OLDER PERSONS IN SOUTHEAST ASIA
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OLDER PERSONS IN SOUTHEAST ASIA

AN EMERGING ASSET

EDITED BY
EVI NURVIDYA ARIFIN • ARIS ANANTA

INSTITUTE OF SOUTHEAST ASIAN STUDIES
Singapore
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The editors and contributors to this volume are to be congratulated for a topical, fascinating and broad-ranging study of ageing in Southeast Asia. The authors raise many thought-provoking, indeed worrying, issues. But the subtitle could just as well have been something like “the challenge of success”, for one of the key drivers of Southeast Asia’s dramatic demographic transitions has of course been the region’s rapid socio-economic development.

The study deepens our knowledge of demographic issues in the ten countries and, more broadly, it connects to at least four sets of analytical and policy issues. The first is the speed of the region’s demographic transitions in recent decades. For a volume on ageing, it is useful to remind younger readers that the literature up to the 1970s was preoccupied with rapid population growth, and its associated challenges — providing employment, education and housing. Malthusian scenarios were ever-present in some countries, memorable for example in the arresting observation of Nathan Keyfitz that the island of Java was in danger of “asphyxiating for want of land”.

A decade into the twenty-first century, not only are population growth rates falling, but in some countries populations are actually declining, or at least they would if it were not for net in-migration. In Asia, Japan is leading the way in this respect, with Singapore and China following closely. Korea and parts of Southeast Asia are likely to be in this situation within a decade. As the editors observe, countries are becoming “old before they are rich”, which is contrary to the demographic experience of Western countries, with the wealth to more easily manage the economic challenges associated with ageing.

In Southeast Asia, the Singapore experience illustrates the rapidity of demographic change. As David Reisman points out, Singapore’s infant mortality rate has declined from 82 (per thousand live births) in 1950 to 2.6
in 2007, one of the lowest in the world. Correspondingly, its fertility rate has also fallen dramatically, from about 6.4 in 1950 to 1.3 in 2007. As a result, the “dependency ratio” (somewhat arbitrarily defined as the population aged under 15 and 65+ years, as a percentage of the working age population 15–64 years) at first fell sharply, from about 95 per cent in 1966 to 39 per cent in 2006. But it is now rising quickly, and it is projected to be about 65 per cent in 2030. Similar trends are evident elsewhere in the region, albeit in most cases not quite at the Singapore rate.

A second reason is that, perhaps more than any other social science discipline, demography connects to a wide range of cross-cutting issues, both conceptual and policy-oriented. This volume, with contributions not just from demographers but also from economists, psychologists, sociologists, health professionals, and social workers nicely illustrates the need for a multi-disciplinary approach to demographic issues.

For economists, the issues are relatively straightforward: rapid population growth results in a youthful population and a high proportion of young dependents, that is, a high dependency ratio. As population growth has slowed, and populations have aged, this ratio has fallen, that is, the percentage of the population in working age groups has risen. This is the period of the so-called “demographic dividend”, which much of East Asia has benefited from since the 1970s. Indeed, one strand of literature has gone so far as to argue that a good deal of the “East Asian miracle” can in fact be explained by demographics. Opinions divide on just how important a factor this may have been. One widely reported set of estimates by David Bloom and associates suggests that it may have accounted for as much as one-third of regional growth rates since the 1970s.

Conversely, as populations age and dependency ratios rise, this dividend will disappear and become a negative source of growth. The fact that this challenge, of looking after a large aged community, is now occurring in lower-middle income countries is historically unprecedented.

Authors from other disciplines approach these issues from a variety of perspectives. There is for example the moving account by Kalyani Mehta of the older members of the Gujarati community in Singapore, and how they feel socially and culturally isolated. Health professionals remind us that the demographic transition is also an epidemiological one, and that the World Health Organization’s notion of “active ageing” provides a helpful policy framework. There are in addition important gender dimensions, since women on average live longer than men, they are typically more engaged with the care of the elderly, and they generally
have less economic security in old age. Philip Kreager underlines the ramifications for civil society and mass organizations of a rapidly ageing population. Elsewhere, political scientists have examined the implication of “grey power”, including the inter-generational struggles for resources, for example over unfunded national pension schemes.

A third major issue relates to the striking demographic differences both between and within countries. A look at the statistics illustrates these differences, which are deftly examined by the editors in their overview chapter. Within Southeast Asia, there is no straightforward correlation between economic development and demographic change. The fastest transition has occurred in the richest country, Singapore. But the next richest of the major economies, Malaysia, has experienced much slower demographic change. Meanwhile, fertility has fallen quite quickly in Thailand and Indonesia, but not in the Philippines, as Socorro A. Gultiano and Sonny S. Agustin point out. Among the three Mekong economies in transition from plan to market, demographic change in Cambodia and Laos is much slower than that of Vietnam.

Thus the Philippines and Malaysia seem to be outliers within Southeast Asia. These two countries have very different development histories, cultures and institutions, suggesting that the relationship between socio-economic development and demographic variables is a complex, multifaceted one.

There are also significant differences within countries, indicating that national population policies have uneven effects across regions and households. Some of these differences, moreover, have political ramifications. In Indonesia, for example, fertility has fallen very quickly in some regions (for example, Central and East Java, Bali, North Sulawesi), to the point where these regions now have fertility levels below replacement. Fertility levels among Malaysia’s bumiputera community are much higher than that of the Chinese community. Singapore’s leadership is known to fret over the inverse correlation between female education levels and fertility, as well as the related phenomenon of lower fertility levels in the ethnic Chinese community.

The volume also dwells on a fourth reason for interest in demographic issues, that of international dimensions. For rapidly ageing societies, inward migration is seen as one solution to the rising dependency burden, even in countries like Japan that have been historically resistant to immigration. International population movement in response to differential fertility rates might be seen as a win-win solution, to the extent that both the
“ageing” and “youthful” societies benefit: expanded employment and earnings opportunities for the latter, and managing the consequences of rapid ageing for the former. Indeed, academics such as Dani Rodrik argue that the gains for poor countries from international migration far exceed those from multilateral trade and investment liberalization, and that therefore opening global labour markets ought to be a central issue in any round of global commercial negotiations.

Nevertheless, these flows do raise concerns. The receiving societies worry about the social and economic integration of the new arrivals, while the source countries are concerned about the loss of human capital and the social disruption caused by absent parents. In both cases, the calculus differs depending on whether the flows are temporary or permanent.

An attractive feature of this volume is that it not only lays out the issues systematically but also canvasses policy options. A central theme is the need to regard an ageing community as an “emerging asset”, in the words of the editors, rather than a financial burden. Hence the notion of “active ageing”, with policies designed to assist the elderly to lead healthy, fulfilled and productive lives.

Specifically, as dependency ratios rise, there will need to be a range of policy responses. First, governments will need to help prepare the community to be able to manage their economic security in old age. This response will vary depending on social norms and political priorities. In Singapore, as Chew Soon Beng and Rosalind Chew point out, the historical distrust of the “welfare state” has led to alternatives, ranging from compulsory saving schemes through to training and other programmes to raise earnings and workforce participation. Kusol Soonthorndhada outlines the various social security and healthcare measures that Thai governments have adopted. Whether these initiatives are financially viable remains to be seen. Certainly the experience in neighbouring countries — notably Indonesia and the Philippines — is that unfunded national pension schemes may eventually become a fiscal time bomb.

A second policy response emphasized by several authors is an increased commitment to education and training, and greater labour market flexibility. Better-educated workers are likely to have higher life-time earnings, and therefore the ability to save more for old age. They are also likely to be more adaptable and easily retrained in response to changing economic structures. These measures need to be accompanied by greater labour market flexibility, including the elimination of age-based discrimination in the labour market.
Third, international migration will continue to be a key part of the solution, especially in Southeast Asia, a region traditionally known for its porous international boundaries and its ethnic diversity. Singapore and Malaysia have one of the highest proportions of immigrant workers in their labour forces, while the Philippines is the third or fourth largest recipient of international remittances in the world. ASEAN as an institution has begun to move slowly in response to these developments, with the establishment of the ASEAN Labour Area and other initiatives. But whether or not ASEAN develops more formal mechanisms, these population flows will continue regardless, as long as economic disparities within the region remain large.

There is a range of additional measures advocated by the authors, including infrastructure and housing programmes that accommodate the needs of the elderly, attention to social mores that engender respect for the elderly as valued members of the community, health programmes that reduce the need for expensive, institutionalized care, and much else.

These are just some of the issues discussed in this readable and accessible volume. I commend it to a diverse readership — regardless of age! — in the academic, policy and business communities, as well as the general public.

Hal Hill

H.W. Arndt Professor of Southeast Asian Economies
The Australian National University
Message from the Director

With their growing importance in both developing and developed countries, issues relating to the ageing population in Southeast Asia continue to be one of the major research interests of the Institute of Southeast Asian Studies (ISEAS). One of the primary concerns is how to transform older persons from liabilities to assets, given the possible decline in number and proportion of the working age population, combined with limited availability of social security schemes. Because of its complexity, the examination cannot be conducted from one discipline only. It should be an interdisciplinary work.

Therefore, I am glad that two ISEAS researchers, Dr Evi Nurvidya Arifin and Dr Aris Ananta, have brought together experts from various disciplines, examining the above issues in Southeast Asia and producing this book. Earlier, Dr Lee Hock Guan, also researcher at ISEAS, edited Ageing in Southeast and East Asia: Family, Social Protection and Policy Challenges (Singapore: Institute of Southeast Asian Studies, 2008). Currently, another edited book, under the theme of gender and ageing, is being prepared by Dr Theresa Devasahayam, another ISEAS researcher.

I hope that this book, and others in the series of publications on ageing by ISEAS researchers, can stimulate deeper discussions on the need for better ageing-related policy formulation in Southeast Asia and beyond.

K. Kesavapany
Director
Institute of Southeast Asian Studies
Preface

In the twenty-first century, the ageing population has become a global phenomenon. Its economic, social, and political impacts are apparent in almost all countries. Worldwide, the proportion of population aged sixty and over is growing faster than any other age groups. Looking towards the future, the growth rate of the ageing populations in Southeast Asia will also accelerate, and some countries will even reach higher rates than in developed countries. The heterogeneous feature of Southeast Asia indicates that some countries will be demographically “advanced” but economically developing. To some extent this will incur certain economic, social and political burdens and perhaps even impede economic growth, adversely affect social cohesion, and even endanger political stability, if not anticipated with appropriate policies and programmes.

Rapid ageing in Southeast Asia is also accompanied by other underlying social, political, economic and technological transitions. There have also been a rising number of studies on ageing in Southeast Asia, raising many fundamental questions. How does the elderly population remain independent and active economically and therefore reduce the burden of the younger population? Will the rapid increase of the pace and stages of ageing population bankrupt the health care services and social security systems? How will the change in norms on family affect the financing of the elderly population? Can we promote the growing size of older persons as a possible asset for development? This book contributes to a better understanding of ageing populations in Southeast Asia, especially in one particular, and very important, aspect of ageing communities — the financing of the older persons and the possible transformation of older persons from liabilities to assets. The book also concludes that active ageing is one of the aims of the development, as well as an important means to solve the financing issues of the older persons. This book offers a much wider understanding of financing
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older persons from the social, cultural and political perspectives. It provides valuable insights not only for Southeast Asia, but also elsewhere in this era of the “ageing century”.

The chapters in this book were first presented in a two-day international workshop on “Financing Issues for an Ageing Society in Southeast Asia” on 3–4 September 2007 and a half-day public seminar on “Financing Ageing Population in the ASEAN Community” on 5 September 2007 at the Institute of Southeast Asian Studies (ISEAS), Singapore. The workshop and seminar were organized by ISEAS.

We, the editors of the book, would like to thank all authors for their contributions to this book. We are thankful for Professor Chew Soon Beng who presented his paper in the public seminar and agreed to publish his paper co-authored with Professor Rosalind Chew in this volume. Our thanks go to Mr Rodolfo C. Severino, former ASEAN Secretariat-General and currently Head of the ASEAN Studies Centre at ISEAS, for his thoughts and insights presented during the public seminar, and to Professor Kalyani Mehta, who not only contributed to this book but also engaged the audience of the public seminar through her presentation. We also appreciate all comments raised by the participants of both the workshop and public seminar.

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