

For Every Age: Intergenerational Economy: Dialogue with Asian Parliamentarians

11 October 2022

The Asian Population and Development Association (APDA) and UNFPA Asian and Pacific Regional Office (APRO) co-hosted an online session on National Transfer Accounts (NTA) on 11 October 2022. The special session was organized as part of UNFPA APRO's NTA Regional Training targeted at policy planners and practitioners and was attended by approximately 35 online participants (parliamentarians, officers of National Committee on Population and Development, UN experts and so forth), along with more than 60 NTA Regional Training participants who were in attendance at the venue in Bangkok.

Introduction

Moderator: Eduardo Klein, Regional Representative of HelpAge International

Opening Video "NTA Introduction"

Co-produced by UNFPA Thailand and the National Economic and Social Development Board

The video explained that per capita support was highest in childhood and retirement. In childhood, there was a high reliance on support regarding social welfare, basic education, and health care. In retirement, there is a similar reliance on social services.

Currently, every 10 adults are taking care of three elders and two children, but with the ageing population in 2025, this will increase to four elders and three children per 10 adults, and by 2035, the number of dependents will increase to six elders and three children per 10 adults. The solution would be for each age group to take care of themselves: Children should be taught financial management, teenagers should develop their skills, and adults should keep themselves productive by continuously enhancing their skills and taking care of their health. At the same time, adults should manage their income and consumption so that there is money left for savings and investments for their retirement.

Presentations

Intergeneration Economy and NTA - Introduction to Asian parliamentarians

Dr. Sang-Hyop Lee, Professor at the University of Hawaii and Senior Fellow at the East-West Center

Dr. Lee noted he had spent 20 years researching NTA. His "elevator pitch" included explaining that his interests were looking at how a changing population structure affects society and economy, current and future. Secondly, he wanted to know what public policies could be pursued to influence the outcome. Answering these questions, he would rely on a lifestyle approach.

He explained through a series of slides that we could look at labor income and consumption by age. Children and the elderly consume more than they produce. Also children and the elderly benefit more than they contribute to taxation. All countries are different, and consumption includes both public and private sectors.

However, if you have this data – age plus income, savings, tax, and consumption you can answer the first two questions. You can also look at rich and poor, rural and urban, public and private. Using the data, NTA tools can assist with policy development. Dr. Lee then looked at the demographic dividend from 1960 and projected it into the future – 2040 and 2080 when the whole Asia Pacific region would have an ageing population.

Dr. Lee noted that public policy could influence outcomes by, for example:

- Influencing labor patterns by utilizing female, youth, and elderly labor force.
- Increasing productivity through effective education, health investments, and training.
- Improving the work-to-retirement transition.
- Addressing lower productivity of older workers through continuing education programmes and employment practices and encouraging savings and investments to create employment.

The policies on improving education and health and utilizing female, youth, and elderly labor force could also contribute to achieving equity. He noted that the outcome could change by including evidence and knowledge-based policy. An ageing population could be a success story.

Keynote speech: Reflection from the Maldives through socio-economic and health policies from gender dimension

H.E. Aishath Mohamed Didi, Minister of Gender, Family, and Social Services of the Maldives.

Minister Didi noted that the Maldives was a small island state with over 1190 islands stretching about 298 square kilometers – of which 189 islands were inhabited. The country faces unique development challenges and is vulnerable to economic shocks and climate change. The population is about 500,000 people, 70% of whom are Maldivians and the rest foreigners. Sixty-four percent (64%) are working age, and more than 37% are under 25. At the moment, those 65 and older account for 3.4% of the population.

The Maldives entered the window of opportunity in 2010 when the majority of the population was working, and it is estimated that the democratic transition will be completed by 2030. Due to a rapid fertility decline and increased life expectancy, it is estimated that it will become an ageing population by 2030.

Minister Didi noted that as an upper middle-income country, human capital investment in children was lower than in other economies with similar fertility or development levels. The average human capital investment in children is less than two years' worth of prime-age labor income. However, the Government is currently reforming this and has made education free from ages four to 16. The student loan schemes for tertiary education to study locally and abroad were expanded with zero interest rates. Between 2019 and 2022, the Maldives spent over US\$ 64 million to support about 2,000 students to study across 31 countries.

The Government is also investing in technical and vocational education and providing skill development opportunities for youth, including apprenticeship programmes, particularly in the outer regions away from the capital or the central areas.

The Maldives also has a universal healthcare financing scheme. It spends about 10% of its GDP on health—a higher percentage than any other country in Southeast Asia. This has resulted in an impressive record of improving life expectancy and reductions in mortality rates. However, healthcare is costly as the Maldives has island communities with related infrastructure requirements. The Maldives still relies on neighboring countries for specialist services. The government expenditure on health amounts to four-fifths of all health spending, and out-of-pocket spending by families has declined.

The Maldives' economy is heavily dependent on tourism. However, women only play a small role in the field, while they hold most informal sector jobs. Young people are required to become skilled and equipped to compete with foreign workers in the domestic economy. Foreign workers (primarily men) make up 60% of the workforce.

Male labor force participation is 75%, while women participation in the labor force is low as 45%. Minister Didi mentioned that her Ministry was working to change this. Women are involved in care roles, and their time use is not part of the current GDP calculation as in most other countries. Should the time used in domestic work be dealt with in monetary terms, their contribution to the GDP would increase by 48%.

Through the demographic transition, the Maldives is expected to introduce both opportunities and challenges. The change towards supporting a more elderly population requires early investment and enhanced labor productivity through a multi-sectoral approach, including capital investment in children, encouraging savings among the working-age population, and finding opportunities for women in business leadership roles.

NTA Evidence for Policy Guidance: Lessons learned from Japan

Prof. Rikiya Matsukura, Nihon University

Prof. Matsukura noted that the biggest population group in Japan was 65 and older and was also the biggest consumer. He said while an ageing population was inevitable and was not curable, while policies could change the trajectory.

The first demographic is achieved through the expansion of the workforce. After the first demographic dividend, a country can benefit from a second demographic dividend with good planning.

The second demographic dividend arises when individuals increase demand for wealth (accumulating assets) to support their consumption in old age, particularly when the life span is prolonged. Only capital accumulation can lead to an increase in productivity.

The analysis presented here emphasizes the lifestyle motive: The accumulation of wealth over the lifetime necessary to finance future consumption in excess of future labor income. Prof.

Matsukura also anticipated that there could be a generation of a third demographic dividend. While people aged 55 to 70 may not be working, if they are healthy, they could work – and this could create an additional workforce. In the case of Japan, the income generated by additional elderly workers could correspond to 3.2% to 6% of Japan’s real GDP.

The third demographic dividend, which he termed the “longevity dividend” or “silver dividend”, is gained through investing in longevity and a longer working life.

Finally, the fourth dividend would be achieved by investing in education and development of artificial intelligence (AI) and technology, especially in the STEM fields. With technology, some time is spared from domestic chores. The market value of this spare time is expressed in terms of income (AI dividend). This concept of NTA with time (T) is termed as National Time Transfer Account (NTTA).

The elderly workforce could be assisted by technology –AI and robotics. He also noted that the economy could grow by 35% if technology makes housework easier.

Discussion

Hon. Md. Abdus Shahid, MP Bangladesh, noted that the issue of ageing was a concern in his country and asked how the NTAs could assist.

Dr. Sang-Hyop Lee noted that every country was different. The Maldives had an impressive record, with successes in health care. Between 2006 and 2019, their per-capita GDP tripled. With great investment in the health sector, their mortality rate and fertility rate declined. But each country is different, and one country’s good practice may not be applicable to others. What Bangladesh and Maldives have in common is insufficient investment in education for children.

Hon. Prof. Ruhul Haque, MP Bangladesh, noted that his country had more time than the Maldives to confront issues with the ageing population but agreed that spending on education and health needed to increase.

Mr. Eduardo Klein noted that policymakers needed to balance immediate needs with thinking about future generations. As H.E. Didi mentioned, it is of great importance to invest for future.

Hon. Meher Afroze, MP Bangladesh, said primary and digital education had increased.

Hon. Aroma Dutta, MP Bangladesh, noted that the Prime Minister had invested in youth and suggested that collaboration between the youth and the elderly would impact addressing issues. The elderly would bring experience to the table.

Prof. Rikiya Matsukura commented that planning for aging population and considering ways to keep the elderly population active was crucial. Young people should not only be taught technical skills but life skills, including financial management.

Hon. Dr. Jetn Sirathranont, Senator Thailand, noted that policymakers needed to use the NTA tools, but in the post-pandemic, every country including Thailand is experiencing a situation where there is less income and less revenue but high expenses. He asked how one applies the NTA tools in these circumstances.

Mr. Eduardo Klein quipped that this was a million-dollar question. It is important to see which age groups were most affected because the impact caused by the COVID-19 pandemic vary widely among generations. For example, India, among other countries, had invested in education, but because of the COVID-19 pandemic, children could not attend school for two years, which would have consequences for the future workforce.

Dr. Sang-Hyop Lee noted that there was no easy answer but what was required was short- and long-term planning which took into account crises.

Mr. Eduardo Klein concluded that ageing and climate change challenges remain in Bangladesh and other countries, which must be planned for.