

KOLOKIUM STATISTIK 2015

Ageing in Malaysia and Challenge for Economic Growth

OLEH:

AHMAD JESSREE BIN KAMARUDDIN

BAHAGIAN PERANGKAAAN PENDUDUK DAN DEMOGRAFI

JABATAN PERANGKAAAN MALAYSIA



Content

- Introduction
- Factors which contribute to ageing population.
- Demographic profile ageing in Malaysia
- Challenges for Economy Growth
- Policy challenges
- Conclusions



What is population ageing?

- Older people (often, people aged 65+) are a greater percentage of the population
- The average age of the population gets older
- The ratio of older people to younger people increases

What is population ageing?

Definition

In 1982, **World Assembly of Ageing in Vienna** defined an old ageing as an individual who is **60 years old and above**.

Based on **United Nation (UN)**, ageing is comprises of three categories that are:

* **Ageing Society**

- When people of **65 years old** and above reaching to **7%** of the total population.

* **Aged Society**

- When people of 65 years old and above reaching to **14%** of the total population

* **Super-aged society**


- When people of 65 years old and above reaching to **20%** of the total population.

Based on **World Health Organization (WHO)**, any countries will be an Ageing Society when its people of 60 years old and above reaching to **10% of the total population**.

Based *Dasar Warga Emas Negara*, Aged Society occurs when the percentage of **60 years** and above people reaching to **15%** of the total population.

Why do population change?

- Three basic processes affect who is counted as a member of a group
 - Fertility
 - People being born
 - Migration
 - People moving from place to place
 - Mortality
 - People dying
- Many factors affect these processes
 - Economic development, technology, religious and cultural values...



Which process do you think usually drives population ageing?



Fertility changes are the key

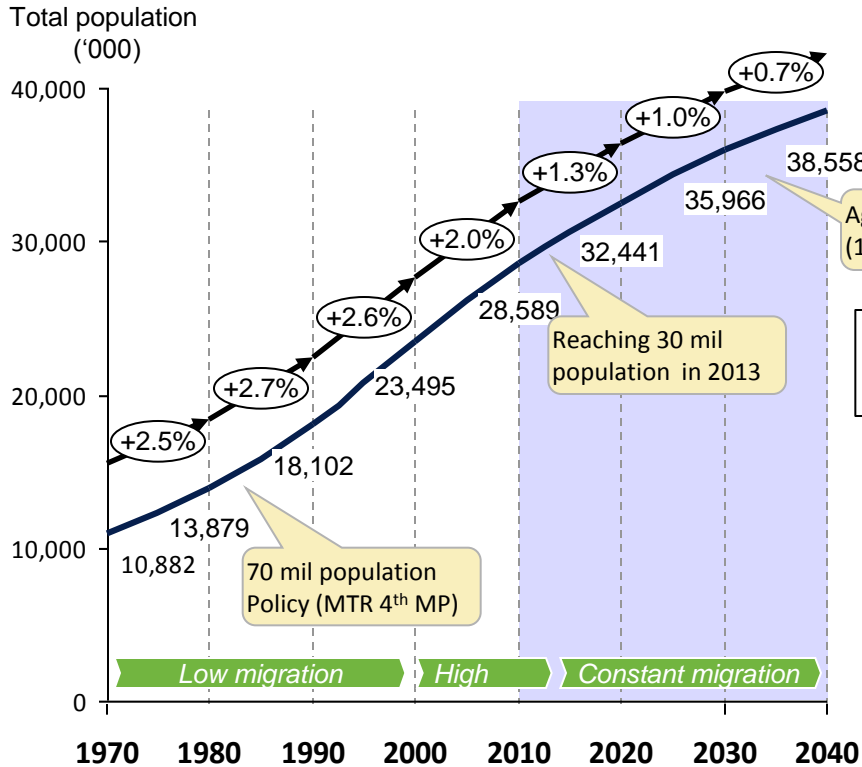
- If people live longer but keep having lots of children, the age structure of the population does not change.
- If women have fewer children, a higher percentage of people in a population will be old.
- So – declining fertility rates are the key.

Fertility rates, 1950 and 2005

- Africa: 6.7 -> 5.1
- Asia: 5.9 -> 2.5
- Latin American / Caribbean: 5.9 -> 2.6
- North America: 3.5 -> 2.0
- Europe: 2.7 -> 1.4
- Malaysia: 4.9 (1970) -> 2.1 (2015)

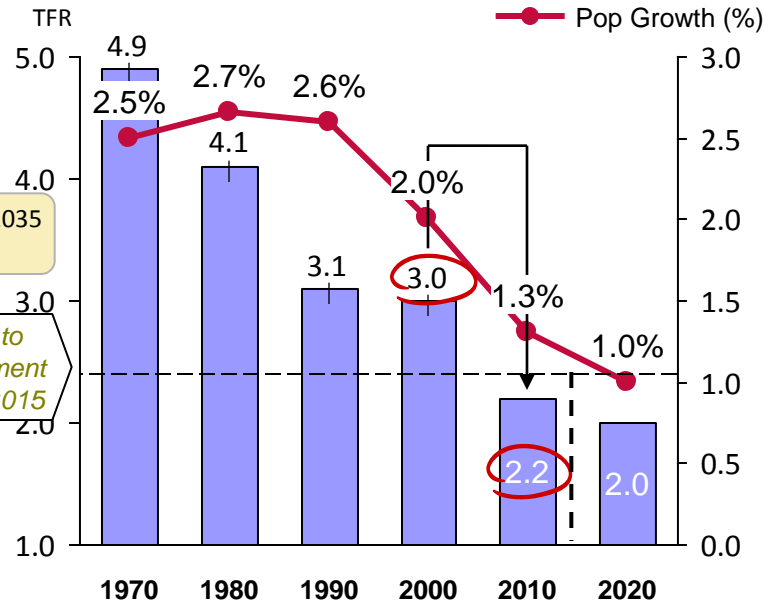
Fertility rates, Malaysia 1970 - 2020

Population increase but at a slow rate



- Population growth 1970 - 2000 (during low in migration period) was about 2.6%.
- Even with higher migration rate (after 2000) population grew at slower rate (2.0%, 2000-2010 and is expected increase at more slower rate of 1.3% during the period of 2010-2020)

TFR decline rapidly since 1990s to 2010



Replacement Level

is the level of fertility at which a population exactly replaces itself (TFR equal 2.1). Generally when a country reaches replacement level, it will experience zero population growth.

- TFR decrease rapidly since 2000 resulting decrease in population growth (2.0% in 2000 to 1.3% in 2010)
- Malaysia is expected to reach replacement level fertility by 2015, however due to 'population momentum' the population continue a positive growth and expected to reaching 39 mil population by 2040

Mean Age at First Marriage by Gender, Malaysia, 1980 - 2010

1980		1991		2000		2010	
M	F	L	P	L	P	L	P
-	19.4	28.2	24.7	28.6	25.1	28.0	25.8

Source: Banci Penduduk & Perumahan 1980, 1991, 2000, & 2010, Jabatan Perangkaan Malaysia

- With increasing in age at first marriage mainly among females will cause their reproductive period become decreasing, hence there is possibility of them having more children after marriage are slightly low.

Working Population by Gender in Malaysia,, 2000 & 2010

Number of Population				Percentage of Changes 2000 - 2010	
2000		2010			
M	F	M	F	M	F
5,397,147	2,713,465	7,122,774	4,308,975	31.97	58.80

Source: Banci Pendudukj & Perumahan 2000, 2010, Jabatan Perangkaan Malaysia

- Indicates that the trends on the increasing of working women percentage in Malaysia tends to limit the number of children as their jobs need a high commitment in terms of time and energy. Focusing on career development is necessary for their family financing resources to improve the quality of life.

Mean of Number of Children borne by Age at First Marriage and Levels of Education, Malaysia, 2004

Level of Education	Age at First Marriage (year)				
	< 18	18 - 20	21 - 23	24+	Total
Non-official Education	5.7	5.4	3.6	2.6	4.5
Low	5.2	4.3	3.6	2.6	3.8
Middle	4.2	3.5	2.9	2.4	2.9
High	-	2.5	2.9	2.3	2.4
Total	4.8	3.8	3.1	2.4	3.1

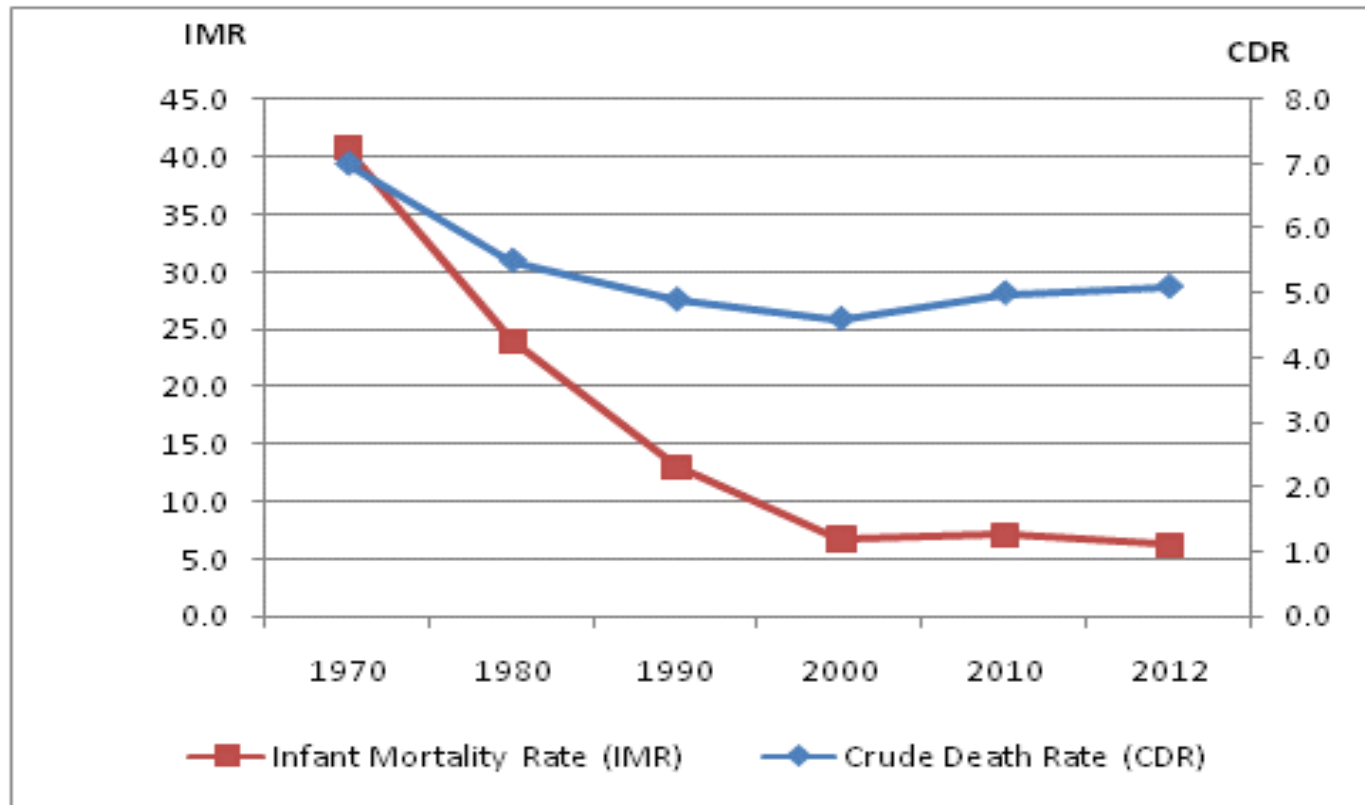
Source: Kajian Penduduk & Keluarga Malaysia 2004, LPPKN

- Indicate that early marriage for females to have more children, so as the lower of education level.

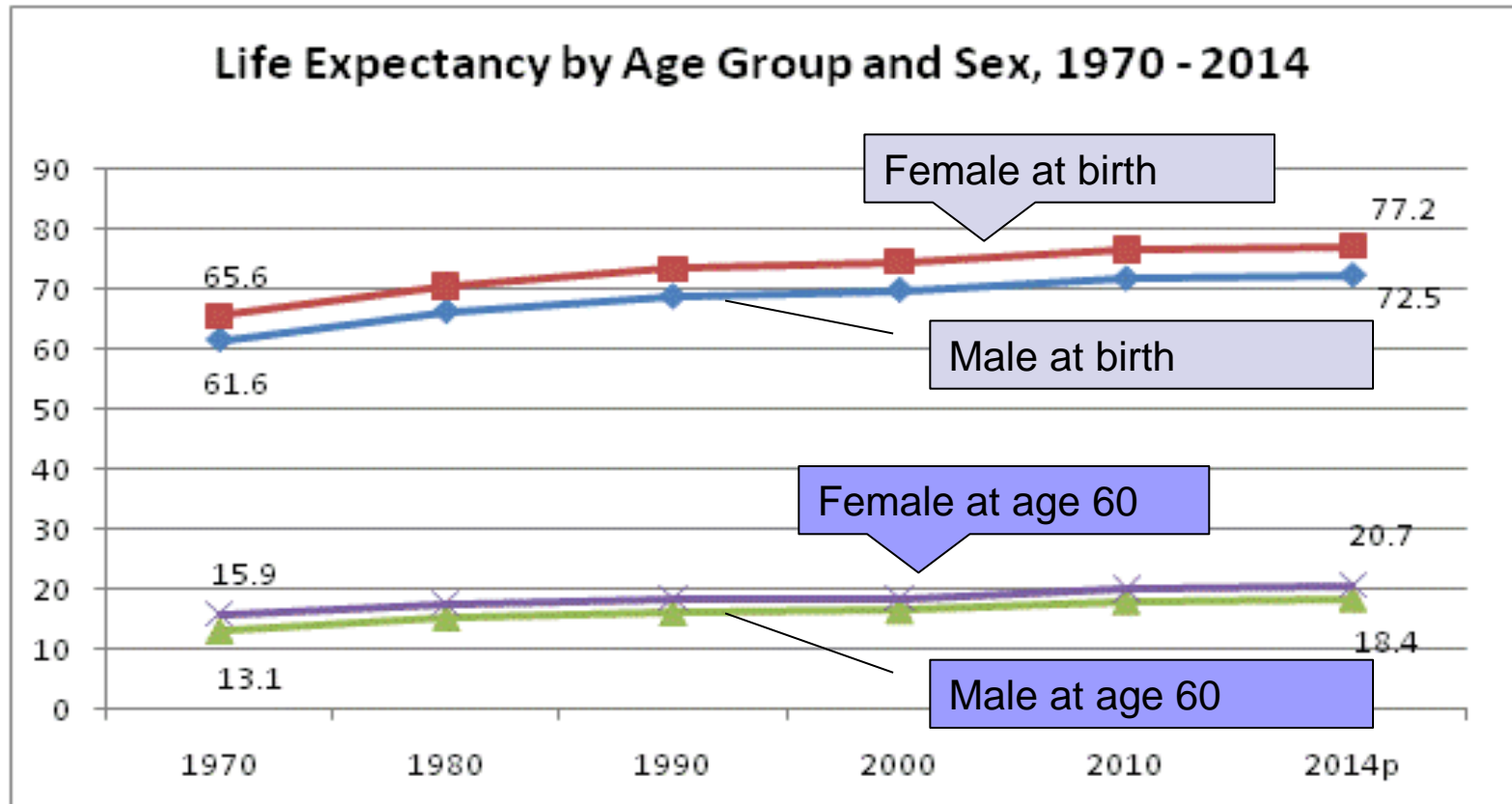
Mortality changes are also important

- Increasing life expectancy contributes to population aging
 - Especially when infant mortality is lowered
 - More people survive to become old

CDR & IMR, Malaysia, 1970 -2012

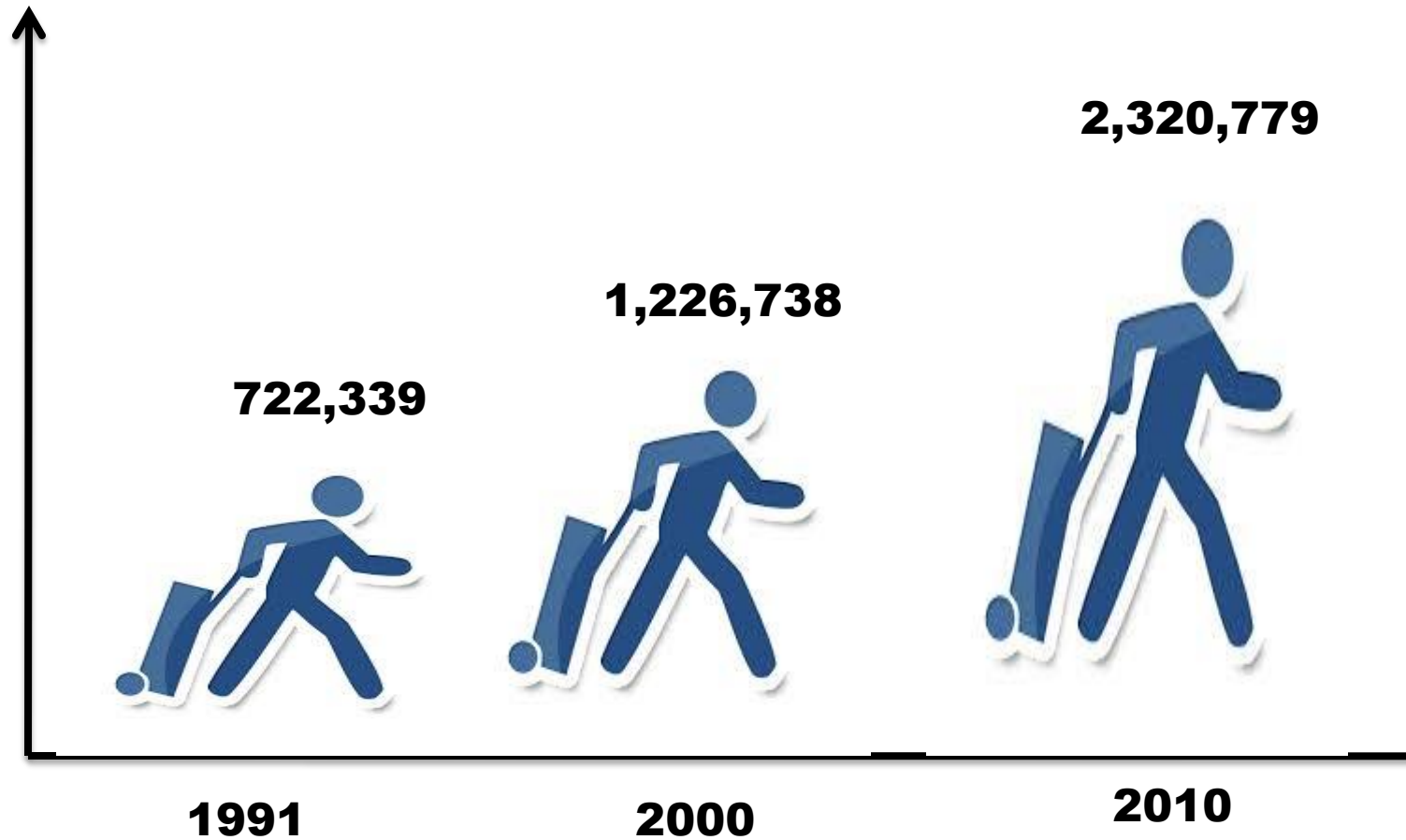


What explains gains in life expectancy?



Does migration have an effect?

- Number of Non-Citizens increased more than tripled since 1991



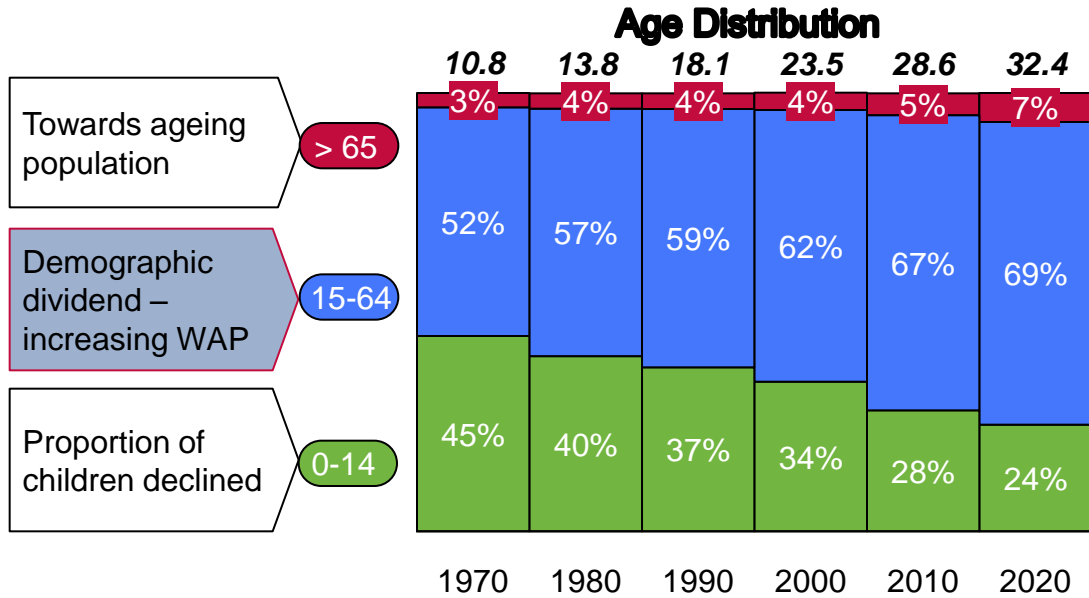
Source: Department of Statistics of Malaysia



Indicators of population aging

- Greater numbers of older people
- Higher median age
- A higher percentage of our population is “old”

Malaysia – Early Stages of Population Ageing



Towards ageing population **> 65**

Demographic dividend – increasing WAP **15-64**

Proportion of children declined **0-14**

Dependency

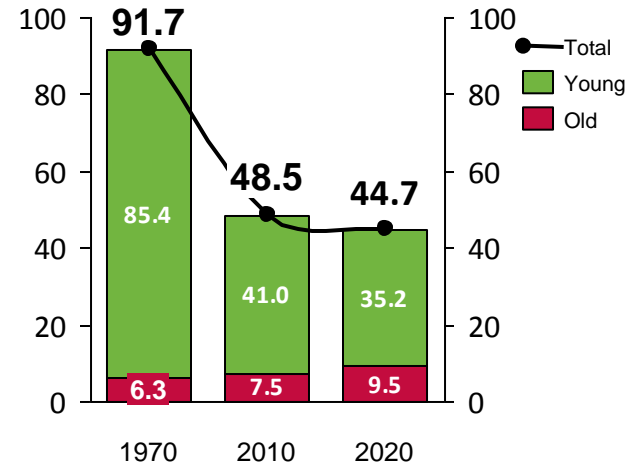
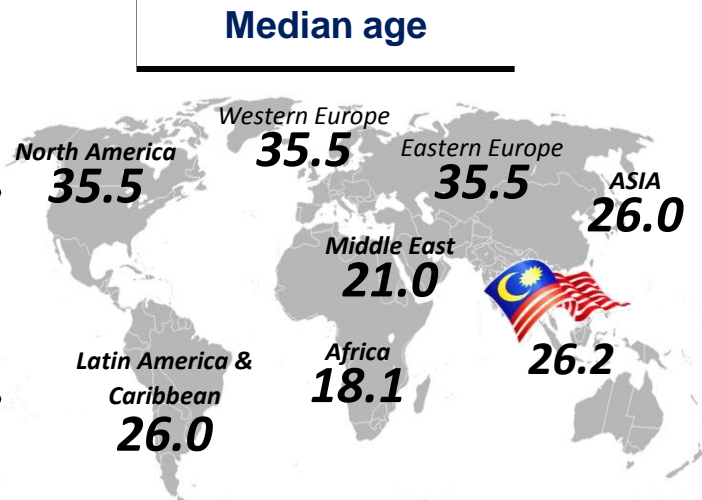
Dependency ratio: A measure showing the number of dependents (aged 0-14 and over the age of 65) to the total population (aged 15-64)

The increase in the working age population will increase the workers/potential workers who will be able to support the children and older persons

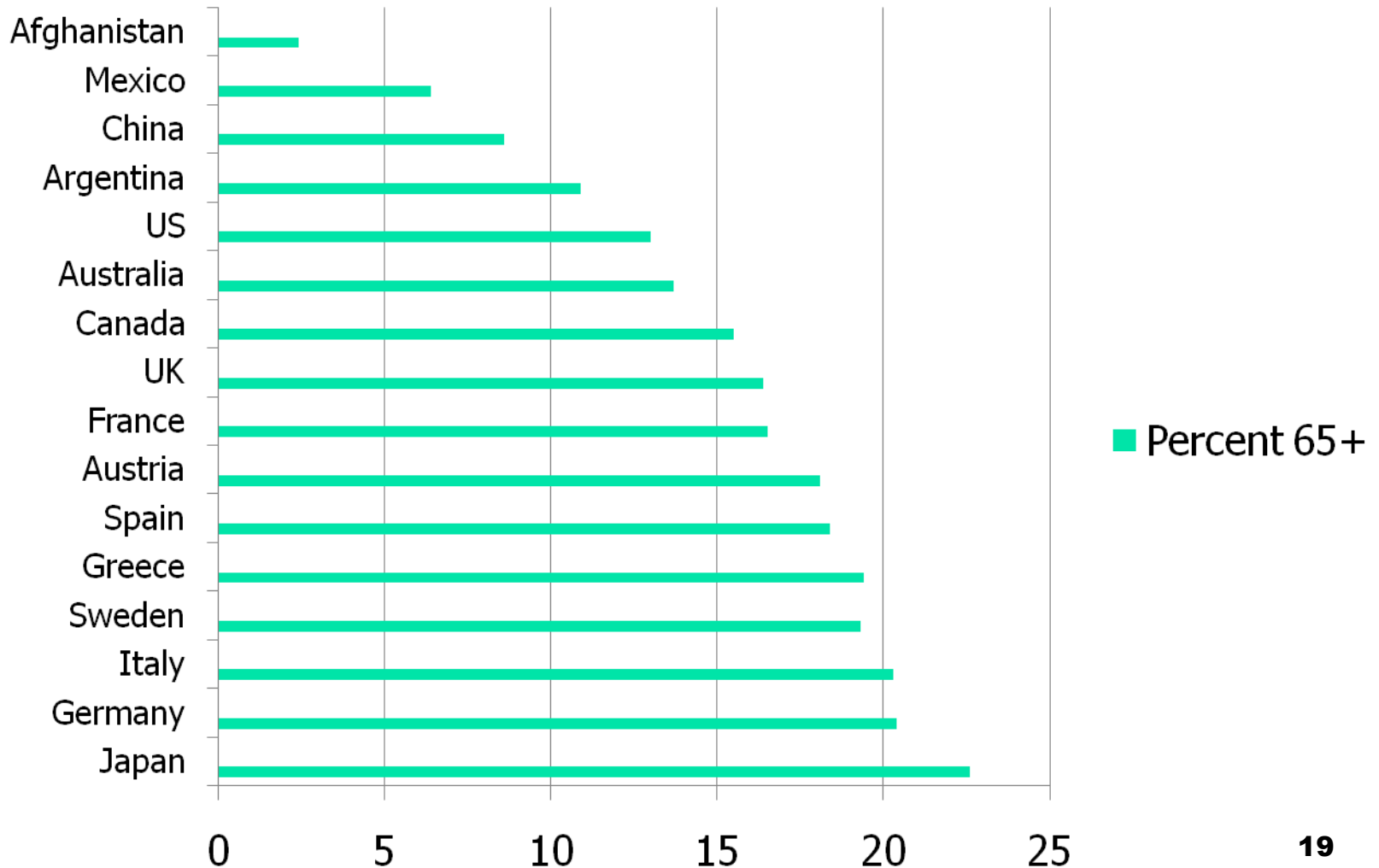
The gain in the working age population is often considered as a demographic dividend for the country

Median age: divides a population into two numerically equal groups; that is, half the people are younger than this age and half are older

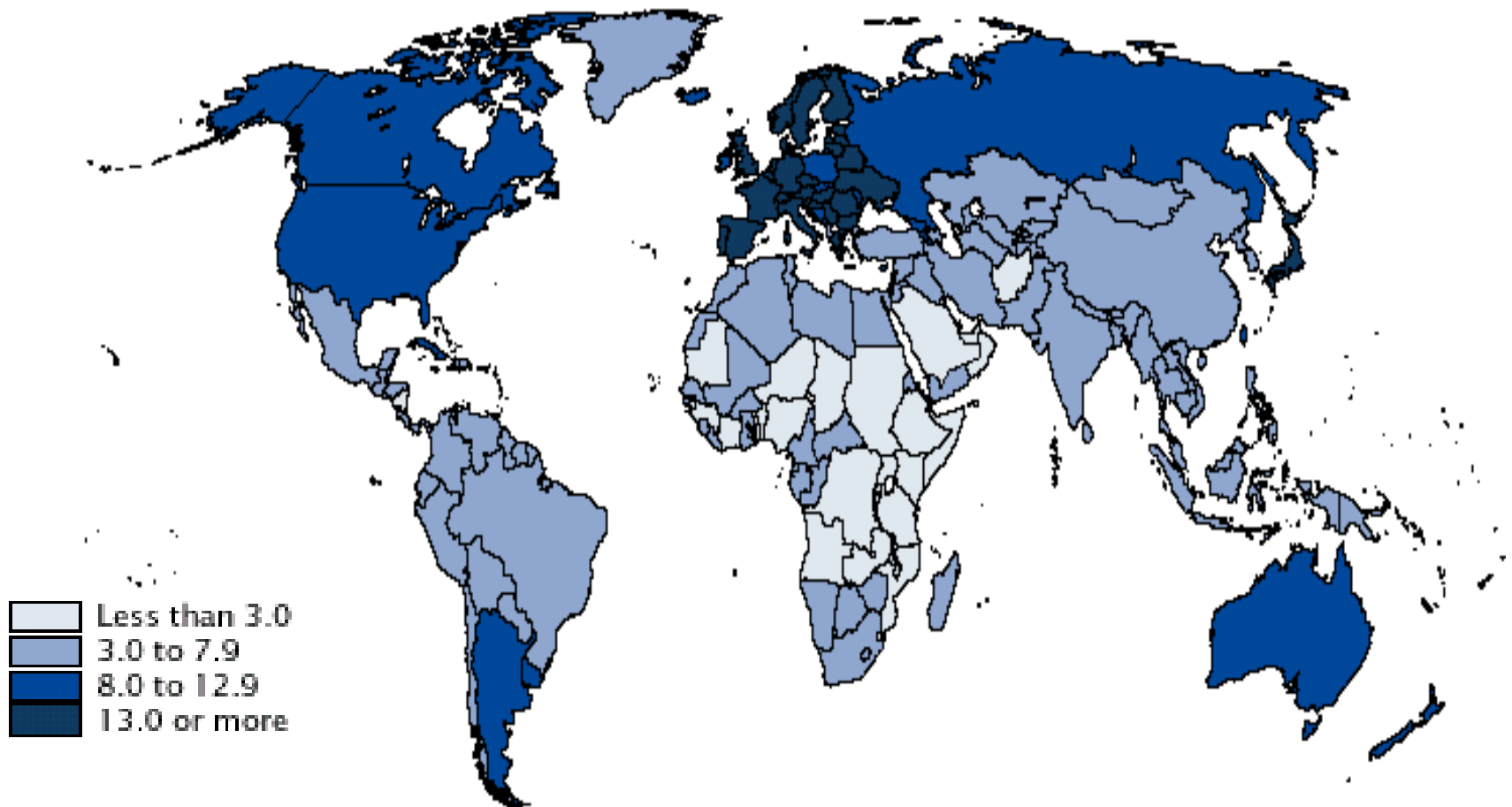
Malaysia is still considered among nation with younger population (median age ~ 26.2, 2010 Census)



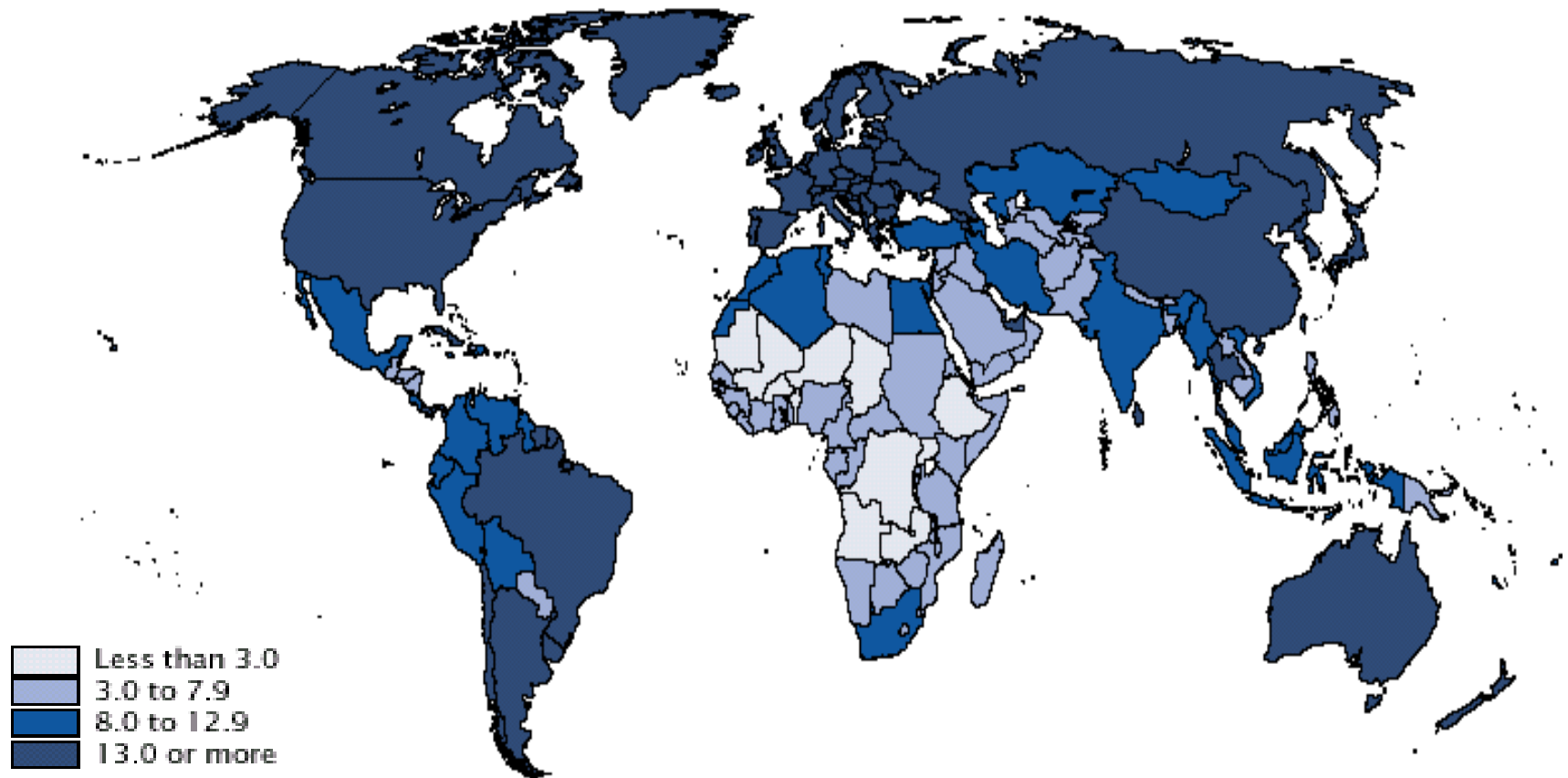
Global Aging: Which countries are the “oldest”?



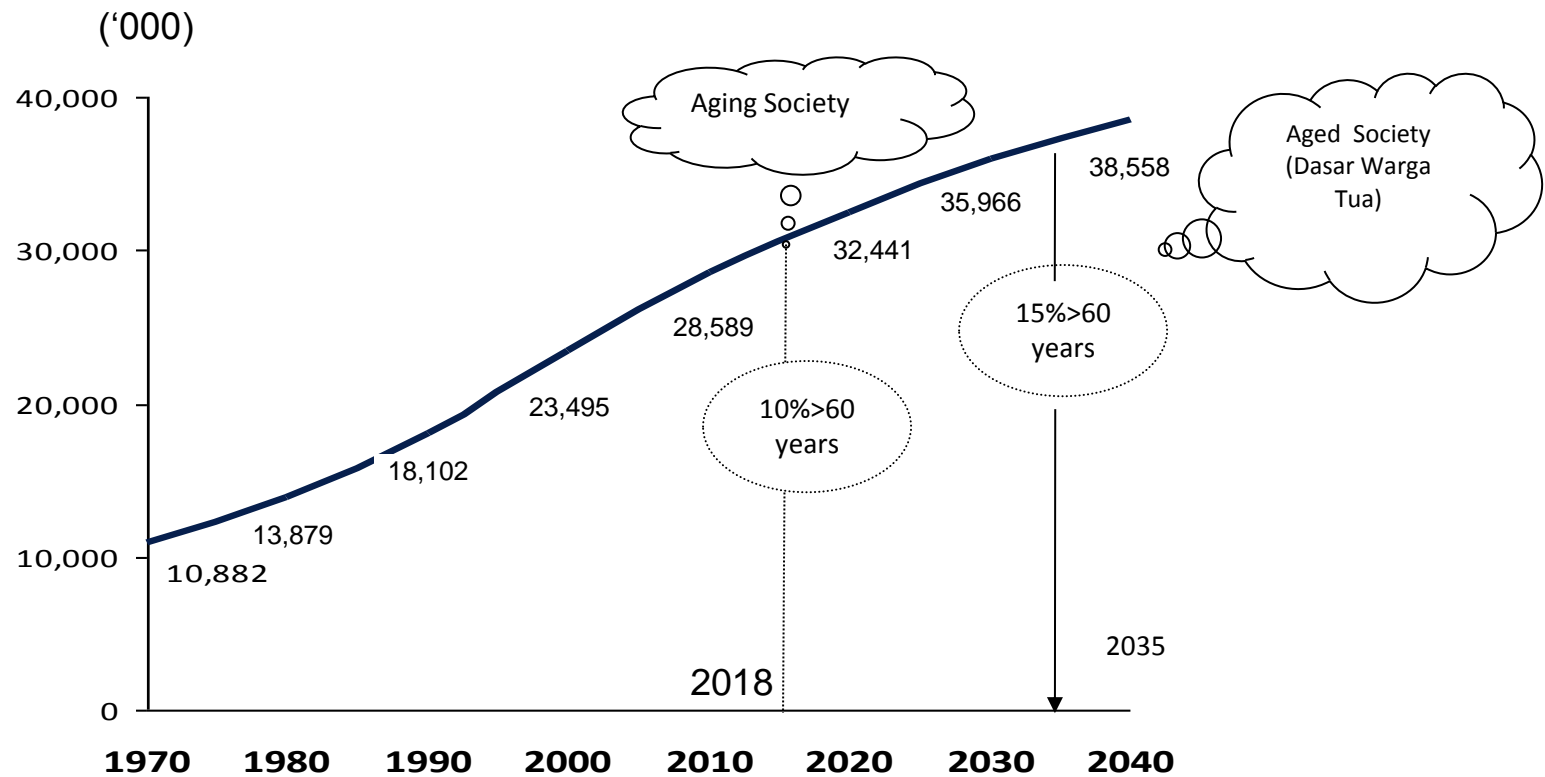
Percent Aged 65 and Over: 2000



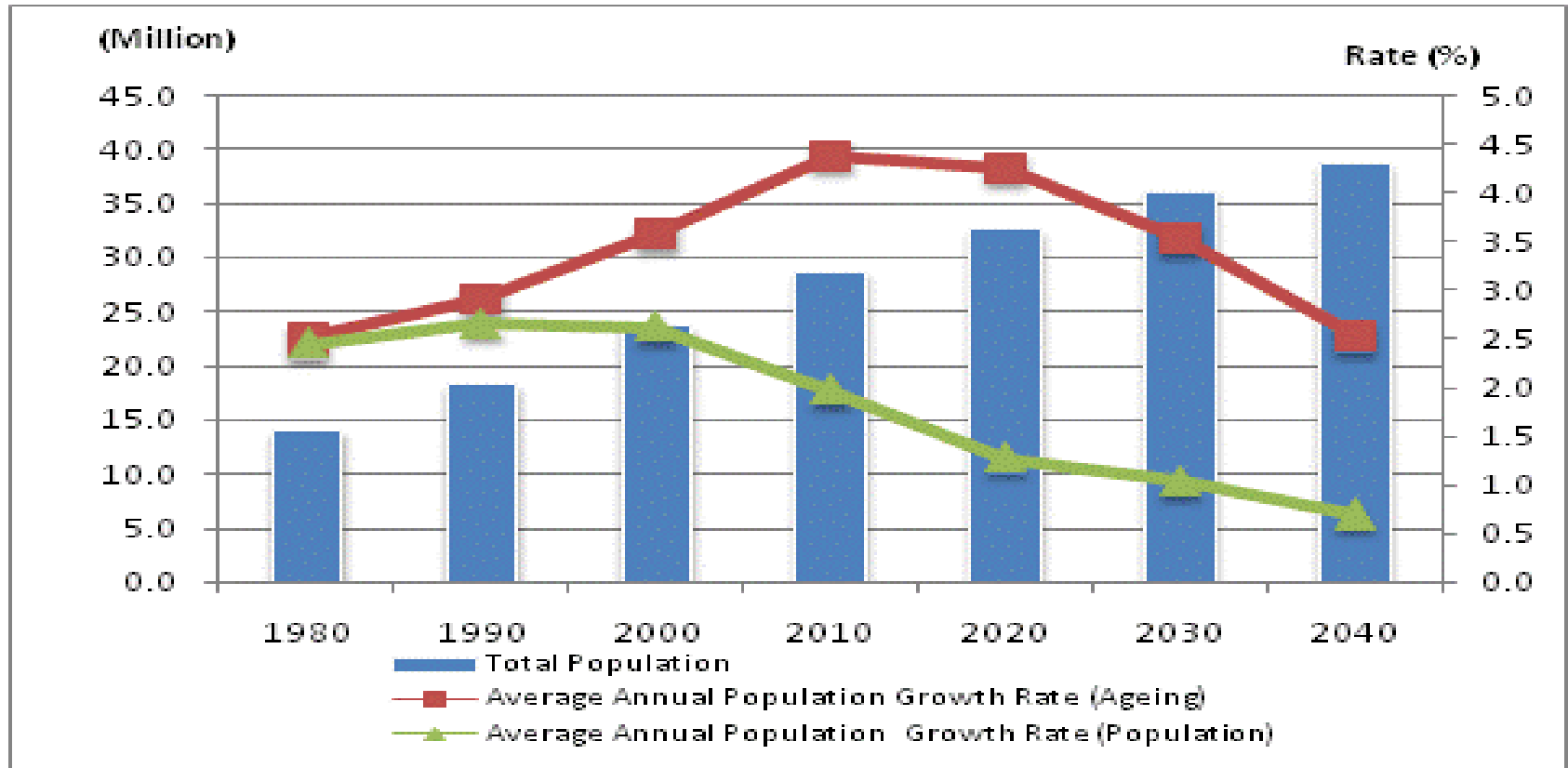
Percent Aged 65 and Over: 2030



Ageing in Malaysia

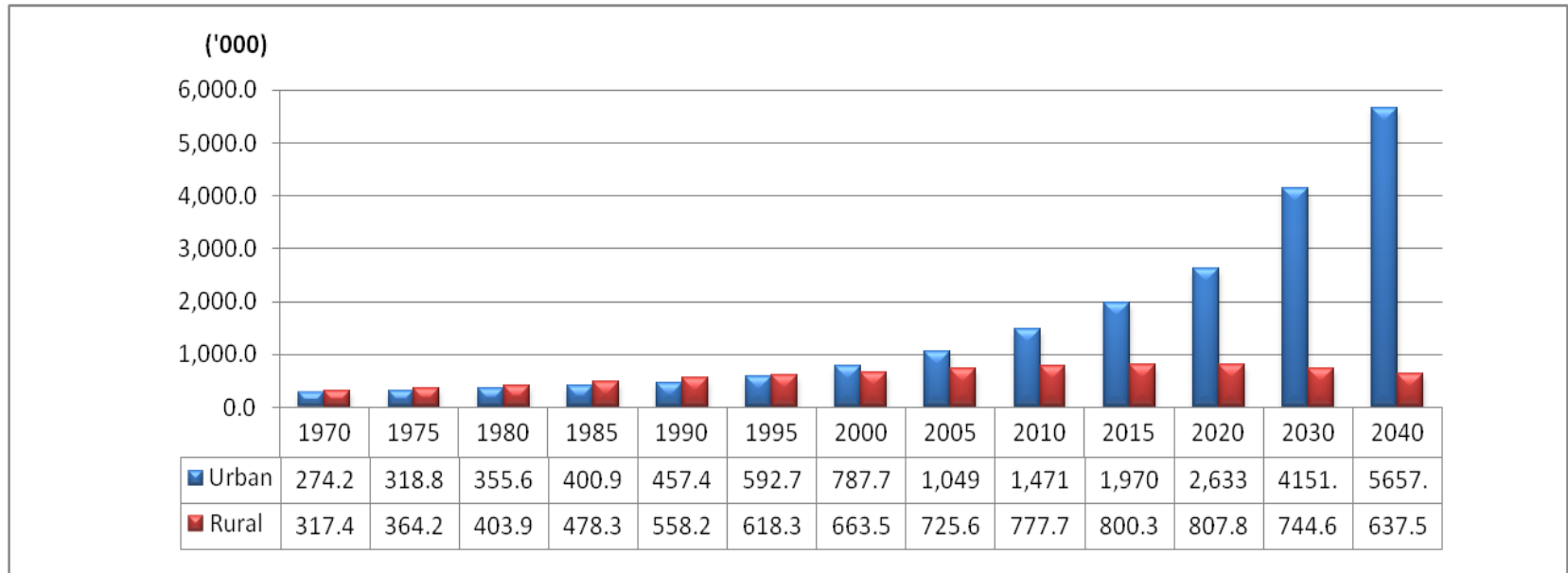


AAPGR of Ageing, Malaysia 1980 - 2040



The rate of an older age is growing faster than the total population

Ageing Population by Strata, Malaysia 1970 - 2040



- Since 1970 up to 1995, An old age people in a rural area is more than in an urban area. However, starting from year 2000 up to 2040, the increasing on the old age population in an urban area is more than in a rural area.

Ageing Population by Strata and Sex, Malaysia 1970 - 2040

Year	TOTAL (‘000)	Urban			Rural		
		Total (‘000)	Male	Female	Total (‘000)	Male	Female
			(%)			(%)	
1970	591.5	274.2	50.5	49.5	317.4	53.4	49.6
1980	759.5	355.6	47.9	52.1	403.9	51.0	49.0
1990	1,015.6	457.4	47.4	52.6	558.2	47.5	52.5
2000	1,451.1	787.7	47.4	52.6	663.5	48.2	51.8
2010	2,248.6	1,471.0	49.5	50.5	777.7	48.3	51.7
2020	3,440.8	2,633.0	49.3	50.7	807.8	46.7	53.3
2030	4,896.1	4,151.6	47.8	52.2	744.6	45.6	54.4
2040	6,295.3	5,657.8	46.9	53.1	637.3	46.4	53.6

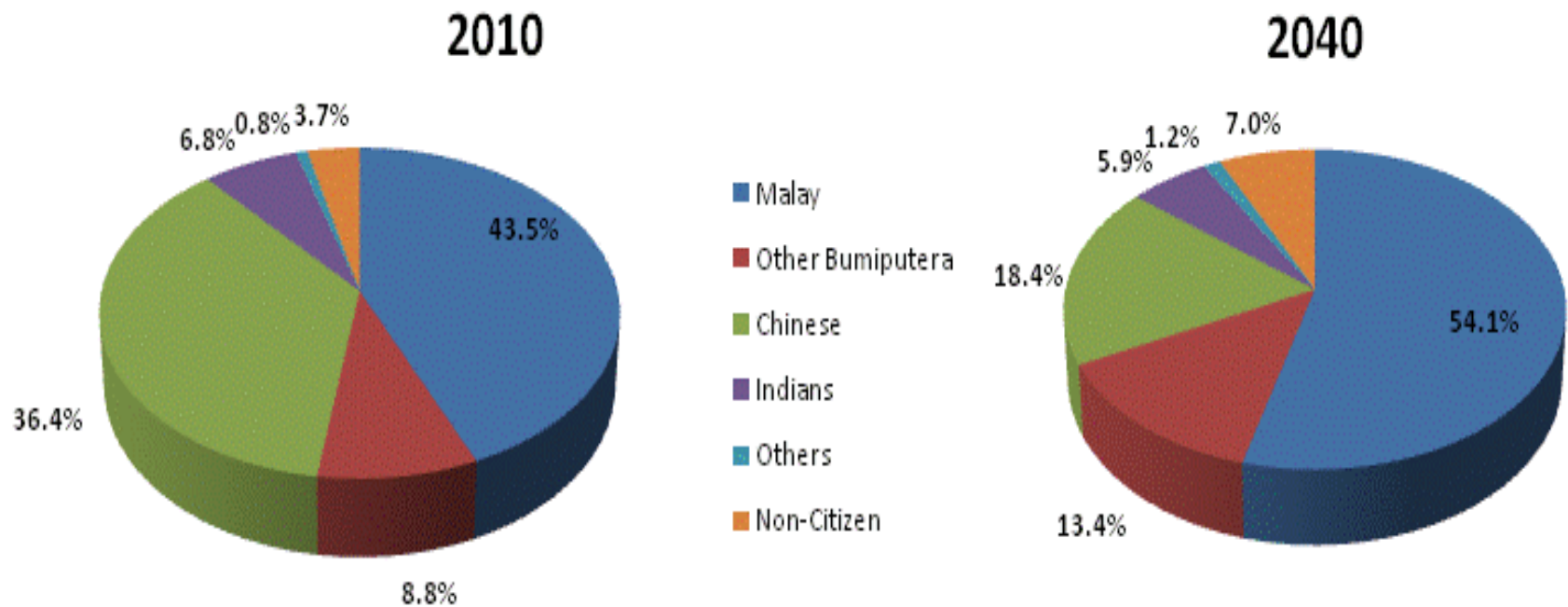
- The percentage of an old age is growing in an urban area as compared to in a rural area. However, the percentage of an old age female is more higher than male in both rural and urban areas.

Sex Ratio, Malaysia by age group, Malaysia 1970 - 2040

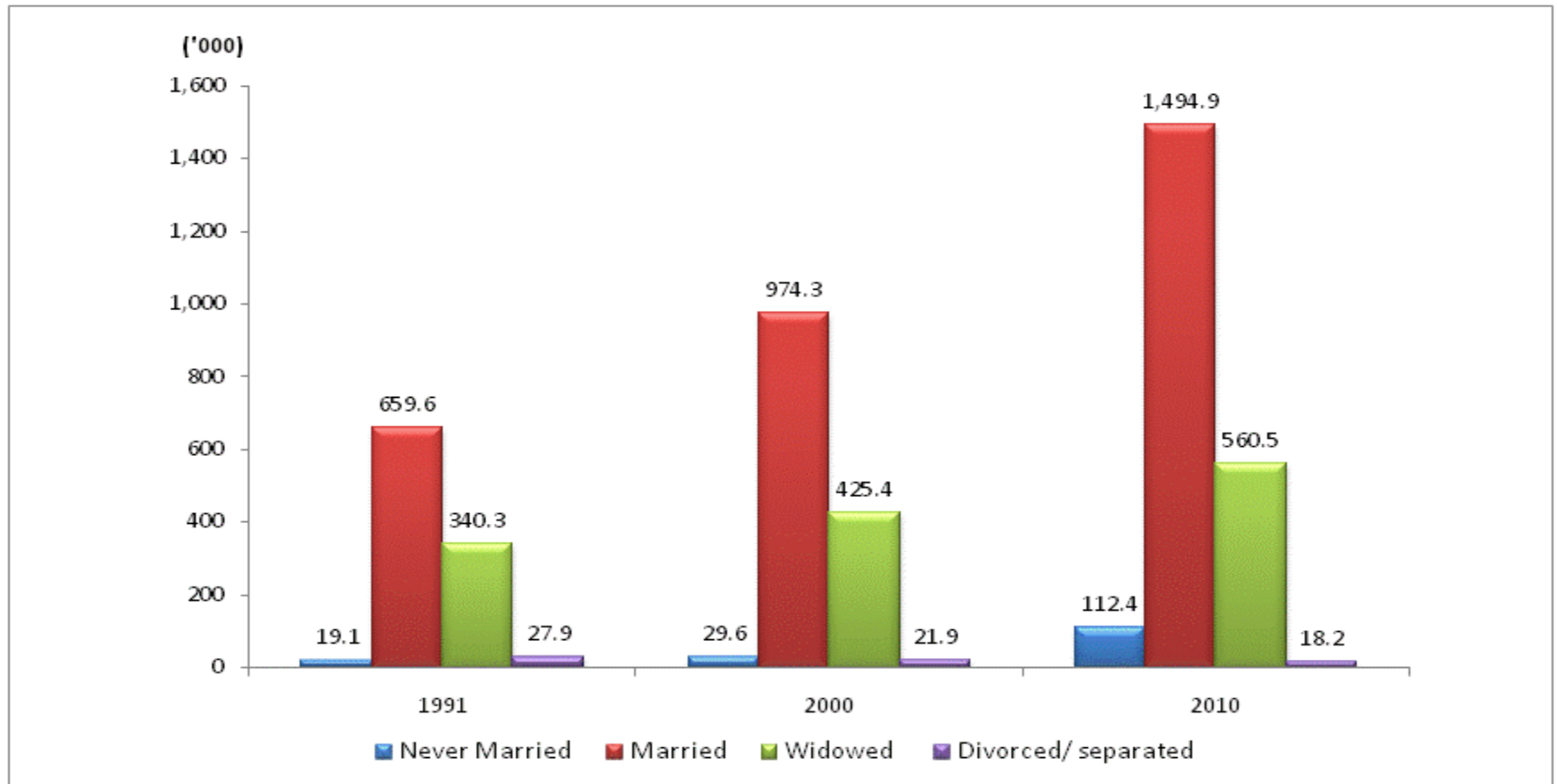
Year	Total	New Birth	At age 60	At age 65
1970	103	104	109	108
1975	102	105	104	102
1980	102	105	98	98
1985	102	106	93	92
1990	103	106	90	88
1995	104	106	90	87
2000	104	105	103	94
2005	105	106	106	101
2010	106	106	104	102
2015	106	106	103	99
2020	105	106	102	98
2025	104	106	99	97
2030	104	106	96	93
2035	104	106	102	89
2040	103	106	105	92

Sex ratio = total no. of male for every 100 female.

Ageing Population by Ethnic Group, Malaysia 2010 and 2040



Ageing Population by Marital Status, Malaysia 1991, 2000 and 2010



Challenges for Economy Growth

- Increase in the dependency ratio.
 - Fewer people are working to support more and more people who are not working
 - If the retirement age remains fixed, and the life expectancy increases, there will be relatively more people claiming pension benefits and less people working and paying income taxes.
- Increased government spending on health care and pensions.
 - Population ageing affect the public finances; it creates a imbalances in national budgets
- Those in work may have to pay higher taxes.
 - This could create disincentives to work and disincentives for firms to invest, therefore there could be a fall in productivity and growth.

Challenges for Economy Growth

- Shortage of workers.
 - An ageing population could lead to a shortage of workers and hence push up wages causing wage inflation.
 - Alternatively, offering flexible working practices.
- Changing sectors within the economy.
 - An increase in the numbers of retired people will create a bigger market for goods and services linked to older people (e.g. retirement homes)
- Higher savings for pensions may reduce capital investment.
 - If society is putting a higher % of income into pension funds, it could reduce the amount of savings available for more productive investment, leading to lower rates of economic growth.

Policy challenges

- Pension schemes under financial stress:
 - **Low fertility rate:** Baby bust generation not able to finance baby boom pensions => Need for pre-funding of pensions
 - **Increasing longevity:** Steady increase in oldest age group => Need to lengthen economically active life span
- Labour force start to shrink
 - **Labour supply decisions** of the baby boom generation **critical:** If they do not stay longer in work, labour shortages a big problem => Urgent need to increase retirement age
- Spending on health and long term care expands
 - **Demand for social and health services increases** dramatically => Need for productivity improvement in public services

Recommendations

- Increase the participation rate in the working place
 - Make it easier for people past 60 to keep working
- Raise up the retirement age
 - The government has already propose an increase to 60, the retirement age could automatically be linked to the life expectancy
- Increase the importance of the private sector in providing pensions and health care

Conclusions

- Ageing is not our main an issue, but it will become an issue in the future undertakings.
- Government has develop policies and acts:
 - Sambutan Hari Warga Tua Kebangsaan
 - Dasar Warga Emas Negara
 - Umur Persaraan
 - Akta Pusat Penjagaan
 - Projek “Masyarakat Penyayang”
 - Institut Gerontologi Kebangsaan
- A general view is that pension reform will ease ageing pressures on labour market and pension financing.
- A huge challenge will be to increase productivity in social and health services.