Developing Asia urgently needs to examine who should pay for the elderly

Developing Asian countries must introduce more comprehensive public welfare programs for the elderly as their economies transition from traditional filial altruism and the extended family to parental altruism and the nuclear family.

As an economy develops, increasingly large amounts of resources are transferred from working adults, who produce more than they consume, to their parents and children, who consume more than they produce.

Gone is the time when elders and children counted as parts of the labor force—children stay in school longer, and elders spend more and more time in retirement.

Working adults in advanced economies transfer more of their income to dependent family members.

The decreasing number of children raised by young parents eases one burden, but improving longevity and the decreasing number of siblings with whom to share the care of elderly parents, has increased another.

The population may be divided into three groups: birth to 29 years of age, during which children are mostly financially reliant on parents; 30 to 59 for productive working adults; and 60 to 89 for nonproductive elderly.

The burdens on productive adults are changing. As the number of supporting children decreases, they can no longer be expected to afford to support aging parents.

Even developed economies find it hard to pay for their elderly, and impose more and more restrictions on eligibility for public assistance such as state pensions and travel concessions, because they failed to set aside sufficient revenue, shifting the burden back to private savings and to adult children.

Welfare programs for minor children aim to increase future economic productivity, and governments fund education and health care programs for children, and pay parents an allowance to help raise them, hoping to boost fertility rates.

However, the shift away from the largely rural extended family, with generations living together, toward the urban nuclear family and growing economic pressures have led parents to have fewer children, and populations are shrinking just as more people live

longer. Now the old, not the young, are burdens, and individuals, not the state, shoulder them.

In Japan, the burden of supporting the elderly is heavier than in developing Asian countries because young adults have fewer siblings with whom to share support for their parents, who are expected to live longer in retirement.

In Japan and similar countries, the hefty burden of supporting the elderly is one of the most serious problems of an aging population.

In developing Asia, levels of state welfare programs for elders, such as public pensions and health insurance programs, are significantly lower than in developed economies. And state transfers to each child, such as education subsidies and child care programs, are smaller in developing countries than in developed ones.

Even though young parents in less developed countries have more children, they tend to transfer more resources to each child than parents in developed countries.

The windows of opportunity to introduce comprehensive welfare programs for the elderly become narrower as populations age in developing countries.

As in Japan, as more people retire and fewer children are born, the increasing burden on the individual to support the elderly becomes a challenge to economic growth, with more productive wealth being transferred to non-productive support.

This episode is based on research by Yoshitaka Koda, a postdoctoral fellow of the Faculty of Economics at Chulalongkorn University, Bangkok, Thailand; Manachaya Uruyos, assistant professor at the Faculty of Economics, Chulalongkorn University; and Siwapong Dheera-Aumpon, assistant professor of economics, Kasetsart University, Bangkok.

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