

BOOK REVIEW

of

PREPARING FOR AN AGING WORLD:
THE CASE FOR CROSS-NATIONAL RESEARCH

National Research Council (2001)
Washington, D.C.: National Academy Press

Introduction

The sharp decline in fertility rates and an increase in life expectancy have increased the proportion of elderly (aged 65 and over) and the oldest old (above 80 years) in populations all across the world. This trend is expected to continue in different countries at different points in time. Larry Bumpass (1990)¹ is of the opinion that in the presence of strong pronatalist forces, fertility rates are going to continuously fall and a top heavy population is inevitable. Given this scenario, Samuel Preston in his 1984 article² discusses the priorities before the state towards policies regarding elderly care in the social, industrial and political context.

The issue of policy response to the demographic trend of a growing elderly population has been a hotbed of discussion. Not all countries or individuals within countries have experienced similar trends. Understanding these differences is central for identifying the key determinants of the changes that have occurred. Achieving such an understanding requires collection of detailed scientific data for comparative study. The book “Preparing for an Aging World: The Case for Cross National Research” is a report published by the National Research Council based on explorations by a panel of experts on the scientific opportunities for conducting policy relevant comparative research on aging. It contains recommendations made by this panel for an international research agenda and kinds of data needed to carry out the agenda. This book emphasizes on cross-national research so that nations can learn from each other as well as understand the variations in the dynamics of population aging and the effectiveness of policies and programs in different national settings. Using cross country data, it is possible to evaluate policies by effective control experiments. The objective of this book is to inform policymakers about the current state of knowledge, identify the types of data that could be collected to assist in policy decisions necessitated by the transition to a more aged society.

¹ “What’s happening to the Family? Interactions between demographic and institutional change”, PAA 1990 Presidential Address.

² “Children and the Elderly: Divergent paths for America’s Dependents”, *Demography*, 21(4), 1984.

Profile of Global Aging

The number of elderly is now increasing by 8 million per year and by 2030 this increase will reach 24 million per year. The number increased from 130 million (4% of the world population) in 1950 to 419 million (6.9%) in 2000. The most rapid acceleration in aging, however, will occur after 2010 when the large post World War II baby boom cohorts begin to reach age 65. The elderly population itself is growing older. The oldest old is the fastest growing group among the elderly.

In 2000, Italy was the world's "oldest" nation with more than 18% of its population aged 65 and over. Sweden, Belgium, Greece and Japan also had about 17% elderly population. Europe has the highest proportion of population aged 65 and over but other regions of the world will begin to age much more rapidly in the coming decades. The proportion of those aged 65 and over in Asia, Latin America, Caribbean and East/north Africa, is expected to more than triple by 2050.

Key Issues and Recommendations

The book identifies some key issues that require cross-national research in the context of the phenomenon of global aging. The order of importance of each of these may vary from country to country as well as may change over time. They are:

Work, Retirement and Pensions

Participation rates not only vary widely across countries, they also show dramatic changes across time within countries. The declining labor force participation of older persons and the general increase in female participation are the most significant features of labor force change in the developed world over the past several decades. For example, Japan and Belgium provide two dramatic extremes. By age 69, virtually no men in Belgium are working whereas in Japan, almost half are still in the work force. Low rates of female participation among women above the age of 60 have been common in Australia and New Zealand but this has clearly changed with an increase in the retirement age of women. As regards policy response and the importance of

drawing an understanding from the experience of different countries, the report mentions a study by Gruber and Wise which is a case in point. Through their analysis of 11 developed countries, they drew three important features that weren't easily discernable in single country studies. First, there is a strong correspondence between early and normal retirement and departures from the labor force. Second, public pension provisions in most countries place a heavy tax burden on work past the age of early retirement eligibility and this provides a strong incentive to withdraw early from the labor force. Third, incentive to leave the labor force and retirement behavior was seen to vary substantially across countries. The Panel therefore recommended:

- Careful monitoring of plan provisions, benefit accrual rates and comparisons across nations to examine differential policy effects.
- Collection of data on retirement behavior especially on the interaction of eligibility criteria and individual circumstances.
- Monitoring of likely association of private pension schemes with retirement behavior.
- Collection of longitudinal surveys of individual data to find the determinants of retirement choices, best supplemented by administrative data files.

Private Wealth and Income Security

The two most basic challenges that are associated with an aging population are whether individuals would have enough income security during their retirement years and whether they would have protection against increasing risks of falling into poor health. Industrialized nations responded to this need by developing the three tier system. However, individual countries have placed differing emphasis on each of the three tiers, while devising their own schemes. In this context, the NRC Panel identified the need for research in issues such as whether elderly save or dissave, whether social insurance schemes have any effect on household savings or wealth, interactions between private pensions and public pensions with wealth accumulation, effect of capital gains, health shocks and tax preferred savings on wealth accumulation, retirement

decisions and household wealth as well as demographic effects on stock markets. There are several datasets that are equipped to carry out such studies (listed on Pg 113) but these studies are not adequate. The report emphasizes the need for longitudinal micro data covering extensive measures of economic status. It urges researchers and policymakers to pay close attention to new methods of collecting such data in different countries to exploit the institutional differences and advance the understanding on individual level of wealth accumulation.

Intergenerational Transfers

Needs of the aged have historically been taken care of by pecuniary and non-pecuniary transfers from children, extended family networks and social security systems. These have varied across the developed and developing world and there are gaps in the understanding of policy questions such as whether state transfers magnify or crowd out family transfers, to what extent does potential for bequests creates incentives for transfers from adult children to elderly parents, extent of housing behavior in absence of constraints, full cost of care giving, preferences for investments in human capital of offspring and effects of early life decisions on later life behaviors. In order to carry out extensive research, the book emphasizes the need for use of intergenerational aging framework, use of appropriate survey instruments, use of cohort analyses and innovation simulation, the use of prospective studies to explore family behavior and a comparative analyses of prospective studies in developed and developing countries.

This study gives an outline of the intergeneration support system (Pg 173, Box 5-1) and summarizes key strategies for avoiding measurement errors and improving the quality of data collection (Pg 179).

Health

As the elderly are growing in number and acquiring greater longevity, health status is an important issue of concern that affects all other outcomes associated with the elderly such as work, retirement, wealth, wellbeing, etc. Evidence shows that disability amongst the elderly has been decreasing but there is no data to carry out a comprehensive comparative analysis of the

health status of the aged across countries. Nations, while they are focusing more on institutions and health care systems to look after the elderly, are so diverse across each other, that the book points out the need for a continuous flow of information. Quantitative data on health service delivery policies and systems for the elderly as well as information on resources expended in the health care system and issues related to population health status and directions are critical. Cross-national research can enable creation of evaluation mechanisms that is not possible in any one country because of the existing homogeneity within the borders. Comparative work can forewarn us of the emerging trends, improve our understanding of diseases and conditions pertaining to work, society and policy so that adjustments made would be cost effective.

The recommendations made in this context includes uniformity in measuring health information, systematic data collection in a hierarchical framework, link health information with economic and social data, collect longitudinal data on older persons and use cross-national panel studies to clarify relationships between organizations, financing, health and outcomes in order to provide a greater insight into policies, interventions and their effects.

Wellbeing

Quality of life or a sense of wellbeing is the criterion by which a government's success is judged by its citizens. Lot of research has been done on the assessment of wellbeing but there is no consensus on the definitions, levels and measurement of wellbeing. This book emphasizes the importance of having not only subjective methods of measuring wellbeing but also assessing the emotional status or moods due to experience of major life events such as changes in activity patterns, illness, bereavements and retirements.

Conclusion

A central theme of this study is to recommend collection of cross-national data over time because much can be learned from careful comparative analyses of policy reforms and changes in work, retirement, consumption behaviors of the elderly across countries. This approach is not bereft of

challenges in developing research questions and designs that are readily adaptable to different social and cultural settings, harmonization of concepts and measures and coordination of data collection and analyses across countries. However, research conducted in the last decade reveals the importance of a multidisciplinary approach. Public policy making could be made successful if we consider interplay of demographic structure, examine incentive structures for retirement and understand changing health profile and household decision-making with respect to work and retirement patterns.

One drawback of the discussion in this book is that except in the case of intergenerational transfers, macro determinants of aging, retirement and labor market participation have not been discussed in details. Interplay of social preferences, cultural values and ideational theories behind elderly behavior is also an important area on inquiry that has not been explicitly addressed. The Panel believes that there is no possibility of a crisis; in fact, aging and policy responses seem to have been highly malleable. Hence the book's opinion is that nations would be able to cope as long as policymakers have access to information about the emerging economic and social forces that would shape future societal wellbeing. This book rejects both the alarmist and complacent views regarding aging but urges developing data for the scientific community to research on important issues such as discussed above. It reiterates that full effects of global aging are still decades away but nations need to act promptly to develop strategies for coping and guiding policymaking in order to avoid a potential for global 'aging' crisis.