



T20 Japan tackles the G20's demographic dividend reversal

Think 20 is the research and policy advice network for the G20 which in 2019 is chaired by the Asian Development Bank Institute as part of Japan's G20 presidency. In this podcast, we will look at the T20's approach to aging population challenges.

A growing number of G20 countries are confronted with rapidly aging societies. This demographic transition poses a serious threat to economic stability, as ADBI Deputy Dean Chul Ju Kim, lead co-chair of the T20 Japan task force on population aging, explains:

"The main drivers are lower fertility rates and longer life expectancy. For example, the world fertility rate decreased from 4.9 children per woman in the early 1950s to 2.4 children today and life expectancy is projected to be 77 years of age in 2050, sharply up from 47 years around six decades ago. As a result, the population of elderly people is growing faster than younger age groups."

As fertility rates decline and life expectancies increase, an economy's working population declines, growth slows, social security systems become financially unsustainable and productivity is affected. But not every country is facing the full weight of this problem yet, Deputy Dean Kim notes.

"Japan, Korea, China, and the EU are experiencing a decline in working age population, whereas Indonesia, India, South Africa and Mexico are still at early stages of demographic changes."

But younger economies will also eventually move towards population aging, so they should be prepared to learn from aging countries.

T20 Japan has explored the role of labor migration in alleviating the impacts of a declining working population and how well-designed immigration policies can support aging societies and ease pressure on government finances.

“Population change will also put a heavy strain on government finances and social security systems such as healthcare, pensions and long-term care as elderly people are growing faster and age-related expenditures are skyrocketing.”

T20 Japan has centered its policy innovation on actions that promote inclusive economic growth and socioeconomic systems that provide adequate social security for all, Deputy Dean Kim says.

“The (T20 Japan) task force for aging has two goals. One is to make G20 policy makers and the wider general public clearly aware of demographic changes and their implications, and to create a sense of urgency for policy actions. Secondly, T20 will help G20 policy makers design and implement policy responses to address the negative effects of aging populations by providing relevant policy recommendations. T20 will do this through sound, evidence-based research.

For more on T20 Japan and T20 policy solutions, please visit t2ojapan.org. For more on ADBI and its research, capacity building and training initiatives, please visit adbi.org.

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