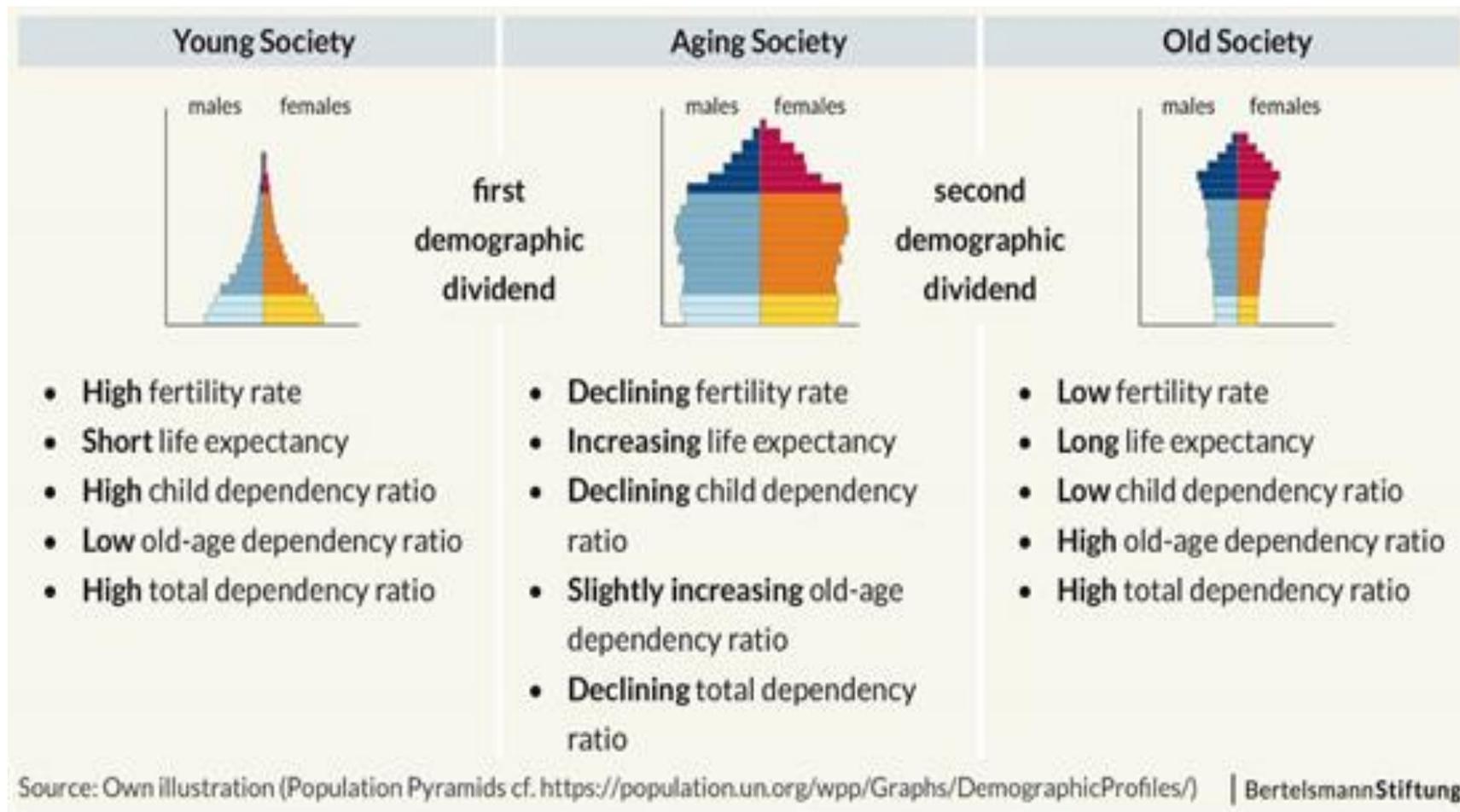


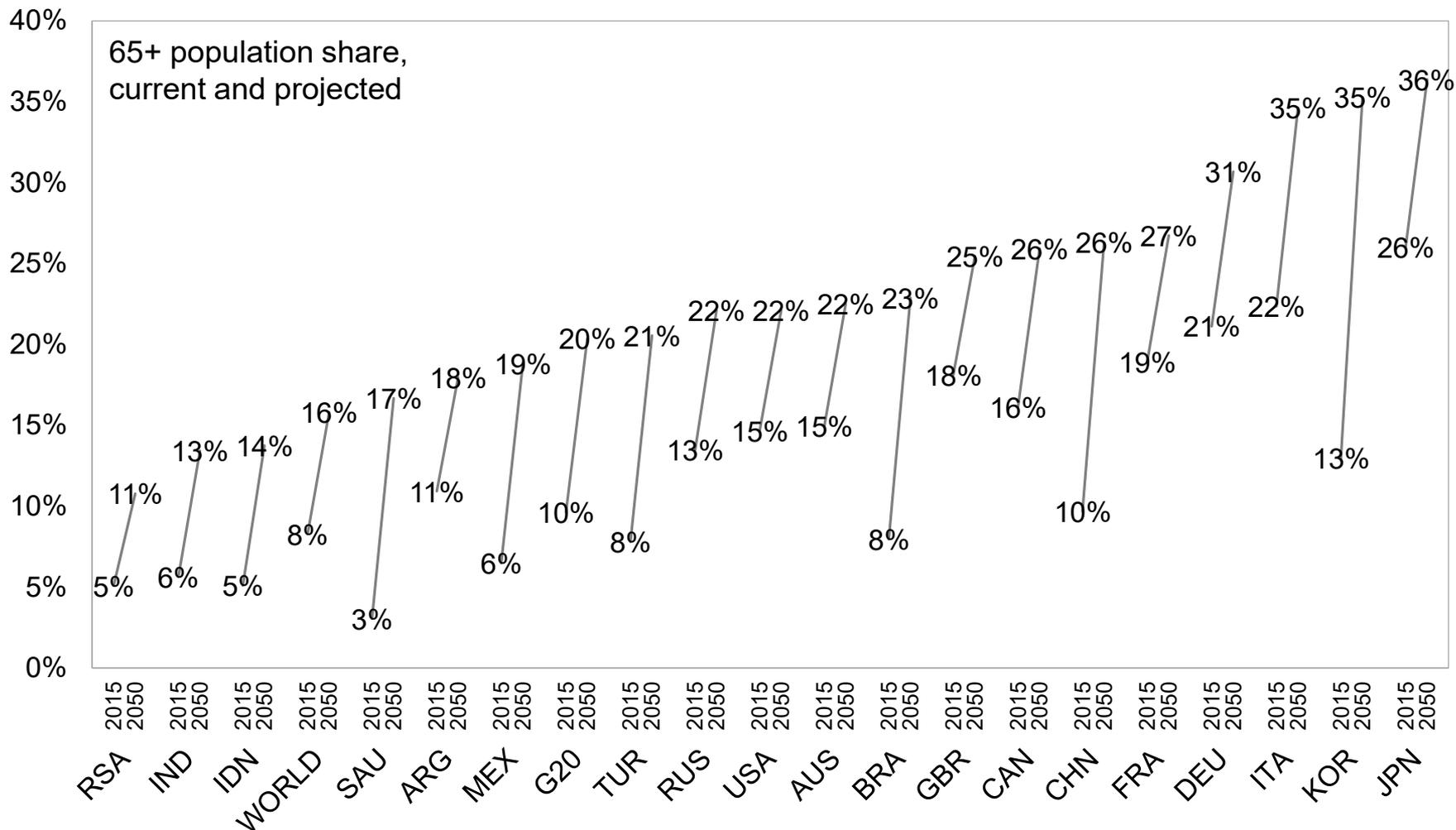
# ***Introduction: Demographic Changes – Implications for Asia***

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# Demographic Transition

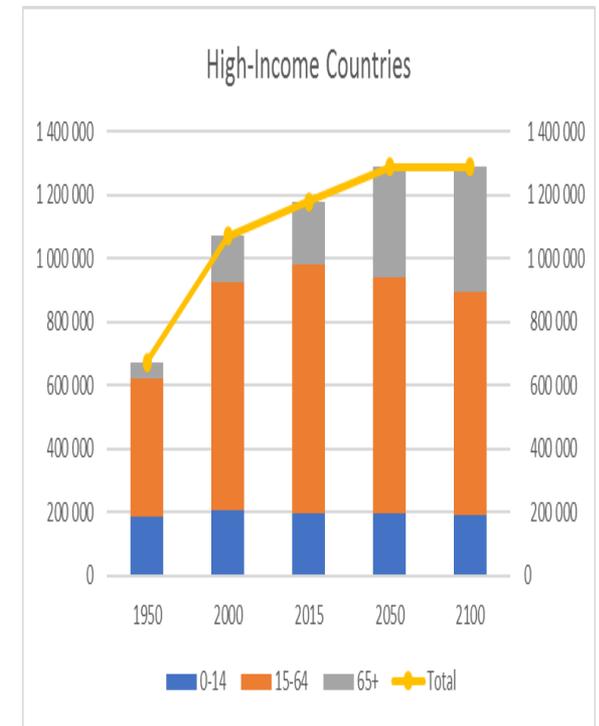
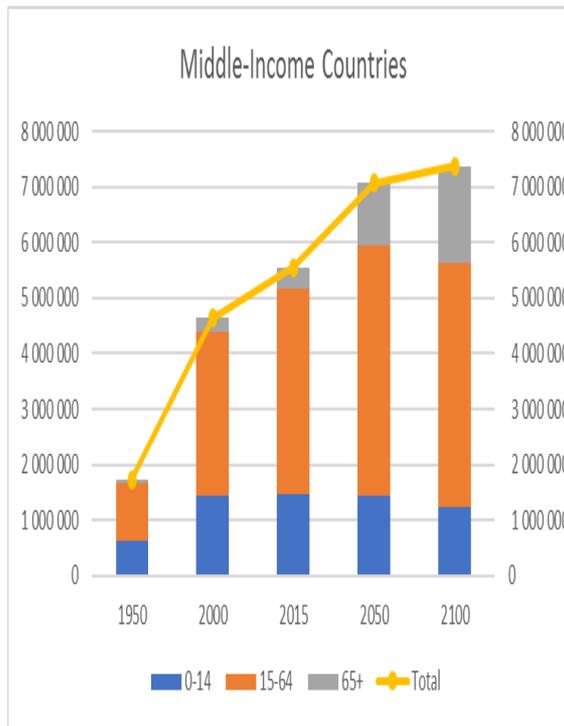
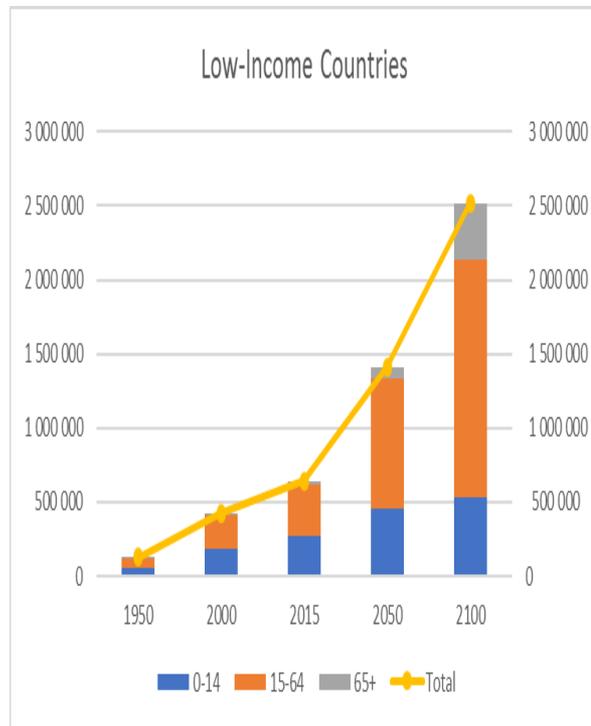


# The G20's population is rapidly aging...



3 Source: United Nations, Populations Division (2017), World Population Prospects: The 2017 Revision

# But, diverse in timing and degree...



# Demographic changes in Asia

- Asia is undergoing demographic changes toward population aging, and the speed is faster.

(e.g) Years from aging (7%) to super-aged (21%):

France (165), Sweden (135); Japan (45), PRC (40), Korea (35)

- Some countries (e.g. PRC, Thailand, Viet Nam) are getting old before getting rich.
- Countries are at different stages of demographic transition, which poses different challenges to address.

# Vast differences in Asian countries

Group 1 (TFR > 2.5): Countries mainly in West and South Asia

Group 2 (TFR 1.7-2.5): in South and Southeast Asia

Group 3 (TFR < 1.7): in East Asia plus Singapore and Thailand

**It is important to understand the different challenges and policy priorities to maximize sequential gains from demographic transition.**

# Sequential Demographic Gains

- **First demographic dividend** through the expansion of workforce and job creation for youth
- **Second demographic dividend** through investing in physical and human capital for higher productivity
- **Silver (Third) demographic dividend** or longevity dividend, through investing in health, social security system, and life-long education

# G20 Communiqués

## G20 Finance Ministers and Central Bank Governors Meeting (Fukuoka, 6.9)

Demographic changes will require policy actions that span fiscal, monetary, financial, and structural policies; Enhancing productivity, growth, the efficiency and effectiveness of public spending and a well-functioning and fiscally sustainable social safety net; designing the tax system; Better understanding the implications of aging for monetary policy; Managing the cross-border implications of demographic changes; and Promoting financial inclusion.

## G20 Labor and Employment Ministers Meeting (Matsuyama 9.2)

We will take a comprehensive approach to active aging. This combines policy interventions focusing on enhancing the employability of older workers, enabling and encouraging workers to choose later and more flexible retirement while maintaining adequate and sustainable pension benefits, encouraging employers to retain and reskill older workers and recruit without age discrimination, and strengthening lifelong learning.

## G20 Health Ministers Meeting (Okayama 10.20)

Active and healthy aging is a prerequisite to ensuring inclusive and sustainable growth. We recognize the increase in need for primary health care and long-term care, which require a larger and better trained workforce, and the importance of supporting an aging population to live in optimal health with dignity, independence and autonomy.

# Think 20 – Task Force on Population Aging:

## Five Policy Themes



# Enhance macroeconomic policies

## Reform fiscal policies

- Expand tax base by restructuring the tax framework
- Reform expenditures in age-related programs through supply and demand controls

## Revisit monetary policies

- Downward pressure on real interest rate leads to the challenge of lower bound policy rate and pressure on the profitability of institutions
- Revisit monetary policy framework – e.g. avoiding unnecessary accumulation of imbalances, long-term perspective, firmly anchored long-term inflation

# Labor market reforms + Migration (1)

## Expand labor supply

- Facilitate longer works - removing mandatory retirement laws, prohibiting discrimination, etc.
- Bring in more female workers into labor markets (e.g. health sector) – better child-care services, abolishment of discriminatory practices, and work and life balance culture

## Enhance labor productivity

- Improve education system (school, vocational, life-long) to enhance skill sets over the life cycle
- Invest in higher levels of capital accumulation -technical advancement, AI/automation, infrastructures in digital, transport and housing

# Labor market reforms + Migration (2)

## Labor market institutions

- Redesign wage system from seniority to performance-based - facilitating labor movement toward high-productivity segments
- Strengthen safety regulation and provide incentives to make work environment safer – increasing work capacity and healthier life

## Inclusive migration policy

- Promote inclusive and flexible international migration to meet aging-induced labor shortages through multilateral protocols
- Systemize skill development for migrants by a comprehensive framework with enhanced responsibility sharing and effectiveness

# Reorient social security systems

## Basic recommendations

- **A strong first pillar pension**, preventing poverty among those with exhausted earnings capacity
- **Universal healthcare** accessible and affordable especially to the vulnerable
- **Long term care policies** which offer the option of formal support in home and institutional settings

# Financial innovation and cooperation

- **Enhance financial literacy** through increased access to financial education at a younger age and appropriate financial education programs
- **Improve savings** through better design of products and financial incentives (e.g. automatic enrollment and escalation of contributions)
- **Facilitate wealth decumulation of the elderly** through safe, well-designed and actuarially fair financial products (e.g. annuities, reverse mortgages)
- **Facilitate regional economic integration**, especially the cross-border movement of capital and services

# Improve data and analysis

- **Extend national statistical system** to include comprehensive economic data by age, gender, and income class
- **Enhance national capacity** (e.g. National Transfer Account) to access, utilize and analyze data by age, gender, income group, on the linkage of demographics, growth, public finance, generational economy
- **Support developing countries** by establishing an assessment framework for effectiveness and efficiency of systems, and developing long-term policy frameworks

# Polices for Younger Developing Countries

- **Maximize first demographic dividend** – investment in education and infrastructure to improve productivity
- **Expand tax coverage and enhance efficiency**
- **Design and implement proper social security systems**, not repeating mistakes (e.g. too generous) of advanced countries
- **Strengthen governance and enhance productivity** to attract FDI from developed countries
- **G20 to support developing countries** by establishing an assessment framework for effectiveness and efficiency of systems, and developing long-term policy frameworks
- **Common: Labor market reform, savings, financial literacy**

**Thank you**

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