

Asia's Next Challenge: Caring for the Elderly

Asia-Pacific Population & Policy summarizes research on population and reproductive health for policy-makers and others concerned with the Asia-Pacific region.

This publication was made possible through support from the Office of Population of the U.S. Agency for International Development (Grant No. CCP-A-00-93-00015-08) and from the David and Lucille Packard Foundation. The opinions expressed do not necessarily reflect the views of the East-West Center or of its supporters.

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ISSN 0891-6683

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In the more-advanced economies of East and Southeast Asia, health and living standards have improved dramatically in recent decades. Sharp declines in fertility, combined with rising life expectancies, will eventually produce unprecedented population aging, commonly measured as the proportion of the population age 65 and older. Signs of population aging can be observed in several countries of the region, with the process most advanced in Japan.

Traditionally in Asia, care for the elderly has been a family responsibility. Just as the numbers of elderly are poised to soar, however, several factors may reduce the ability or the motivation of Asian families to care for the older generation. Can Asian governments step in? Should they? Recent financial crises highlight concerns that governments in the region will not have the resources to assume major responsibility for elderly care. At the same time, there are signs that working people in Asia are saving money to support themselves in their old age. How successful will they be?

This issue of *Asia-Pacific Population & Policy* discusses recent demographic, economic, and social trends in Asia that will affect care for the elderly over the next few decades.

AGING POPULATIONS

Since 1950, men's life expectancy at birth has increased by 15 years in Japan,

by 19 years in Taiwan, and by 20 years or more in Indonesia, South Korea, and Thailand. For women, the gains have been even greater. The Japanese now have the longest life expectancy in the world.

At the same time, fertility rates have plummeted. In East Asia as a whole, total fertility fell from an average of 5.4 children per woman to just 2.3 within a span of 25 years. By 1990, total fertility levels in Japan, South Korea, and Taiwan were below the replacement level of 2.1 children per woman.

As a result, the proportion of the population age 65 and older has increased dramatically (Figure 1). In Japan, for example, the proportion of elderly in the population grew from 5 percent in 1920 to 15 percent in 1995 and is projected to increase to 27 percent in 2025, the highest percentage in the world. Between 1995 and 2025, the old-age dependency ratio is expected to double—from one elderly person (age 65 and above) for every four people in the working-age population (age 20–64) to one elderly person for every two people of working age.

Other countries of East and Southeast Asia are beginning to experience similar population aging (Figure 1). Between 1950 and 1995, men and women age 65 and older were the fastest-growing age group in Taiwan, South Korea, Singapore, and Thailand.

The proportion of Japan's population age 75 and older is rising even faster than the general elderly population.

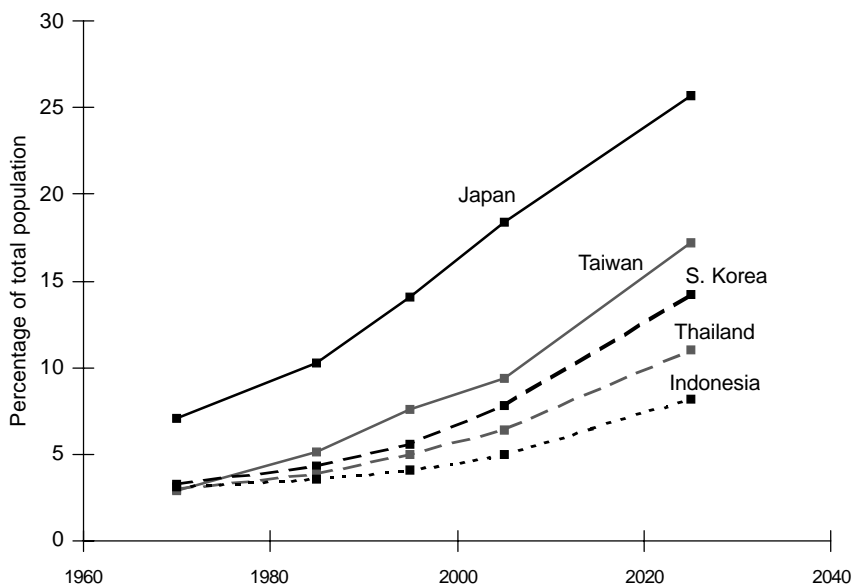


Figure 1 Percentage of population age 65 and older, 1970–2025

Sources: United Nations, 1994, *The sex and age distribution of the world populations*, New York; Council for Economic Planning and Development, 1993, *Projections of the population of Taiwan Area, the Republic of China: 1992 to 2036*, Taipei.

This group will comprise more than half of the elderly by 2025. And the fastest-growing population segment of all is the group 85 and older. This increase in the number of “old old” has particularly important implications for the provision of financial support and personal care.

FEWER IN THE WORKFORCE

Longer life expectancy means an increasing proportion of “old old” among the elderly. Thus, even if the average age at retirement remains the same, a smaller proportion of the elderly will be in the workforce. In 1960, 60 percent of Japanese men 65 and older were working or seeking employment; this figure dropped to 37 percent in 1995. In Taiwan the proportion of the elderly who work is much smaller than in Japan, and in Indonesia and Thailand the proportion is much larger, but each country has experienced a similar downward trend.

Elderly women are much less likely to work than elderly men. Current labor-force participation rates for women

age 65 and above range from 25 percent in Indonesia to 4 percent in Singapore and Taiwan. The trends are similar to those observed for elderly men except in Taiwan where labor-force participation for women age 65 and above has increased slightly over the past 20 years.

In South Korea, both elderly men and women are more likely to be employed today than they were in the past. A significant proportion of elderly South Koreans are employed in agriculture, particularly as young people leave the countryside to seek employment opportunities in urban areas.

LESS SUPPORT FROM CHILDREN

In East and Southeast Asia, the elderly have traditionally relied on their children for personal care and financial support. Characterizing such family support systems is a difficult task, however. When a family includes children, working-age parents, and elderly grandparents, both financial support and other

types of care often flow in more than one direction.

One way to observe trends in family support for the elderly is to look at coresidence—how many elderly people live with their adult children. The elderly in the higher-income countries of East and Southeast Asia are much more likely to live with their children than are the elderly in the U.S. or Europe, but even in Asia, coresidence rates are declining. In 1972, 67 percent of all Japanese households containing a person age 65 or older consisted of an elderly person or couple living with their adult children. By 1995, this proportion had dropped to 46 percent.

Improvements in life expectancy mean that a growing proportion of the elderly have spouses still living, but the proportion living alone is also increasing. In Japan, for example, the proportion of all elderly households that consisted of an elderly person living alone rose from 8 percent in 1970 to 17 percent in 1989.

Older parents living alone may still have frequent contact with their children and may receive substantial financial support. Data from Taiwan suggest that increasing financial support may be partially substituting for declining coresidence. The proportion of married women age 20–39 reporting that they regularly give money to their husbands’ parents went up from 32 percent in 1973 to 42 percent in 1986.

A 1996 study asked elderly people in Japan, the U.S., and Germany about their sources of income (Table 1). Elderly Japanese mentioned children as a source of income much more often than elderly people in the other two countries. The proportion of elderly Japanese mentioning children as an income source has fallen, however—from 30 percent in 1981 to 15 percent in 1996. Only 4 percent of elderly Japanese in 1996 listed children as their primary support.

When an elderly person becomes infirm, personal caregiving may become even more important than financial sup-

Table 1 Self-reported income sources for the elderly age 60 and above in Japan, the U.S., and Germany, 1996

Income source	Percent mentioning			Percent reporting as main source		
	Japan	U.S.	Germany	Japan	U.S.	Germany
Work	35	26	7	22	16	5
Public pensions	84	83	84	57	56	77
Private pensions	8	33	24	2	13	10
Savings	21	24	21	2	2	2
Assets	11	34	12	3	9	2
Children	15	3	3	4	0	0
Public assistance	1	2	1	0	0	1
Other	4	7	4	2	2	2
No answer	0	2	0	8	4	2

Note: For income in general (first three columns), respondents often indicated more than one source, so percentages add to more than 100. For main income source (last three columns), the percentages add to 100 within rounding error. The distinction between savings and assets is not clear-cut; most Japanese view savings as money in savings accounts.

Source: Ogawa and Retherford 1997.

port. In Japan, family caregivers for the elderly tend to be middle-aged women. Since caring for the elderly may conflict with work outside the home, the rising labor-force participation rates of middle-aged women have important implications for the ability of families to care for elderly relatives. A comparison of the projected number of impaired elderly—those who suffer from senile dementia, who are bedridden, or both—with the projected number of nonworking middle-aged women suggests that the burden on primary caregivers will increase four- or fivefold between 1990 and 2025. In 1990 in Japan, there were seven impaired elderly for each 100 nonworking women age 40–49. In 2025, there will be an estimated 46 impaired elderly for each 100 nonworking women in this age group.

HIGH SAVING RATES

In countries where people accumulate substantial savings over their lifetime,

a growing proportion of older people in the population will lead to an increase in total personal wealth. Since the 1950s and early 1960s, saving rates in East and Southeast Asia (Figure 2) have supported unusually high investment rates, making a strong contribution to the region's economic growth. In 1993, gross domestic saving was 36 percent of gross domestic product (GDP) in Thailand, 35 percent South Korea, 33 percent in Japan, and 31 percent in Taiwan and Indonesia—compared with 15 percent in the U.S.

One motivation for personal saving is support for old age. There are several indications that this “pension motive” is increasingly important in Asia. Surveys of young adults in Japan, for example, indicate that few are counting on family as a major source of support when they retire. Given high current saving rates, it is surprising that the elderly in Japan are no more likely to mention savings as an income source than are their counterparts in the U.S. or Germany (Table 1).

PENSION BENEFITS

In Japan, the ability of the elderly to support themselves financially has improved considerably over time largely because of the expansion of the public pension system. In 1996, 84 percent of Japanese retirees age 60 and above were receiving public pension benefits. More than half reported that their pensions were their primary source of income (Table 1). Largely because of the rapid growth in pension benefits, elderly Japanese have enjoyed the fastest income gains of any age group.

Both Taiwan and South Korea have public pension systems with very broad coverage. Singapore and Malaysia also have particularly strong pension systems. In Indonesia, by contrast, less than 20 percent of the labor force is covered by public or private pension schemes. In Thailand, coverage is about 10 percent.

In Japan, Taiwan, and South Korea, the pension systems are largely “pay-as-you-go,” which means that current benefits are paid out of current contributions. As the population ages under such a system, the pensions of a growing number of retirees must be paid for by a shrinking number of taxpayers of working age. Singapore and Malaysia, have pension systems that are “fully funded,” which means that each participant's contributions are earmarked to support his or her own retirement. In contrast to “pay-as-you-go” systems, changes in the population age structure have no direct effect on the fiscal viability of “fully funded” systems.

A CHALLENGE FOR POLICYMAKERS

A recent projection indicates that the contribution rate for Japan's largest public pension scheme will have to rise

from 17 percent of wages in 1995 to 30 percent in 2025 to pay for all anticipated benefits. Population projections suggest that the much newer pension systems in South Korea and Taiwan will also encounter operating deficits soon after they become fully functional, requiring an increase in contribution rates, government support from tax revenues, or both.

Although each country will respond to population aging in its own way, Japan's experience provides a useful case study. Up to now, the Japanese government has used general tax revenues to fill the growing gap between pension benefits and payroll contributions. Major pension reforms were implemented in 1986, partly to slow down the growth of contribution rates and government subsidies.

The Japanese government is seeking to shift some of the burden of caring for the elderly back to families and to the elderly themselves. In 1990, the government launched a 10-year project called the Golden Plan to expand nursing-home capacity and to improve social services for the elderly who live at home. The plan calls for improvements in both day-care

services and short-term stays in nursing homes to help families who are looking after elderly relatives at home. The government is also considering a new scheme to provide home nursing services, although the financial implications are problematic. Given the expanding elderly population and the shrinking availability of family caregivers, the Japanese government's efforts to shift some of the responsibility for elderly care back to families are not likely to be very successful.

Financial support for the elderly is also likely to become a more serious problem and an increasingly divisive social issue—both in Japan and in other countries of East and Southeast Asia. As mentioned, however, personal saving rates are high in successful economies throughout the region. The elderly may be forced to draw increasingly on their personal savings as public pension schemes are stretched to the limit.

They may also work longer. In 1994, the Japanese government raised the minimum pensionable age to 60, to take effect in 1998 and to rise gradually to 65 over the next 20 years. Private employers

are being encouraged to keep their workers on after retirement age, either by prolonging their current employment or by finding them another position, usually at reduced pay. Some 70 percent of all companies with 30 or more employees are offering their workers such positions when they reach retirement age. Nevertheless, labor-force participation among the elderly has declined slightly in recent years as a result of Japan's current economic recession. Government policy changes and company programs may be helping to moderate this trend.

The successful economies of East and Southeast Asia are all characterized by high saving rates, a strong work ethic, and cultural values that emphasize family care for the elderly. These countries provide a testing ground—of interest to industrialized nations everywhere in the world—for programs and policies designed to ensure financial support and personal care for the growing elderly population in the years ahead.

FURTHER READING

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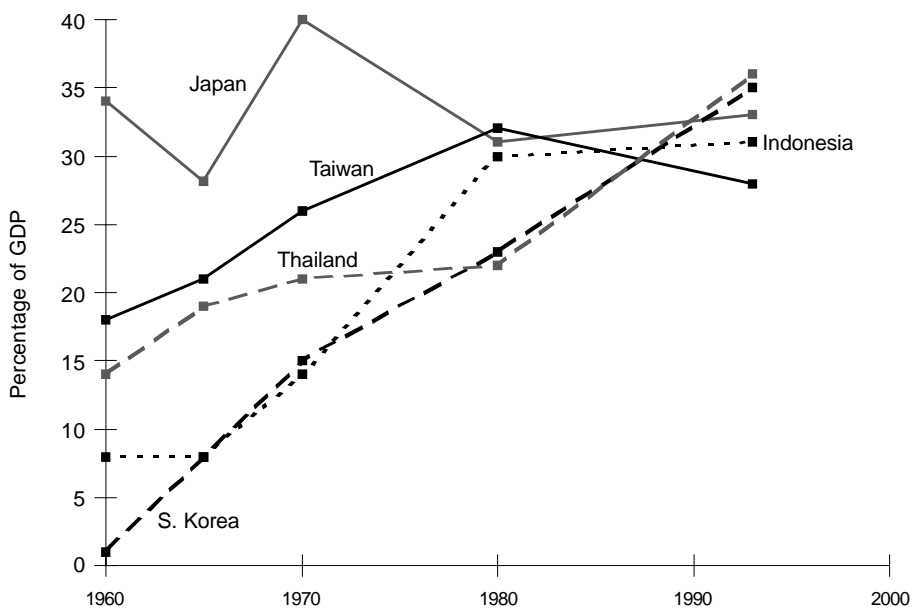


Figure 2 Gross domestic saving as a percentage of gross domestic product (GDP), 1960–1993

Source: John Bauer, 1997, *Economic growth and policy in East Asia*, East-West Center Working Papers, Population Series 88-1, Honolulu.