**Report of the
International Conference on Population Ageing:
Issues and Challenges
held on 11 July 2012 at the
Faculty of Economics and Administration, University of Malaya, Kuala Lumpur**

Background

Consequent upon continuing fertility decline and increase in life expectancy, the population in many developing countries is ageing at a much more rapid pace than that experienced by the developed countries. In developed countries, population ageing did not occur until they had become industrialized and rich. However, in less developed countries, the population is ageing at low level of per capita income. Asian countries are at different stages of demographic transition, and population ageing varies considerably across and within countries. The number of older persons aged 60 and over in Asia now makes up 10 percent of the population compared to 6% in 1960. In Malaysia, the number and proportion of older persons aged 60 and over is projected to increase to 5.5 million (or 14.4%) in 2030, from 2.3 million (8.2% of the total) in 2010. Population ageing poses a host of challenges such as long term care and increased financial burden. Demographic and social changes in the context of an ageing population have exerted pressures on the family institution and existing social protection programmes and schemes.

Objectives of the Conference

The objectives of the conference were:

(i) To discuss the issues and challenges of population ageing in Malaysia and other Asian countries, in light of changing family and socioeconomic scenarios.
(ii) To assess the financial needs of older persons and family support.
(iii) To provide a forum for international knowlwedge sharing.
(iv) To put forth policy recommendations to the relevant authorities.

The conference was jointly organised by the Social Security Research Center (SSRC) of the Faculty of Economics and Adminstration, University of Malaya, and the National Population and Family Development Board (NPFDB), Ministry of Women, Family and Community Development, Malaysia.

The conference was attended by about 300 participants, comprising academicians from public and private universities, representatives of government ministries and agencies, non-Government organisations, insurance companies, and graduate students. The programme for the conference is as shown in Appendix 1.

Papers presented at the conference covered the following topics:

1. A Global Perspective of Population Ageing and Old Age Financial Protection

2. Role of Family in Meeting the Challenges of Population Ageing in Malaysia: Policies and Interventions
3. Population Ageing and Social Protection in Malaysia
4. Financing Old Age in a Rapidly Ageing High Income City State: The Case of Singapore
5. Home Care for Older People in ASEAN Member Countries
6. Social and Economic Aspects of Elderly in Thailand
7. Income Security Systems in the Republic of Korea: Directions for Development
8. Retirement Planning – A Dynamic and Holistic Approach in Bridging the Gaps and Mitigating the Risks
9. Meeting the Needs of Older Malaysians: Expansion, Diversification, and Multi-Sector Collaboration
10. Ageing Population and Delivery of Social Protection for the Older People in Vietnam: Challenges and Reform Options
11. Population Ageing in China: Features, Challenges and Strategies
12. The Philippine Pension System: Promoting Fairness and Sustainability
13. Productive Ageing : Role of NGO

Summary of Conference Proceedings

The Keynote address which was presented by Prof. Dr Robert Holzmann, focused on global perspectives of population ageing and old age financial protection. It was highlighted that most low and middle income countries (LICs and MICs) are projected to be ageing very fast compared to the experience of high income countries. Most LICs and many MICs risk becoming demographically old before becoming economically rich. Although living longer has been a dream of mankind, people are worried about ageing as individuals and society because old age is historically associated with being poor, sick, marginalized, and dependent. Moreover, there is also the fear that population ageing will impact society in areas such as income transfers, public services and economic growth. Thus, ageing happily requires ingredients at individual (microeconomic) and societal (macroeconomic) levels. To turn this challenge into an opportunity requires a change in mind-set and policies

Population ageing is the combined effects of an increase in life expectancy (reduction of mortality rates) and a reduction in fertility, and move to and below replacement rate. Currently both effects (in OECD countries) are broadly the same size but have different implications for benefit programmes. The impact of migration is similar to fertility changes but more complex and the size of the effect is often overlooked.

The key economic concerns about population ageing focused on three aspects: (a) the distribution of the economic pie as ratio of elderly (as benefit receivers) to workers (as contributors) increases, (b) growth of the economic pie as lower number of youth/higher number of older workers risk impacting productivity; and (c) the impact on internal rates of return of benefit programmes which are funded or unfunded

It was noted that population ageing may or may not result in declines in productivity and economic growth. Ageing may potentially result in a decrease in productivity as some capabilities decline with age and also expect to be less inclined towards innovation and risk-taking. However, the time horizon of investment in human capital (education and health) increases. Mere demographic effects result in projected major productivity reductions but other and refined results offer room for optimism and policy. Traditional demographic figures about aging need to be reviewed for the formulation of appropriate policies.

Empirical studies have shown that to age happily requires a purpose (job, hobby, etc), physical exercise (the fountain of youth), social embeddedness (family, friends, etc), and the "birds and the bees." In addition, the necessary conditions required for coping with economic conditions include the need to keep individuals healthy, skilled, and motivated to work longer. Other necessary ingredients include a change in mind-set, a revision of all societal institutions and policies to be determined/specified.

Current socio-economic institutions need to be reviewed. Life expectancy as an adult has tripled since early 1800 (after being more or less constant) and continues to grow. Societal institutions are not made or prepared for such a change. Ageing requires a sea-change of view and reforms.

The choice of the Old-Age Financial Protection System has wide implications. Organizing consumption smoothing across the lengthening life-cycle has limited number of options and apply to both funded and unfunded schemes. These options include (a) contributions or pre-saving up, (b) benefits or de-saving down and (c) working longer or retiring later. Living longer, working longer and retiring later requires a decompression of work pressure across the life-cycle. Long work, savings and de-saving spells offer better opportunity for human capital/financial capital mix and diversification in dealing with old-age and the very old-age poverty requires us to address needs beyond pension such as infrastructure, long-term care and specialized services.

Pension schemes that adjust most easily to ageing ought to contain the following elements: (a) incentives to stay on the labour market, remain formal and skilled, etc, (b) has the capacity to adjust automatically to change (increase) in life-expectancy, (c) able to adjusts broadly automatically to demographic (and economic) shocks, d) offers high intergenerational equity (e.g. lowest rate of return variation), and (e) supports life-cycle planning by rational individuals in an unbiased manner

Such schemes include:

(a) Defined Contribution (DC) schemes that link individual benefits to contributions at and beyond accumulation/decumulation intersection (i.e. flexibility of partial retirement/continued work)
(b) selection of rate of return that is consistent with long-term financial sustainability of the scheme

(c) a combination of an Non-Financial Defined Contribution (NDC) and Funded Defined Contribution (FDC) arrangements, with mix of mandated and voluntary pillars

It was noted that NDC introduced in Italy, Latvia, Poland, Sweden in 1990s, in Norway 2011, and legislated in Egypt in 2010 is becoming the virtual benchmark for parametric reforms of NDB schemes. Trend toward systemic reforms (i.e. moving from NDB to FDC) halted by 2008 crisis (and partially reversed) but trend toward voluntary funded provisions is unabated. Right direction but more systematic approach is needed to address population aging challenge

The policy options for dealing with old-age and very old-age poverty are:

(a) Market-related ex-ante interventions
(b) Public ex-post interventions (social assistance, social pensions – universal or needs-based, minimum pension guarantee)
(c) Family support, including cohabitation

Nevertheless, this involves key trade-offs in areas which include (a) adequacy, effectiveness and fiscal costs , (b) generosity and incentives for informality, and (c) family support and female labor force participation. Need for differentiation between the old and very old needy?

Among broader policy areas to make ageing an opportunity, two significant areas are health care and education and labour market. Policy makers need to consider financial and other incentives as well as the type of system that can result in healthier lives and maximising the length of life or life years. In the area of education, policies are needed to focus on schools, youth training and the costs of late interventions and factor that keep people skilled and motivated. At the same time, we also need labour market adjustments, restructuring, and innovations to deal with issues of employment, skills training, motivation of the elderly, and incentives for employers to keep or hire elderly workers. Other labour market issues include life-long learning, wage negotiations, working hours, and dealing with changes in capacity and skill mix of and role of elderly workers.

Individual and population ageing are unavoidable and is a challenge that can be turned into an opportunity. Emerging economies are particularly challenged as ageing will be faster and income levels perhaps less advanced as already richer peers. Realizing the opportunities requires a sea-change in mind-set and a review/revisions of all societal institutions and policies. Much of the adjustment will have to come from the labour market and extended years of work. Countries will be favoured that act quickly, com-prehensively, innovatively and evidence based. There is some but only limited knowledge to draw on. Hence there is a need for indigenous research.

ASEAN

In the context of the ASEAN region, it is estimated that the proportion of older people over 60 years in South-east Asia will triple between 2000 and 2050. However the responsibilities for the care of older people by young family members are getting weaker due to growing nuclear families, prevailing migration, and increasing participation of women in the work force. Organizations such as HelpAge Korea, an NGO working for older people established in 1982 as a sister organization of HelpAge International has developed a Home Care model as a based programme to provide long-term home care for the elderly funded by the ROK-ASEAN cooperation funds.

Country Cases

The conference also highlighted the experiences of seven country cases from Malaysia, Phillippines, Singapore, Thailand, Vietnam, Korea and China.

In the context of Malaysia, population is ageing due to increase in life expectancy, changing demographics and family structure. Malaysia is forecasted to have an ageing population by 2030 when 15% of the population becomes elderly. In such a scenario, Malaysia need to address the issues of inadequacy of savings among the elderly, longer life expectancy, but retirement age is from 55 – 60 years, inadequate savings due to shorter period of saving and longer period of spending. Social insurance programmes are limited to the formal sector while the informal, self employed are excluded. There is a need to frame a social protection policy, identify the right target group to receive the social assistance benefits and create awareness among people about the importance of savings and spending behavior. Social protection programmes for the elderly in Malaysia include the Employees Provident Fund for retirement benefits, employment injury and invalidity pension schemes for private sector workers under the Social Security Organization, the Armed Forces Fund Board, Government Pension Scheme for government workers, programmes under the National Welfare Department, other government assistance and healthcare programmes for poverty eradication or smart partnerships with the private sector and non0Government organizations. Elderly care in Malaysia is affected by changing family and population trends. Although the family has been the primary provider of care for older Malaysians, recent developments suggest that family support is weakening and assistance is needed to strengthen the role of families in later life. Government agencies need to realize a sustainable community-based support system for the elderly by empowering civil society organizations and partnering private sector players. Elderly care need not be a burden for families as expansion opportunities for silver industries are present. A combination of policies to encourage informal and formal eldercare is needed.

The Philippine population is still relatively young but demographic transition toward a much older population is underway. The share of persons aged 60+ is projected to increase from 7% of the population in 2010 to 18% in 2050 and the elderly dependency ratio is estimated to increase from 11% in 2010 to 29% in 2050. Urbanization and outward migration of workers have weakened the traditional family old-age support system**.** However, the social assistance programme does not provide adequate support to the elderly poor. There are disparities in the mandatory Defined Benefit (DB) programmes covering public and private sector workers in the Philippines. As current DB programmes may be unsustainable in the long term, there is a mix of a reduced DB tier and an expanded Defined Contribution (DC) tier as an alternative for promoting equity and sustainability. Supplementary programmes are also available from other financial institutions. But there is a need for a conducive operating environment (investment, regulatory, taxation). Underlying concerns regarding equity are the following factors: (a) a fragmented pension system, (b) existing mandatory pension systems are administered independently, (c) regulation of pension institutions rests with different entities, (d) tendency for pension decision makers to preserve superiority of the public sector program over the private sector program, and (e) resource allocation for social assistance programs are insufficient due to budgetary constraints. Sustainability concerns were also raised because of: (a) no clear link between benefits and contributions, (b) DC systems with potentially more equitable and sustainable pension arrangements are still in the process of development (c) leakages in the administration and investment as a result of lapses in governance, (d) low compliance rates and (f) undeveloped investment environment for build-up of pension funds. In addressing these concerns, the Philippines have the following reform options: (a) reduce the benefits by changing benefit formulas, restoring benefit ceilings and changing the averaging method, (b) increase contribution rates, (c) raise retirement ages (e.g. optional retirement from 60 to 65; mandatory from 65 to 70), (e) strengthen governance measures to reduce leakages from poor investments and high expenses, (f) shift toward greater Defined Contribution (DC) component by having investments to minimize risks to members of DC programs and consolidation of DC, (g) integrate private and public pension programs, (g) improve governance and the Philippine economy by providing a level playing field in regulations and taxation for institutions offering supplementary plans and promoting growth of other investment instruments for pension fund investments.

Singapore is expected to experience very rapid ageing of the population in the next two decades. The, population aged above 65 years, as projected by the United Nations, will increase from about 0.46 million in 2010 to 1.40 million in 2030, an increase of 207 percent in just two decades (UNDESA, 2010). Life expectancy at age 65, in 2011 was 18.3 years for men, and 21.8 years for women (DOS, 2011) is also expected to rise. Singapore has relied primarily on a single-tiered retirement financing system, involving mandatory savings administered by a national agency, called Central Provident Fund (CPF). With increasing longevity, relying on savings from income during the working years to finance retirement period, which in some cases may exceed the proportion of life spent in labor force, has become increasingly untenable for a significant proportion of the population. Issues of fairness and sustainability of the CPF system were discussed. Among the broader fairness issues concern the lack of social insurance principles in managing longevity, inflation, and survivor benefit risks during retirement; and the extremely limited nature of public assistance to the elderly. In addition, there was also differing pension design for different groups. Singapore's pension system does not address the inflation risk, nor does it have a mechanism to address survivors' risks. The CPF Life does in a limited way address the longevity risk, but its costs are borne by individuals through commercial-type of insurance. It was emphasized that in a narrow financial sense, Singapore's pension system may be regarded as sustainable; it is not sustainable when assessed against the more relevant criteria which incorporate adequacy concerns. These concerns will become even more acute as rapid ageing of the population occurs in the next two decades. In promoting fairness and sustainability of the pension, it is suggested that there should be greater use of social insurance principles and social risk pooling instruments such as social pensions; reforming the investment policies of the CPF by bringing them more in line with the SAVER Scheme; and improving design of the CPF scheme to promote fairness.

In the case of Thailand, the main source of income of the elderly is from children. It was reported that 80% of the population expect their children will take care of them physically, mentally, and financially. 15% of elderly receive remittance between 5,000-10,000 THB in the past 12 months, another 20% receive remittance between 10,000-30,000 THB. About 70% of elderly have telephone contact with children who live outside their household. 45% of elderly who are older than 94 years are taken care by daughter or daughter-in-law. Another 38% take care of themselves.

About 40% of Thais who are older than 65 still work. Only 4% of elderly have pension. Elderly are at risk of living under the poverty line. The elderly are more likely to isolate themselves from society and about 20% of elderly cannot travel without a personal assistant. In the next 20 years, Thailand will have more elderly than children. Public spending for these two groups should be re-thought. Family support will be loosen due to a smaller family size and changes of socio-economic structure. Public schemes should be strengthen to support elderly to be able to live independently. However, family support is still in need. Two important schemes are needed to address the needs of the lederly, that is, saving for retirement schemes and long-term care for elderly.

Similarly, the Vietnamese population is aging at a historically unprecedented rate. Living arrangements have changed substantially from extended to nuclear families. Among the elderly living alone, most of them are female and rural persons. In widowhood, females are dominant, especially at more advanced ages. Vietnam provides retirements and social allowances to older people, but there have remained a number of challenges in terms of delivery and financing. Vietnam needs to deal with these issues with policies and programmers to transform the current PAYG DB retirement scheme to a system of individual accounts with an NDC scheme. In transitioning to the new system, it should focus on rural older people first, and then expand to all older people.

The Republic of Korea's Income Security Schemes comprise both public and private components: (a) Public Old Age Income Security Schemes (Social Insurance Pension Schemes - National Pension Scheme (1988) - Government Employees(1961), Military Personnel(1963), Private School Teachers & Officials(1975) • Social Assistance Schemes - Basic Old Age Pension Scheme(2008) - Basic Livelihood Protection Scheme(1961→2000)), and (b) Private Old Age Income Security Schemes (Private Occupational Pension Scheme: (2005←Severance Allowance) • Individual Pension Scheme(1994)). Income Security Schemes in Korea faced the main issues of (a) improving the coverage of the national pension scheme, (b) securing adequate benefit level of public pension schemes, (c) restructuring the public income security systems, (d) making the public pension schemes financially more stable in the long run, and (d) further developing multi pillar systems.

Reforms of the income security systems are based on the prinicples of (a) sufficiency of coverage, (b) adequacy of benefits, (c) equity between generations, income Strata, and income Security Schemes , (d) efficiency, (e) affordability, and (f) sustainability. Two feasible options for restructuring pension schemes were presented. One option is based on a social insurance oriented model and the second option is based on a tax financing oriented model. Both options consist of basic income security schemes with additional income security schemes.

In China, the number of people aged 65 and over is 119 million and by 2050, this number will grow by three times. Of whom, over 100 million will be people aged 80 and over, representing five times the current number. The increase in the proportion of people aged 65 + from 7% to 14% takes 25 years. The fastest population ageing in the 21st century will be seen in China and S. Korea. The consequence of this phenomenon is that the level of population aging is ahead of that of economic and social development, social security provisions and urbanization. In view of the rapid population shift, ageing and changes in family structure, the Chinese Government has taken measures such as conducting strategic research and planning, improve the legal system, accelerate the establishment of a comprehensive social security system and improve the employment system. In this respect, the governement, families, enterprises and the media ought to participate in a collective effort to deliver services to the elderly.

During the conference, the notion of productive ageing was highlighted. According to the Australia Productive Ageing Centre, productive ageing is defned as " the promotion and organization of a lifestyle which enables seniors to participate actively in the economic and social advancement of the nation in a manner that they will ensure they are contributors rather than dependents while having the added benefit of enhancing their own health and wellbeing"

Productive ageing is important to the individual because it promotes self-esteem, relevance and delay psycho-social problems besides earning an income. It benefits the family – less stressful, less financial burden, favours intergenerational activities. The nation also benefit from the experience of senior citizens, less budget needs for healthcare or old folks home or nursing homes and focus more on building age friendly cities and intergenerational strategies

Conclusion

In conclusion, the conference acknowledged that the global ageing phenomenon needs urgent attention as policy adjustments are needed to manage the socioeconomic impact of an increasing number of elderly persons. An increasing number of aged elderly persons will place greater pressures on labour markets and social security systems particularly defined benefit pension schemes. The conference noted that even in Asian societies which traditionally emphasised filial piety and strong family ties, the family support system is weakening. Efforts are needed by the state to augment these fading supports for the elderly. More innovative defined contribution schemes need to be explored. In emphasising the positive aspects of ageing, the conference noted that productive ageing can be an asset to society and its economic well-being.

Appendix 1

International Conference on Population Ageing: Issues and Challenges

11 July 2012
Lecture Hall 3, Faculty of Economics and Administration
University of Malaya
Kuala Lumpur

Programme

8.30 am	Registration
8.45 am	Arrival of speakers, VIP Guests
9.00 am	Doa Recital
9.05 am	Welcome Address, Prof. Dr. Kurunathan Ratnavelu, Deputy Vice-Chancellor (Development), University of Malaya
9.15 am	Welcome Remarks, YBhg. Dato' Aminah Abdul Rahman, Director-General, National Population and Family Development Board
9.25 am	Speech and Official Opening, YB Senator Datuk Heng Seai Kie, Deputy Minister of Women, Family and Community Development (MWFCD)
9.45 am	Tea break
10.15am	**Keynote address** "A Global Perspective of Population Ageing and Old Age Financial Protection" by Prof. Dr Robert Holzmann, Holder of Old Age Financial Protection Chair **Moderator** : Prof. Dr. Tan Eu Chye, Faculty of Economics and Administration, University of Malaya
11.00 am	**Session 1** 1. "Role of Family in Meeting the Challenges of Population Ageing in Malaysia: Policies and Interventions" – Dr. Anjli Doshi Gandhi,

Deputy Director-General (Policy) National Population and Family Development Board

2. "Population Ageing and Social Protection in Malaysia" – Mr. Suhaimi Abd. Samad, Assoc. Prof. Dr. Halimah Awang and Prof. Datuk Dr. Norma Mansor, Faculty of Economics and Administration, University of Malaya

3. "Financing Old Age in a Rapidly Ageing High Income City State: The Case of Singapore" – Prof. Dr. Mukul G. Asher, National University of Singapore

4. "Home Care for Older People in ASEAN Member Countries" – Dr. Cho Hyunse, HelpAge Korea

Moderator : Y. Bhg. Tan Sri Datuk Hjh. Napsiah bt Omar, Chairman, National Population and Family Development Board

1.00 pm Lunch

2.00 pm **Session 2**

1. "Social and Economic Aspects of Elderly in Thailand" – Dr Worawan Chandoevwit, Research Director, Thailand Development Research Institute

2. "Income Security Systems in the Republic of Korea: Directions for Development" – Dr Donghyun Park, Chief Economist, Asian Development Bank

3. "Retirement Planning – A Dynamic and Holistic Approach in Bridging the Gaps and Mitigating the Risks" – Mr. Hamadah Othman, Actuarial Partners Consulting Sdn. Bhd.

4. "Meeting the Needs of Older Malaysians: Expansion, Diversification, and Multi-Sector Collaboration" – Prof. Dr. Tengku Aizan Hamid, Director, Institute of Gerontology, University Putra Malaysia

Moderator : Tuan Haji Jafar Abdul Carim, Old Age Financial Protection Chair Council Member

4.00 pm **Session 3**

1. "Ageing Population and Delivery of Social Protection for the Older People in Vietnam: Challenges and Reform Options" – Dr Giang

Thanh Long, Institute of Public Policy and Management National Economics University, Vietnam

2. "Population Ageing in China: Features, Challenges and Strategies" - Ms. Zhang Yang, Deputy Director-General, Department of International Cooperation, National Population and Family Planning Commission of China

3. The Philippine Pension System: Promoting Fairness and Sustainability" – Dr Gemma Estrada, Economist, Asian Development Bank

4. "Productive Ageing : Role of NGO" – Ms. Jayalatchumy Cumaraswamy, President, Usiamas Welfare Society Malaysia (USIAMAS)

Moderator : Y. Brs. Mr. .Harjeet Singh, Deputy Secretary General (Strategic), Minister of Women, Family and Community Development

5.30 pm	Closing Ceremony, Prof. Dr. Noor Azina Ismail, Dean, Faculty of Economics and Administration, University of Malaya
5.45 pm	Afternoon tea