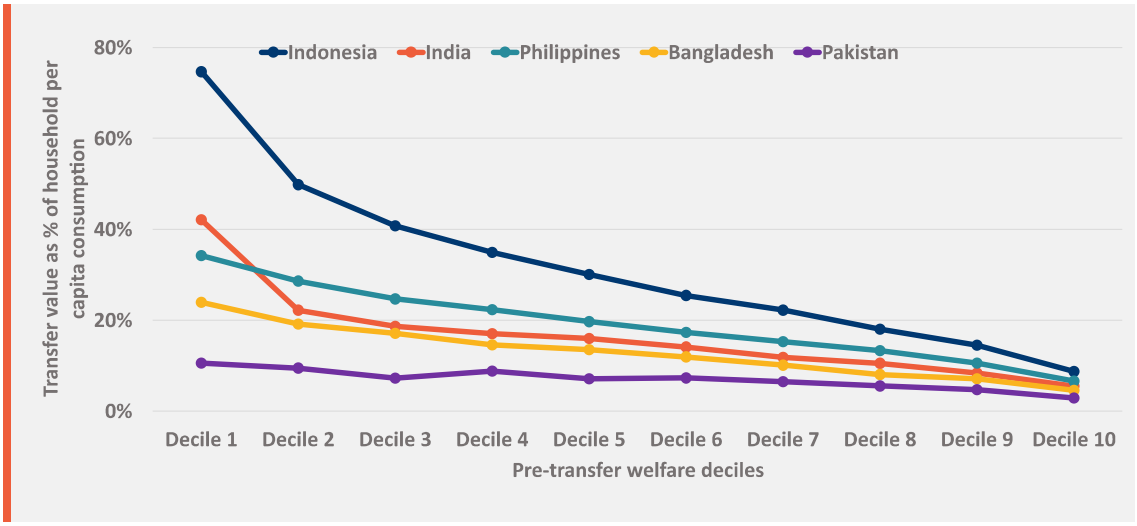


Source: Analysis undertaken by the authors of the following datasets: Bangladesh HIES 2016, India IHDS-II 2011-12, Indonesia SUSENAS 2017, Pakistan HIICS 2015-16, Philippines FIES 2023.

[169] Countries could choose to make pensions eligible for income tax, as happens in New Zealand and other high-income countries. Costs would also be clawed back through sales taxes.

As discussed earlier, universal pensions would be very pro-poor. Figure 8-4 shows the proposed pensions as a share of per capita current consumption of households with over-65s across the same five countries, across the welfare distribution. In all five cases, the poorer the older person, the greater the impact on consumption. In India and Indonesia, the pensions would comprise a very high proportion of the per capita consumption of the poorest over-65s, at 42 and 75 respectively. Sections 6.3 to 6.7 have provided some limited evidence of the secondary impacts on wellbeing of older people and their families. Since the value of the pensions in these simulations is much higher than those of the programmes that were evaluated in Sections 6.3 to 6.7, the secondary impacts on wellbeing would likely be much greater.

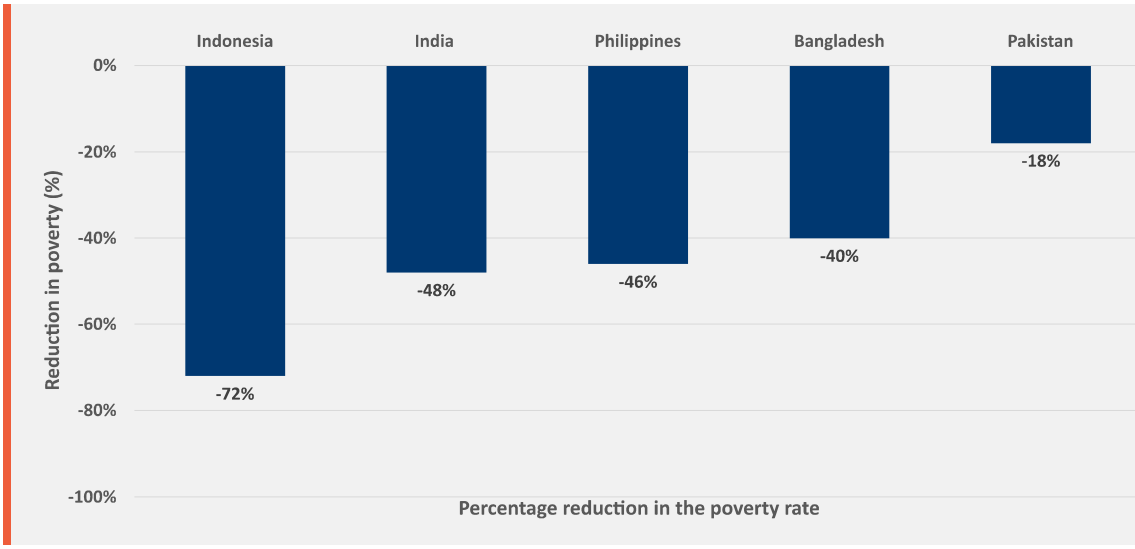
Figure 8-4: The proposed Tier 1 pensions as a share of current per capita consumption across the welfare distribution among over-65s, in selected countries in the Asia-Pacific region



Source: Analysis undertaken by authors of the following datasets: Bangladesh HIES 2016, India IHDS-II 2011-12, Indonesia SUSENAS 2017, Pakistan HIICS 2015-16, and Philippines FIES 2023.

The increased incomes and consumption enjoyed by pensioners would feed through into reductions in poverty. Figure 8-5 shows the impacts on the poverty rates of over-65s that would result from the five Tier 1 pensions proposed above, using a poverty line set to reproduce a baseline poverty rate of 25 per cent among over-65s. The reductions in the poverty rates would be significant, varying between a fall of 18 per cent in Pakistan to 72 per cent in Indonesia. Therefore, the introduction and/or expansion of universal Tier 1 tax-financed pensions across the Asia-Pacific region is likely to have a transformative impact on old age poverty and make a meaningful difference to the lives of the poorest older people across the entire region.

Figure 8-5: Potential impacts on the poverty rate of older people aged 65+ years as a result of introducing a tax-financed Tier 1 pension across selected countries in the Asia-Pacific region



Source: Analysis undertaken by the authors of the following datasets: Bangladesh HIES 2016, India IHDS-II 2011-12, Indonesia SUSENAS 2017, Pakistan HIICS 2015-16, Philippines FIES 2023.

9 Conclusion

The ageing of societies across the Asia-Pacific region presents profound social and economic challenges. As older populations grow, so too does the imperative to ensure that people can retire with dignity, security, and autonomy. This is not merely a matter of policy preference: it is a human right. The right to income security in old age, enshrined in international frameworks such as the Universal Declaration of Human Rights (UDHR), is essential to upholding the dignity and wellbeing of older people. Yet in many countries across the region, the absence of inclusive pension systems means that older people remain vulnerable, often compelled to continue working despite declining health, or reliant on family support that may be precarious. The consequences are far-reaching, not only for older people themselves but also for their families and societies more broadly.

While the need for comprehensive pension systems is clear, the progress made in achieving universal coverage varies significantly across the Asia-Pacific region: some countries have achieved near-universal coverage, while others remain far behind. The structure of pension systems helps explain these differences. The most effective systems are multi-tiered, with a tax-financed Tier 1 as the foundation. Experience shows that Tier 2 (social insurance) and Tier 3 (private pensions) have not significantly expanded coverage, particularly among low-income and informal workers. In contrast, universal tax-financed pensions have proven to be the most successful type of pension in reaching the widest population.

Yet the design of Tier 1 schemes varies greatly across the region. Only 13 countries offer universal pensions while others rely on means testing or offer no tax-financed benefit at all. As a result, coverage is highly uneven. Universal or benefit-tested schemes perform best, while means-tested schemes often exclude large segments of older people, particularly the poorest, due to administrative complexity, while generating perverse incentives and potentially stigmatising. Adequacy also varies: while some countries offer pensions equal to over half of average income, others provide only token support. Nonetheless, some poorer countries, such as Nepal and Timor-Leste, demonstrate that it is possible to provide both broad coverage and meaningful adequacy, even with modest national resources.

To assess overall system performance, this paper developed a pension effectiveness index, combining coverage and adequacy. The results underscore the critical role of universal tax-financed schemes: countries without such systems consistently score the lowest, while those with universal pensions, especially small island nations, achieve the highest scores. Means-tested systems tend to underperform, with the exception of a few high-income countries with high coverage social insurance systems.

The benefits of tax-financed old age pensions offering universal coverage are extensive. They improve the wellbeing of older people by reducing poverty, increasing consumption, and enhancing dignity and independence. Their positive ripple effects extend to families, alleviating financial pressures and improving child outcomes, and to society at large by stimulating economic demand and promoting social cohesion. The simulations presented in this paper show particularly strong impacts for poorer households: in countries like India and Indonesia, the universal pensions would comprise 42 and 71 per cent of per capita consumption respectively among the poorest households with older people. Across all countries used in the simulations, the old age poverty rate would fall by between 18 and 72 per cent.

Importantly, these gains can be achieved at a relatively modest cost. In 2026, most countries could introduce universal pensions at a cost of less than 0.5 per cent of GDP. Even by 2040, in most cases, spending would be less than 1 per cent of GDP, well below what many high-income countries – and some poor countries – currently spend. The experience of early adopters proves that these investments are feasible, especially when phased in gradually and complemented by progressive taxation.

Political and institutional dynamics play a pivotal role in shaping pension systems. Countries with democratic institutions or smaller populations have tended to develop more inclusive pensions, while others have concentrated benefits among specific groups. Cultural factors and the influence of international actors have also shaped the scope and ambition of pension reforms. Nonetheless, windows of opportunity, such as political transitions or economic crises, have enabled the expansion of universal pensions in diverse settings. Strategies for advancing pension reform must, therefore, be adapted to the political context, whether through public mobilisation in democracies or appeals to stability and efficiency in more centralised states.

Ultimately, old age pensions do not just ensure that older people are guaranteed a minimum income as they age, they are also powerful instruments for reducing poverty, strengthening social contracts, and supporting inclusive development. The evidence is clear: universal, tax-financed pensions are effective, affordable, and transformative. As countries in the Asia-Pacific region confront the realities of demographic change, they face a choice: to view ageing as a burden or as a call to strengthen systems of solidarity and shared prosperity. A commitment to universal pensions offers a path forward that is just, sustainable, and grounded in the dignity of all people.

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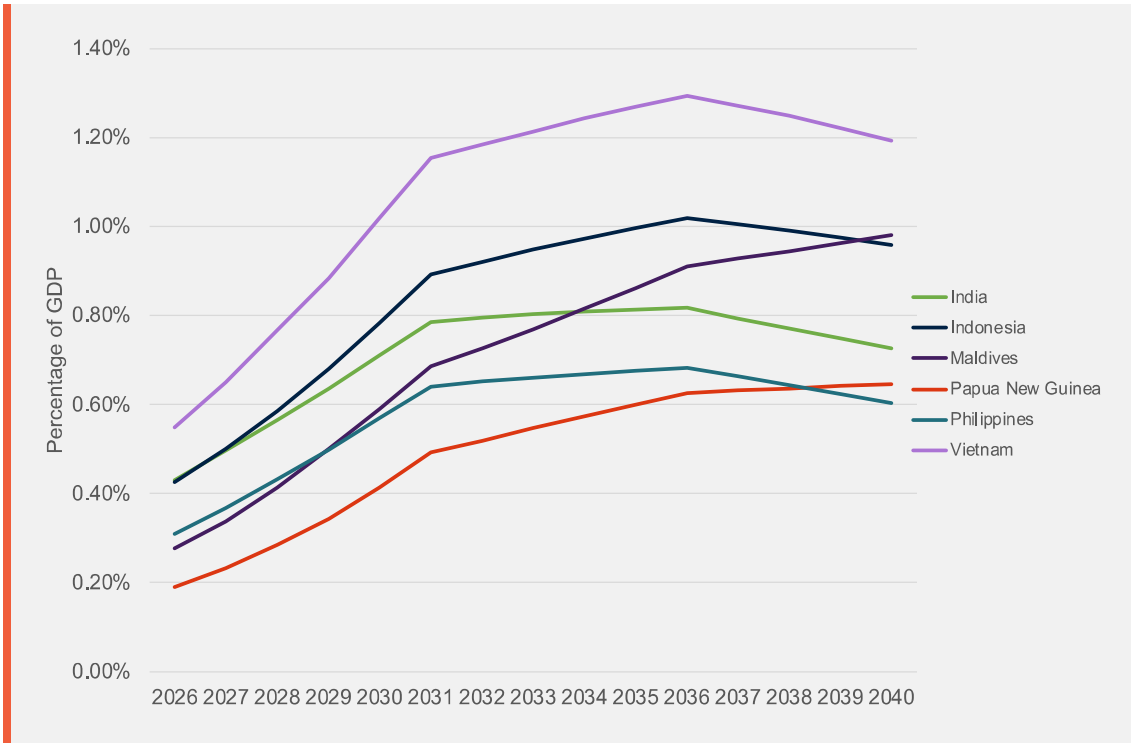
Annex 1 The costs over time of introducing a tax-financed Tier 1 pension

Figure A1-1 shows the year-on-year costs of introducing a tax-financed Tier 1 pension in line with the parameters outlined in Section 8.1. As can be seen, the costs are quite modest in the year of introduction, varying from around 0.2% in Papua New Guinea to 0.55% in Vietnam. Initially costs increase at a higher rate, owing to the concurrent increase in coverage due to the gradual reducing in the age of eligibility. However, once full coverage has been reached, the costs stabilise and even begin to decrease year-on-year as economic growth outpaces the growth in the older population within these countries.

Figure A1-1: The costs over time of introducing a tax-financed Tier 1 pension in India, Indonesia, Maldives, Papua New Guinea, Philippines, and Vietnam between 2026 – 2040.



Source: Calculations based on IMF WEO April 2025, UNDESA World Population Prospects (2024 Revision).

Annex 2 Methodology

A number of methodologies have been used in this study which are discussed in more detail below.

Annex 2.1 Literature Review

For this study, a thorough literature review was undertaken by looking at online repositories like google scholar and JSTOR. We also looked at reports and studies published by HelpAge, as well as other development partners like the World Bank, UNICEF, UNESCAP, and the ILO. A snowballing approach was utilised by looking at the bibliographies of relevant literature to identify further sources of information. Further, we looked through the archive of Ugo Gentilini's newsletters, which are compilations of social protection literature, by searching for relevant keywords. Finally, as old age pensions are a key focus of Development Pathways' work, we also utilised our internal database of literature to further inform this report.

Annex 2.2 Compilation of information on current pensions

To review existing pensions within the region, it was necessary to collect up-to-date information. This compilation focused on collecting data on the design of pension systems (for instance, the age of eligibility, whether it is universal or targeted), the value of pensions, and the level of investment. To gather this information, we looked at various sources, with a focus on national government publications. In particular, we looked at budget documents and budget speeches for the most recent years to identify whether there had been any policy changes, and to obtain the most recent budgetary allocation. In the instance where national sources could not be identified, we looked at publications by international development partners, academic organisations, NGOs, and think tanks. Finally, if these also proved to be dated, we looked at national news websites that quoted government announcements and press releases.

Annex 2.3 Estimating costs and impacts of current and hypothetical Tier 1 pensions

To estimate the impacts of current and hypothetical Tier 1 pensions on consumption, poverty and inequality, data from nationally representative household surveys (Table A2.1) were used to develop microsimulations of what would have happened to households and older persons if such programmes had been in place in the year of the household survey. In this sense, the simulations answer "what if" questions in a static and backward-looking manner (ex-ante simulations).

Table A2.1 Household surveys

Country	Survey	Year
Bangladesh	HIES	2016
Cook Islands	HIES	2015-16
India	IHDS-II	2011-12
Indonesia	SUSENAS	2017
Kiribati	HIES	2019-20
Maldives	HIES	2019
Mongolia	HIES	2021
Nepal	AHS	2015-16
Pakistan	HIICS	2015-16
Philippines	FIES	2023
Sri Lanka	HIES	2016
Thailand	SES	2018
Tonga	HIES	2021

Behind these hypothetical estimates are a number of assumptions:

- **Use of transfers**: households spend 100 per cent of the additional income from cash transfers. The model does not incorporate other possible behavioural responses to changes in household income. The simulations assume that households do not save any portion of the transfers received, and that transfers to each household are equally distributed among all household members;
- **Multiplier and second-order effects**: potential positive responses that could have multiplier effects are not captured by the model. Consequently, the results of these simulations are considered as first-order effects or "morning-after" changes.
- **Household characteristics**: this approach does not alter the household characteristics reported in the survey across different years. For instance, a household with five members in the survey will always be assumed to have five members;
- **Welfare measure:** households' economic welfare is measured by monthly consumption expenditure per capita;
- **Welfare distribution:** within each country, the current welfare distribution is assumed to be similar to the one at the time of the survey. The welfare distribution in the absence of the existing schemes is not substantially different to the observed distribution (with the current schemes);
- **Inflation:** monetary welfare in local currency (in the survey year) is inflated to 2025 prices, and transfers in current (2025) value applied.

The model underlying the simulations is a linear approximation model such as the one outlined by Figari, Paulus and Sutherland (2015), which decomposes household expenditure to isolate the effect of a cash transfer to the household, conditional on the relevant eligibility criteria (e.g., age, receipt of other pensions, income threshold). Baseline and counterfactual scenarios are established in order to infer the absolute effects of a hypothetical policy change, i.e. the introduction of a Tier 1 pension.

Following the formal framework outlined by Figari, Paulus and Sutherland (2015), household welfare y can be expressed as

$$y(c, x, m_k) = x + f_k(c, x, m_k)$$

where k denotes the benefit system in which the household is in, c denotes a vector of idiosyncratic characteristics of a given household, m_k denotes the benefit parameter. Finally, a household's disposable income is a linear combination of the household's original level of income (that is income prior to any cash transfers) x and transfer f_k from programme k, which is itself a function of the household's income and characteristics, and the benefit level.

To ascertain the change in a household's welfare post transfer—which here is measured as the level of per capita consumption expenditure — the households' consumption expenditure under Scenario 0 (no transfer) is compared against Scenario 1 (with transfer),

$$\Delta y = y_1(c, x, \overline{m_k}) - y_0(c, x, m_k),$$

where m_k, $\overline{m_k} \geq 0$, and $\overline{m_k}$ refers to the reforms to the parameters of the programme k, m_k. In practice, we impose a functional form onto f_k

$$f_k(c, x, m_k) = t_k 1_{\{D_k = 1 | c)\}}$$

Where t_k is the transfer value, and D_k is a binary variable that assumes value 1 if the household is participating in programme k, conditional on household on characteristics c, and 0 in case of non-participation. By extension, transfers post-reform can be expressed as:

$$f_k(c, x, \overline{m_k}) = \overline{t_k} 1_{\{D_k = 1 | c)\}}$$

For household consumption expenditure, we do not impose any functional forms but instead observe the values for each household.

Step 0: subtracting existing old age benefits

Before undertaking the simulations, a preliminary step consists in identifying in the data existing transfers from Tier 1 pensions at the time of the survey, and deducting them from the households' current expenditure levels:

$$y_{h,0} = y_h - t_h,$$

where y_h is household consumption expenditure before the reform (current and observed in the data), and t_h is any existing old age benefits received before the reform.

Step 1: identify programme recipients

In each country dataset, age-eligible individuals are identified, and the households to which they belong can be defines as follows:

$$Recipient_h = 1_{\{D_j = 1 | c_h)\}}$$

Where D_j is a binary variable with 1 representing if household h is participating in scheme j, conditional on household being eligible for the scheme, c_h and 0 otherwise. In this case c_h captures, for example, whether the household has an age-eligible older person.

Step 2: calculate hypothetical household consumption expenditure

Once potential recipients and their households have been identified, the relevant monthly transfers are assigned to the recipients. All benefits are aggregated at the household level before calculating household monthly benefits per capita. Then, new post-reform values of household per capita expenditure are estimated by adding the per capita transfer values simulated from each of the selected schemes. If post-reform household expenditure is $y_{h,1}$, this can be formally shown as follows:

$$y_{h,1} = y_{h,0} + \overline{t_h} 1_{\{D_j=1|\, c_h)\}},$$

where, $y_{h,0}$ is household consumption expenditure before the reform and $\overline{t_h}$, is the new transfer.

Step 3: simulate changes in welfare-based outcomes

Coverage

Once beneficiaries are identified, pension coverage is then estimated as the share of the eligible population living in households with at least one recipient (i.e., direct and indirect coverage). Formally, the total coverage of Tier 1 pension j can be expressed as,

$$Coverage_j = \frac{\sum_{i,h}^{j}(w_{ihj} 1_{\{D_j=1|\, c_h)\}}),}{\sum_{i,h}^{j}(w_{ihj} 1_{\{\, c_h)\}})}$$

where w_{ihj} is the sample weight of household h assigned to household member i. D_j is a binary variable with 1 representing if household is participating in programme j, conditional on the household being eligible c_h and 0 otherwise—this is summed over all the population and divided by the total population. Household eligibility corresponds to the presence of age-eligible members.

Potential change in consumption of over-65s

The potential change in the purchasing power of over-65s is illustrated by the share of per capita consumption that the transfer represents. The analysis is conducted among over-65s only and is measured as the ratio of the average per capita transfer received to per capita consumption expenditure among over-65s.The percentage increase can be expressed as

$$\left(\frac{\overline{t_{j,h}}}{y_h}\right) * 100$$

where $\overline{t_{j,h}}$ is the per capita monthly cash transfer received by household h under the reform of scheme j.

Poverty

To estimate poverty rate (or poverty headcount) with and without the transfers (Scenario 0 and Scenario 1), household consumption expenditure is used as the measure of welfare, a poverty line is defined such that 25 per cent of individuals aged 65 and over fall below the poverty threshold in the baseline scenario. For country q, the poverty rate can be written as:

$$PH_q = \frac{\sum_{i,h}^{N_q}(w_{ihq} 1_{\{y_{S,ij} \leq z_q\}})}{\sum_{i,h}^{N_q}(w_{ihq})}$$

where N_q is the total sample size for country q and individuals are indexed by $i = 1, 2, 3, \ldots N_q$. w_{ihj} is the sample weight of household h assigned to household member i. y_S is the per capita household consumption expenditure for Scenario S = {0, 1}, and z_q is the poverty line for country q.

Inequality

The Gini index is used as a measure of inequality. It corresponds to the ratio of the area between the Lorenz curve (which depicts the percentage of income owned by x per cent of the population) and the 45-degree line (which represents perfect equality), and the area beneath the 45-degree line (Figure A2-1) .

$$Gini\ index = \frac{A}{A + B}$$

The index is calculated based on household consumption in Scenario 0 and in Scenario 1 respectively, and the impact estimated by comparing the two.

Figure A2-1: Gini Index

Step 4: cost projections

Costs are estimated using *UNDESA Population Prospects 2024 revision* data and the relevant parameters of the proposed Tier 1 pension, summarised in Table A2-2. The hypothetical programme is assumed to start in 2026 for persons aged 70 and above, offering monthly transfers equivalent to 10 per cent of GDP per capita. The programme is then assumed to expand both horizontally, decreasing the minimum age of eligibility by one year each year until reaching all persons aged 65 and above, and vertically, increasing the transfer value as a share measured in terms of 2025 GDP per capita by half a percentage point each year until reaching 15 per cent.

Table A2-2: Characteristics of Tier 1 pension

Year	Minimum age eligible	Transfer value as share of GDP per capita in 2025
2026	70	10.0%
2027	69	10.5%
2028	68	11.0%
2029	67	11.5%
2030	66	12.0%
2031	65	12.5%
2032	65	13.0%
2033	65	13.5%
2034	65	14.0%
2035	65	14.5%
2036 -2040	65	15.0%

The UNDESA data provide the projected total number of people by single age groups for each of the countries in each year from 2025 to 2040. The annual cost of the pension is estimated as follows:

$$Costs_{j,t} = Pop_t^j * criterion_j * m_j,$$

where Pop_t^j is the projected population of country j in year t, $criterion_j$ is the share of eligible individuals in the population, m is the monthly transfer amount in 2025 prices. The cost projections only refer to transfers disbursed and do not include administrative costs for the implementation of the programme.

The projected annual costs are initially calculated in local currency, then expressed in relative terms, as a percentage of GDP. These are estimated by dividing the projected annual costs of the pension in 2025 prices by the projected GDP of the country in 2025 prices. To estimate GDP in real values for the following years, the calculations use estimates from the *IMF's World Economic Outlook* (WEO) database and the average annual real growth for the period 2025 to 2030 also in the WEO.

Finally, estimates of costs are compared with current expenditure on Tier 1 pensions in each of the relevant countries. The current expenditures for the Tier 1 pensions can be found in Figure 5-15 and Annex 3.

Annex 3 Tier 1 pensions across the Asia-Pacific region

Country	Name of Programme	Transfer value (LCU)	Transfer value (% of GDP per capita/GNI per capita in 2025)	Level of investment (LCU)	Level of investment (% of GDP/GNI)	Coverage (number of recipients)	Year of data
Australia	Age pensions	1,051[170]	12.3%	55,300,000,000[171]	2.11%	2,600,000[172]	2023
Bangladesh[173]	Old age allowance	600	2.2%	43,509,700,000	0.09%	6,000,000	2024
Brunei	Old Age Pension	250[174]	6.4%	131,142,000[175]	0.63%	43,714[176]	2024
China[177]	Pension scheme for rural and non-salaried urban residents	123	1.5%	368,000,000,000	0.28%	180,000,000	2023
Cook Island	Old Age Pension	520 for 60-69 years, 720 for 70+[178]	20% for 60-69, 27.8% for 70+	7,994,225[179]	1.75%	2,030[180]	2023

[170] https://www.servicesaustralia.gov.au/how-much-age-pension-you-can-get?context=22526
[171] Australia Institute (2023). https://australiainstitute.org.au/post/super-tax-concessions-now-on-par-with-entire-aged-pension-greater-than-ndis-research/
[172] Australian Institute of Health and Welfare (2023). https://www.aihw.gov.au/reports/australias-welfare/income-support-older-australians
[173] Source for all values: Ministry of Finance (2024) https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/03420639_b754_4e26_83bb_85cf7d6c7a5a/Social%20Security%20Budget%20Report%20%282024-25%29_compressed%20%281%29.pdf
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[178] Ministry of Finance (2023). https://www.cookislands.gov.ck/images/MFEM_Documents/Budget_Books/2023-24/2023-2027_Budget_Book_1_-_Estimates__DRAFTv.1.pdf
[179] P4SP (2024)
[180] Ministry of Finance (2023). https://www.cookislands.gov.ck/images/MFEM_Documents/Budget_Books/2023-24/2023-2027_Budget_Book_1_-_Estimates__DRAFTv.1.pdf

Fiji	Social Pension Scheme	121 for 65-69 years, 157 for 70+[181]	11% for 65-69 years, 14.2% for 70+	78,156,000[182]	0.68%	57,000[183]	2025
Hong Kong[184]	Old Age Living Allowance	4,250	11.7%	49,500,000,000	1.56%	1,130,000	2024
India	Indira Gandhi National Old Age Pension Scheme	200 for 60-79 years, 500 for 80+[185]	1% for 60-79, 2.4% for 80+	70,149,000,000[186]	0.02%	22,130,687[187]	2024
Japan	Public Assistance Program	78,000[188]	19%	1,048,320,000,000[189]	0.19%	1,120,000[190]	2022
Kiribati	Senior Citizens' Allowance	216.66[191]	42.8%	20,330,000[192]	2.69%	100%[193]	2023
Republic of Korea[194]	Basic pension	344,180[195]	8.2%	20,090,000,000,000	0.86%	6,239,000	2022

[181] https://fijionenews.com.fj/5-increase-in-social-protection-allowances-now-in-effect/.
[182] P4SP (2024). Note, this data is from 2024.
[183] https://www.mwcsp.gov.fj/2025/07/14/minister-sashi-kirans-2025-2026-budget-speech/
[184] Legislative Council (2024). https://www.legco.gov.hk/yr2024/english/fc/fc/papers/f24-40e.pdf
[185]Ministry of Rural Development (2023)
[186] Ministry of Finance (2025) https://www.indiabudget.gov.in/doc/eb/allsbe.pdf
[187] https://nsap.nic.in. Accessed 10/07/2025.
[188] https://www.mhlw.go.jp/content/12002000/001508773.pdf Note the figure has been rounded up for calculations.
[189] Calculated based on coverage and transfer values.
[190] Authors calculations based on Tanaka et al. (2025) https://equityhealthj.biomedcentral.com/articles/10.1186/s12939-025-02494-3
[191] Republic of Kiribati (2020). https://natlex.ilo.org/dyn/natlex2/natlex2/files/download/113885/KIR113885.pdf. The benefit is AUD200 for all months except June and December, when it increases temporarily to AUD300.
[192] P4SP (2024)
[193] In the absence of data on coverage of the tax-financed tier, it is assumed to be 100% as Kiribati provides a universal pension.
[194] Source for expenditure and coverage is Kim (2025). Available at link.
[195] Ji-Hyoung (2024). https://asianews.network/yoon-administration-proposes-1st-hike-in-pension-charges-in-27-years-to-slow-fund-depletion/

Macau[196]	Old age allowance	9,000	17.7%	1,183,000,000	0.32%	121,597	2023
Malaysia	Bantuan Sosioekonomi Warga Emas	500[197]	9.9%	607,140,000[198]	0.03%	147,815[199]	2023
Maldives	Basic pension	5,000[200]	21.4%	1,223,480,675[201]	1.13%	22,023[202]	2024
Mongolia[203]	Social Welfare Pension	375,000[204]	17.6%	48,422,200,000	0.07%	0.3%[205]	2021
Myanmar[206]	Social Pension	10,000	3.9%	16,740,000,000	0.01%	163,502	2024[207]
Nauru	Aged pensions	500 for 60-69 years, 600 for 70+[208]	18% for 60-69, 21.7% for 70+	4,210,000[209]	1.06%	100%[210]	2022[211]
Nepal[212]	Old age allowance	4,000[213]	24.1%	88,250,712,000	1.65%	1,74,000	2023

[196] Government Information Bureau of the Macao SAR. https://www.gcs.gov.mo/news/f/F24JH5BXYN/en/i
[197] ISSA country profiles: Malaysia (2022). Note that this value is from 2022.
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[200] https://socialprotection.org/discover/programmes/old-age-basic-pension-oabp
[201] Ministry of Finance (2024). Government Budget. https://www.finance.gov.mv/public/attachments/QrLvIkBQd5yTjem7e1JFLzwiXjz5S51imQPXVblc.pdf
[202] Maldives Bureau of Statistics (2024). Statistical Yearbook of Maldives 2024. https://statisticsmaldives.gov.mv/statistical-yearbook-of-maldives-2024/
[203] Source for coverage and expenditure: National Statistical Office of Mongolia. (2024). Mongolian Statistical Yearbook 2023. https://www.1212.mn/en/statistic/file-library/view/86813402
[204] https://news.mn/en/800670/. Accessed 10/07/2025.
[205] Based on data analysis of Mongolia HIES (2021)
[206] https://www.gnlm.com.mm/nearly-200000-people-aged-over-85-to-be-provided-with-social-pensions-in-2024-2025-fy/. Accessed 10/07/2025.
[207] Note that the value for expenditure is from 2023
[208] https://naurufinance.info/social-welfare-division/
[209] P4SP (2024)
[210] ILO (2024). Note that the value is expressed in terms of coverage of persons receiving a pension above statutory retirement age.
[211] Note that the figure for expenditure is from 2023
[212] Source for expenditure and coverage: Development Pathways' calculations using programme administrative data
[213] Source for coverage and transfer value: UNICEF (2023). Social Protection Budget Brief Update: FY 2022/23.

New Zealand	Superannuation	2,070[214]	30.2%	21,574,000,000[215]	5.07%	883,239[216]	2024
Niue[217]	Niue Pension	820	#N/A[218]	2,827,788	6.50%	258	2018
Philippines[219]	Social pension for indigent citizens	1,000	4.8%	49,800,000,000	0.19%	3,346,893[220]	2023[221]
Samoa	Senior Citizens Benefit Fund	200[222]	18.1%	33,388,000[223]	1.32%	11,320[224]	2023
Singapore[225]	Silver Support Scheme	250[226]	7.3%	595,000,000	0.09%	260,000	2023
Sri Lanka[227]	Financial support for elders	3,000	2.8%	15,500,000,000	0.05%	530,000	2024
Taiwan[228]	Old age basic guarantee	4,049[229]	4.3%	18,092,425,000	0.08%	381,429	2023

[214] https://www.workandincome.govt.nz/products/benefit-rates/benefit-rates-april-2025.html. Accessed 10/07/2025. Note this value reflects the benefit provided for a single person living alone.
[215] https://figure.nz/chart/2eIStXKBWssxMIze. Accessed 10/07/2025
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[217] ADB (2023). Niue: 2018 Social Protection Indicator. https://www.adb.org/sites/default/files/project-documents/52012/52012-001-tacr-en_20.pdf.
[218] Note that there are no recent economic figures for Niue provided by the IMF.
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[221] Note that the figure for expenditure is from 2024
[222] Ministry of Finance of Samoa (2023). https://cdn.prod.website-files.com/67a155f272e2c5aeb2caf892/6850a35218f724d2165601b0_National-Social-Protection-Policy-Framework-2023.pdf
[223] P4SP (2024).
[224] Government of Samoa (2023). https://www.samoagovt.ws/2023/01/relief-for-vulnerable-groups-supplementary-budget-2022-2023/
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[228] Source for coverage and expenditure: Ministry of Health and Welfare (2024). https://service.mohw.gov.tw/ebook/dopl/113/02/index.html#p=115
[229] Bureau of Labour Insurance (2024). https://www.bli.gov.tw/en/0011315.html

Thailand[230]	Old age allowance	600 for 60-69 years, 700 for 70-79 years, 800 for 80-89 years, 1,000 for 90+.	2.7% for 60-69, 3.1% for 70-79, 3.5% for 80-89, 4.4% for 90+	87,580,081,200	0.49%	85%[231]	2022[232]
Timor-Leste	Social pension for the elderly	60 for 60-69 years, 80 for 70-79 years, 100 for 80+[233]	40.9% for 60-69, 54.6% for 70-79, 68.2% for 80+	52,409,000[234]	2.15%	89,804[235]	2019[236]
Tonga	Social Pension	100 for 66-80 years, 120 for 80+[237]	9.6% for 66-80, 11.5% for 80+	6,200,000[238]	0.47%	6,527	2025[239]
Tuvalu	Senior Citizen Scheme	75 for 60-64 years, 112 for 65-69 years, 150 for 70+[240]	7% for 60-64, 10.4% for 65-69, 11.9% for 70+	2,400,000[241]	1.89%	384[242]	2024[243]
Vietnam	Old Age Pension	500,000[244]	7.7%	12,910,900,000,000[245]	0.16%	12.80%[246]	2020

[230] Source for transfer value and expenditure: Merttens (2022). Thailand Social Protection Diagnostic Review. https://www.unicef.org/thailand/media/10826/file/Thailand%20Social%20Protection%20Diagnostic%20Review_EN.pdf.
[231] Knox-Vydmanov et al. (2022). Note that the value represents persons receiving a pension as a percentage of persons above 65 years of age.
[232] Note that the figure for expenditure is from 2023
[233] https://www.social-protection.org/gess/ShowCountryProfile.action?iso=TL. Accessed 11/07/2025.
[234] P4SP (2024).
[235] World Bank (2023). https://documents1.worldbank.org/curated/en/099111223231017995/pdf/P18053209dc91707b08d9302c75fbb3a602.pdf
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[239] Calculated population above 66 years form UNDESA World Population Prospects (October 2024).
[240] Internal data. Transfer value is AUD75 for those 60-64 years old, AUD112 for those 65-69 years and AUD150 for those 70 years or older.
[241] Government of Tuvalu (2025). https://finance.gov.tv/wp-content/uploads/2025/07/2025-2026-National-Budget.pdf
[242] Tuvalu Gender Affairs Department (2024). https://www.unwomen.org/sites/default/files/2024-09/b30_report_tuvalu_en.pdf
[243] Note that the figure for expenditure is from 2025
[244] Cai (2025).
[245] Calculated based on spending distribution from Kidd et al. (2016) and https://www.unicef.org/vietnam/media/9221/file/Internal%20brief%20on%20Social%20and%20Environmental%20Public%20Spending%20Trends%20in%20Viet%20Nam%20(2018-2020).pdf
[246] ILO (2024). Note that the value is expressed in terms of coverage of persons receiving a pension above statutory retirement age.


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