



**UNITED NATIONS
DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
POPULATION DIVISION**

**UNITED NATIONS EXPERT GROUP MEETING ON
SOCIAL AND ECONOMIC IMPLICATIONS OF
CHANGING POPULATION AGE STRUCTURES**

EXECUTIVE SUMMARY

The Population Division of the Department of Economic and Social Affairs (DESA) of the United Nations Secretariat, in collaboration with the Consejo Nacional de Población (CONAPO) of Mexico and with the support of the National Institute of Aging (NIA) of the United States, organized an expert group meeting on the Social and Economic Implications of Changing Population Age Structure, held in Mexico City from 31 August to 2 September 2005.

The meeting focused on four main topics: (i) the “demographic dividend” produced when the proportion of the population in the working ages rises during the course of the demographic transition; (ii) intergenerational transfers in the context of changing age structures; (iii) the macro-economic effects of population ageing, including effects on social security; and (iv) the impact of ageing on the health system. In addition to global overviews of trends and policy issues, experts presented studies focused on the demographic situation and policy responses to changing population age structures in a range of countries, including Mexico as well as several other countries in Latin America and the Caribbean, China, Hungary, Japan, the Republic of Korea and South Africa. Experts also considered the results of several recent studies examining evolving attitudes and practices with regard to intergenerational support in Europe and South-eastern Asia.

More than 120 observers from Mexican institutions and organizations attended the meeting, in addition to 19 invited experts, 5 staff members from the United Nations Department of Economic and Social Affairs and 2 representatives from CONAPO. Ms. Hania Zlotnik, Director of the United Nations Population Division/DESA, and Ms. Elena Zuñiga, Secretary General of CONAPO, chaired the meeting. Opening statements were made by Mr. Richard Suzman of the United States National Institute on Aging, Mr. Rodolfo Tuirán of the Mexican Ministry of Social Development, and Mr. Julio Frenk of the Mexican Ministry of Health.

The meeting reviewed global changes in population age structures and recent and anticipated efforts by the United Nations to address the many challenges posed by such changes, including the “bottom-up” process of review and appraisal of the 2002 Madrid International Plan of Action on Ageing (MIPAA). It was noted that although populations in the more developed regions were older than other parts of the world, the rapid fertility declines in much of Asia, Latin America and parts of Africa meant that less developed countries as a whole were ageing faster than their more developed counterparts. Whereas population ageing had once been seen as an issue primarily affecting the developed world, the MIPAA recognized that demographic changes would be greatest and most rapid in developing countries. Therefore they, too, needed to address the global force of population ageing and its implications for development.

The meeting's demographic overview showed that the ongoing transition from high to low levels of fertility and mortality had set in motion a major shift in population age structures all over the world. Countries and regions were currently at different stages of this transformation, though. In most developing countries, especially in Asia and Latin America and the Caribbean, fertility declines in recent decades had led to a decreasing proportion of children and an increasing proportion in the working ages, thus producing demographic conditions favourable for economic growth—a “demographic dividend”. Developed countries were already at the end of the “dividend” period of rising proportions in the working ages and were embarking on a period during which the older population would continue growing while, in most cases, the absolute number in the working ages would fall substantially. In contrast, many African countries still had rapidly growing populations with a high proportion of dependent children, and were projected to experience the “dividend” substantially later than countries in other regions.

Participants recognized that demographic dependency ratios (the ratio of the number of persons in the working ages to the number of younger and older “dependents”) provided only a crude indicator of the dependency burden within a society, since many older persons were still economically active while some people in the working age range were not. There was agreement about the usefulness of focusing on actual age patterns of consumption and production in the analysis of the economic effects of age structure changes. Experts presented new estimates of age profiles of consumption and production for selected more- and less-developed countries. This and related ongoing work on a system of National Transfer Accounts was expected to provide the basis for achieving a more realistic and nuanced assessment of the economic effects of changing population age structures.

Participants stressed that economic outcomes of demographic change depended on the policy environment. The demographic dividend was agreed to represent only a potential for enhanced economic growth, which might be diminished or even negated by unfavourable policies.

Meeting participants also discussed the possibility that population ageing would prompt a substantial increase in savings and wealth, giving rise to a second and more enduring demographic dividend. They noted, however, that the “second demographic dividend” was still mainly a theoretical proposition, and that a favourable environment for the productive investment of savings was a prerequisite for turning this potential dividend into a reality.

Regarding social security and old-age pensions, participants stressed that the challenges posed by ageing would require many changes in social policies and attitudes. In particular, they pointed the importance of reversing the trend towards early retirement in developed countries and noted that such a trend reversal was already emerging in some of those countries.

Participants agreed that in middle and low-income countries, the most prominent pension-related issue continued to be the low population coverage of current programmes. There was a need to extend coverage to excluded groups such as women, migrants, rural agricultural workers, and urban informal sector workers. There was some debate about using universal entitlements to help close the pension coverage gap. The effect of a universal pension option might be to lower the incentive to save for retirement, which could undermine the second demographic dividend. It was noted, however, that proponents of universal schemes generally advocated very modest amounts of per capita assistance that would not be expected to have a major disincentive effect on saving for retirement.

Participants argued that structural reforms in Latin America had overemphasized the private pillars of pension systems while neglecting the public pillars, which were the basis of the social protection system for those older persons who had limited opportunity to participate in the revamped systems. They noted that in many recently reformed pension systems in Latin America, coverage and contribution rates remained low and administrative fees were high.

There was a consensus that population ageing would inevitably affect labour market institutions and policies. In the Republic of Korea, for instance, the proportion of persons aged 50 or over among the total labour force was projected to rise from roughly one quarter to one half over the next 50 years. It was noted that an increase in the labour force participation rate of older workers could help to alleviate the potentially negative effects of declining labour force growth in the coming decades, provided that the quality of employment opportunities and working conditions for older workers improved. Likewise, studies in Japan suggested that a better utilization of older workers, in conjunction with an extension of the retirement age, could help offset rising pension and health system costs. Researchers had projected that the number of healthy or active Japanese older persons would increase from 19 million in 2000 to 30 million in 2025. Other promising responses to ageing discussed at the meeting included an enhanced role of women in the labour force and steps that would encourage more people to work up to the “normal” legal retirement age. In general, immigration was expected to have only a small effect on population age structures and was unlikely to compensate for a declining labour force in most developed countries.

With respect to health conditions, participants observed that poor access to health care had had a deleterious effect on the older population. In Hungary as well as in other countries with economies in transition, for instance, older people had been seriously affected by the loss of former rights and privileges with regard to health-care services. Participants also noted that in Latin America, although the relative importance of chronic diseases was rising as expected with changing population age structures, infectious diseases were still an important component of national health profiles. Furthermore, countries of the region would confront rapid population ageing with significantly lower income levels than those obtaining in most developed countries when they reached a comparable demographic stage.

The Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) epidemic was also changing the age structure of mortality and of population in ways that earlier discussions of the epidemiologic transition had not envisioned. HIV/AIDS was taking its heaviest toll of those in the prime working and child-rearing ages. In considering the impact of HIV/AIDS and antiretroviral treatment (ART) on population age structure it was estimated that, when properly used, ART would extend life expectancy of those affected by 10-15 years on average. Because the impact of HIV/AIDS was greater among females than males, ART could benefit women especially. While such treatment would benefit families and the economy by permitting many of those infected to continue as active supporters of their families, there would also be a need for support services for a growing number of families and persons living with chronic AIDS and AIDS-related complications, and a need for welfare services to focus on the nutritional needs that must be met to ensure ART effectiveness.

One hindrance to the formulation and evaluation of sound health-care policies in many rapidly-ageing developing countries had been the shortage of detailed and comparable information about the health status of older persons. The meeting considered results from recent surveys that had focussed specifically on the health status of the older population in seven Latin American urban areas. Some notable findings were the relatively high prevalence of diabetes in Barbados and Mexico, and the high levels of obesity in several of the areas, reaching or exceeding 30 per cent in Chile, Mexico and Uruguay. As had also been found in other surveys, women consistently reported poorer health status than did men, and those with little or no education were the most likely to have disabilities and to be in poor health.

One session of the expert meeting provided an in-depth focus on social and economic implications of ageing in Mexico. Participants described and discussed several novel approaches that Mexico has taken in response to changes in its demographic, economic, health and socio-political realms. An example was the Seguro Popular, the operative arm of the Social Protection System in Health aimed at extending health insurance to all people not already covered, including older persons. It was reported that since the

inception of the Seguro Popular, the proportion of households experiencing catastrophic health expenditures had decreased markedly.

Data on per capita health costs in Mexico showed a pronounced rise with age after age 60, and projections of health expenditures as a percentage of GDP followed an upward trajectory similar to that seen in other countries of the Americas. However, studies had shown that the most effective health systems were not necessarily the most costly, suggesting that countries such as Mexico currently had an opportunity to invest in a more efficient health system.

Several problems were also discussed with respect to social security system in Mexico and other countries of the region, including low coverage, low contribution rates by workers, and high administrative fees. Solving these problems would require major revisions of the retirement savings system that would reduce foreseeable individual shortfalls and address gender inequalities within the system. It was also important to consider the distributional effects of social security reforms, particularly with regard to the goal of reducing poverty.

There was a consensus that many of the most important policy issues for an ageing society involved the interactions between public and private intergenerational transfer systems. Estimates of intergenerational reallocations in selected countries implied substantial intergenerational transfers, both public and private. Country analyses using generational accounting procedures suggested that significant intergenerational imbalances existed in some countries, such as Argentina and Brazil.

It was clear that informal, mostly intra-familial, support transfers were frequent between family members of different generations. Family-based support was agreed to be particularly important in developing countries, although family assistance to older relatives remained common in the developed countries as well. Although studies had found a preponderance of older persons receiving monetary transfers and material goods from their children, significant proportions of older people, especially the “younger-old,” also provided material support to their children. Older persons also provided substantial amounts of care to grandchildren as well as other practical and emotional support.

One concern for policymakers was whether the provision of formal support served to “crowd out” rather than to complement family support for those needing assistance. Several lines of evidence suggested that family and formal support services primarily complemented rather than substituted for one another, and that availability of both sources of support allowed those with the greatest need to receive better care. A full consideration of this issue would require attention to the needs of caregivers and the costs to them of providing care, including opportunity costs. Programmes allowing older persons to remain economically and physically independent would also reduce stress on the family. Special attention was required with respect to the social integration and support of older people who could not count on family support, in particular the childless, who were expected to be of growing importance in the face of persistent low fertility.