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## The Benefits of an Aging Population in Asia

Bill Durodie | September 07, 2010

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Much of the discussion in the West about aging populations also occurs in Asia. Yves Guerard, the secretary general of the International Actuarial Association, has compared these discussions to climate change; he sees the issue of an aging population as a "big, immediate urgent problem" that is largely ignored "because it's inconvenient."

But a recent report challenges this framing. This considers the benefits of an aging population.

Concerns regarding aging populations typically focus on three areas: health costs, pension costs and intergenerational solidarity.

The presumption is that these are all stretched when, as in Japan, the amount of the population aged over 65 reaches above 20 percent.

In reality, age is not a purely chronological or even biological matter. It has a social dimension that often goes unappreciated.

What it means to be 70 today is quite different to what it would have meant a generation ago, when a life of toiling in the fields or in a factory would have taken its toll on the human body.

Today, many people of pensionable age want to and do keep contributing to society.

This may not always be measured in terms of GDP as their contribution typically takes the form of free childcare for their grandchildren, but this important social bonding mechanism should not be overlooked.

The simplistic dependency ratio favored by many demographers, that naively divides the number aged below 16 (or 18) and those above 60 (or 65) by the remainder (who are presumed to be at work) is highly limited and flawed.

For a start such figures pay little attention to those of working age that society either chooses to keep out of the workforce (students and early retirees), or those it is unable to integrate (the unemployed and women in the absence of adequate childcare facilities).

Accordingly, the ratio can fluctuate wildly based on socio-economic and cultural conditions, rather than demographic changes.

As the ratio decreases, it may be due to the fact that those in work today are far more productive than previously — meaning fewer people support many more than before.

Even an economy that grows at a sluggish rate of 3

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percent per annum will, compounded over a 25 year period, be more than twice as large as it is today.

But it is unlikely that the number of those aged over 65 will double, or that it is expected to divert all new resources to them.

Accordingly, whether society is able to meet the changing needs of its population is more to do with effective planning than the population alarmists appear to countenance.

Japan, the country with the oldest population in Asia, and the first to face this demographic transition, shows how it is possible to encompass an aging demographic in a nation's stride.

People the world over live longer and healthier lives than ever before. This should be a cause for celebration rather than concern. What health care costs do ensue are now more concentrated in the last years of life than previously.

As the old nuclear family, with all its problems and limitations, comes under strain, there is little evidence to show that this is affecting family bonds, which are held to be so important in Asia.

Rather, new technologies have replaced some face-to-face contact in families.

None of this is to suggest that there are no new tensions to negotiate. Nor is it to suggest that there are some extreme cases of elder-abuse or neglect that tend to feature prominently in the media.

Nevertheless, if, as advanced and developing societies, the countries of Asia are to make judicious decisions about how they invest their resources, they would do well to learn from the strategies used in Japan and to base their decisions on real-life experience rather than the anticipation of worst-case scenarios.

#### *East Asia Forum*

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