

Policies for Ageing Population in Europe and Asia: Learning Lessons

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COMMON TRENDS

All the economically advanced countries of the world are experiencing similar demographic trends, albeit from different starting points and at different rates. In the six East Asian economies include in table 1, both birth rates per 1000 population and life expectancies for men and women are converging rapidly, if they have not already converged, on the norms in the European Union member states. These trends are having an impact on the average size of families and also on the proportion of their societies in the older age groups. On most forecasts – for example by the UN – the number of older people in all societies is set to rise drastically over the next quarter of a century. In the advanced economies, both East and West, therefore, population ageing is a common and dominant trend.

This common demographic trend has of course meant common policy challenges: governments everywhere are facing new, or at least modified, situations that are leading to rethinking of established arrangements, for example with respect to health care and the financial wellbeing of older people. But the universality of the challenges also leads to enhanced opportunities for policy learning and policy transfer across countries. Perhaps never before has there been such potential for looking abroad to address problems at home. Indeed, there has been a growing recognition in the EU that policy models and approaches in Japan and the newly industrialised countries of East Asia may have relevance to the seeking of solutions to policy problems in Europe.

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The present paper is precisely based on this proposition. It reports on a project, funded by the European Union, to bring together experts from the main East Asian economies- Hong Kong, Japan, Korea, Malaysia, Singapore and Taiwan – to share experiences of policy thinking and developments. Taking the acronym APPLE – ageing Populations: Policy Lessons from the East – the project has resulted in a book (Doling et al 2005). This paper presents some of the main findings and deliberations of the project. It begins with a brief overview of the policy challenges common to European and Asian countries, followed by discussion of actual and potential developments in cross country, policy lesson learning. The main part of the paper reports on some of the policy similarities and differences across Europe and Asia.

COMMON POLICY CHALLENGES

Falling birth rates, longer life expectancies and the breakdown of extended and nuclear family models are combining to present a number of challenges for national policy makers. These include:

- As the ratio of retired to working people shifts toward the former, who is available to work to provide the services (shops, banks, restaurants, hospitals) demanded by retired people? Will the present pre-occupation of many of the economically advanced countries with labour surpluses be replaced with a pre-occupation with labour shortage? To what extent will governments attempt to raise retirement ages in order to keep more people in the labour market?
- How can the rising numbers of older people be facilitated to take a large role in society, using their skills and experience to remain as active citizens? What role can governments take in re-conceptualising the meaning of retirement and citizenship, towards an 'active ageing' approach? The encouragement of active ageing has taken on a key focus within international debates (see, for example, OECD 2000; WHO 2001) but questions remain about the most appropriate policy responses.
- The changes to family structures caused by, for example, lower rates of marriage, higher rates of divorce and lower fertility rates pose questions about how to replace the support and care formerly provided through the family. Can the family remain the focus of the care of frail older people? If the state and the market are seen to be solutions how will care systems be funded?
- Independent of changes in family support, health care is becoming more expensive, a consequence in part of increasingly sophisticated procedure, drugs and technology and in part of increased needs generated by people living longer. These developments have forced national governments and super national organizations to forecast both the needs and the costs (e.g. OECD 1998).
- As the ratio of retired to working people shifts toward the former, how are pensions to be funded? Typically in western countries pensions for the present retired people are paid from the taxes paid by the present working population. What pressures

will there be to reduce the level of pensions as a proportion of average incomes; to move from income for life to lump sum pensions, and to encourage greater reliance on defined benefit pensions? The favored approach to date is for versions of the 'multi pillar' approach, supported by the World Bank, whereby the state regulates private forms of provision (see, Bonoli 2001 and Hughes and Stewart 200). Yet, questions remain about the ability of such privatized forms to match the adequacy, inclusiveness and security offered by existing social insurance schemes. Typically in Asian countries there is more emphasis put on employee and employer funded pension schemes. What are the specific characteristics, advantages and limitations of these?

THE POTENTIAL FOR LESSON LEARNING

Europe has long experience in developing social policies to cope with ageing. It has a long tradition of NGO activity dedicated to the interests of older people, as well as long and well established traditions of giving older people (at least notionally) a democratic say in the treatment they should be entitled to receive from the state. The leading newly industrialized countries of Asia Pacific, by contrast, have an unrivalled experience (some of this still forecast as yet to come) of *high speed* population ageing as a result (in part) of unprecedented high-speed economic development; and hence of determined attempts to shore up and reinvigorate traditional family systems of support as a first line of defence against what could otherwise, it is feared, prove communally and politically crippling burdens of public care provision. Older people as a potential voting block within these states (as opposed to within their families maybe) remains as yet more of a possible than an actual prospect.

There has been considerable interest in the West (including Europe and the US) in the economic, political, and cultural dimensions underlying the dynamic post-war growth of a number of Asian economies and this is reflected in numerous publications available in the West, with a strong focus on Japanese business and industrial policy lessons. In relative terms there has been much less interest to date in the social policy dimensions of their politico-economic systems. But, there is evidence of this changing: thus' the recent introduction in the UK of stakeholder pensions has been based on the example provided by Singapore's provident fund system, which itself was a legacy of the British colonial administration (see Blair 1996). The different conceptualization of retirement and the different relationship between the individual, the family, civil society and the state in Asian countries may provide the West with alternative models. In addition, over the last few years there have been a number of publications that have examined social issues and social policies in individual Asian countries, frequently locating the discussion in a cross national, comparative perspective (for example, Doling and Omar 200 and Jones Finer 2001 – see especially chapter by Doling and Jones Finer).

Overall, the possibility of learning social policy lessons from the East has developed, partly as a result of awareness, within the Asian countries themselves, that they will increasingly be facing many (western-style) social problems. Predominant among these social problems is probably that of how to care and support people in old age,

the issue coming to the fore as the combined consequence of declining birth rates, increasing life expectancies and the break up of the traditional extended family. One result is that there are no longer such extensive child and family support mechanisms to provide care, financial support and a secure living environment; another is that older people in Asian economies are taking a less active role in their societies.

POLICY TRENDS AND LESSONS

Given the potential for lesson learning, APPLE sought to identify trends and issues that could inform policy makers in the EU (as well as in the East Asian states).

Pensions and employment.

In both the EU and East Asia two linked concerns – the adequacy and sustainability of system of income generation for older people – dominate debate in this area and constitute a share concern for governments, policymakers, academics and older people themselves.

Common to the six Asian countries is the initial adoption of some aspects of an original western model – be these forms of public assistance (Japan, Taiwan, Hong Kong), compulsory saving (provident) funds (Singapore, Malaysia and now Hong Kong), or Cumulative experiment in social insurance (Japan, Korea, and – still potentially – Taiwan). It is striking, in particular however, that it should be the compulsory savings fund – a 1950s intendedly cost – saving (for Britain) imposition on Singapore and Malaysia, which has since been hailed such a key to their success, as not merely to be emulated by the introduction of the MPF to social insurance – suspicious Hong Kong, but to inspire western political leaders with the idea of trying to import such self – financing imperatives somehow into their own longer – standing pensions systems, which had been organized on a very different, risk – pooling, basis.

Manifestly nothing has stood still, least of all in respect of any original imported western models for income provision. Given the rapidity with which their societies are ageing, Japan and Korea, in particular, are adopting their own models which reflect both their respective cultural inheritances and the dominance of the particular forms of work ethic prevalent within these societies. Nevertheless they are building on the experiences of the West, in particular of Europe, whose countries are considered as having more experience of operating a 'welfare state' than they themselves seek to achieve. Thus, given the lessening influence of filial piety, these new pensions structures are being premised on a more individualistic notion of self help.

Nevertheless the strongest (and socially the most potent) demonstration of the capacity for self – help remains the older person's capacity to continue in employment, at however reduced a level. Paradoxically it is often the least developed economies (or the least developed sectors of any economy) which offer the greatest scope for older people's continued economic involvement. There is nothing to prevent many older people (however old) from seeking or continuing in employment in Hong Kong, Taiwan,

Korea, Singapore and Malaysia. But the situation has long been more formalized for some, in the case of Japan. Here the institution of a compulsory executive retirement age of 55 was humanitarily linked to the parallel institution of a separate 'grey' job market, run by the same employers, for the sake both of their domestic distribution systems and for the sake of their long – service retired employees. Might this in particular prove an overdue lesson for the taking?

The policy focus on ageing within the EU has largely been upon retirement pensions, particularly in their relation to employment policy. As one commentator (Von Nordheim, 2004) has recently observed, the EU has set itself two strategic targets: to boost the (otherwise declining) employment rates of older workers up to 50 per cent and to delay the 'early exit' of workers by five years. Inevitably, these two policy areas and objectives have become inextricably linked. Actions taken to reduce the 'early exit' of individuals have been tied to policies relating to the sustainability and adequacy of pensions across the EU. It is interesting that a similar linkage (between retirement pensions and employment policy) is to be discerned in the East Asian countries. Within the European context, the raising of the pension age has been a simple yet effective method of extending the normal span of working life. Similarly in Japan, the age from which a pension can be claimed is being increased from 60 to 65. Nevertheless, differences of culture and working practices between Japan and the EU countries have meant that in Japan some private companies (e.g. Matsushita Electrical Industrial Co. Ltd.) have continued to employ people after mandatory retirement age which, paradoxically, may have contributed to embedding age discriminatory practices among those over 60 years of age, since they are treated differently in human resources management terms, for example by easing older workers into publicly subsidized low paid work (Taylor 2004).

Meanwhile for Malaysia and Singapore the pension (and indeed retirement) age remain at 55, which is of course low by European standards. In the EU, reducing the average retirement age was seen as a threat to pensions and to wider, employment policy. In Malaysia and Singapore, the concern is not only about increasing the pension age but, linked with this, questioning the adequacy of the pensions actually being received.

Another important theme is the higher levels of poverty experienced by women in retirement, and linked with this their inferior social status in patriarchal societies. Additionally, in all the East Asian countries considered, an overt form of *familism* exists which acts to reinforce women's status as the primary carers. Even so, the status and economic position of women in this respect also remains a central concern within EU state, despite many years of attempts to reduce the structural effects of such a social division.

Social and health care

The evidence of the APPLE project provides a reinforcement of the general pattern among the populations of advanced economies for the greatest demand for health and social care to be exerted by older age groups. Both Korea and Japan, for example,

indicate the rising health care expenditures exerted by the ageing of their populations. The precise needs of older people, however, cover a wide range. In health care, they cover services for primary and secondary, preventative and curative, and chronic and critical care. In social care, where the services may also relate to the health conditions of individuals, they include the provision of adapted housing, mobility aids, meals and social contact. For all countries, the same two challenges apply. On the one hand, is the challenge of ensuring that the care received by all is of high quality, the definition of which includes the ability of those receiving care to make choice about the nature of that care. On the other hand, in whatever units the resources used to deliver the care are measured, there are challenges about who pays.

The case of Malaysia illustrates some of the issues. Traditionally, the family and the community have taken a major role alongside state provided health care. With strains appearing in both, the state has at the same time attempted to shore up family commitments through tax subsidies while encouraging the private sector to expand its health care provision. Whereas this has reduced the potential impact on the public purse of meeting health care needs of older people, it has done so by re-asserting the responsibility of the family. Further, whatever the advantages to the population afforded by private sector provision, these have largely accrued to those who are relatively well-off and living in urban areas. In this respect, the evidence from both Japan and Korea is that the issue is less about which sector provides care, and more about who pays, specifically whether the cost falls directly and solely on the user (and their family) or is met through a social commitment.

In fact, in the other five Asian countries, the transition to ageing societies has proceeded much further than in Malaysia. Although the extent to which their governments have reacted is variable, in all cases the reaction has taken the form of efforts directed at older people, more concerted than has often been the case in European countries. In Hong Kong the main emphasis is on the 'ageing in place' policies, while in Korea there has been a task force established under the Office of the President with the objective of co-ordination policies responding to the ageing of society. It is in Japan, however, that there has been the longest and deepest and consideration of the issues. In addition, the Korean and the Japanese cases also identify the involvement of wide interests, including business and community groups in the policy debates. One message for Europe, therefore, is the possibility of policy formation that is more comprehensive in terms both of applying across the range of issues arising from ageing populations and of involving all sectors of society.

It is also clear from the surveys of each of the six Asian countries, then, that notwithstanding the strong traditions of family members providing care directly, or indirectly through financial support, the tradition is being eroded. Through in the opposite direction, there is a comparison here with European perceptions of the desirable future of pensions, away from sole reliance on the state toward a multi – pillared model in which the social protection of the state is allied to resources derived from the workplace and the individual. In health and social care, the recognition in Asian economies is that the single pillar of the family also needs to be balanced by other pillars, and that the must form one of them. If the general picture in Europe is for the state to withdraw from, adapt and recalibrate its role in the provision of all types of welfare provision and social

spending, the general picture in Asia is the withdrawal, adaptation and recalibration of the role of the family.

The family as a bulwark under threat

Cultural distinctions between East and West with regard to the family should not be overstated. Prior to the emergence of dedicated social services in developed and developing parts of the world, the family, backed by the immediate community, was the *needs-be* provider of whatever income support, health, education or social care provision most people in the world were ever likely to receive, *wherever* they were brought up. Furthermore the role and importance of the family – has long been sanctified in Western as well as in Eastern traditions. The fact that family norms vary as much, nowadays, between parts of northern (more developed) and southern (less developed) Europe, as between Asia Pacific and Europe *per se*, says as much about the concomitants of economic development, as about the rival qualities of social philosophy being propounded by respective governments. Furthermore the degree of vigor with which such philosophies are openly propounded differs markedly between governments within as well as between East and West.

It is evident from the APPLE project that the family in Asia Pacific – just as earlier in Europe – has been witnessing a steady diminution in the scale of both its collective obligations and its permitted freedom of man oeuvre. How far the concomitant increase in the provision of government-backed specialist services – in respect of pensions, public assistance, housing, health care, professionalized community care and long-term social care – has rendered this a *zero-sum game*, rather than adding to the total of available provision in support of increasingly aged populations, remains to be seen..

It is striking, however, that there appears to have been no single advance in public policy provision or regulation within Asia Pacific, which has, explicitly sought to *replace* the underlying, backstop responsibility of families to take care of their own. Thus, there exists no pensions or public assistance system, which specifically lets families 'off the hook' of financial responsibility for their elder members. Pensions systems are mostly far from complete in their coverage or (so far) adequate in the scales of protection they offer, in any case. Meanwhile, forms of remedial public assistance (or approved voluntary charity for needy cases) are typically framed in terms which involve at least the entire immediate family – not merely what may be the co-resident members of this family – in the assessment of an older person's eligibility for outside assistance. In Singapore, Korea, Taiwan and Japan, children are legally bound to support their parents financially, to the best of their ability. Whereas the authorities in Hong Kong seem content to rely on traditions of family shame to take their full 'assistance-rationing' effect.

By contrast, a family's potential capabilities with regard to the accommodation of its older members would seem to have been *increased* as a result of the extent of state involvement in mass housing provision, in at least Singapore and Hong Kong. The housing requirements of families in Singapore are under apparent constant HDB review, with the wellbeing of their older members – requiring at least nearby accommodation to the rest of the family – a major allocative factor. Whereas in Hong Kong the inclusion of an older person within the family list guarantees a shorter waiting time (as laid down in government regulations) for either rental or purchase of government financed accommodation.

Meanwhile modern East Asian families, driven by the work ethics of success-dedicated Asia Pacific – young wives and mothers especially – are not going to find it easy to combine traditional family obligations with distinctly non-traditional commitments to the labour market. Governments, as in the case of Hong Kong and Singapore, have responded to this challenge by instituting forms of ‘Family Life Education’ to help ‘culturally deprived’ immigrant generations catch up. Other governments, such as that of Malaysia, hope to stem if not reverse trends in extended family disintegration by the provision of tax breaks to encourage children to share the same house as their parents and purchase appropriate forms of care and care equipment for their benefit. But yet others, such as Korea and Japan, agonise over how far whole societies – as opposed to individual families – should be obliged to carry the cost of these ‘interim generations’: who have contributed to their societies’ success without themselves being in time to benefit from any eventual long term, self-funding pension or insurance arrangements. In the case of Japan this amounts to a new *collective* version of Confucianism, whereby the whole society is expected to take responsibility for the well being of – and just relations between – the generations within it.

CONCLUSION

Being formed from a group of nation states, the European Union has considerable opportunity within its own borders for cross country, policy learning. However, what from a perspective inside the EU looks to be considerable diversity in the potential lesson givers – from the social democratic Nordic states to the familialism of the countries bordering the Mediterranean and then to the former communist countries to the east, and so on-constitutes only part of the global spectrum. Here, the countries of North America as well as Australia and New Zealand, all with their European legacies, meet one of the requirements of successful lesson learning: cultural proximity. The evidence of the APPLE is that to these should be added the east Asian part of the spectrum, which provides another set of experiences from which Europe may learn.

Certainly there are elements to their cultures that are very clearly different to those of western cultures, the dominance of Confucianism providing a particularly marked contrast. But, there are also points of similarity. The British colonial tradition in Singapore, Malaysia and Hong Kong (as well as earlier Portuguese and Dutch influences) are matched by late twentieth century USA influences in Japan, Taiwan and Korea. One consequence is that some of the social welfare arrangements, such as the provident fund systems in Singapore and Malaysia, however moulded to, and by, local conditions, are actually European in origin.

Whereas this means that even if they are different, the policies themselves are not necessarily entirely alien and lacking relevance to European situations, there is another argument for keeping an eye on Asian solutions. With the exception of Japan, over the last century or so the major industrial economies have been western ones. Even in the last half-century, in comparison with the European economies those in the rest of Asia have been economic and social welfare laggards, often looking to the west to learn quickly how to catch up. In economic terms at least they have been outstandingly successful and gone a long way to catching up. On GDP per capita Singapore has now

overtaken all EU member states while the other four in our group are comparable to those have recently (2004) joined the EU. Just as their economies have been transformed very quickly so have elements of their social and political circumstances. As APPLE shows, the rate of change in populations, for example, is more rapid than in Europe. Whereas in the past, the West has been looked to by those in the East looking to catch up, it is at least possible the future will be one in which the West looks more to the East to see how the newcomers are rising to the challenge of ageing populations: the teacher becomes the pupil. On this view, the argument for Europe maintaining observation of developments in Asian economies is strong.

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Table 1 Demographic characteristic, circa 200

Country	Aged 65 and over (%)	Life expectancy		Average house- hold	Birth Rate per 1000 size
		M	F		
ASIA					
Hong Kong	11.2	-	-	3.1	7
Japan	17.6	77.9	84.7	2.7	9
Malaysia	4.2	69.2	74.4	4.2	22
Singapore	7.3	76.5	81.1	3.7	12
South Korea	7.0	71.2	78.7	3.5	13
Taiwan	8.8	72.7	78.4	3.3	12
EUROPE					
Austria	15.7	75.9	81.8	2.4	9
Belgium	16.6	74.8	81.2	2.4	11
Denmark	14.9	74.8	79.5	2.2	12
Finland	15.0	74.5	81.2	2.2	11
France	16.1	75.6	82.9	2.4	13
Germany	16.4	75.1	81.1	2.2	9
Greece	18.1	75.5	80.8	2.7	11
Ireland	11.2	73.8	79.2	3.0	15
Italy	18.4	76.2	82.2	2.6	9
Luxembourg	14.1	74.9	81.8	2.6	12
Netherlands	13.7	75.8	80.7	2.3	13
Portugal	15.2	72.7	80.1	2.9	11
Spain	16.9	75.3	82.6	3.0	10
Sweden	17.5	77.7	82.3	2.0	10
UK	16.1	75.1	79.9	2.3	11