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## Ageing and social protection in Asia and the Pacific

- Asia and the Pacific is ageing at a historically unprecedented rate.
- Unless policies catch up to reality, this demographic transition will have adverse economic and social consequences.

Rising living standards, including better nutrition, sanitation, healthcare and education, have dramatically increased regional life expectancy. Between 1960 and 2010, life expectancy in South-East Asia and the Pacific increased by nearly 30 years<sup>1</sup>, almost twice the increase of life expectancy in Europe over the same period.<sup>2</sup>

Whilst longer lives can be a positive development, as it is not matched by an increase in fertility, Asian countries are ageing at an unprecedented rate. Where OECD countries took 50–100 years to transition from young to old societies, Asian countries are taking just 20–25 years.<sup>3</sup>

One fourth of Japan's population is already elderly<sup>4</sup>, with many more set to enter the oldest old (>90y) category where healthcare spending rises sharply. Pace of ageing in Vietnam is also one of the fastest in the world. Between 1990 and 2014, life expectancy rose from 70.4 to 75.6 years. Consequently, the country's 9 million people in pensionable age in 2015 will more than double to 20.4 million by 2035.<sup>5</sup>

Ageing can pose a threat to economic growth and social stability for these countries because many have aged faster than they have become wealthy or developed adequate pension systems. Already the Republic of Korea's elderly poverty rate is the highest among OECD countries, nearly ten times that of Spain which has a similar GDP per capita.<sup>6</sup> Since women live longer than men, and usually have less stable careers that negatively impact their pension levels, ageing disproportionately impacts women.

Even countries with large youth population capable of yielding significant demographic dividend, such as Bangladesh and the People's Democratic Republic of

Lao, will not be immune from these challenges. By the end of this century, Lao PDR's old age dependency ratio, for example, is expected to rise six fold.<sup>7</sup>

In the past, care for older parents rested on their many children. Half a century ago, on average, in Bangladesh, women gave birth to seven children, now the number is down to two. Today a couple just starting their working career in China, for example, may expect to have four elderly parents as dependents. This puts families under extraordinary pressure, making ageing a challenge for society as a whole, as well as public finance.

Ageing significantly impacts social protection by narrowing a country's fiscal space. At the same time, the informality rife in Asian labour markets has tested the limits of contributory models of financing social protection. In response, the popularity of revenue based financing has risen. Overall though, national policies do not yet adequately address the triple shock of ageing – increase in pension and public health costs, with parallel decrease in productivity.

<sup>1</sup> Life expectancy at birth, total (years) indicator, World Bank, 2017, <http://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=Z4> [accessed 05 July 2017].

<sup>2</sup> Life expectancy at birth, total (years) indicator, World Bank, 2017, <http://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=XC> [accessed 05 July 2017].

<sup>3</sup> World Bank: *Live Long and Prosper: Aging in East Asia and Pacific* (Washington, DC, 2016). doi: 10.1596/978-1-4648-0469-4.

<sup>4</sup> Elderly population (indicator), OECD, 2017, doi: 10.1787/8d805ea1-en [accessed 05 July 2017]

<sup>5</sup> International Labour Office: *Report to the government: Actuarial valuation as of 31 December 2015 of long-term*

*benefits administered by the Viet Nam Social Security Organization Draft Report* (Geneva, 2017), unpublished.

<sup>6</sup> Poverty rate (indicator), OECD, 2017, doi: 10.1787/0fe1315d-en [accessed 05 July 2017]

<sup>7</sup> International Labour Office: *Lao PDR: Report to the Government: Actuarial valuation of the National Social Security Fund Private Sector Branch as of 31 September 2013 Draft Report* (Geneva, 2015), unpublished.



## Economic opportunities

Contrary to popular belief, active ageing and rising demand for care workers can create new opportunities.

With some workplace adjustments, the elderly could choose to stay in work and continue to contribute economically to their communities.

More importantly, the greater demand for health and long-term care in elderly population can create new jobs in the economy. The ILO estimates the Asia-Pacific region needs to triple its current pool of long-term care workers to 8.2 million in order to support its older population.<sup>8</sup> There is an even higher demand for overall healthcare workers, which can generate 43 million new jobs by 2030.<sup>9</sup>

## Pensions at stake

Pensions have obvious direct benefits, including tackling old age poverty, but also indirect ones, such as positive impact on the health and education of pensioners' relatives.

Although nearly half the world's elderly live in the Asia-Pacific, over half of them do not receive a pension, which is well below global averages.<sup>10</sup> High income countries usually—but not always—do better; so 100 per cent of the Japanese have pension coverage, in contrast to only 2.3 per cent Pakistanis.<sup>11</sup>

Nevertheless, some countries have broken the mould even at relatively lower income levels. China, Mongolia, Thailand and Timor-Leste have all reached nearly universal coverage, the latter two through universal tax funded pensions.

Policy adjustments, such as pension reforms, will help governments face the challenges of ageing. Countries should consider extending pensions to guarantee basic income security for all its older people, including through tax funded systems for the poorer. Pensions will also need to accommodate atypical forms of work, such as the informal, short-term and temporary work increasingly prevalent in the economy.

The ILO recommends smooth and gradual reforms, based on social dialogue, that balance the goals of financial and social sustainability. While people live longer, countries need to adjust their system parameters, such as increasing retirement age or contribution rates. Adjustments ought to be country specific and evidence informed.

## Labour migration

Faced with the need for younger workers to counter the effect of ageing population, regional migration is likely to rise in the coming decades. Since Asian countries are ageing at different rates, both countries sending and receiving migrants could benefit from more comprehensive and coordinated migration policies.

**Ageing does not have to be a crisis. People living longer is the result of societal progress. Although it creates challenges, it also offers opportunities if harnessed cautiously and timely.**

<sup>8</sup> X. Scheil-Adlung: *Long-term care protection for older persons: A review of coverage deficits in 46 countries* (Geneva, ILO, ESS – Working Paper No. 50, 2015).

<sup>9</sup> X. Scheil-Adlung: *Health workforce: A global supply chain approach – New data on the employment effects of health*

*economies in 185 countries* (Geneva, ILO, ESS – Working Paper No. 55, 2016).

<sup>10</sup> ILO: *World Social Protection Report 2017–19: Universal social protection to achieve the Sustainable Development Goals* (Geneva, 2017).

<sup>11</sup> *Ibid.*

Part of the narrative in the previous page was written by the authors for ILO's *World Social Protection Report 2017–19* and subsequently published in Box 6.14 on page 149. The relevant data has been updated and expanded for this brief.

**Brief prepared by Nuno Cunha and Nabila Idris. To learn more, please contact:**

Nuno Cunha, Senior Social Protection Specialist  
Decent Work Technical Support Team for East and South-East Asia and the Pacific  
United Nations Building  
Rajadamnern Nok Avenue  
Bangkok 10200, Thailand

Tel.: +662 288 1234; Fax: +662 280 1735  
Email: BANGKOK@ilo.org  
www.ilo.org/asia

 iloasiapacific  
 @ILOAsiaPacific  
 www.facebook.com/ILO.ORG  
 www.youtube.com/LOTV