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Ageing in the Asian Region

The Asian/Pacific region, currently home to six hundred million older people, is the most rapidly ageing world region, with twenty percent of its projected population over sixty by 2050, which will at that date account for two-thirds of the world's two billion elders. Indeed, UN projections predict that by 2040 there will be more individuals aged over sixty than under fifteen in the region and Asia will have followed Europe in becoming the world's second so-called 'mature' region. Key here is the speed at which this transition is occurring. While it took the EU 15 (the 15 member states of the European Union prior to enlargement) some 120 years to go from being a young to mature population (with maturity being achieved in 2000), such a shift in the proportion of young and old will have occurred in Asia in less than 25 years. While the predicated increase in the percentage by 2025 of people over sixty for the EU 15 is around 33%, it is a staggering 400% for Indonesia, 350% for Thailand, and up to 250% for India and China. It is this rapidity of demographic ageing which will be central to the policy changes needed within the region.

Demographic change is certainly at the base of almost all current economic, social and political policy-making in Japan, where it took just 24 years to go from a society with seven percent of the population officially defined as aged (1970) to 14 percent (1994), a demographic shift that took 70 years in the US and 130 years in France. It will take Japan only 22 years to change from a society with ten percent of the population defined as aged to one with twenty percent, a transition that it is estimated will take fifty to sixty years in countries such as Italy, Germany, Holland and Sweden.

At the same time, throughout East and South-East Asia birth rates are plummeting, falling below total fertility (the average number of children that women are expected to bear) replacement rates (2.01) in much of the region and reaching lows of around 1.2 in Singapore, Korea, and Japan, and a remarkable 0.9 in Hong Kong, the lowest in the world (United Nations, 2005). Singapore's population structure, for example, has seen a steady decline in the proportion of children and increase in the proportion of older adults. As a result, the median age of the country's residents has increased by more than ten years over the past quarter century from 24.4 in 1980 to stand at over 35.5 today. Both Hong Kong and Korea are now over 35, fuelled by falls in total fertility rates and corresponding increases in longevity.

The Ageing Crisis in Japan

Japan is the most 'mature' of the Asian populations as can be measured in a number of ways. In terms of population-size, it has slipped rapidly down the rankings: it had the fifth largest population in the world in 1950, the tenth in 2005 and is predicted to be the sixteenth by 2050 (United Nations, 2005). Of most immediate importance is the fact that, in 2005, Japan officially had the oldest population in the world with a median average of just over 43 years (it was just over 22 in 1950) and the highest life expectancy at birth (81.9 years). While it is predicted by some to lose the first of these records by 2050 to China (mainly due to the one-child policy in China), Japan will retain the record for life expectancy, which is expected to increase to over 88 years. Much of Japan's life expectancy can be explained by the fact that it has the lowest rates of infant mortality in the world – although it should be pointed out that there are some questions about the way that infant mortality is defined in Japan. But one cannot argue with the fact that the number of centenarians increased from 3,600 in 1991 to over 25,000 (85% of them women) in 2005 (AP, 13 September 2005), and that Japan has more centenarians per 1000 members of the population than any other country.[1] By 2025, almost 30% of Japan's population will be 65 or over and it will have almost as many people over the age of 80 as under the age of 15; barely two people of so-called working age (15-64) will be supporting every person of 'retirement' age, 65 or over.

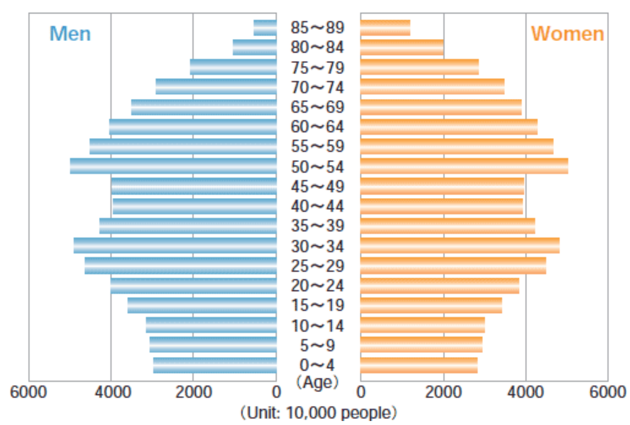
Table 2.2
Trends in Population

Year	Population (1,000)	Age composition (%)			Average annual rate of increase (%)	Population density (per km^2)
		0 - 14 years	15 - 64	65 and over		
1872	34,806	...	...	...	...	91
1900	43,847	33.9	60.7	5.4	0.83	115
1910	49,184	36.0	58.8	5.2	1.16	129
1920	55,963	36.5	58.3	5.3	1.30	147
1930	64,450	36.6	58.7	4.8	1.42	169
1940	71,933	36.7	58.5	4.8	1.10	188
1950	84,115	35.4	59.6	4.9	1.58	226
1955	90,077	33.4	61.2	5.3	1.38	242
1960	94,302	30.2	64.1	5.7	0.92	253
1965	99,209	25.7	68.0	6.3	1.02	267
1970	104,665	24.0	68.9	7.1	1.08	281
1975	111,940	24.3	67.7	7.9	1.35	300
1980	117,060	23.5	67.3	9.1	0.90	314
1985	121,049	21.5	68.2	10.3	0.67	325
1990	123,611	18.2	69.5	12.0	0.42	332
1995	125,570	15.9	69.4	14.5	0.31	337
2000	126,926	14.6	67.9	17.3	0.21	340
2003*	127,687	14.0	66.9	19.0	0.16	342
2004*	127,776	13.9	66.6	19.5	0.07	343
2005*	127,756	13.6	65.3	21.0	-0.02	343
Projection as of Jan. 2002						
2010	127,473	13.4	64.1	22.5	-0.04	342
2020	124,107	12.2	60.0	27.8	-0.27	333
2030	117,580	11.3	59.2	29.6	-0.54	315
2040	109,338	11.0	55.8	33.2	-0.72	293
2050	100,593	10.8	53.6	35.7	-0.83	270

Source: Statistics Bureau, MIC; Ministry of Health, Labour and Welfare.

Japanese trends and population projections, 1872 to 2050

There are two unconnected reasons for Japan's ageing population. On the one hand, as we have seen, people in Japan are living longer than anywhere else in the world. Average life expectancies at birth increased from just over 50 for men and just under 54 for women in 1947 to a combined average of 81.9 in 2005. At the same time as longevity has increased, the number of children being born in Japan has declined dramatically. The total fertility rate dropped from 5.24 in 1920 to 4.32 in 1949 (the first post-war baby boom when 2.7 million babies were born) to 2.14 in 1973 (the second post-war baby boom when 2.09 million babies were born) to 1.57 in 1989 (when only 1.25 million babies were born). As Glenda Roberts (2002) has written in detail, at this point the Japanese government decided for the first time to raise public consciousness of the potentially calamitous effects of such a low birthrate. The media dubbed this the '1.57 shock'.



Japan's population pyramid by age and gender 2003

Japan's declining birth-rate is an immensely complicated topic. [2] Significantly, the average number of children that married women are having has remained at around 2.2 over the last three decades and the illegitimacy rate at around 1 per cent; the decrease in fertility is almost totally due to an increase in women of reproductive age not getting married and not having children. [3] According to some sources, this is due to a conscious choice to stay in employment and not have children: the fertility rate for working women in the late 1990s was 0.60 against 2.96 for those not working (Harada 1998). For most of the former of these, the issue has been the perceived lack of State support for working women, something which, as we shall see, the State has worked hard to rectify in recent years. There is no necessary correlation, however, between the proportion of women in work and a low birth-rate (indeed there is some evidence of an inverse relation in many OECD countries) and hence whether such women will decide to have children at a much later stage still remains to be seen - and will determine the overall fertility rate over a much longer period than simply a single decade.

It was, in Japan, the combination of the unprecedented rapid decline in the fertility rate with rapidly increasing longevity that led to the sense that the country faced a demographic crisis: some government reports predict that the population size will shrink to half of its present size in 70 years and to a third in 100 years. Also, unlike many other OECD countries, Japan had no plans for immigrant labour – despite the appearance for the first time in the post-war period of some foreign workers at the end of the 'bubble economy' in the late 1980s. Immigrant labour is still largely associated with Korean and Taiwanese coerced labour during the war years, and there remains considerable resistance to immigrant labour in influential circles in government and media, and perhaps in the population more generally. Further, as Kwon (1999) pointed out at the end of the 1990s, there has been developing a very low (and declining) level of financial support for older people in Japan by their own children (15.6% of their total income in 1981; 9.0% in 1988) compared to some other East Asian societies (for example, Korea, 44.3% in 1994; Taiwan, 53.2% in 1994) where levels of financial support have been declining both more slowly and from a higher base. Hence, the comparatively high reliance of Japan's older population on state pensions (already over 50 percent of their total income package at the end of the 1980s) means that the working population will have to transfer much more of its wealth to older people if the current system of intergenerational, pay-as-you-go pension payments persists.

Anticipated Problems and Policy Responses

While European governments and public have already begun to react to similar demographic pressures, governments in Asia have been much slower in reacting to the implications of dramatic falls in fertility and mortality. As Harper (2006) has pointed out, there is a general apprehension among the public in Asia that such a shift in the global demography will lead to a dramatic reduction in government capabilities to provide services for their rapidly ageing populations; national health services, and even whole economies, are predicted to collapse under the strain of health and pension demands, and families will no longer be there to compensate for failing public provision. The reality, however, is far more complex and susceptible to policy changes. Indeed, the three major concerns - public spending on pensions, high dependency ratios between workers and non-workers, and a slow down in consumption due to an increase in older people and a decrease in younger people - are dynamics of current cohorts and the current time period. They are not fixed. While they are all of key importance, they are also concerns which it is possible to address through policy.

In terms of pressure on health services, an analysis of OECD data (Seshamani and Gray, 2002) shows that, in developed countries at least, per capita health care costs for those aged 65 years and over have increased at the same rate as for those aged less than 65 years. Furthermore, as Leeson (2004) has pointed out, although a number of cross-national studies have considered the determinants of health care costs, only one has found the age structure of the population - with the age structure indicator defined as the proportion of population aged 65 - to be the explanatory factor in rising health care costs. Rather it is the wider effects of income, lifestyle characteristics, new technology and environmental factors which have been driving up demand.

Several studies have also suggested that the ageing of industrial populations will contribute to the burden of public expenditure through a sharp growth in real spending on pensions. However, as Heller (2003) has pointed out, the main fiscal pressures originate from the existing framework of social insurance in many countries. As with health care costs, it is not demographic ageing per se, but current policy frameworks and other social and economic factors associated with these which are the major factors at play here. The challenge will thus arise more from labour markets which have used retirement as a regulating mechanism in times of labour over-supply, and pension systems which have allowed healthy active individuals to withdraw from economic activity, than from the presence of large numbers of older people who are unable to work due to their age. Some Asian countries, such as Singapore, have instigated early retirement schemes for their urban employed which will allow healthy active and potentially productive individuals to retire in their fifties with the expectation of up to forty years post-retirement support. This is, therefore, a policy challenge, which it is possible to address. Similarly, family structures, and the widespread provision of public forms of care may be changing, but there is little evidence from studies across the world that kin do not continue to ensure that their family members are cared for and supported.

Countries across the globe have these long-term issues in common and how industrial economies address their new demographic structures will have important consequences for the global economy as a whole. Of particular interest - and an issue that is less well understood - is how significant changes in national age distributions will affect wider economic issues such as national saving patterns, capital requirements and international capital flows, particularly between the developed and the transitional and less developed economies. Asia is set to play a key role in these new global dynamics. Yet, while their European counterparts find themselves in the midst of an ageing transition, most Asian countries with the exception of Japan, have ten to twenty years to plan for the ageing of their populations; other Asian governments (with perhaps the exception of China which is now feeling the results of its one-child policy and related over-representation of males in the population) can start to act now to ensure that their economies are able to respond to their emerging demographies.

Health and Welfare Provision in Japan

Let us consider the two main challenges for the ageing of Asian societies - health and welfare provision and ageing workforces – by drawing on the example of Japan. It was in the light of the growing realisation of its changing demographic profile that, in the 1990s, the Japanese government set about seriously trying to develop welfare programmes to support its ageing population. While 50 percent of those over 64 in Japan continued in the early years of the new millennium to live with at least one adult of a younger generation (compared to around eight percent in the UK and 14 percent in the US), the government recognised that this meant a large and growing proportion of aged that did not do so – 72 percent had lived with an adult of a younger generation in 1980. Hence, it had to significantly increase the provision of home helps, day-care and short-stay community centres and nursing homes. [4] This it did through its Gold Plan of 1990. The demand for such services proved so overwhelming (and the plan itself was so conscientiously implemented) that an enlarged New Gold Plan had to be introduced in 1994 and a further Gold Plan 21 in 2000 which ended in 2005. [5]

State expenditure on elderly care increased from ¥0.57 trillion in 1990 to ¥3.57 trillion in 2000, mainly in the form of home help support introduced under these plans (Peng, 2005: 82). The recently-introduced Long Term Credit Insurance – introduced largely to avoid social hospitalisation which was becoming a chronic problem in the 1970s and 1980s – means a 10% patient co-payment with the remaining 90% of the cost shared between social insurance and general taxation (Campbell and Ikegami, 2003); this system involves a major move from care by the family to care by the state in the sense not only that there is more money in the system as a whole, but also, as Peng (2005: 84) puts it, a move from means-tested care to rights-based care. As Webb (2002) points out, this process has gone a long way toward destigmatising recipients by replacing the old language of welfare (fukushi) with a new language of care (kaigo).

In order to tackle the problem of the declining fertility rate, the government introduced what it called the Angel Plan in 1994 to encourage women to have more children by making it easier to have a family while continuing to work. As Roberts (2002) explains, the plan involved a ten-year programme starting in 1995 to increase day nurseries, drop-in care for non-working mothers, centres to care for sick children, after-school care centres and counselling centres for parents with childcare problems. At the same time, it sought to remove the stigma from mothers who worked and replace it with the idea that the state should support such women to ensure they could have a full career and bring up their families. Unlike the Gold Plan, however, the Angel Plan seems to have been beset by problems from the moment it was implemented and it failed to reach many of its targets as the economy stagnated. Many local governments were reluctant to implement its provisions in full, in part because so much of their expenditure was already committed to the various Gold Plans. [6]

Angel plan logo

The big question, however, is whether the ageing of the population really is the crisis that it is reported to be in the media. Hewitt (2003) summarises succinctly the argument that most of Japan's current woes can be linked to its demographic situation, indeed blaming the economic slump in the early 1990s at least in part on the plateau in the number of workers: just when Japan needed new ways of thinking to get out of its economic crisis, it found itself mired in even further by the 'Old Japan', with its old way of thinking and old way of doing things, including such practices as life-time employment and seniority promotion that led directly to internal inefficiency and high cost protectionism to support that inefficiency and those costs. Older people also, according to Hewitt, save too much (Japan currently has the world-highest household liquid savings rates by a long way) and make low-risk investments and so they cannot help kick-start and stimulate the economy out of its current situation.

It is not clear, however, that this constitutes a crisis. It should be pointed out, for example, that the fact that the fertility rate is declining at the same time as the population is ageing means that there are fewer young people to support and hence the overall dependency ratio (the so-called ‘productive population’ of those between the ages of 15 and 64 divided by those under 15 and over 64) will be virtually the same (1.5 workers per dependent) in 2020 as in 1950 (Ferries, 1996) and is not expected to be far out of line with that of its OECD competitors during the first half of the twenty-first century (Hill 1996).

It could be argued that it costs more to support an older person than a young one, but, Japan’s older population is, in relative terms, an affluent one: a national livelihood survey from 2002 showed that the average per capita income of so-called ‘senior households’ (households with no-one between the ages of 19-64) was 91% of the average of all households; a 2003 White Paper on the Economy suggested that almost 80% of Japanese seniors considered themselves free of financial difficulties (Japan Echo, 2006: 52). In part this is due to the fact that, by OECD standards, there is a much higher proportion of Japanese people, both men and women, aged over 64 in the workplace; as Usui (2003) points out, ‘active ageing’ is on the rise in Japan and many people well into their seventies increasingly contribute directly to the economy. [7] It is also, as Campbell (2003) points out, due in part to the fact that the current generation of retirees, especially those who retired from government service or from large companies, enjoy benefits that are better than anywhere else in the world other than Scandinavia. Rather more surprisingly, while Japan is a much more mature society than the US, its expenditure on medical care as a proportion of GDP is roughly half, due to a much more efficient system of allocating medical resources.

The Japanese experience of an ageing population is in many ways a test case for other societies. The dramatic demographic shift which is taking place in the country directly or indirectly affects every sector of society from maternity wards to undertakers and has generally been talked about in terms of constituting a ‘national crisis’. We argue, however, that there is room for a more positive view that the changing demographic structure in Japan could lead ultimately to a more open, international, egalitarian society with a generally high quality of life for the population as a whole. Since all Asian societies expect to go down this same demographic path in the next generation, they are watching the Japanese case with particular interest.

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For another important Japan Focus article on Japanese Population, see Vaclav Smil, The Unprecedented Shift in Japan's Population: Numbers, Age, and Prospects

[1] According to Smil (2007), by 2050 it is possible that Japan will have nearly five million people aged ninety or over and more than half a million centenarians, 90% of them women.

[2] For a good overview in English of the different explanations for this phenomenon, see the transcript of a roundtable discussion in the February 2006 issue of the journal Japan Echo which was originally published in Japanese in the influential magazine Bungei Shunju in December 2005.

[3] The average age for marriage in Japan for women rose to 27.8 in 2004 and for the birth of the first child to 28.9; the number of children born outside wedlock in Japan has hardly risen above 1% throughout the post-war period.

[4] Campbell and Ikegami (2003: 23) point out two other reasons for introducing welfare programmes for the elderly in the 1980s in Japan: long-term hospitalisation (nearly half of all hospital inpatients were over the age of 65 and around one-third of these had been hospitalised for more than a year) and the growing belief that elderly care should not fall on daughters-in-law but on outsider carers. This second reason was linked to the belief that concern about having to care for elderly in-laws was making women reluctant to get married which in turn was responsible for the collapsing fertility rate because of the close tie between marriage and childbirth.

[5] In the fifteen years of the Gold Plans, approximately 800,000 new beds for the elderly were provisioned and the equivalent of around 80 billion pounds invested in support for the elderly, half of which was subsidised by the government.

[6] According to Masaki (2006), 70% of Japan's social welfare budget goes on programmes for the aged, such as medical care and pensions, while only 4% is spent on services for children, such as child benefits and subsidising child care.

[7] The difference in the number of older people still in work in Japan, the world's second largest economy, is particularly conspicuous when compared with the United States, the world's largest economy: in the former, over 60% of the household income of people aged 65 or over comes from employment, while in the latter it is only 30%. For a positive account of the high proportion of older Japanese in the workforce, see Seike (2005).