

A WEBINAR ON THE GAI-PPI ISSUE BRIEF

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# Global Aging and the Outlook for Growth and Stability in the Developing World

*by Richard Jackson*



## About the GAI-PPI Issue Brief Series

The world stands on the threshold of a stunning demographic transformation. It is called global aging, and it promises to affect virtually every dimension of life, from the shape of the family to the shape of the geopolitical order. Trying to navigate the economic, investment, and retirement policy environment of the next few decades without understanding the impact of global aging is like setting sail without a map or a compass. The purpose of this issue brief series, which is produced in collaboration by the Global Aging Institute (GAI) and the Pacific Pension & Investment Institute (PPI), is to help policymakers and business leaders steer a surer course as they peer ahead into the future. Some of the issue briefs in the series focus specifically on retirement policy issues, especially in Asia, while others explore how demographic trends are reshaping the broader economic, social, and geopolitical environment in which governments, pension funds, and individuals and families must operate. GAI and PPI hope that the series will inform the debate over global aging and retirement security and help to push it in a constructive direction.

## About the Author



**Richard Jackson** is the founder and president of the Global Aging Institute (GAI), as well as a senior associate at the Center for Strategic and International Studies and a senior advisor to the Concord Coalition. Richard is the author or co-author of numerous policy studies, including *From Challenge to Opportunity: Wave 2 of the East Asia Retirement Survey* (2015); *Global Aging and Retirement Security in Emerging Markets: Reassessing the Role of Funded Pensions* (2015); *Lessons from Abroad for the U.S. Entitlement Debate* (2014); *The Global Aging Preparedness Index, Second Edition* (2013); and *The Graying of the Great Powers: Demography and Geopolitics in the 21st Century* (2008). Richard speaks regularly on policy issues related to the aging of the population and is widely quoted in the media. He holds a Ph.D. in history from Yale University and lives in Alexandria, Virginia, with his wife Perrine and their three children, Benjamin, Brian, and Penelope.



**Rishab Sethi** is a Senior Advisor at the New Zealand Superannuation Fund, contributing to the Fund's corporate strategy and innovation agenda. He previously worked at the Fund on investment strategy and asset allocation issues. He has also been a research economist with the Reserve Bank of New Zealand, specialising in analysis on the exchange rate and external accounts, and has been a research fellow at the Bank for International Settlements. Rishab has Bachelor's degrees in mathematics and economics from the University of Auckland and the Australian National University, and Master's degrees in public administration, specialising in public finance, from the London School of Economics and Columbia University.



**Tak Ishikawa** has been with Mitsubishi Corporation since 1983 and is currently Senior Vice President. His primary responsibilities include building Mitsubishi's global asset management business drawing on the firm's strength as an investor in all segments of industry and managing its financial product distribution subsidiary. The firm manages over \$20 billion of assets in the real asset space on behalf of institutional investors. It also advises on more than \$30 billion in private equity and infrastructure assets primarily for pension plan sponsors. Prior to his current role, he spent 15 years in New York as an investment director for Metal & Mining for the Americas and later as President & CEO of Mitsubishi's alternative asset class investment subsidiary. He is a graduate of Waseda University and has a MBA from Harvard Business School.



**Prakash Parthasarathy** serves as the chief investment officer at Premji Invest. Mr. Parthasarathy has been Non-Executive Nominee Director at HealthCare Global Enterprises Limited since April 23, 2008 and Carnation Auto India Pvt. Ltd. He has been shareholder director of National Stock Exchange of India Ltd. since May 30, 2012. He holds Bachelor's Degree in Computer Science from Birla Institute of Technology & Science. He holds Post Graduate Diploma in Business Administration from Indian Institute of Management Bangalore.

# THE DEMOGRAPHIC TRANSITION

## Total Fertility Rate and Life Expectancy at Birth, 1950-2015

	TOTAL FERTILITY RATE				LIFE EXPECTANCY AT BIRTH			
	1950-55	1970-75	1990-95	2010-15	1950-55	1970-75	1990-95	2010-15
East Asia	6.0	4.8	2.0	1.5	44	62	70	76
Eastern Europe	2.9	2.2	1.6	1.6	60	69	68	72
Greater Middle East	6.6	6.2	4.6	3.2	42	55	64	70
Latin America	5.9	5.0	3.0	2.2	52	62	69	75
South Asia	5.9	5.5	3.6	2.4	40	52	61	69
Sub-Saharan Africa	6.6	6.8	6.2	5.1	37	45	50	58

Source: *World Population Prospects: The 2015 Revision* (New York: UN Population Division, 2015)

# THE CASE FOR OPTIMISM: RECEDING YOUTH BULGES

Youth Bulge (Aged 15-24), as a Percent of the Adult Population (Aged 15 & Over), 1975-2050

	1975	1990	2015	2030	2050
East Asia	33%	30%	16%	13%	11%
Eastern Europe	23%	18%	13%	14%	13%
Greater Middle East	33%	33%	27%	24%	19%
Latin America	33%	31%	23%	19%	15%
South Asia	33%	32%	25%	21%	17%
Sub-Saharan Africa	34%	35%	35%	33%	28%

Source: *World Population Prospects: The 2015 Revision*

# THE CASE FOR OPTIMISM: THE DEMOGRAPHIC DIVIDEND

Total Dependency Ratio of Children (Aged 0-19) and Elderly (Aged 65 & Over) per 100 Working-Age Adults (Aged 20-64), 1975-2050

	1975	1990	2015	2030	2050
East Asia	116	81	49	61	85
Eastern Europe	74	68	55	73	81
Greater Middle East	135	127	84	79	74
Latin America	128	106	73	68	75
South Asia	123	109	76	67	67
Sub-Saharan Africa	137	143	131	114	93

Working-Age Adults (Aged 20-64), as a Percent of the Total Population, 1975-2050

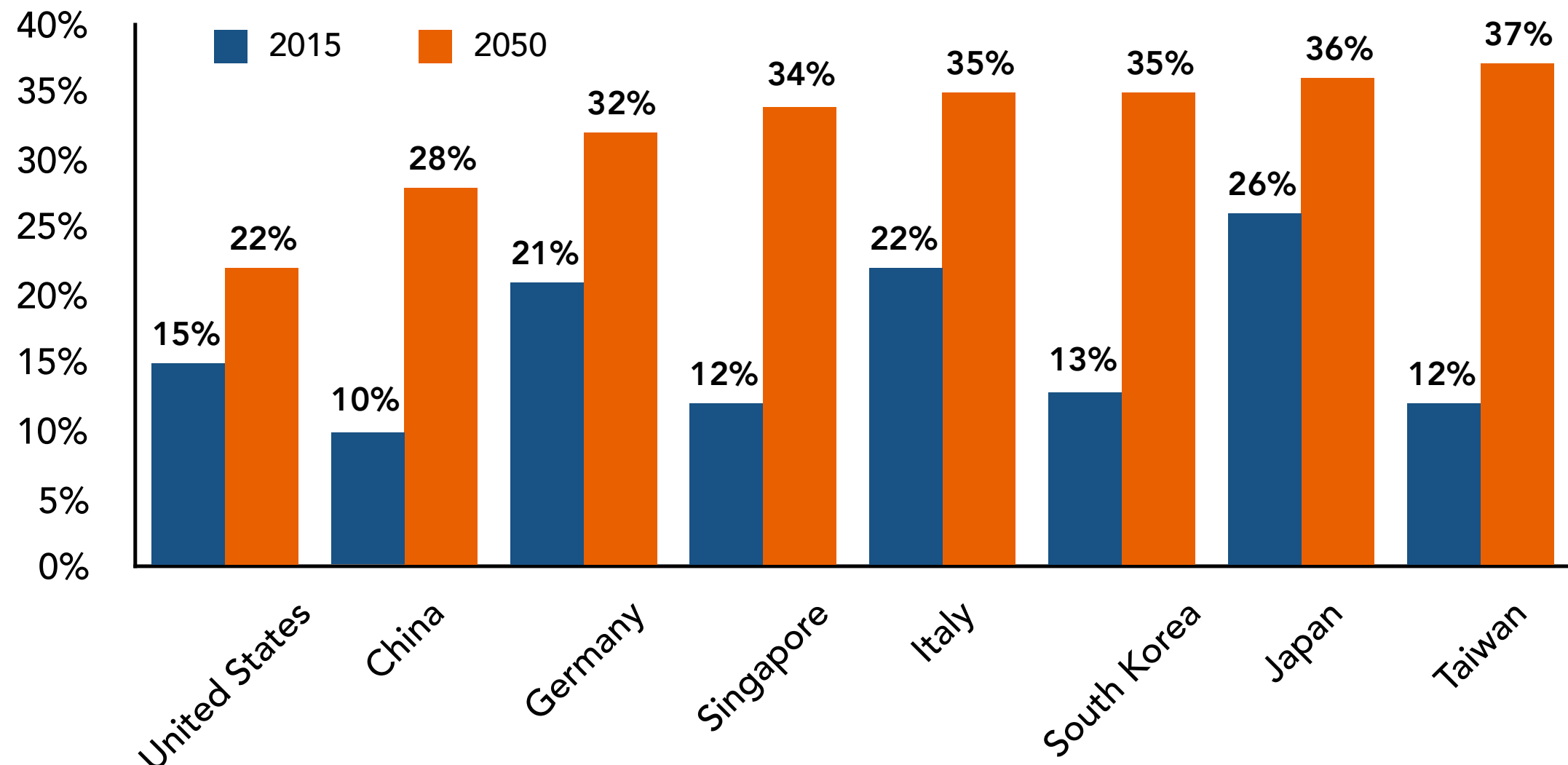
	1975	1990	2015	2030	2050
East Asia	46%	55%	67%	62%	54%
Eastern Europe	58%	59%	64%	58%	55%
Greater Middle East	43%	44%	54%	56%	57%
Latin America	44%	49%	58%	59%	57%
South Asia	45%	48%	57%	60%	60%
Sub-Saharan Africa	42%	41%	43%	47%	52%

Source: *World Population Prospects: The 2015 Revision*



# CAUSES FOR CONCERN: THE UNEVEN PACE OF THE DEMOGRAPHIC TRANSITION

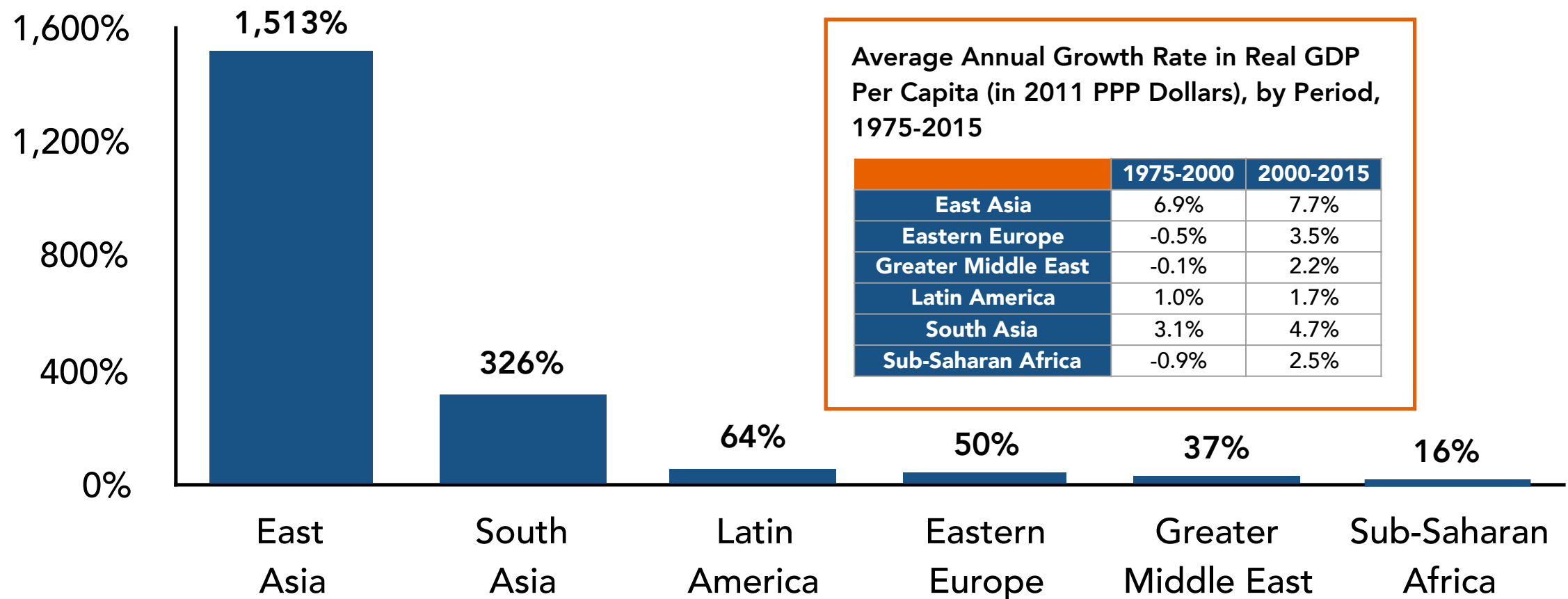
Elderly (Aged 65 & Over), as a Percent of the Total Population in 2015 and 2050



Source: *World Population Prospects: The 2015 Revision*

# CAUSES FOR CONCERN: SQUANDERED ECONOMIC OPPORTUNITIES

Cumulative Percentage Change in Real GDP Per Capita (in 2011 PPP Dollars), 1975-2015

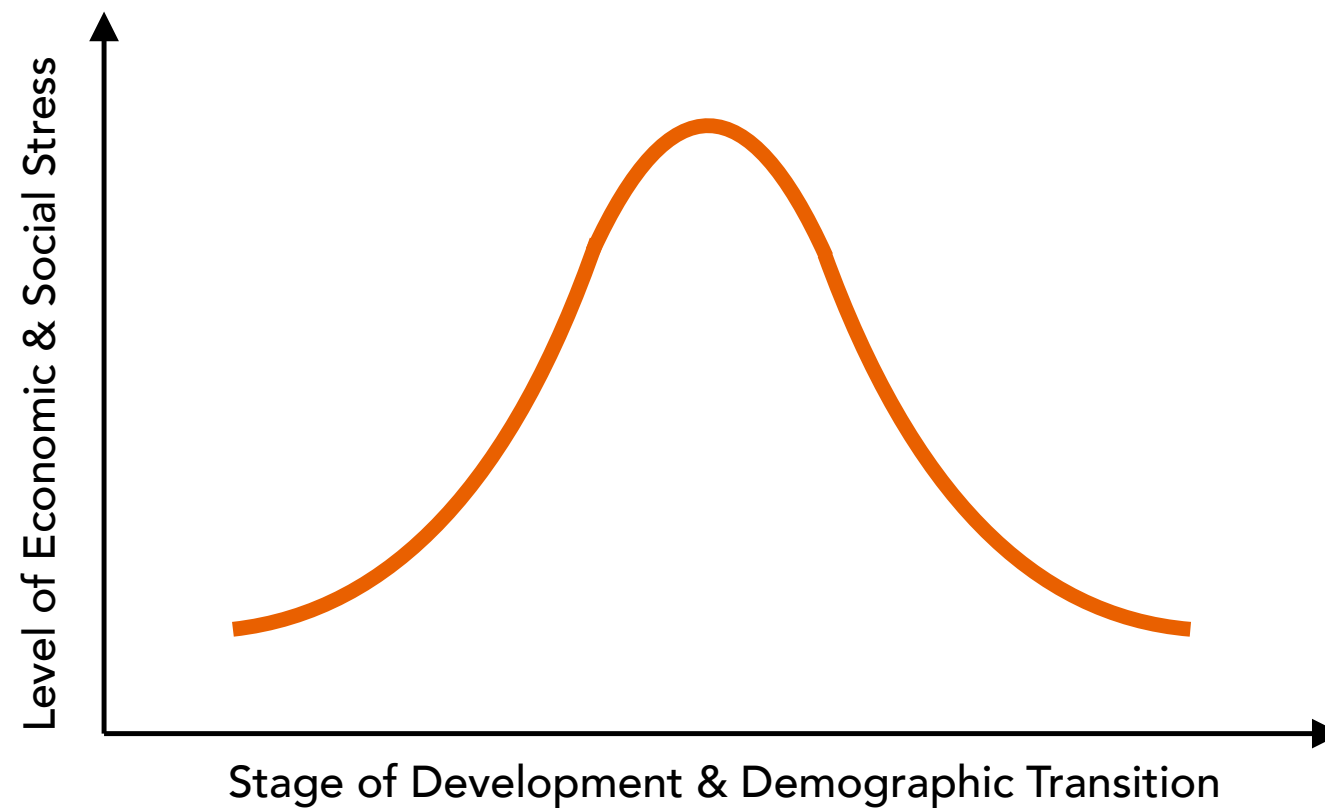


Source: World Development Indicators Database; Maddison Project Database; and *World Population Prospects: The 2015 Revision*



# CAUSES FOR CONCERN: THE STRESSES OF DEVELOPMENT

Stylized Representation of the “Development Hump”



Source: Author's illustration

# THE ULTIMATE CHALLENGE: PREPARING FOR THE AGE WAVES LOOMING OVER THE HORIZON

Elderly (Aged 65 & Over), as a Percent of the Total Population, 1975-2050

	1975	1990	2015	2030	2050
East Asia	4%	5%	10%	17%	28%
Eastern Europe	9%	11%	15%	20%	23%
Greater Middle East	4%	4%	5%	7%	12%
Latin America	4%	5%	8%	12%	20%
South Asia	4%	4%	6%	9%	14%
Sub-Saharan Africa	3%	3%	3%	3%	5%

Source: *World Population Prospects: The 2015 Revision*

## ANNEX

## DEVELOPING WORLD COUNTRY GROUPS

### EAST ASIA

China	Macao SAR	Mongolia	Singapore
Hong Kong SAR	North Korea	South Korea	Taiwan

### EASTERN EUROPE

Albania	Croatia	Montenegro	Serbia
Belarus	Cyprus	Moldova	Macedonia
Bosnia and Herzegovina	Georgia	Romania	Ukraine
Bulgaria	Greece	Russian Federation	

### GREATER MIDDLE EAST

Afghanistan	Israel	Oman	Tunisia
Algeria	Jordan	Pakistan	Turkey
Armenia	Kazakhstan	Palestine	Turkmenistan
Azerbaijan	Kuwait	Qatar	United Arab Emirates
Bahrain	Kyrgyzstan	Saudi Arabia	Uzbekistan
Djibouti	Lebanon	Somalia	Western Sahara
Egypt	Libya	Sudan	Yemen
Iran	Mauritania	Syria	
Iraq	Morocco	Tajikistan	

# DEVELOPING WORLD COUNTRY GROUPS

## LATIN AMERICA

Argentina	Cuba	Haiti	Peru
Belize	Dominican Republic	Honduras	Puerto Rico
Bolivia	Ecuador	Jamaica	Suriname
Brazil	El Salvador	Mexico	Uruguay
Chile	French Guiana	Nicaragua	Rest of Caribbean
Colombia	Guatemala	Panama	
Costa Rica	Guyana	Paraguay	

## SOUTH ASIA

Bangladesh	Indonesia	Micronesia	Sri Lanka
Bhutan	Laos	Myanmar	Thailand
Brunei Darussalam	Malaysia	Nepal	Timor-Leste
Cambodia	Maldives	Philippines	
India	Melanesia	Polynesia	

## SUB-SAHARAN AFRICA

Angola	DR Congo	Madagascar	Senegal
Benin	Equatorial Guinea	Malawi	Seychelles
Botswana	Eritrea	Mali	Sierra Leone
Burkina Faso	Ethiopia	Mauritius	South Africa
Burundi	Gabon	Mayotte	South Sudan
Cameroon	Gambia	Mozambique	Swaziland
Cape Verde	Ghana	Namibia	Togo
Central African Republic	Guinea	Niger	Uganda
Chad	Guinea-Bissau	Nigeria	Tanzania
Comoros	Kenya	Réunion	Zambia
Congo	Lesotho	Rwanda	Zimbabwe
Côte d'Ivoire	Liberia	Sao Tome and Principe	