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**DYNAMICS OF POPULATION AGEING: HOW CAN  
ASIA-PACIFIC RESPOND?**

# **DYNAMICS OF POPULATION AGEING: HOW CAN ASIA-PACIFIC RESPOND?**

## **Introduction**

Population ageing, the process by which older individuals become a proportionately larger share of the total population, was one of the most distinctive demographic events of the late twentieth century<sup>1</sup>. This phenomenon is equally reflective of the Asia-Pacific region. Some of the countries in the region have already embraced Population ageing while several others are to follow suit. Economies such as Australia; Georgia; Hong Kong, China; Japan; New Zealand; and Russian Federation have already experienced rapid ageing of their populations and are confronting with associated socio-economic challenges. Several others including China; Republic of Korea; Macao, China; Singapore; Sri Lanka and Thailand are facing the pressures of ageing.

The intensity of ageing in Asia and the Pacific region is bound to increase at a faster rate in the twenty first century with the share of population over 60 years of age increasing from 10.0 per cent of the total population in 2000 to 24.1 per cent by 2050<sup>2</sup>. Of the five countries of the world that are expected to have more than 50 million older people by 2050, three would be from the Asia-Pacific region: China (437 million), India (324 million) and Indonesia (70 million). The share of the old aged living in the Asia-Pacific region would increase from the current level of 54 per cent of the world's total to 63 per cent by 2050.

The demographic transition would have important multiple implications for the socio-economic conditions of the region. The rising share of elderly people in the total

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<sup>1</sup> Old aged is defined as the population aged 60 years and over. This definition used by the United Nations is consistent with the retirement age of most countries of Asia and the Pacific.

population would exert pressure on government budgets as the demand for health services and social welfare increases. The changing age structure would also result in a shift in overall consumption and saving patterns with a long-term impact on investment and growth. Increasing migration due to adjustments in regional and international labour markets in response to rapid ageing would have implications on domestic labour markets, particularly on supply and productivity of labour. Governments would be increasingly under pressure not only for devising innovative mechanisms to deal with issues arising from an ageing population but also for undertaking market reforms and policy coordination to ensure long-term viability of social welfare programs, while minimizing the negative effects on the economy.

How governments respond to these challenges now would be a deciding factor in the well-being of not only the current young and the elderly but also the future generations. While the fact that ageing is not a transitional issue makes responding to the ageing process in time a necessity, the ability to anticipate the demographic transition with a fairly high degree of accuracy makes it a surmountable problem and provides countries with ample room for better preparing for facing the challenges posed by ageing. The countries in the region being in different stages of demographic transition will enable them to harness the issues arising from ageing through regional/bilateral cooperation and learning from other countries which are already aged.

Responding to ageing in advance would enable countries to reap the “demographic dividend” produced by reduced fertility rates.<sup>3</sup> It also gives countries

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<sup>2</sup> United Nations (2004), World population ageing 1950-2050, United Nations, New York

<sup>3</sup> For example, the East Asian "economic miracle" shows how reduced fertility can help to create conditions for robust economic growth. See Bloom, D., David Cuning and Jaypee Sevilla (2002), “The Demographic

which are still young a time-bound opportunity to capitalize on their demographic conditions and benefit from ageing of other countries by making productive use of its young labour force. However, collecting the demographic dividend would require that right policies and incentives are in place. Policies considered by most countries include pension reforms, labour market reforms and elderly care. However, reforms in many countries are either incomplete or yet to be undertaken.

Countries in Asia-Pacific could learn from other ageing societies both within and outside the region as to how they have responded to emerging health, elderly care and social security requirements, as well as issues on labour and capital markets, government budgets and human migration. For example, Australia's strategic approach to aged and community care, United States' migration policy to stabilize the working age population, and Chile's pension reforms provide good examples of policy responses to issues relating to ageing.

Addressing issues arising from ageing goes beyond national boundaries as ageing would lead to increasing levels of human migration in the next few decades. How labour issues are treated in a global context would be a key factor not only in making productive use of excess labour in some parts of the world by allowing them to migrate to labour shortage countries but also in containing the destabilizing effects of uncontrolled emigration on labour markets in labour exporting developing countries. This calls not only for bilateral and regional cooperation but also for a fresh look at the existing global frameworks such as Mode 4 of the General Agreement on Trade in Services (GATS) of

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Dividend: A New Perspective on the Economic Consequences of Population Change, RAND Publication available at <http://www.rand.org/publications/MR/MR1274/> accessed on 30 November 2004

the World Trade Organization (WTO) for widening the scope of such initiatives for human migration just as in the case of trade in services.

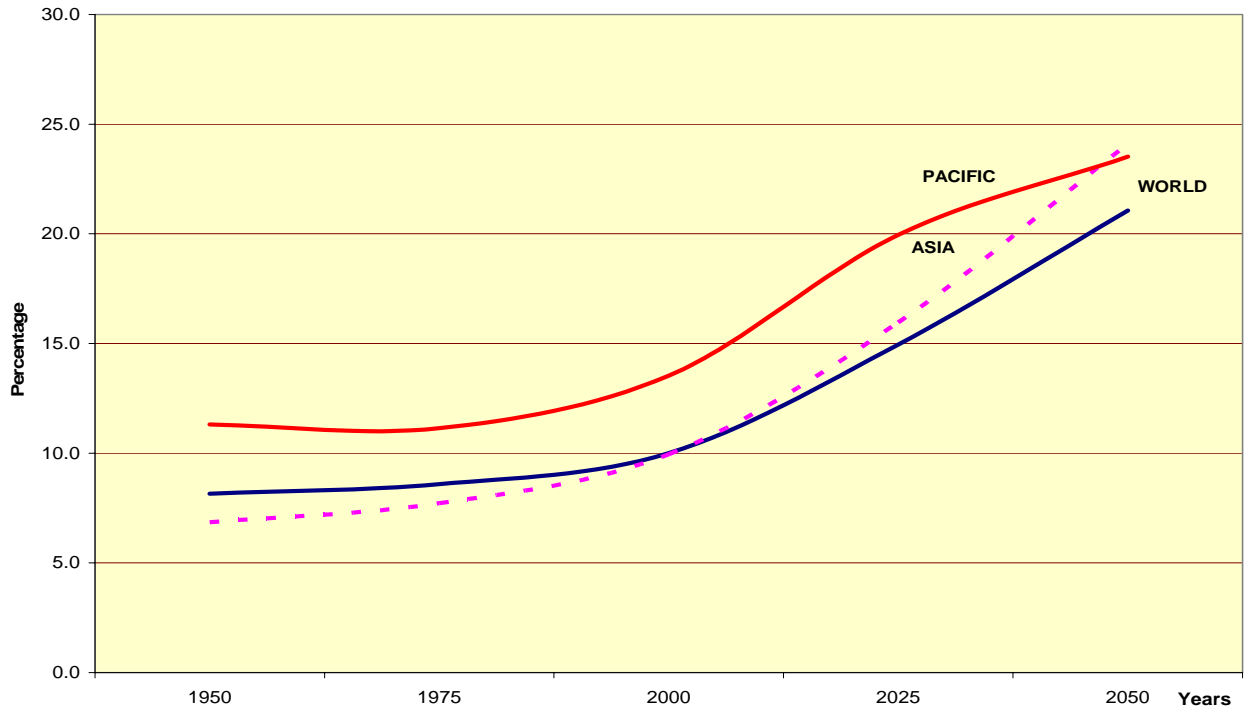
The objective of this chapter is to analyze the dynamics of population ageing in the Asia-Pacific region with particular attention to analyzing socio-economic implications of ageing and the policy responses required to face the current and the future challenges of the demographic changes. The chapter is organized as follows. Section II provides a brief analysis of population dynamics of the region. Implications of population ageing are discussed in Section III while policy responses for issues related to ageing are analyzed in Section IV. Section V concludes.

## **Section II. Population dynamics**

Population ageing is a process common to almost all developed and developing countries. The dynamics of population ageing differ from country to country depending on their level of economic and social development as well as policies adopted during the past. Population ageing has taken place at a rapid rate in the Asia-Pacific region during the past fifty years and would continue at a faster pace during the next fifty years (figure I). Asia-Pacific region is already home for more than half of the world's old aged and the share would continue to increase in the next fifty years. Meanwhile, population dynamics have created several gender related issues, which could worsen the welfare, particularly of women.

**Figure I**

**Proportion of population aged 60 and over**



### **Determinants of population ageing**

The demographic transition witnessed in the Asia-Pacific region is underlined by declines in mortality and fertility rates, mainly due to improved health conditions and family planning, respectively.

### **Decline in mortality**

The decline in mortality rate has been the main trigger at the initial stage of demographic transition. Advances in the medical field and improved access to health services led to a sharp reduction in infant mortality along with maternal and adult mortality. Aggressive campaigns to control infectious diseases such as Malaria and Tuberculosis along with successful control of frequent epidemics of smallpox, cholera and yellow fever positively contributed to improvements in the mortality rate as early as

1920's. For example, mortality rate fell sharply in Sri Lanka when public health and campaigns for sanitation were undertaken, particularly to eradicate malaria, which led to an increase in life expectancy by 14 years between 1947 and 1954<sup>4</sup>. Similar trends were seen in countries such as India and Pakistan after the Second World War.

**Table I. Changes in infant mortality rate and total fertility rate in developing countries**

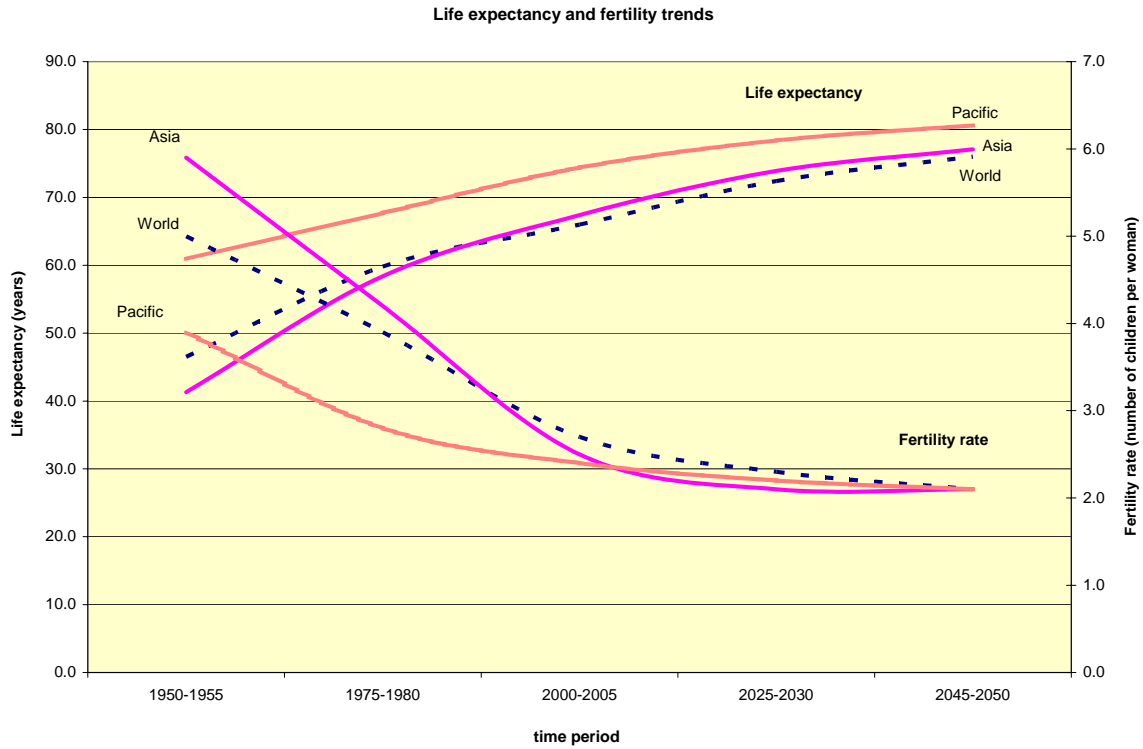
	1950-1975	1975-2000	2000-2025
Infant mortality rate	-58%	-41%	-42%
Total fertility rate	-27%	-29%	-27%

As reflected by Table I, the decline in mortality rate has been a common feature in developing countries. For example, infant mortality rate has declined by 58 per cent during 1950-1975 and by a further 41 per cent during 1975-2000 in developing countries. The trend is expected to continue in the next quarter century. Reflecting these improvements in the mortality rate, the life expectancy increased by 26 years or 63 per cent to 67.4 years in Asia and by 13.5 years or 22 per cent to 74.4 years in the Pacific during the past half century. As figure 2 indicates life expectancy in the Asia-Pacific region stood well above the world average.

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<sup>4</sup> Cosio-Zavala, M. (1999), "Demographic transition and social development in low income countries", in Population growth and demographic structure, United Nations, New York

Figure II.



### Decline in fertility rate

Fertility rates in many countries in the Asian region exceeded 6 children per woman until mid 1960s due to very early nuptiality and an increase in fertility since 1956 in several countries in the region. As a whole, the Asian region had a high fertility rate of 5.9 children per women during 1950-55 while that in the Pacific region was 3.9. As such, fertility played a marginal role in the demographic transition in many developing

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