

# Key Messages for the 2016 Asia-Pacific Human Development Report

## SHAPING THE FUTURE: HOW CHANGING DEMOGRAPHICS CAN POWER HUMAN DEVELOPMENT

Asia-Pacific is in the midst of an historic demographic transition where the shares of young, working-age and old people are changing rapidly. This transition brings unique opportunities to accelerate human development, if managed well. **Shaping the Future: How Demographic Changes Can Power Human Development** urges countries to understand potential opportunities and challenges in reaching their development goals, and make the most of their demographic dividend, while it lasts.

# 1 ASIA-PACIFIC IS IN THE MIDST OF RAPID AND UNPRECEDENTED DEMOGRAPHIC CHANGES UNIQUE IN THEIR SCALE AND SPEED.

- Asia-Pacific is home to more than half the population of the world. Its future, to a large extent, shapes the world's future.
- Demographic changes are taking place faster in the region than they did anywhere else. In many countries, fertility rates fell much faster, while in others, ageing is taking place rapidly, giving countries less time to react.
- In 2010 for the first time in its recent history Asia-Pacific's share of young and old dependents fell to its minimum, and its share of working-age people rose to its maximum. This demographic opportunity, however, will not last forever, and the time to take action is now.
- Countries in South Asia and South-east Asia are now at the peak of their demographic period of opportunity. The next 20 to 40 years will be crucial for them to utilize their demographic dividend.
- Ageing has begun to set in some countries of East Asia and others in still lower levels of socioeconomic development. These countries need to start investing now to have smoother transition.

## KEY FACTS:

- Asia-Pacific's population size has tripled in the last 65 years, and is expected to reach nearly 5 billion in 2050. Six of the world's 10 most populous countries are located in the region: China, India, Indonesia, Pakistan, Bangladesh and Japan—the first three alone account for 40% of all people alive today.
- The pace of ageing is rapid. What took about a century in Europe, is occurring in Asia-Pacific countries in just over three decades.
- The speed of population transition is also rapid. In Europe, it took more than 75 years for fertility rates to fall to the population replacement level, but in East Asia, this occurred only over 20 years.
- The change in demographic composition, such as a youth bulge, is also driving rapid urbanization in the region. In the last 30 years the region added more than a billion people to its cities.
- The demographic composition is diverse across the region. The median ages in East Asia, South-east Asia and South Asia are 38, 29 and 26, respectively.

# 2 DEMOGRAPHIC CHANGES HAVE MAJOR IMPLICATIONS FOR HUMAN DEVELOPMENT, INCLUDING THE POWER TO RAPIDLY ACCELERATE PROGRESS.

- Demographic opportunity occurs when there is a larger share of working-age people compared to a smaller share of young and old dependents.
- A larger share of people who can work, save and pay taxes contributes to higher economic output, known as a demographic dividend.
- Countries that have invested in health and education have historically reaped a higher demographic dividend.
- Rapid urbanization can further accelerate human development and increase the demographic dividend if it is managed well.
- The demographic dividend is not automatic. Capitalizing on it depends on how proactive countries are in steering the process across many arenas—including labour markets, macroeconomic policies, savings, investments, gender issues, education, health, social protection, urbanization, migration and more.

## KEY FACTS:

- Several countries experienced high growth rates during periods with high shares of working-age people. For example, China's economic boom coincided with a large workforce.
- Between 1970 and 2010, the demographic dividend contributed to 42% of economic growth in developed Asia-Pacific.

- Given that developing Asia-Pacific countries are further behind in their demographic transition, their demographic dividend contributed to 39% of GDP, with prospects of a greater contribution in the future.
- Gains in capabilities and productivity were critical drivers of growth and human development in some countries. For instance, Japan's investments in education and health during the 1960s and 1970s led to dramatic increases in average life span, from 60 years for men and 63 years for women in 1950, to 80 and 83 years, respectively, in 2013.
- A strong relationship holds between urbanization and human development, where more urbanized countries have higher Human Development Index scores, while the least urban have lower scores.

## 3 ■ MANY COUNTRIES IN THE REGION HAVE A UNIQUE MOMENT IN HISTORY TO CAPITALIZE ON DEMOGRAPHIC OPPORTUNITY

- Asia-Pacific's workforce is growing at an unprecedented rate, with already 2.8 billion people aged 15-64 in 2015.
- During periods with large working-age population, countries such as China and Japan were able to create more jobs, increase productivity and skills, leverage savings for higher investments, and deepen industrial development and technological penetration.
- While demographic transition presents opportunities, countries must then take actions to seize these. For those embarking on transition in the coming decades, the aim should be to make policy choices and investments that steer the process towards maximizing human development benefits.
- Some policies for countries experiencing a period of demographic opportunity include:
  - **Create more and better jobs:** The period of demographic opportunity may be a challenge for a region where underemployment, low productivity and low wages remain pervasive, and could worsen as more people flood the labour market. Countries will need to aim for employment-intensive growth, such as through promoting labour-intensive businesses that can provide decent jobs, and over time foster demand for higher level skills.
  - **Achieve women's equal participation:** Countries cannot reach their full potential for a demographic dividend by leaving women behind. Low female labour force participation continues to be a critical challenge, particularly in South Asia. Across the region, many women make disproportionate contributions to unpaid care work that reduces options for paid employment and education, among other implications.
  - **Channel more savings into productive investments:** The region needs to widen financial instruments to absorb the large portion of savings currently invested abroad. Developing bond markets can have particular value for businesses as well as municipalities aiming to keep up with rapid urbanization.

### KEY FACTS:

- The largest increase in working-age population will be seen in South Asia from 1.2 billion in 2015 to 1.6 billion in 2050. More than 280 million people will enter the job market in India alone, a one-third increase above current levels, yet between 1991 and 2013, the economy absorbed less than half of new entrants to the labour market.
- A majority of countries in South Asia and South-east Asia will experience their peak shares of working-age people between now and 2050, making this period critical to the demographic dividend. In Lao People's Democratic Republic, Maldives and Vanuatu, working-age population shares will increase by 33%, 15% and 40%, respectively, between 2015 and 2030, requiring significant job creation.
- Gender gaps in employment continue to be wide in many South Asian countries. Social, religious and cultural factors shut large numbers of women out of the labour market. Women's entrepreneurship is also below potential.
- Nearly half the demographic dividend achieved in East Asia was derived from savings and capital accumulation closely aligned with increases in the share of working-age population.

# 4 ASIA-PACIFIC'S YOUNG CAN DRIVE A FUTURE DEMOGRAPHIC DIVIDEND, BUT ONLY IF SUPPORTIVE MEASURES ARE IN PLACE.

- Asia-Pacific is home to more than half the world's children and youth.
- The region became an early achiever on MDG targets in education. While progress in primary education has been noteworthy, challenges remain in secondary and tertiary education related to completion rates, gender gaps and quality.
- Major health problems for young populations in some parts of the region include malnutrition and stunting; there are deficits in adolescent health care.
- Youth employment remains a challenge, causing many youth to migrate.
- Countries with large proportions of children and youth, should consider the following core policy options:
  - **Invest in providing universal health care and quality education for all:** Strong progress in primary education should be matched at the secondary and tertiary levels. In health care, priorities include further reducing child and maternal mortality, cutting rates of malnutrition that are still high in some areas, and ensuring that adolescents and young adults can access the full range of sexual and reproductive health services.
  - **Smooth the transition from school to work:** Educational systems need to prepare youth with skills demanded by the labour market. In many cases, technical education and vocational training need to be expanded and the quality improved, drawing on proven models, such as the one in Germany.
  - **Encourage youth participation:** Youth today are more informed than ever before, think outside-the-box and are keen to explore innovative solutions. Their participation in democratic processes opens opportunities to steer development. Volunteerism and civic participation can bring tremendous value to local communities.

## KEY FACTS:

- Asia-Pacific is home to 1.7 billion young people below the age of 25.
- Several countries are now experiencing a youth bulge, with more than 20% of people between the ages of 15-24.
- Countries with large young populations still invest relatively little in education.
- Girls and women still tend to study in traditional fields, and are underrepresented in science and engineering.
- Nearly 220 million youth in the region are neither in education nor employment.
- Youth in Asia-Pacific are less likely than adults to vote in elections.

# 5 WITH EARLY PLANNING, COUNTRIES CAN SMOOTH THE PROCESS OF AGEING.

- People in Asia-Pacific live far longer than they did a half century ago, testifying to the region's human development success. As societies age, they face challenges and opportunities.
- Asia-Pacific is one of the fastest ageing regions in the world. Many countries will age at lower levels of socioeconomic development.
- Ageing is still low on the policy agenda in many countries. It is time to pay attention, given the direction of demographics.
- Older adults, particularly women, are vulnerable to poverty. Pension systems in most cases do not provide enough income.
- Health-care costs have been rising, and lack of universal coverage puts lower income older adults at tremendous risk.

- As the number of working-age taxpayers shrinks, governments will need to plan for long-term fiscal sustainability.
- Countries that are rapidly ageing should consider the following core policy options:
  - **Strengthen national pension systems for equity, adequacy and sustainability:** Pension systems in the region have limited coverage and are inadequate to sustain living. Countries will need to ensure basic pension that can protect older people from poverty. There is urgent need to encourage working-age people to invest in pensions for their future retirement.
  - **Aim for universal health care:** Health-care spending for older adults is about three to four times higher than that of the working-age population in many countries. Universal healthcare can make some of the most significant contributions to human development. Place an explicit focus on removing barriers to access that may be specific to older persons.
  - **Support active ageing:** Given that a greater proportion of older adults are living alone, there is need to develop age-friendly infrastructure that allows independent living and mobility. Older adults still able to work should have the option to continue doing so. Institutional, legal, social and technical barriers need to be tackled—such as to make work environments more inclusive by accommodating the physical and health conditions of older people. Public awareness campaigns can counter discriminatory notions about older people.

#### KEY FACTS:

- While ageing took about a century in Europe, it is taking places over a compressed three decades in Asia-Pacific.
- Asia-Pacific has the world's largest number of old people at 489 million, of whom 209 million live in China. By 2050 the region will have over 1 billion people over the age of 60.
- Health-care costs for older adults are three to four times higher than for other groups in many countries. Expensive health treatments, such as for non-communicable diseases, can impose financial burdens on individuals and families.
- Public pension systems are weak and fragmented in the region.
- Most Asia-Pacific countries have contributory pension schemes, but these only cover a small portion of the population, particularly public servants and employees in the formal sector.

## 6 IN ASIA-PACIFIC, THE SPEED AND SCALE OF URBANIZATION IS UNPRECEDENTED. IF THE PROCESS IS WELL-MANAGED TO BUILD ON THE STRENGTHS OF CITIES AND AVOID THEIR PITFALLS, IT CAN BOOST HUMAN DEVELOPMENT AND THE DEMOGRAPHIC DIVIDEND.

- A majority of the world's megacities are in Asia-Pacific, but the numbers of small and medium cities are on the rise.
- Cities attract young and working-age people, making them key to the demographic dividend.
- Urbanization has long been linked with higher living standards; countries that are more urban are also richer. Whether measured in terms of growth or human development, urbanization's full potential can only be reached through people who live in cities.
- Some of the most compelling challenges in the region's cities involve urban poverty, social exclusion, widening inequality and environmental sustainability.
- Some key policies for building on the strengths of urbanization.
  - **Manage cities more effectively:** Many cities in the region lack the institutional capacity, policies and resources to keep up with the growing urban population. Local governments and municipal authorities will need to become better urban managers. One important priority, where local capabilities are adequate, will be to improve local resource mobilization, such as through taxation and alternative instruments. Also essential is to plan more systematically for infrastructure investment, operations and maintenance.
  - **Make cities more competitive and inclusive:** Competitiveness is determined by factors such as infrastructure, educational and research institutions, and the quality of public administration. Competitive cities attract new industries, investments, and skilled and capable workers to spur dynamic economic growth. Strong and vibrant cities are broadly inclusive, since exclusion, is a critical impediment to human development. Infrastructure, services and decent

employment opportunities need to reach all city residents; special measures may be needed for migrants, youth, older people, women and girls, and people with disabilities.

- **Build modern, environmentally-sustainable cities:** More than half of the world's most polluted cities are in Asia-Pacific. With rising rates of urbanization, it is imperative to take action now towards more sustainable urban areas. One essential measure is to foster urban agglomeration, and promote green and compact cities that can better manage urban transportation and reduce greenhouse gas emissions.

#### KEY FACTS:

- In the last 30 years Asia-Pacific added one billion people to its cities; by 2050 the region will add another billion becoming home to 3 billion people. From 1950 to 2015, the share of people in the region's cities increased from 17% to 47%.
- While the move to an urban majority took from 150 to about 200 years in Europe and Latin America, the same transition is taking place over 60 years in many Asia-Pacific countries.
- Inequalities in urban areas are worse than national averages.
- 15 of the 20 most polluted cities in the world are in China and India.
- Municipal governments in Asia-Pacific are among the weakest in the world.

## 7 THE IMPLICATIONS OF DEMOGRAPHIC CHANGES ARE INCREASINGLY URGENT IN LIGHT OF AGENDA 2030. TO MAKE THE MOST OF THEIR DEMOGRAPHIC DIVIDENDS, COUNTRIES WILL HAVE TO MARSHAL ALL AVAILABLE RESOURCES AND CONSIDER THE MOST STRATEGIC MIX OF PUBLIC INVESTMENTS.

- Agenda 2030 puts people at the centre of development. Leaving no one behind is a foundational principle.
- Unleashing progress depends on upholding human rights, developing people's capabilities and protecting dignity throughout the human lifetime.
- Although countries will need to adjust policies based on their stage of demographic transition, some common priorities include:
  - All countries need to factor demographic changes into diverse public policy areas, including core national development plans and strategies. Medium to long-term demographic changes should be factored into policies related to economic management, education, health, gender equality, youth, ageing and urbanization, among other issues.
  - Asia-Pacific's immense demographic diversity makes a case for greater regional cooperation, such as through regulated, mutually beneficial migration policies since ageing societies may struggle to find workers, while those in the earliest stages of transition face a surplus. Another area for cooperation could be financial integration. Older populations have savings to invest, while younger ones need to attract capital given large labour pools and the need to boost productivity.
  - More and better data is needed to gauge and manage demographic changes. High-quality data needs to be geared towards monitoring the demographic profile overall, as well as the impacts of public policy measures aimed at youth, workers, older people and migrants, and related issues such as urbanization.v



