

## Editors' Introduction

### Ageing and the Economic Welfare of Southeast Asian Nations

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**Abstract:** Ageing is an issue larger than what is perceived by individuals and families and governments. For families, caring for the aged has both financial and social dimensions, while for governments, resources have to be found to support an ageing population in the form of better health and consequently a longer period of productivity which is as much an opportunity as a challenge. These issues are at the fore of the papers brought together in this special issue. The holistic view of ageing in this overview is juxtaposed against country papers that recall country experiences and are understandably more narrowly focused. Will these perspectives be bridged? That will depend on the visions of policy-makers and the attitudinal changes of citizens.

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While the headwinds battering the Malaysian economy are making headlines, an even more daunting and enduring challenge has received scant attention—the issue of how to deal with a rapidly ageing population. Contrary to popular belief, ageing is not a problem more common in developed economies. Because of rapid fertility decline and an increase in life expectancy (United Nations 2002) many developing countries have a burgeoning ageing population, one that is growing faster than those in developed countries but at still low levels of per capita income. People aged above 60 in Asia now make up 10 per cent of the population, compared to 6 per cent in 1960 (United Nations 2013).

Population ageing poses a host of challenges, whether at the individual, family or national level. For individuals, getting old brings with it a host of health issues together with the need to adjust lifestyles. For families, members who are old require long-term care that entails an increased financial burden on those who are working. Psychological issues relating to coping with an ageing family member also exert pressures not only personally but also on the family. At the national level, an ageing population demands additional resources—financial, infrastructural and manpower – to provide social protection at the very time when the pool of contributors—those of working age—is shrinking.

Dealing with an ageing population, though a primary concern of governments, is not just a matter of social protection. Adjustments will have to come from the labour market and

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working conditions have to be altered to allow for extended years of work. Attitudes towards ageing also need to be changed to so as not to view the process narrowly as a burden. Education has a major role to play here. Countries that act quickly, comprehensively, and innovatively, drawing lessons on an increasing body of evidence, will benefit the most.

But is ageing all challenge and no opportunity? Is not greater longevity evidence of better health? Is ageing a phenomenon associated with attaining a particular age, or with a particular level of performance, physical or mental? In other words, does better health status postpone the onset of ageing and thereby contribute to an expansion of the productive workforce instead of the opposite as currently perceived?

These issues are germane to all countries and need careful consideration by planners who must engage in an open discourse with all stakeholders. But specific circumstances in individual countries mean that a general discussion of these issues should be the precursor to more focused discussions at the country level. This is the approach adopted by an international conference on population ageing on 11 July 2012, hosted and organised by the newly established Social Security Research Centre (SSRC) at the Faculty of Economics and Administration (FEA), University of Malaya (UM). The papers from this conference make up this special issue of the Journal.

This Special issue, with its thematic focus on the impact of and policy imperatives for ageing in ASEAN countries, consists of an overview paper and five country papers. The countries are Malaysia (2), Singapore, Thailand and Vietnam. In this small group of countries is an example of a high-income country (Singapore) that, to use phraseology coined by Prof Robert Holzman holder of the SSRC chair and a renowned authority on this subject (Holzmann, Hinz & Dorfman 2008) became economically rich before getting demographically old, and an example of a low-income country that risks getting demographically old before becoming economically rich (Vietnam), with other countries in between these extremes. And yet, Singapore stands out from its Western counterparts with its high savings rate (Toh 2011) while Vietnam is distinguished from other developing countries through its relatively strong social protection, a legacy of its days of central planning.

In the overview paper, Holzman, takes a global perspective in posing the questions: (1) What does it require to age and retire happily? (ii) What are the ingredients for happy ageing at individual/micro-economic level? (iii) What are the ingredients at societal/macro-economic level? (iv) What are old-age income schemes that support this happy vision and do not create a fiscal mega threat? He contends that answering these questions demands a fundamental rethink on what constitutes ageing. This should then lead to a review and revision of all societal institutions from that of marriage to retirement income schemes. Against this re-conceptualised background, old-age financial protection programmes need to be selected in support of such policies that keep individuals healthy, skilled and motivated to stay on in the labour market and be productive. He argues that such schemes exist, with a well-run funded defined contribution scheme like that in Chile or a central version with provident fund plus annuity provision at retirement and a non-financial defined contribution scheme like those in Sweden or Poland as strong candidates. More difficult are the necessary adjustments to labour market and education institutions for which major knowledge gaps exist even in advanced economies. He feels that both issues are compounded in low and middle income countries that are typically characterised by a large and at times growing informal economy. This may require radical new solutions,

such as (funded or notional) account systems for all, with basic and matching contributions by the government.

In viewing population ageing in a broad context, his paper sets the stage for exploring the changes in labour force participation, retirement age, health status, and productivity profile, that must be understood in not only designing an appropriate system of social protection that incorporates ageing but also bringing about a societal view of ageing as a natural process of health improvement that should be harnessed rather than feared. In this sense, it is a paper with an optimistic view, a departure from the genre more concerned with the challenges ageing brings.

The paper by Suhaimi Abd Samad and Norma Mansor from Malaysia has a much narrower mandate than that Holzman charted. It starts with the normal observation of an ageing population and asks several questions. The first is to what extent does the existing economic system serve the objective of equalising opportunities and equal treatment for all the country's citizens? The second is that in ensuring that the essential needs of the people are met without marginalising any group, are the existing social safety net policies adequate to support every Malaysian to sustain a decent living standard? These questions are framed in the context of a major policy initiative under the New Economic Model (NEM) launched in 2010.

The starting premise of the paper is a pessimistic one. Malaysians older than age 60 will increase to 5.5 million by 2030, about 14.4 per cent of the population, up from 2.3 million (or 8.2%) in 2010. The elderly will have inadequate savings arising from longer life expectancy. Put differently, Malaysians will have a shorter period of savings and a longer period of spending. At the same time, 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 supporting the aged.

Social insurance programmes, covering what the World Bank refers to as Pillars 0 (minimum level of social protection), 1 (mandatory public pension), 2 (mandatory occupational and personal pension) and 3 (voluntary pension), are in place. However, they are limited to the formal sector while those in the informal sector and self-employed are excluded. Pillar 4 (non-financial family support) is weakening. There is therefore 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 behaviour.

Helped by case studies of NGOs that provide elderly care, the paper arrives at several recommendations within the framework of the NEM. They are (i) an overarching policy on social protection, (ii) advocacy for compulsory savings through (iii) efforts to motivate a positive attitude towards saving accumulation, and (iv) the use of media to deliver key messages.

The complementary paper by Tengku Aizan and Chai critically assesses Malaysia's current policies, programmes and services to meet the needs of the ageing population. It focuses on the social assistance scheme for the elderly, pay-as-you-go (PAYG) financed state pension scheme and defined contribution funds. It argues that in focusing on the above institutionalised schemes, the central role of informal support systems in old age has been overlooked. This is despite the fact that past studies have shown the family playing a pivotal role in providing care and support for the aged in Malaysia. Most of the older

Malaysians still live with their adult children and receive financial assistance from them. With older Malaysians living longer, becoming better educated and wealthier, and becoming consumers of a burgeoning silver hair industry, the need to balance social and economic priorities in national development is manifest. But it would be wrong to view these as competing goals, or as being mutually exclusive. Further, the paper argues that an undue focus on welfare aspects of assistance to the ageing would encourage a mindset, both among the policy makers as care givers and the ageing population as beneficiaries, of viewing ageing as a dependency issue rather than positively in the manner described by Holzman. The paper's abstract aptly sums up the authors' advocacy: "An inter-dependence approach, rooted in a mix of individual responsibility, family obligations, active civil society and state provisions (regulatory and non-regulatory), will enable a more broad-based and sustainable solution to meet the present and future needs of the elderly."

The focus of the Singapore paper, by Mukul Asher and Azad Singh Bali, is narrower still. Its focus is only on assessing fairness and sustainability in Singapore's pension system. It argues that to ensure these, fundamental rethinking of the two propositions on which the pension system is based is essential. These propositions are (i) complete reliance on a micro-managed system of mandatory savings during individuals' working years to provide adequate retirement income, and (ii) that it is absolute income rather than relative income that should be the area of focus. Echoing Holzman, the paper argues that marginal changes to the existing system are not adequate.

In common with other country papers, this paper lays out the components of Singapore's pension system, and then proceeds to review these components from fairness and sustainability perspectives. It finds the system wanting in fairness because it discriminates against women; there is disparity (albeit not large) between public and private pension provision and regressivity in tax treatment; there are issues in payouts and in the treatment of foreign workers. It also finds the Central Provident Fund (CPF) system sustainable only from the narrow perspective of returning the accumulated balances with interest but not from the broad perspective of providing adequate real (i.e. inflation adjusted) income throughout the old age, thus mitigating longevity, inflation and survivors' risks.

To remedy these weaknesses, the paper suggests the use of social risk-pooling methods such as social insurance and budget-financed non-contributory social pensions whose value does not decrease in real terms; and a shift in policy focus from addressing absolute poverty to relative poverty.

The paper by Worawan Chandoevmit from Thailand starts from the premise common to all country papers that Thailand is already an ageing society. The inadequacy of social protection is demonstrated by data that show about 40 per cent of those older than 65 still work, while only 4 per cent of these people have pensions. As a result, the elderly are at risk of living below the poverty line. In light of this, the paper's focus is on how the elderly live rather than the social support system.

National surveys provide a wealth of data on this subject. They show that 16 per cent of elderly households in the rural areas suffer from sub-standard living conditions. The majority of the elderly (60%) rely on family support for their livelihood – the overwhelming importance of Pillar 4. About 80 per cent of the population want to save for their retirement but only 48 per cent think that they can make regular monthly savings. Just over half of the elderly consider themselves physically and mentally prepared for old age. This may be

because they consider themselves quite healthy – about 90 per cent of those in the 65-74 age-group feel they can take care of themselves.

It is quite normal in Thai culture for children, mainly daughters, to take care of their old parents. Above 80 per cent of the population expect their children to take care of them physically and financially when they become old. About 45 per cent of elderly who are older than 64 years are taken care of by a daughter or daughter-in-law, while another 38 per cent take care of themselves. The paper argues that this burden will become more onerous as Thailand's old-age dependency ratio rises in the coming decades. Thailand is now organising a National Saving Fund to promote savings for retirement.

The country paper on Vietnam by GiangThang Long argues that Vietnam shares with its neighbours the demographics of a population that is ageing more rapidly than expected. It should also have highlighted, for those unfamiliar with the country, that Vietnam is distinctive in several ways. First, despite being the newest member of the middle-income group of countries, it has well developed retirement and social protection programmes for older people that can put countries with much higher income to shame. Second, its population continues to be affected by the legacies of its turbulent modern history. These legacies include the fact that many females are widowed.

The paper argues that the country faces challenges in terms of delivery and financing. While social assistance has covered many older persons, significant segments, including informal sector labourers and ethnic minorities, are poorly covered. Projections also show the existing PAYG system is not sustainable. It recommends the transformation of the PAYG system toward a system of individual accounts with a notional defined-contribution (NDC) scheme in the transitional period. For the cash transfer programme, it recommends a universal cash transfer programme for rural older people as being more effective in poverty reduction.

Reading these papers, it is hard not to notice the contrast between Holzman's optimism and the relative pessimism of the country papers regarding the existing state of social protection provision. Nor is it hard to distinguish the comprehensive narrative of what would lead to a state of 'happy ageing' from the narrow focus of pension systems and elderly living. This dichotomy of perspectives is not hard to understand. As an expert in the field, Holzman's view must necessarily be holistic, with each dimension related to the next. At the same time, country experts are, well, country experts, more concerned with issues, especially those most pressing, within their own areas of interest.

In the context of Southeast Asia, which one of these narratives should we adopt? Clearly the holistic view sketched by Holzman is spot-on from a long-term perspective. If we view ageing only as a problem to be solved, we will miss out on the many opportunities that it also bestows on society. At the same time, if we do not address the deficiencies, narrowly focused though they may be, today, the utopia of tomorrow may never arrive. In this sense, choosing between perspectives is unnecessary. A broad view of ageing is essential for countries even if they seek to address its many challenges. But this broad view must complement the specificities of country situations if priorities are to be translated into operational strategies.

A final question that comes to mind is: were the immediate and narrow issues to be resolved, is it possible to transit to the big picture perspective that Holzman so convincingly sketched? Here, even Holzman admits that even for advanced countries, many knowledge

gaps remain. In our view, it is not these gaps, daunting as they are, that will prevent the achievement of 'happy ageing'. It is society itself, with its inbuilt rigidities in terms of attitudes and institutions, that is the greatest stumbling block. The riots in France over proposals to raise the retirement age is testimony to society's myopic and short-sighted attitude towards this subject (Allen 2010). If Holzman's utopia is not achieved, it is not the lack of tools but society's intractable attitudes, that stand in its way. In that sense, any optimism should be tempered by society's refusal to recognise the greater good.

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