Impact of Ageing on Economy: Macro Perspective

Soonman KWON, Ph.D.
Chief of Health Sector Group (Tech Advisor)
Asian Development Bank

Former Dean, School of Public Health, Seoul National University
Former President, Korea Gerontological Society
Economic Growth (macro-level) 
\[ = f (\text{Labor, Capital, \ldots}) \]

Impact of health on
- Quantity of labor (size of labor force)
- Quality of labor (labor productivity)
- Saving/Capital accumulation

Various (facilitating/mitigating) factors affecting the impact of population ageing on economic growth
AGEING and Economy

AGEING

- Labor Force (Quantity)
- Cognitive Capacity (Age-productivity)
- Investment in Human Development
- Capital/saving

Economic Growth

Labor Productivity
1. **Impact of Ageing on Quantity of Labor**

Role of female labor participation

Post-retirement workforce participation depends on generosity of social security system

Higher education level of older people
- Better health and can work more
- Higher income and *more or less* incentive to work?

Immigrant workers?
2. Impact of Ageing on Quality of Labor

High quality of labor
- Higher education level of older people
- Improved health of older people

Age and productivity
- Mental vs. physical productivity?
- Complementarity of skills of the young and older people (working together)
3. Impact of Ageing on Capital Accumulation

Asian culture of high saving

Aggregate saving will decline with ageing
- if smaller number of people in labor

Higher incentive to save?: precautionary saving

Role of social security system and financial markets
4. Impact of Ageing on Pension and Health and LTC System

Big effect of ageing on pension
- Role of policy on benefits and pension age

Effect of ageing on health care system
- Proximity of death
- Healthy ageing

Effect of ageing on long-term care system
- Role of care provided by spouse/informal care givers
- Impact of policy on care giving:
  e.g., community vs. institutions

Kwon: Ageing and Economy
Healthy Ageing and Health Expenditure

Source: OECD, 2013