

# MY COMMENT: “LIVE LONG AND PROSPER: AGING IN EAST ASIA AND PACIFIC”

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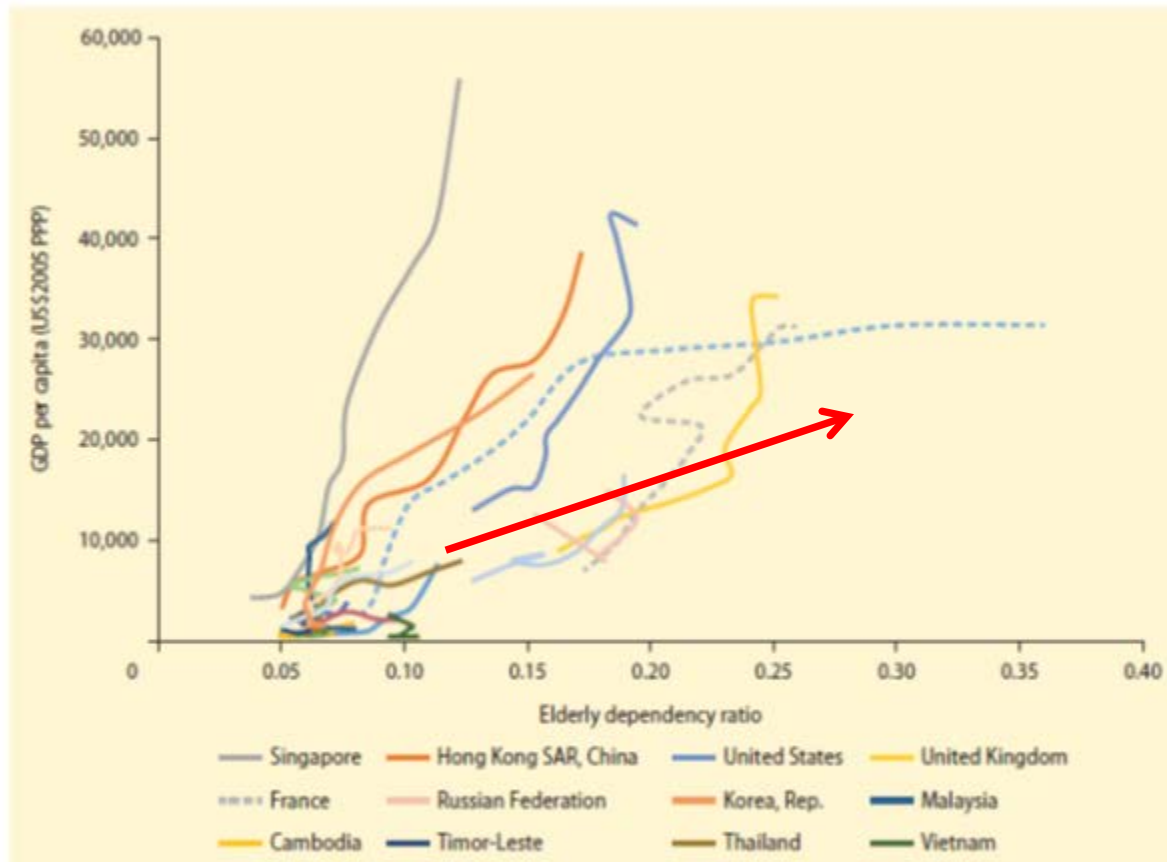


- A recap
- Implications of aging society on Thailand
- Policy implications

- The report, “Live Long and Prosper: Aging in East Asia and Pacific”, addresses the problem of changing demographics (aging society).
- The report covers the current state of changing and diverse demographics of East Asian and Pacific countries.
- It provides implications of aging society on countries’ growth and fiscal situations and also explores alternative policy options to mitigate the problem.

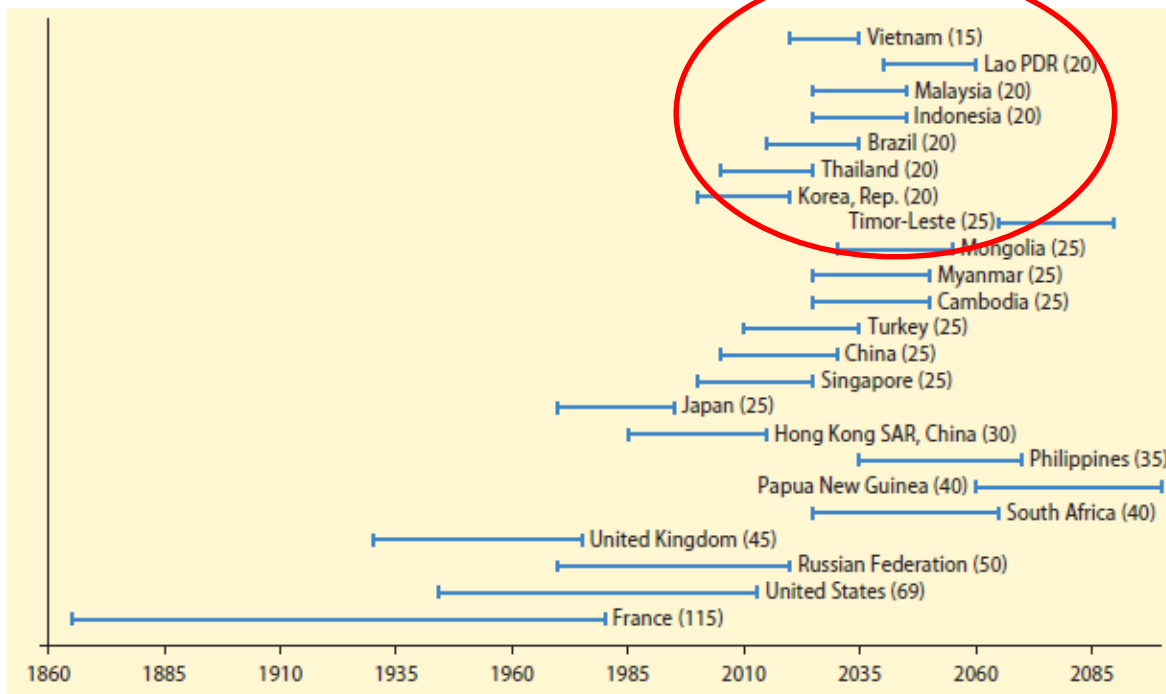
- At the current pace, Thai economy will get old before getting rich.

**FIGURE 0.8 East Asia and Pacific's developing economies are getting old before getting rich**  
*Elderly dependency ratio by GDP per capita (2005 PPP), various economies, 1980–2010*



# ■ Thailand is aging more rapidly than other main competitors (Malaysia, Indonesia, Vietnam)

**FIGURE 0.2 East Asian and Pacific economies are aging more rapidly than economies elsewhere**  
*Years to move from 7 to 14 percent population share 65 years and older and the start and end years of transition*



Sources: World Bank estimates based on data from UN 2013 and Kinsella and He 2009.  
Note: Figure shows starting and ending year for transition from 7 percent (aging) to 14 percent (aged) of population ages 65 and older. Aging and aged thresholds are based on United Nations definitions. East Asia and Pacific economies rounded to five-year increments.

## 1. A reversal of the first population dividend

$$\frac{GDP}{Capita} \equiv \frac{Y}{N} = \frac{Y}{L} \times \frac{L}{N}, L \equiv Labor$$

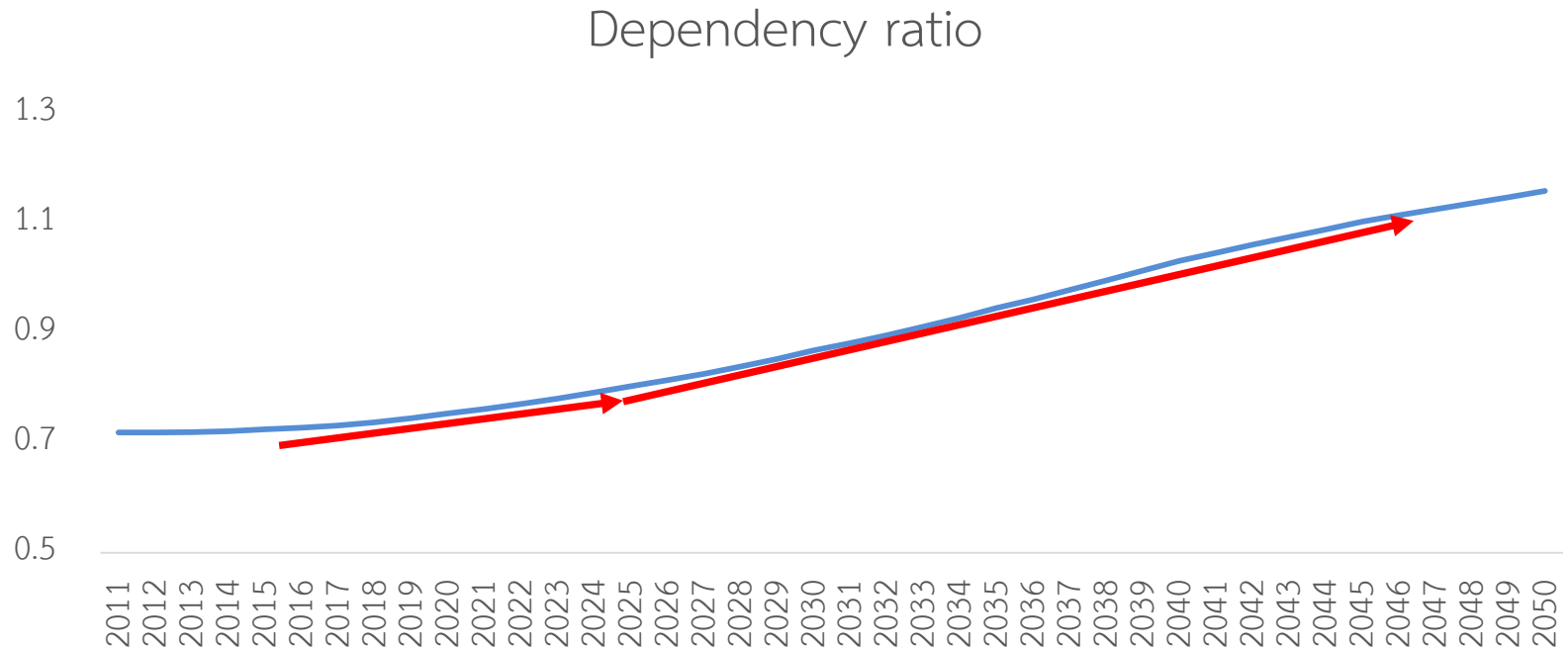
$$\frac{L}{N} = \frac{1}{\left(1 + \frac{Y+R}{L}\right)}, Y \equiv Young, R \equiv Retiree$$

$$Dependency\ ratio \equiv \frac{Y+R}{L} \uparrow \rightarrow \frac{L}{N} \downarrow \rightarrow \frac{GDP}{Capita} \downarrow$$

## 2. A benefit of the second population dividend

Low fertility, increased life expectancy  $\rightarrow$  saving/investment  $\uparrow \rightarrow \frac{Y}{L} \uparrow$

- The pace of the reversal is accelerating.



Source: TDRI (2014)

- But, the benefit from second population dividend is very limited.



Source: World Bank



# Policy options to mitigate the problem

$$\frac{GDP}{Capita} \equiv \frac{Y}{N} = \frac{Y}{L} \times \frac{L}{N}$$

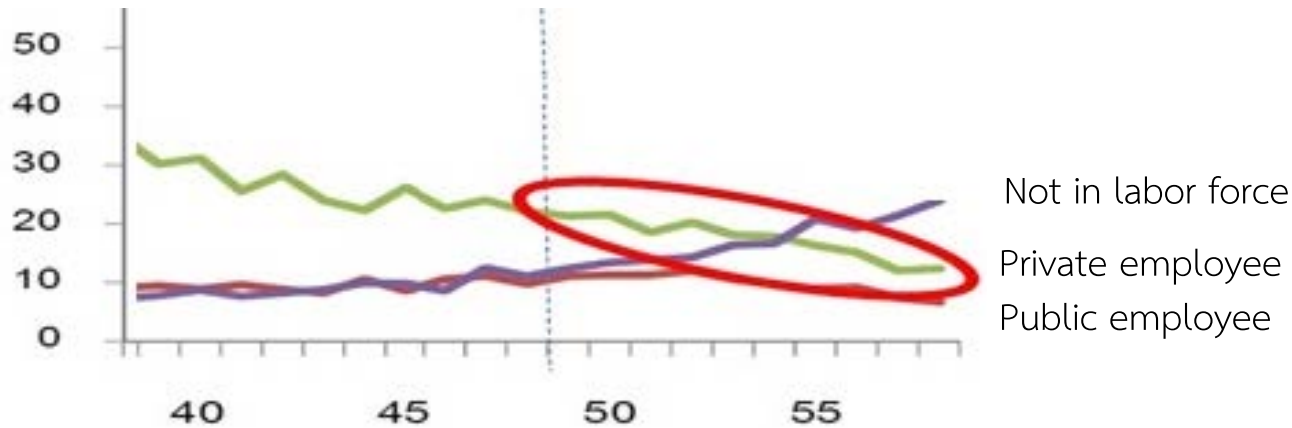
Improve labor productivity,  
such as quantity & quality  
of education, financial access etc.

Lower the dependency ratio by:

1. Raising fertility rate
2. Increasing female labor force participation
3. Extending productive working lives of older workers
4. Encouraging migration of young workers

- In general, I agree with all the options.
- In addition, I feel that more research is needed to determine the best cost-effective policy.
- I also think that more policy options should be discussed.

- The extension may need to cover up to 49+.



Source: Suwanrada (2013)

- Aging society implies lower demand for government services -> public sector downsizing.
- Aging society also requires more efficient infrastructure planning.

Example: City planning, road/rail network connectivity

Example: The right school size

Thank you!!