



Asia-Pacific
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Session: Ageing Populations in APEC – Impacts on Pensions

1.7.4

Asian Demographics

Purpose: Information

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ACERH

Asian demographics

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Overview

- Trends in population dynamics and ageing
- Social policy implications of ageing
- Australian policy response
- Policy challenge for Asian economies



Trends in population dynamics and ageing

... world population is in the midst of an unprecedented transformation brought about by the transition from a regime of high mortality and high fertility to one of low mortality and low fertility

(United Nations, *World Population Prospects: The 2006 Revision*)



Three stages of the demographic transition:

- Stage I: reduction in mortality → longer survival → population growth accelerates → proportion of the population that are children increase (many countries in Africa)
- Stage II: reduction in fertility → slow down of population growth → proportion of the population that are children falls → triggers population ageing (many Asian countries, Latin America, Caribbean)



- Stage III: Sustained fertility decline → declining proportions of the population who are young and eventually adults of working age → population ageing accelerates and population size may fall (Europe, Japan, Australia)

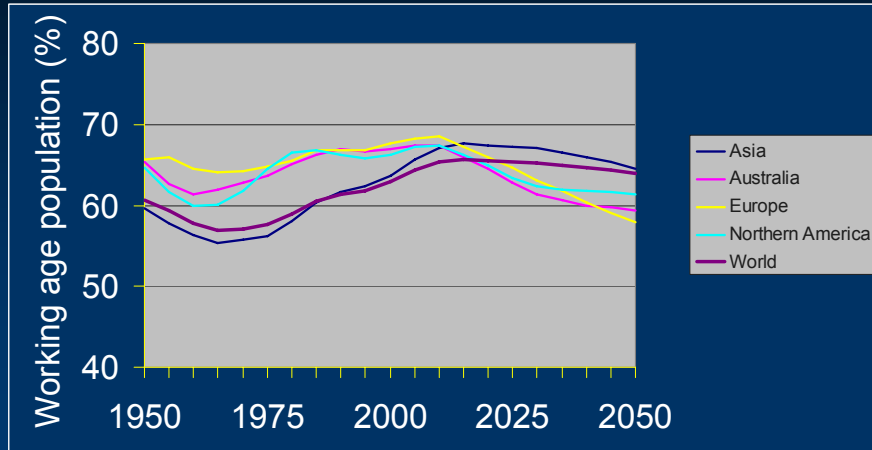


Many Asian economies are in Stage II, with working age populations still growing as a proportion of their populations

See next Figure (all population data taken from the United Nations Population Division database, using medium variants)



Working age population (15-64 year olds) as percentage of total population, four country groupings and Australia, 1950 to 2050

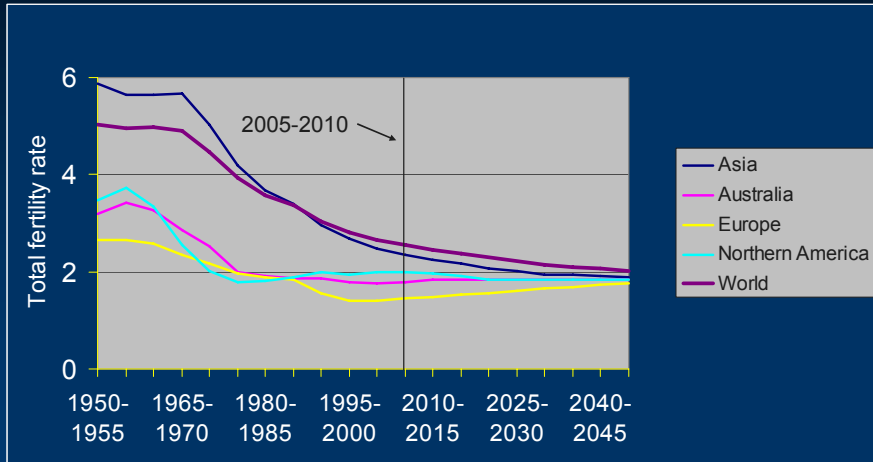


However, the Asian economies are generally experiencing more rapid declines in fertility rates

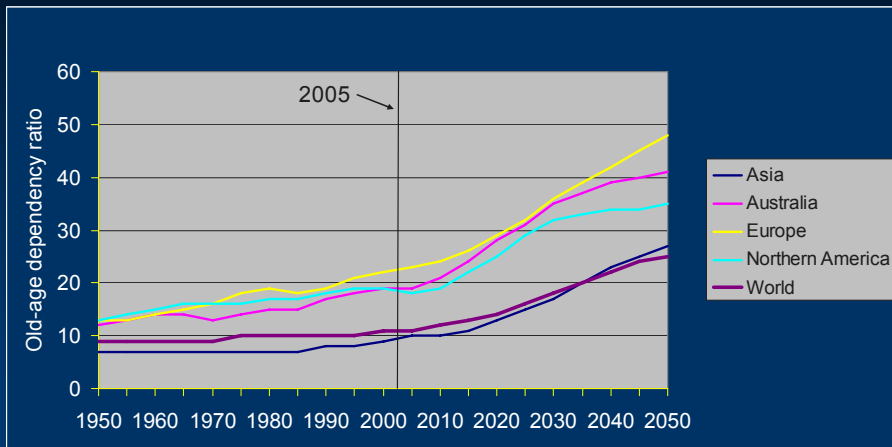
→ population ageing will occur more rapidly



Total fertility rates, four country groupings and Australia, 1950 to 2050



Old-age dependency ratios, four country groupings and Australia, 1950 to 2050

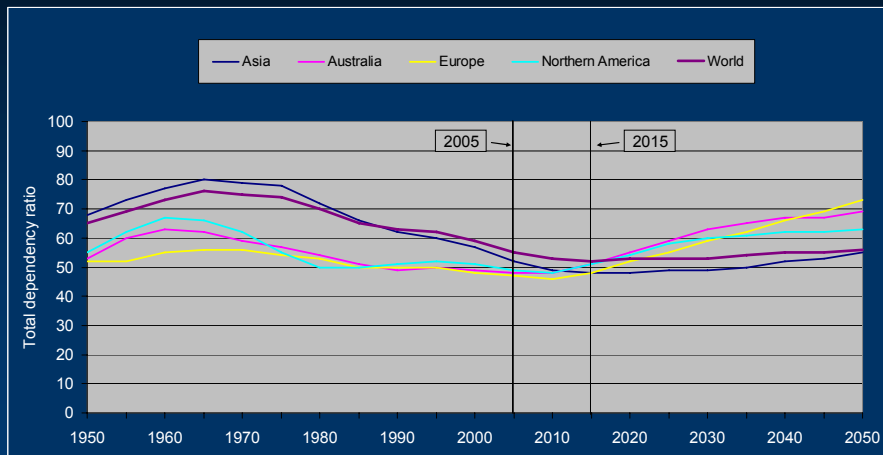




- Although old-age dependency ratios are rising, child dependency ratios are falling
- While this has led to declining total dependency ratios (TDRs) for some time, this trend will be reversed over the coming decades
- Nevertheless, TDRs are unlikely to rise to the levels previously experienced



Estimated and projected total dependency ratio, four country groupings and Australia, 1950 to 2050



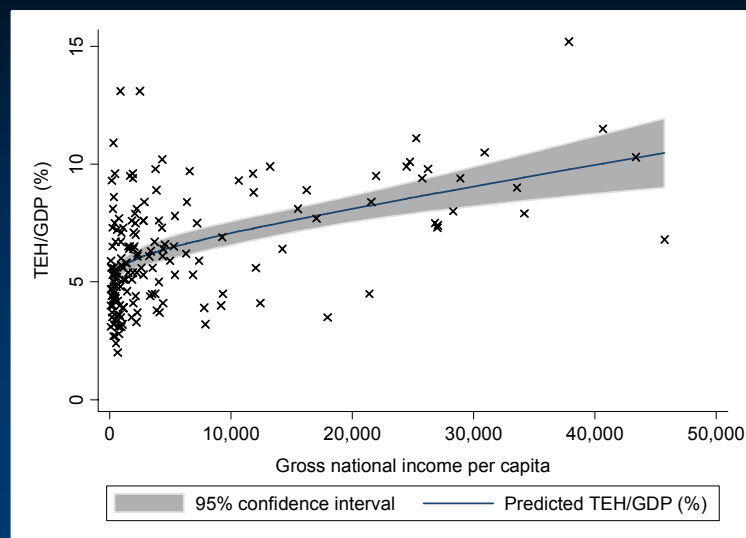


Social policy implications of ageing

- The aged have a greater direct impact on government expenditure than children
- Occurs mainly through social security and health
- Past experience shows that
 - (a) health expenditure as a % of GDP increases as per capita GDP increases; and
 - (b) the public sector share of health financing increases as per capita GDP increases

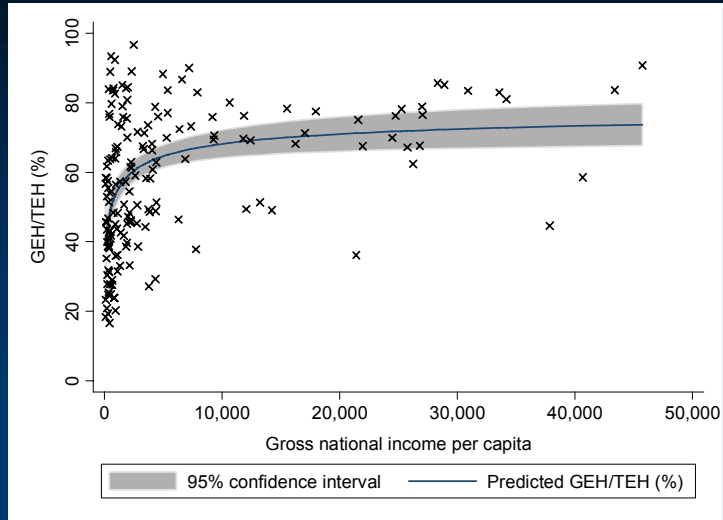


Relationship between health expenditure share in GNP and per capita Gross National Income, 172 countries, 2003





Relationship between publicly financed share of health expenditure and Gross National Income, 172 countries, 2003



Taking these trends together with

(a) population ageing; and

(b) higher per capita health care costs for the aged

suggests sizeable fiscal impact of ageing on government budgets through health spending

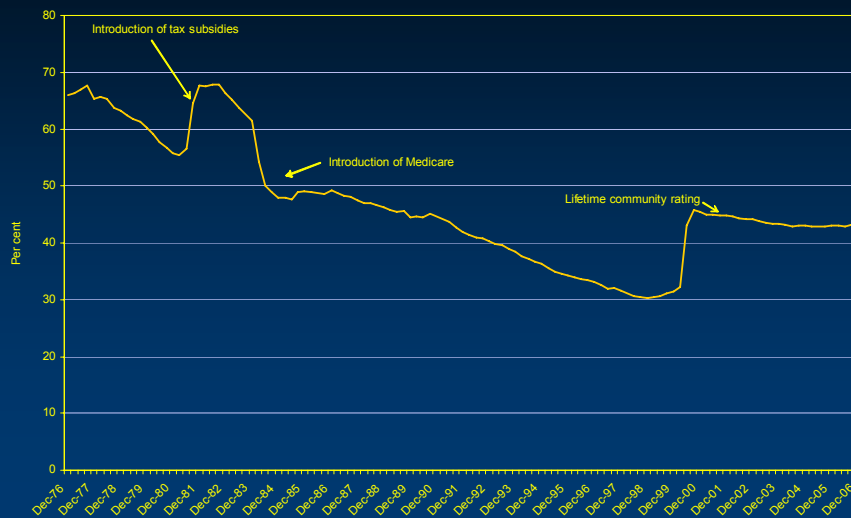


Australian policy response

- Australian government has implemented a series of policies aimed at increasing, and stabilising, private health insurance coverage
- Policies have been successful in achieving these objectives



Percentage of population covered by private health insurance (hospital) – Dec 1976 to Dec 2006

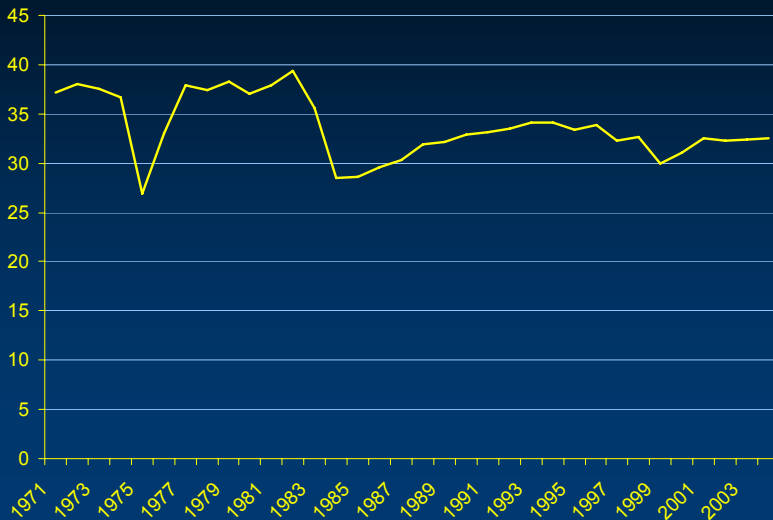




BUT while PHI coverage has increased markedly, there has not been a commensurate increase in the private sector share of health financing



Percentage of total health care expenditure privately financed, Australia, 1971 to 2004





- Coverage 30% → 44%
- Private expenditure share 30% → 32.5%
- Why? Large public expenditures associated with PHI policies
- Those who are purchasing PHI are not using it as much as they could (continuing to use public system?)



Policy challenge for Asian economies

- For lower income countries, Government share in health care expenditure is not as high as in developed countries → policy to retain/develop private sector financing and confront the "Law of Public Sector Financing"
- For higher income countries, where public sector share of health financing has already increased, policy challenge is similar to that facing Australia