



## **CEPAR submission to the DFAT consultation on new international development policy**

**Various CEPAR staff and affiliates contributed to this submission.  
Major contributors were Katja Hanewald and John Piggott**

**February 2020**

ARC Centre of Excellence in Population Ageing Research (CEPAR), UNSW Business School, UNSW Sydney.

© CEPAR 2020

## About CEPAR

The ARC Centre of Excellence in Population Ageing Research (CEPAR) is a collaboration between academia, government, and industry.

The Centre is based at the University of New South Wales with nodes at the Australian National University, Curtin University, the University of Melbourne, and the University of Sydney. It aims to establish Australia as a world leader in the field of population ageing research through a unique combination of high level, cross-disciplinary expertise drawn from Economics, Psychology, Sociology, Epidemiology, Actuarial Science, and Demography.

CEPAR is actively engaged with a range of influential government and industry partners to cooperatively deliver outcomes to meet the challenges of population ageing. It is building a new generation of researchers to global standard with an appreciation of the multidisciplinary nature of population ageing.

## Mission

CEPAR's mission is to produce research of the highest quality to transform thinking about population ageing, inform product and service development and provision (private practice) and public policy, and improve people's wellbeing throughout their lives.

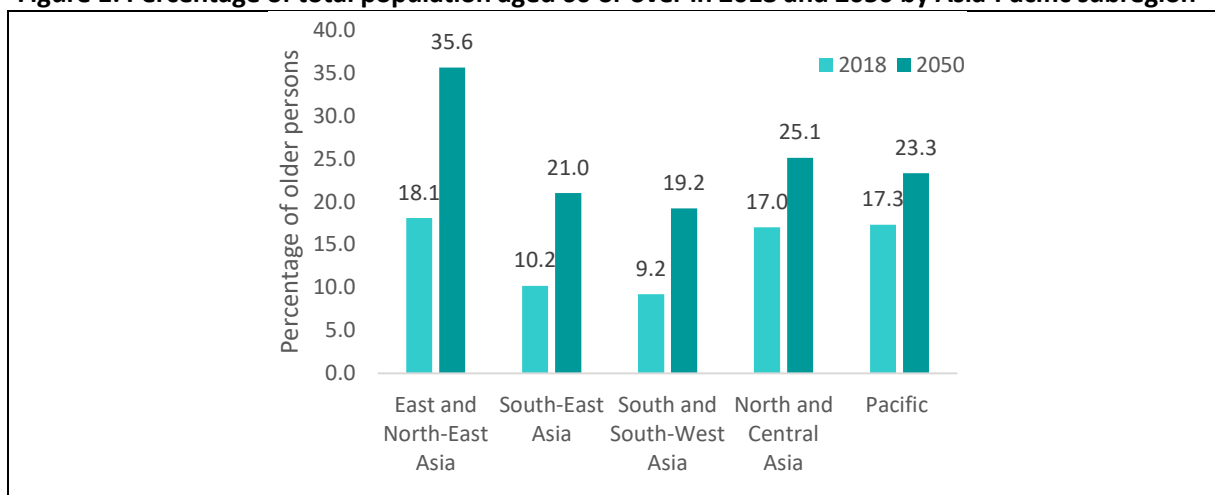
## Introduction

This paper is written in response to DFAT’s request for submissions on Australia’s proposed new international development policy. This policy should be developed with comprehensive understanding of, and a recognition of the importance of, demographic change and its political and socio-economic impacts across the Indo-Pacific region.

## Background

This century has been labelled the Asian century, but even more, it is the Ageing century.<sup>1</sup> Steadily increasing life expectancy and rapidly declining fertility are generating unprecedented transformations in demographic structures globally, but especially in the Asian region. This submission reflects concern with the impact of rapid demographic change in Asia, especially the emerging economies of Asia, including countries already receiving Australian support, such as Indonesia and Vietnam, as well as countries not currently supported, such as China, Malaysia and Thailand. Figure 1 provides an indication of the pace of change in demographic structure for sub-regions in Asia and the Pacific.

**Figure 1: Percentage of total population aged 60 or over in 2018 and 2050 by Asia-Pacific subregion**



Source: Own calculation based on UNESCAP (2018).

The pace of ageing is more rapid in the developing countries in the Asia and Pacific region and at a much earlier stage of development compared to developed countries, giving them limited time and opportunity to adjust to the needs of an aged society. For example, as shown in Figure 2, France and Sweden took 115 years and 85 years respectively to move from an ageing to an aged society, whereas China is expected to make the transition in 25 years, Thailand in 22 years and Viet Nam in only 19 years.<sup>2</sup>

Further, in several of these countries, demographic transition is taking place in the context of limited social protection with low coverage, and is being accompanied by social disruptions flowing from uneven economic growth, massive rural-urban migration, rapid technological change with the potential to displace relatively uneducated workers, increases in measured inequality, and headwinds facing the process of formalisation (see, for example, Chomik *et al.* 2017; Chomik *et al.* 2019; Chomik and Piggott 2019).

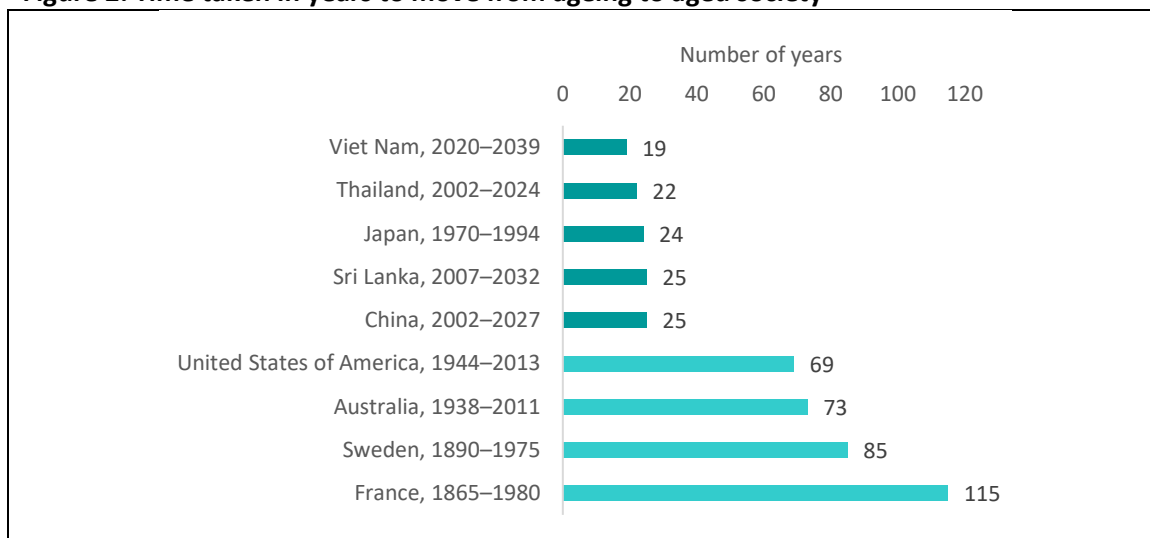
Finally, increasing international pressure will be brought to bear in these nations from global initiatives to address some of the fallout from these developments, and to maximise opportunities stemming from them. The 2030 Sustainable Development Goals (SDGs) provide one example. An important second example is the

<sup>1</sup> For an early comprehensive overview, see Chomik and Piggott (2013).

<sup>2</sup> An ageing society has a proportion of 7–14% older persons, while an aged society has 14–21%.

(likely) upcoming adoption of the “Decade of Healthy Aging (2020-2030)”, which the WHO is sponsoring, and to which many countries around the world are expected to sign up to in the course of this year. This latter initiative is aligned with the SDGs.

**Figure 2: Time taken in years to move from ageing to aged society**



Source: UNESCAP (2017b).

## Impacts on Australia

The impact of these demographic changes will be felt in Australia, and will be relevant to its policy development, through three channels:

- Different ageing rates across countries will mean changes in the scale and composition of trade, adjustments in capital flows driven by savings and investment opportunities, migration flows, and changing production and consumption structures. The impacts on Australia arising from population ageing in the Asian region may prove to be more important for Australia than Australia’s own internal demographic transition (Liu and McKibbin, 2019)
- Population ageing will place unprecedented strain on existing support structures and resources in emerging economies, and in combination with increasing inequality from other sources, may threaten social cohesion in a number of these countries. This will confront Australia with the risk of neighbours in the grip of major social unrest (Chomik and Piggott, 2015)
- International pressures for support to help emerging economies address the targets of international initiatives such as the SDGs will likely increase throughout the coming decade.

An understanding of these socio-economic forces will be crucial in shaping international development and economic policy in coming decades. This understanding is best achieved through intimate familiarity with the demographic changes occurring within Australia’s neighbours, and their associated policy responses.

## Australia’s Role and Opportunity

Australia is ideally positioned to spearhead development policies that account for population ageing. Australia is facing population ageing itself and has implemented policies that include a comprehensive and modern pension system, a well-developed long-term care sector, and a health sector that harnesses state of the art technologies. Our policy structures can in some cases be easily adapted to the emerging economy context (see for example Kudrna and Piggott, 2019).

Australia is also a leader in population ageing-related research, and research into Health and Ageing. Over the last decade the ARC Centre of Excellence in Population Ageing Research (CEPAR) has been at the forefront of research into the economic and social challenges of population ageing, globally. CEPAR researchers have published over 800 studies on population ageing, in fields that range from economics to epidemiology.

We therefore argue that, in revisiting and revising Australia's international development policy, we believe it is important to take account of these imperatives by adopting the following recommendations:

## Recommendations

1. Population ageing should be recognised as a challenge for the development of the Indo-Pacific region.
2. Ageing-related issues, including the socioeconomic implications of changes in demographic structure, should be recognised as an "Aid topic".
3. Opportunities should be provided for Australian experts and researchers to deliver technical expertise to these countries in the areas of social protection, healthcare and long-term care delivery, through mechanisms which can be sustained in the face of an ageing demographic. As well, there is the opportunity to familiarise policymakers in the region with the macro implications of changing demographics. These initiatives could take the form of sponsored research, specific information-gathering assignments, and workshops to share knowledge and build connections across government, industry and academia.
4. Opportunities should be provided for aspiring people from these countries to undertake appropriate study and research study in Australia, to deliver effective capacity-building. Disciplines should include, *inter alia*, health, epidemiology, economics, actuarial and demography, and possibly business studies.

## References

- Chomik, R., & Piggott, J. (2013) *Asia in the Ageing Century*, CEPAR Research Briefs 2013/1-3: <http://cepar.edu.au/resources-videos/research-briefs/asia-ageing-century-part-i-population-trends>; <http://cepar.edu.au/resources-videos/research-briefs/asia-ageing-century-part-ii-retirement-income>; <http://cepar.edu.au/resources-videos/research-briefs/asia-ageing-century-part-iii-healthcare>
- Chomik, R., & Piggott, J. (2015). Population Ageing and Social Security in Asia. *Asian Economic Policy Review*, 10(2), 199-222.
- Chomik, R., & Piggott, J. (2019). Demographic and technological change: Two megatrends shaping the labour market in Asia. CEPAR Working Paper 2019/11. ARC Centre of Excellence in Population Ageing Research.
- Chomik, R., Piggott, J., & McDonald, P. (2017). The impact of demographic change on labour supply and economic growth: Can APEC meet the challenges ahead?. In APEC Forum on Labour mobility, Nha Trang.
- Chomik, R., Piggott, J., & Yan, S. (2019). Fiscal Sustainability and Adequacy of Social Security Systems. In *Ageing Societies; Policies and Perspectives*, T20 Task Force on Population Aging, Asian Development Bank Institute.
- Kudrna, G., & Piggott, J. (2019). Means-tested public pensions: Designs and impacts for an ageing demographic. In Bloom, D. E. (Ed.), *Live Long and Prosper? The Economics of Ageing Populations*, pp. 136-143. VoxEU.
- Liu, W., & McKibbin, W. J. (2019). Global demographic changes and international capital flows. In Bloom, D. E. (Ed.), *Live Long and Prosper? The Economics of Ageing Populations*, pp. 61-68. VoxEU.
- UNESCAP (2017). Ageing in Asia and the Pacific: Overview. United Nations, Economic and Social Commission for Asia and the Pacific, Social Development Division. Factsheet. 8 March 2017. <https://www.unescap.org/resources/ageing-asia-and-pacific-overview>.
- UNESCAP (2018). UNESCAP Population Data Sheet 2018. United Nations, Economic and Social Commission for Asia and the Pacific. <https://www.unescap.org/resources/2018-escap-population-data-sheet>.