

Mini Symposium on Demographic Change and Human Capital in Asia

Older households in aging populations around the world, especially in the Asian countries, are facing rising challenges in maintaining their overall financial independence and well-being. The challenges are rising because of interrelated demographic developments. The basic one is the “demographic transition” consisting of rising life expectancy and declining fertility, which together contribute to a faster rise in population aging. Moreover, this challenge is particularly acute in connection to the rising percentage of older-age groups in the population. Japan stands out relative to the world with 28% of the population aged 65 and over. The *pace* of median age growth is particularly high in East Asia, where it has been rising faster than in any other region of the world, except Africa. Even more significant is that this pace is forecasted to remain the highest in the world through 2040.

Is the aging of the population a blessing or a challenge? The blessing is obvious: living longer may be the most natural and oldest human aspiration and is one of the most popular blessings in any language. Higher longevity also tends to be the result of technological breakthroughs that bolster health conditions at all chronological ages. At the same time, this process creates challenges concerning the impact of the fast pace of population aging on labor market outcomes, income distribution, financial preparedness of older-age workers and retirees, the solvency of defined-benefits public pension systems and public health insurance programs, and their unintended consequences.

Most of the papers in this issue attempt to explore the broad question in the preceding paragraph by focusing on one or more of the channels of old-age support that affect individuals’ ability to maintain their wealth and wellness as they age, in the aging populations of Asia and the Pacific economies. These channels are equivalent to four general types of “old-age insurance.” The first is self- or family-insurance. This channel refers to the ability of old parents to rely on financial support and care from their extended family—mainly from their adult children. A second “insurance”

channel is the self-protection and management of privately owned assets that include guaranteed savings plans and investments in a range of risky assets, such as commercial property and real estate as well as corporate bonds and stocks that offer variable returns. A third channel of support involves reliance on employer-based private pension plans and annuities, as well as private health insurance, which are forms of “market insurance.” A fourth and major channel of old-age support is “public insurance” programs in the form of defined-benefits pension systems or defined-contribution provident funds, and public health insurance programs that have emerged in more recent decades in the Asian welfare states.

Ehrlich and Yin pursue a cross-country comparison of the financial readiness of elderly people who are near or at their retirement phase in three developed economies—Japan, the Republic of Korea (ROK), and the United States. Using the generally harmonized respective samples from the longitudinal micro-datasets in each of them, they find that the two Asian economies, especially the ROK, face acute challenges due to their sharply rising life expectancies along with sharply falling total fertility rates. By comparing the retirement income systems in the three economies, the authors find that older Americans benefit from a more developed and better-funded private pension system than their Japanese and Korean counterparts. They also compare the degree to which households contribute to their own old-age financial preparedness through their holding of risky financial assets, which is higher in the United States.

Chen et al. address the roles of educational attainments and population aging in determining the health status of future cohorts of older individuals in two Asian countries experiencing high rates of population aging—the ROK and Singapore. The idea is to identify the independent role that each of these factors plays in explaining future disability measures of the elderly population in these countries. To conduct the study, the authors first forecast the functional status and disability level among future cohorts of older adults and the disparities in disability prevalence by educational attainments in 2050. They find a larger increase in the rate of disability levels and disparities among individuals in the ROK relative to Singapore. However, when the authors account for the independent role of the higher aging rate in the ROK relative to Singapore’s, the differences in the trends of disability levels and disparities disappear. These results indicate that aging has a distinct and independent positive influence on future disability. The results imply that continuous aging will necessitate greater medical and caregiving expenditure on older-age groups in the population.

Ogawa et al. address an important question in aging research, namely the measure of population aging itself. The conventional measure is the percentage of the population aged 65 and over. The authors propose a new index to compute old age, which they call Cognition-Adjustment Dependency Ratio (CADR). The idea is interesting since it calls for a shift from a static measure of “aging,” based on a chronological age, to a more dynamic and variable measure, based on a cognitive assessment of when it begins. The authors’ main result is that Japan, which has the largest level of aging by the conventional definition, exhibits a contemporary pattern of age-related decline in cognitive functioning that is highly comparable to those of many other developed nations, particularly in the Continental Europe. The authors interpret the finding to imply that Japan’s “elderly population” is cognitively younger in age by the CADR index relative to what the conventional definition of chronological aging would imply.

Mason, Lee, and Park focus on the demographic transition in the Asia and Pacific economies and the age-related labor income and consumption profiles of individual households in these economies by studying the National Transfer Accounts, related administrative data, and system of national accounts. The analysis provides estimates of the effective labor available to the economy from earnings of the working-age groups to support income and spending necessary to provide public funding for the consumption needs of the elderly retirees. The authors’ analysis indicates that the intensifying increases in life expectancy and imploding fertility rates generate a potential demographic time bomb in countries like the ROK, where labor supply and economic growth are raising significantly the cost of the public pension plans. This implies that old-age support would need to come from some of the other old-age support channels.

Sharma likewise deals with the role of technological changes that affect the cognitive content of occupations within and across industries in measuring employment and wage levels of male and female workers in India over the period of 1994–2014. The paper uses a task-based approach to analyze labor trends in India and its possible implications for the measurement of labor productivity, the gender wage gap, and economic growth.

Isaac Ehrlich
Guest Editor

State University of New York at Buffalo