Aging in South Asia: challenges and opportunities

Masud Chand
Department of Management, W. Frank Barton School of Business, Wichita State University, Wichita, Kansas, USA

Abstract

Purpose – The countries that make up South Asia have young but rapidly aging populations. The purpose of this paper is to investigate some of the challenges that this rapid aging creates for societies and organizations in South Asia. It also points out how, properly managed, aging populations can create multiple opportunities for societies and organizations alike.

Design/methodology/approach – The paper uses secondary data about the aging situation globally. It pays special attention to the demographic situation in South Asian countries and uses as examples policies dealing with aging populations in other countries that have gone through demographic transitions in the recent past.

Findings – Aging populations are bringing about numerous challenges in the region, including rising costs for pensions and healthcare, higher dependency ratios, and changing family dynamics. South Asia will enjoy a one-time demographic dividend. Policy makers and managers need to put the right policies in place to ensure that they take maximum advantage of this opportunity.

Research limitations/implications – The study is based on secondary data. It is a perspectives piece and does not provide an in-depth study of the specific issues raised.

Practical implications – The study details how organizations can best manage this transition. This includes planning for a multigenerational workforce, providing accommodations for older workers, and fostering mentoring, knowledge transfer, cross-training and mixed-age work teams.

Social implications – This study analyzes some of the social issues that arise because of aging populations, such as the challenge of creating pension and healthcare systems, dealing with a rising old age dependency ratio, and dealing with a gradual transition to single-family households.

Originality/value – This is one of the first studies that look at the coming demographic transition in South Asia, and details some of the challenges and opportunities that arise both in terms of policies and managerial implications.

Keywords Aging, South Asia, Challenges and opportunities, Demographic dynamism

Paper type Research paper

Introduction

The world stands on the precipice of a major demographic transformation brought about by a rapidly aging population. The rapid aging of populations, while occurring worldwide, is uneven in its speed and scope across different regions of the world, pointing to the strategic implications of this phenomenon. Aging occurs when the median age of a country or region rises due to a combination of prolonged life expectancy increases and declining birthrates. Aging populations lead to a number of challenges for businesses, societies and governments, including slowing economic growth, possible poverty among the elderly, issues of generational equity because of rising wealth transfers from the working age to the retired population, inefficiencies in labor markets, and unsustainable pension and public transfer systems as the dependency ratio (the ratio of the non-working to the working population) rises (Chand and Tung, 2014). These issues have historically led to major demographic challenges in industrialized countries, where an increasingly elderly population and low fertility rates have combined to create a situation that leads to a graying and shrinking workforce. However, most emerging economies are now aging rapidly as well, with fertility rates declining and life expectancies rising due to improving social conditions and advances in healthcare (Jackson et al., 2011).

While the effects of aging are dramatically evident in industrialized countries, this is a global phenomenon. The transition to low fertility rates and rising life expectancies has
been much more rapid in emerging economies compared to industrialized countries. While emerging economies have a lower median age, the rate at which they are aging is in some cases much more rapid. For example, a country like Bangladesh increased its life expectancy at birth by over 14 years between 1990 and 2015 (from 58 to 72), while during the same period, in an industrialized country like the USA, life expectancy went up by about four years (from 75 to 79) (World Bank, 2016a, b). Worldwide, there were about 900 m people aged 60 or above in 2015. By 2050, this is projected to more than double its 2015 size by reaching nearly 2.1 bn. Two-thirds of the world’s older persons live in developing and emerging regions where their numbers are growing faster than in the developed regions (United Nations, 2015).

A look at the two most rapidly aging regions in the world, the European Union (EU) and Japan, helps highlight the issue. The European Commission 2015 Aging Report predicts that between 2015 and 2060, the proportion of people over 65 will rise from 18 to 28 percent, almost double the number of children in the population (15 percent). This would mean that where the EU now has four working-age adults for every dependent, by 2060, it will have only two (Cancedda et al., 2014). The EU also has one of the lowest fertility rates (average number of children born to a woman in her lifetime) in the world at 1.6 (a fertility rate of 2.1 is needed for generational replacement), pointing to the continued existence of this phenomenon. In Japan, where aging has been even more rapid, the proportion of people over 65 is expected to go from 25 percent to about 40 percent by 2050. Japan’s fertility rate is among the lowest in the world at about 1.4 (US Census Bureau, 2016).

The countries that make up South Asia have some of the younger populations in the world today (Khosla, 2014—this is explained in greater detail in the next section). Thus, South Asia enjoys the demographic advantage of having a comparatively younger population. However, while South Asia is younger, it is also beginning to age rapidly. It is expected that India’s older population will increase dramatically over the next four decades, with the share of people over 60 projected to climb from 8 percent in 2010 to 19 percent in 2050. By 2050, India’s 60 and older population is expected to be about 320 m, roughly equal to the entire population of the USA today. This dramatic increase in the proportion of older Indians—taking place in the context of changing family relationships and severely limited old age income support—brings with it a variety of social, economic and healthcare policy challenges (Population Reference Bureau, 2012). Similar stories of a rapidly enlarging older cohort are taking place in other South Asian countries such as Pakistan, Bangladesh and Sri Lanka, highlighting the region-wide importance of the issue. An aging population can change a country’s demographies with remarkable swiftness. For instance, Japan was one of the youngest countries in the world until around 1950; by 2010 its population was among the world’s oldest (Fishman, 2010).

The global demographic trend over the past few decades has been one of a rapid aging of populations in most countries of the world (World Economic Forum, 2012). The age composition of the population plays an important role in the economic development and growth of a country. The greater the proportion of working-age people a country’s population, the larger the workforce, and thus the greater its economic potential, all else being equal. A large working-age population is considered a source of strength, as it enhances a country’s potential for faster economic growth. Similarly, population aging can have profound social, economic and political implications for a country. The increasing number of older persons can put a strain on a country’s health and social support systems if the effects of such an increase are not managed and if productivity growth does not keep pace with the aging population. Older people typically need more medical care. In the case of large numbers of elderly in the population, government spending on healthcare and pensions usually increases, thus potentially crowding out expenditures on other priorities. At the same time, managing the effects of aging by instituting policies that help seniors live healthier and more independent lives, ensuring that workplaces are made more senior
friendly, and having mixed-generation teams in the workplace that ensure operational efficiencies and knowledge transfers, can help aging populations create more opportunities for society as a whole.

This perspectives paper will start with an overview of the aging situation globally. Next, it will present a short demographic overview of the four countries that make up more than 95 percent of the region’s population: India, Pakistan, Bangladesh and Sri Lanka. The paper then analyzes some of the challenges and opportunities that arise from aging populations, with specific references to the South Asian region. The analysis of the issue will include a brief overview of demographic transition theory, and how it can help in pointing out some possible future scenarios for policy makers and managers based on the experiences of other countries that have gone through demographic transitions. This paper next synthesizes some themes on how South Asian countries can capitalize on their upcoming unique opportunity for a “demographic dividend” (the period of time, usually a single generation, when a country has a large working-age population combined with both fewer children and a low number of older dependents). Finally, this paper points out some of the policy and managerial implications of South Asia’s young but rapidly aging population, as well as potential areas of research for future scholars.

Aging situation globally
The global population reached about 7.3 bn in 2015, out of which 617 m (or about 8.5 percent) were aged 65 and over, and about 900 m (12 percent) 60 and over. With the baby boom generation in the USA and Europe beginning to move into their retirement in recent years, and with the rapidly accelerating growth of older populations in Asia and Latin America, the next ten years will see a large increase in the number of people aged 65 and older throughout the world. According to Beard et al. (2012), the reasons for the rapid aging of populations include falling fertility rates and rising life expectancies globally. Global fertility rates have fallen from about five children born per woman in 1950 to roughly 2.4 today and are expected to gradually reduce further to about two by 2050 (He et al., 2016). There are numerous reasons for this decline, including the rising social status of women in society, the widespread availability of birth control mechanisms, increased access to higher education for women, higher participation of women in the workforce, the discontinuation of natalist government policies (natalist policies are a system of government incentives and inducements designed to increase fertility rates in society), the rising costs of raising children, greater social acceptance of a child-free lifestyle, and a weakening of traditional cultural and religious norms that emphasized larger families. Increasing equality between the sexes in legal, economic and social affairs raises the cost of children by making roles other than childbearing more feasible and attractive to women (Kirk, 1996).

By 2050, the older population is projected to more than double to 1.6 bn globally, whereas the total population will grow by just 34 percent, pointing to rising old age dependency ratios. In contrast to the 150 percent expansion of the population aged 65 and over in the next 35 years, the youth population (under age 20) is projected to remain almost flat, at 2.5 bn in 2015 and 2.6 bn in 2050. Over the same period, the working-age population (aged 20–64) will increase only moderately by 25.6 percent. The working-age population share of total population will shrink in the decades to come, largely due to the impact of low fertility and increasing life expectancy. Perhaps, an even more telling illustration of the sharply contrasting growth trajectories of the older and younger populations is the way in which the percentages of older people and children under age five will converge, cross and then diverge in opposite directions from 1950 to 2050. For the first time in recorded human history, people aged 65 and over will outnumber children under age 5 by 2020. The crossing is unprecedented in human history, and these two age groups will then continue to move in opposite directions in the foreseeable future (He et al., 2016).
A distinct feature of global population aging is its uneven speed across world regions and development levels. Most of the more developed countries in Europe have been aging for decades. Of the world’s 25 oldest countries and areas in 2015, 22 are in Europe, with Germany, Italy and Spain among the oldest (Kinsella and He, 2009). One in six people in the world live in a more developed country, but more than a third of the world population aged 65 and older lives in these countries. Asia has the highest number of older persons in absolute terms and in terms of the proportion of the total elderly population in the world (slightly more than half). By 2050, almost two-thirds of the world’s older persons will live in Asia (He et al., 2016).

Among the different regions of the world, South Asia stands out as the second youngest, behind sub-Saharan Africa. The median age of the four countries in the region ranges from 26 in India, to 23 in Pakistan, 26 in Bangladesh and 31 in Sri Lanka. This stands in contrast with the EU, the region with world’s highest median age at 42 (Eurostat, 2014). Among other industrialized countries, Japan has the highest median age in the world at 46. The USA and Canada are at 38 and 42, respectively. In the Asia-Pacific, newly industrialized countries such as South Korea, Singapore and Taiwan, at 41, 40 and 39, respectively, are also among the oldest in the world. China, at 37, is already almost as old as the USA, and is aging at a more rapid pace, partly as a result of the now relaxed one-child policy (Khosla, 2014).

Given that the oldest regions in the world—the EU and East Asia—also rank among places with the lowest fertility rates and have rising life expectancies, this trend of their populations continuing to age is expected to continue in the near future. The older and rapidly aging populations of these regions stand in stark contrast to the relative youth of South Asia. While most EU and East Asian countries have implemented or are in the process of implementing nativist policies, South Asian countries often grapple with the opposite issue: how to provide jobs for a growing population, the majority of which is of working age or about to reach working age (Khosla, 2014).

In the west, institutions and systems have long been in place to support the elderly, and expenditure on social welfare is one of the largest budget items. Governments in South Asia, on the other hand, spend less than 0.5 percent of their GDPs on social pensions, and these benefits reach less than 20 percent of people over the age of 60. This points to the gravity of the situation in South Asia when it comes to taking care of the growing elderly population. In a study by HelpAge International, a not-for-profit organization working to protect the rights of the elderly, it was found that approximately 76 percent of elderly Bangladeshis are excluded from government support and social protection. Bangladesh’s Ministry of Social Welfare provides an Old Age Allowance, a program that gives $3.97 per month to elderly women over the age of 62 and elderly men over the age of 65—just enough to buy a month’s ration of rice (Rockefeller Foundation, 2011).

**Aging situation in South Asia**

**India**

India, with a population of about 1.3 bn, has a median age of about 27. India’s relatively young demographic is often seen as an economic asset, especially compared to other countries in the Asia-Pacific, most of which are aging rapidly. However, as India’s fertility rate continues to decline and its life expectancy continues to rise, its population is beginning to age rapidly. India’s 60 and over population is currently estimated at 100 m and projected to reach 240 m by 2050. According to projections by the Census of India, the dependency ratio of India’s seniors will reach 20 percent by 2050, nearly triple that of 2001, putting the number of dependent seniors on par with the number of dependent children. Due to greater economic growth, better healthcare systems, and access to medicines, there has been a substantial reduction in mortality in society. Reduced mortality has gone hand in hand with...
a reduction in fertility. These factors together have resulted in increasing numbers of elderly persons in the population (Government of India, 2016).

While India has a rudimentary social security system, its social security net currently is markedly incomplete. According to a Ministry of Finance Retirement Survey, only 20 m private sector employees and 26 m government employees are eligible for a pension—a mere fraction of India’s 450 m workers. The change in family structures and internal migration over time has also had the effect of creating challenges for the increasing elderly population. Population migration has brought about the accompanying trend of children living in far-off places, which, along with an increasing trend of people living in nuclear families, has left many of the elderly living in social isolation. This has to some extent created opportunities for entrepreneurial businesses. Aamoksha One Eighty, a private sector company, has introduced the concept of western-style senior living in India, and is setting up resort-style retirement homes in Kodaikanal and Kasauli—Indian towns which have better weather and less pollution. Each home will enjoy facilities including a club house, golf course, bar, a doctor in attendance and a customized diet. India’s largest healthcare group, Max India, is also building a similar community in the northern city of Dehradun called Antara Senior Living. The company plans to deliver services on what it calls the seven dimensions of wellness: social, emotional, spiritual, physical, occupational, intellectual and environmental. While these homes are part of a growing industry, the vast majority of seniors cannot afford these services. The government run National Social Assistance Program, which offers $5 per month pensions for senior citizens, reaches only 16.5 m of the 50 m seniors that would qualify. Government health insurance schemes cover only 5 percent of India’s seniors, largely due to a lack of awareness of these schemes (Jetley, 2013).

Pakistan
The World Bank (2016a, b) estimated Pakistan’s population to be about 193 m[1]. Pakistan is among the 15 countries worldwide with more than 10 m elderly people. In 2015, it had close to 18 m people aged 60 and above, which is expected to rise to at least 45 m by 2025 (Dawn, 2015).

Pakistan has not formulated any policy to address the needs of its fast-growing elderly population as of now, at either the federal or the provincial levels. Similar to India, demographers point to a growing pattern of seniors living alone in their old age. This pattern, increasingly apparent in the larger cities, is attributed to children moving out of the joint family system, the increasing prevalence of nuclear families, and younger people migrating to other countries for better employment opportunities.

In dealing with its growing population, Pakistan faces several challenges, including political instability, uneven economic growth, low savings among the elderly and a weak pension system. There is little prevalence of health insurance coverage; hence, the population relies on out of pocket expenditure for most treatments. Pakistan needs to develop a national health policy for aging, which would assist in integrating the aging population and offer them better social security and healthcare (Jalal and Younis, 2014). While Bangladesh and India have put social safety nets in place for the elderly—however, imperfect and rudimentary—Pakistan has none. There is no old age benefit for its citizens. This void of social safety nets for the elderly can be attributed to the fact that until three decades ago, the lifespan for an average Pakistani was less than 60 years (Rockefeller Foundation, 2011).

Bangladesh
The 2011 census of Bangladesh reported a total population of about 153 m, which made Bangladesh the eighth largest country in the world. About 4.6 percent of the population was above 65 and about 7.3 percent above 60 (Bangladesh Population and Housing Census, 2011).
In Bangladesh, as in most other regions of the world, the population aged 60 years and older is growing faster than the total population. Growth in the elderly population relative to other age groups challenges existing health services, family relationships and social security (Kabir et al., 2013). The projected increase in the elderly population in Bangladesh during the period 1990–2025 (219 percent) was much faster than that of European countries such as Sweden (33 percent), the UK (45 percent) or Germany (66 percent). This trend of rapid aging is expected to continue in the foreseeable future (Ahmed, 2015).

Since 2007, Bangladesh has had more people of working age than non-working age (the demographic dividend). In fact, by 2016, this proportion was at nearly 60 percent. However, it is expected that by 2040 this window of opportunity to accelerate economic growth will start to close as this number dips below 50 percent. The Government of Bangladesh has set a target of becoming a high-income country by 2041, and proper utilization of the demographic dividend is an important part of that plan. Yet, Bangladesh has so far been unable to exploit the full potential of the demographic dividend as it has not been able to create an adequate number of jobs for the working-age population (Liton and Molla, 2017). The government is taking steps to increase investments in the education and health sectors to cash in on the demographic dividend in line with the experiences of some of the East Asian countries that invested heavily in human resource development during their demographic transitions. According to Aminul Haque, Chairman of Department of Population Sciences, University of Dhaka, a coordinated and well-thought-out plan was required in four sectors—quality manpower export, expansion of the private sector, expansion of the government sector and the creation of opportunities for entrepreneurship—to take maximum advantage of the demographic dividend (Liton and Molla, 2017).

Sri Lanka

The 2012 census of Sri Lanka found a population of about 20.3 m (Census of Population and Housing of Sri Lanka, 2012). About 12.5 percent of the total population (2.5 m) was over the age of 60 and 10 percent (2.1 m) above 65. By 2041, one out of every four persons is expected to be elderly, making Sri Lankans the oldest population in South Asia (World Bank, 2012).

The rapidly aging population that Sri Lanka faces might create a shortage of young talent in the labor force as the proportion of the elderly rises. Over time, as the elderly retire, a large-scale exodus of experienced human capital could be seen, further exacerbating the shortage of talent. In addition, as a greater proportion of the population reaches retirement age, more people will be drawing from public-funded pension schemes which would require higher government expenditures on the elderly. The government will also have to allocate more funds for their healthcare and welfare needs, thus diverting national expenditure priorities away from other infrastructure needs (Lebbe, 2016).

Sri Lanka is in the midst of a demographic dividend with the share of the working-age population at 67 percent. However, a number of impediments have prevented Sri Lanka from taking full advantage of this demographic dividend so far. The three key areas with major policy challenges are: a large informal sector, high unemployment and low levels of female employment (World Bank, 2012). Some possible solutions suggested by Sri Lankan demographic experts include raising the retirement age from the current age of 60 as life expectancy rises, making the workforce more female friendly, encouraging older workers to stay in the workforce longer through programs offering part-time work and phased-in retirement, transforming the present Employees Provident Fund/ Employees Trust Fund into a mandatory Social Security Savings Fund for all, and increasing its current deductions of 8 percent from employees and 12 percent from employers to 12 percent from employees and 20 percent from employers (Wijesiri, 2017).
The reasons behind such varied aging rates in different parts of the world are partially explained by demographic transition theory. This paper next turns to this theory to explain the reasoning behind these differences as well as potential responses to the issues raised.

**Demographic transition theory**

Demographic transition theory is based on historical population trends of two demographic characteristics—birth rates and death rates—to suggest that a country’s total population growth rate cycles through stages as that country develops economically. Each stage is characterized by a specific relationship between the birth rate and the death rate. As these rates change in relation to each other, they affect a country’s total population and the age demographics within it. Within the model, a country will progress over time from one stage to the next as certain social and economic forces act upon the birth and death rates (Grover, 2014). Frank Notestein (1945) and Kingsley Davis (1945) were among the pioneers of demographic transition theory, which identifies several stages in demographic transition (Grover, 2014). These stages are described below.

In stage 1, which was prevalent in most of the world before the Industrial Revolution, both birth and death rates are extremely high. As a result, population sizes remain fairly constant, although there are occasional major swings following events such as wars or pandemics.

In stage 2, the introduction of modern medicine and social hygiene practices lower death rates, especially among children, while birth rates remain high. This results in rapid population growth. Many of the least developed countries in the world today, mostly in sub-Saharan Africa, are in stage 2.

In stage 3, birth rates gradually decrease, usually as a result of improved economic conditions, an increase in women’s status, and access to contraception. Population growth continues, but at a lower rate. The population begins to age, starting from a low base, but this rate accelerates as life expectancy continues to rise and fertility rates continue to decline.

In stage 4, birth and death rates are both low, stabilizing the population. Countries at stage 4 tend to have stronger economies, higher levels of education, better healthcare, a higher proportion of working women and a fertility rate of about two children per woman. Most developed countries in the world are at stage 4. Some newly industrialized economies in East Asia would also fall in this category.

Most South Asian countries are at stage 3 of the model, while transitioning at various rates to stage 4. This points to the importance of understanding the challenges and opportunities that come up as countries transition to the later stages of the model and the implications this has for both policy and managerial practice.

**Implications for aging populations in South Asia**

The paper’s implications are divided under two major headings: policy and managerial practice.

*Policy implications*

*Taking advantage of the demographic dividend.* The young population of South Asia points to the importance of managing the demographic dividend, the once only stage during a country’s demographic transition where both the number of children (because of falling fertility rates) and the number of the elderly (because of previously high mortality rates) are low, meaning that the working-age population as a proportion of the total population is high.

The United Nations Population Fund (2016) defines the demographic dividend as “the economic growth potential that can result from shifts in a population’s age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population”. The demographic dividend can help
accelerate economic growth based on the decline in a country’s mortality and fertility and
the subsequent change in the age structure of the population. With fewer people to support,
a country has a window of opportunity for rapid economic growth if the right social and
economic policies are developed and investments made. During the demographic dividend
period, the country’s economic growth can be maximized by ensuring that the working-age
population is employed in a productive capacity. This can be a challenge since the high
proportion of the working-age population means that jobs have to be constantly created and
employment opportunities expanded to ensure that there is sufficient employment for the
high number of workers. Thus, demography is a “dividend” if the working-age population is
productively employed. If not, this demographic blessing can become a curse for the
country, since the proportion of working-age people who do not have jobs (including
entrepreneurs) will put more pressure on policy makers for jobs and benefits and this could
lead to potential social unrest.

Since most South Asian countries are in stage 3 of the demographic transition, the
proportion of the working-age population compared to the dependent population is
high. Countries/regions moving from stage 3 to stage 4 of the demographic transition
usually experience a high rate of rural-to-urban shift in their populations. As people
migrate from rural areas to the cities looking for employment, urban populations grow.
These regions are often targeted by multinational companies (MNCs) for their labor
supply (Saylor Academy, 2012). Policy makers need to take advantage of this opportunity
to attract MNC investment to help create jobs for the increasing labor supply in cities,
while simultaneously taking steps to move up the global value chain beyond offering
low-cost labor (explained in the next section).

At the same time, it is important to educate the general population about the needs of the
rising proportion of the elderly population. It should be kept in mind that because
South Asian countries are still in stage 3 of the demographic transition, they have no history
of having and managing a large elderly population. This will mean that governments need
to educate the public about senior issues and prepare the working-age population for
possibly higher income transfers in the form of taxes to take care of the elderly, while at the
same time making seniors aware of both gainful employment opportunities in old age as
well as newly developed (or developing) benefit programs for the elderly. The demographic
transition model can also help with identifying other countries that have made
this transition from stage 3 to stage 4 in recent times. China—starting in the 1980s—and
the “Asian Tigers,” Hong Kong, Singapore, Taiwan and South Korea—starting in the
1970s—would be particularly useful countries to study in this regard, as they also had to
deal with a growing working-age population (courtesy of the demographic dividend) while
industrializing and simultaneously building up a social safety net for the elderly.

Taking advantage of the demographic dividend would require policy makers to
consider policies in a number of areas (Bloom et al., 2003; Gribble and Bremner, 2012).
First, improvements in the health and nutrition of women and children will contribute to a
reduction in the number of children born to each family. Good nutrition and healthcare
fosters cognitive development among infants and young children and sustains child
health. As child survival rates improve, the desire to have larger families decreases. This
would call for programs to improve nutrition among children, especially girls, and
increase access to family planning to prevent unintended pregnancies, leading to fewer
births. Reductions in fertility coupled with child and maternal mortality declines are all
associated with greater agency among women to make decisions about how many
children they want and how to raise them. As they stop spending their most productive
years exclusively bearing and raising children, women can enter the workforce and
contribute to economic production.
The second step is investment in the education of the young. Appropriate skills will enable youthful populations to participate in the economy and provide needed labor. In addition, studies have shown that girls’ education—particularly at the secondary school level—and empowerment will delay early marriage and slow adolescent fertility. Cultural, social and economic barriers that hinder the empowerment of girls and women should be addressed (Mbae and Chatterjee, 2015).

The third step is to foster an economic environment where educated youth can find appropriate jobs. Economic policies must target job creation in areas that have potential for longer-term returns, including technical and vocational education, agriculture and technology. Tertiary education (university and vocational training) also needs to be expanded to ensure a work force that is skilled and innovative (Hayes and Setyonaluri, 2015).

Fourth, it is important to ensure that economic growth works for society as a whole, and that its benefits accrue to people at lower socioeconomic levels. This calls for policies to help reduce income and wealth inequality, and improved access to education and healthcare for all (Mbae and Chatterjee, 2015).

Managing the transition of family support systems. As an increasing number of the older population no longer live in multigenerational households (where they are cared for by their adult children), it is important to generate greater support opportunities for the elderly as both their numbers and their time spent in old age rises while, simultaneously, their family support systems shrink. While these programs could vary tremendously by region and country, they would include aspects of financial reform that incentivizes saving and investing for old age, universal pension programs and healthcare programs that make health services available for free or at highly subsidized rates for people in old age (National Research Council, 2011). As an illustration of these policy challenges, the tradition of relying on family support in old age is eroding in a number of Asian countries where, previously, people lived with and depended on their adult children to provide for them in old age. This societal shift is necessitating the state to create and manage systems to deal with the aging populations. In China, for example, 43 percent of those ages 65–70 lived with their children in 2015, down from over 65 percent in 1980. Many elderly people, for instance, are left in rural areas with young children (typically their grandchildren) to care for, as their adult children move to urban areas in search of better paid jobs (World Bank, 2015). China’s evolving policies for dealing with its rapidly aging population, which is increasingly living in single-generation households, can be a useful model for South Asian countries to study as they start the process of designing and implementing their own old age policies.

Helping to create flexible labor markets. The labor market needs to be as flexible as possible if it is to absorb the large cohort entering their working ages between now and the next 20–30 years. Likewise, policies must be flexible regarding terms of employment, minimum wages and flexi-hours (especially important for couples with young children), while, at the same time, protecting the rights of employees. Policy makers must also consider incentives to encourage those in the peak earning years to save and build assets to protect their standard of living when they retire. Simultaneously, a flexible labor market also helps older workers to stay in the workforce longer with reduced workloads and/or transition in and out of the workforce should they so desire.

Taking advantage of MNC value chain relocation to younger countries. For MNCs, an important consideration will be how to reconfigure their value chains, so that they take advantage of the differential aging situation in different parts of the world. It would make sense to keep more labor-intensive jobs in countries with a younger labor force, while jobs that require less labor-intensive work would have an easier time getting filled in countries that are older, all other things being the same. This could be done by adopting an arbitrage
strategy (i.e. capitalizing on different aging rates in different regions of the world), where companies can establish labor-intensive production in countries with younger populations while concentrating on more value-added, less labor-intensive production in countries with an older population (Chand and Tung, 2014). The value chain would thus have to take into account the demographic make-up of the population in its entirety. Countries like China, for example, which have in the last few decades provided access to cheap and plentiful labor for MNCs, will no longer be playing that role since their population is aging rapidly and wage rates are simultaneously rising. This will open up opportunities for South Asian countries to stake their claim in parts of the global value chain, especially those that require plentiful labor that needs not be highly skilled. In industries that require high levels of less-skilled labor, this is already beginning to happen. For example, in the textile industry, the production of garments is in the process of moving from China to younger and less expensive countries; Bangladesh and India are especially benefitting from this trend. In 2015, Bangladesh and India were the world’s second and third largest garments exporters after China (Mirdha, 2016). China has been losing its market share mainly due to higher costs of production and shortage of skilled workers in China, which have been gradually moving into higher value addition activities.

As this trend continues and gathers pace, it will be important for policy makers to provide the right environment to foster the availability of trained human capital, as well as one which puts business-friendly regulations in place to best take advantage of this opportunity. Managers and human resource professionals will also have to make sure that the labor force is adequately trained to take advantage of this movement of the manufacturing value chain to comparatively younger countries, and to make sure that their workforces are able to meet this new challenge. From a policy perspective, dedicated export processing zones, emphasizing vocational education and improving infrastructure to attract foreign direct investment, could greatly help in this effort as they provide export-oriented industries with business-friendly regulations that could help South Asian countries access a greater portion of the global value chain.

Preparing for an economic transition based on future technologies. South Asian countries may need to prepare for a structural shift to a society over time where due to rapid technological advancements (e.g. robotics, artificial intelligence, machine learning, etc.), productivity increases rapidly and the economy as a whole transitions to a higher technology level even as the population ages. This will result in greater automation and a change in the way the value chain is structured from being labor intensive to being technology intensive. Further movement up the global value chain might then require greater investments in advanced technologies.

The impact of automation technologies is already being felt throughout the global economy. Emerging technologies like industrial robots, artificial intelligence and machine learning are advancing at a rapid pace. The worldwide number of industrial robots is increasing rapidly as their falling prices and round the clock operating ability make them increasingly cost effective (Karsten and West, 2015). These changes are happening both in developed and emerging economies. China is already the largest market for robots in the world and, globally, the largest amount of employment associated with technically automatable activities is in China and India (McKinsey Global Institute, 2017). All economies in the world, developed and emerging, stand to gain from the increases in productivity that robotics and artificial intelligence can bring about (Chui et al., 2017). For South Asian economies, given their high growth aspirations, increased automation may be necessary to sustain continued economic development. Policy makers will need to put in place policies to encourage investment and innovation, while, at the same time, designing policies that help workers and institutions adapt to future technologies’ impact on employment (Chui et al., 2017).
The emergence of new technologies that make aging workers more independent and productive could also, in the long run, have the effect of increasing their participation in the workforce. In cases where technology reduces the physical demands of work, employment opportunities for older people may increase with the influx of workplace technologies. Computer and virtual technology also makes working at home a feasible option and allows for more flexible work schedules. Advances in medical technology may also help older adults with disabilities or impairments stay in the workforce longer (National Research Council, 2004). Technological changes can also help make labor markets more flexible. Long-run productivity growth is affected by global trends in technology and the diffusion and adoption of best practices. The rate of adoption depends on many non-age-related factors, such as openness to trade and capital flows, competitiveness of domestic market structures, profitability, and regulatory structures (National Research Council, 2012).

Related to technological change is the educational attainment of the aging population. At older ages, there are major differences between the workforce participation rates of the university educated—who tend to stay in the workforce longer—and the less educated. These differences have persisted and even widened in recent decades (Burtless, 2013). As South Asian countries continue to see an increase to their educational attainment levels, this should, overall, help their aging populations stay in the labor force longer and be more productive.

Emerging technologies that prolong elders’ ability to live independently in their homes and communities are also of great potential benefit to seniors and policy makers alike. These include patient-safety monitoring technologies (e.g. fall detection and prevention, location-tracking), assistive devices, and modifications in the home or residential environment that help reduce in-home accidents a major source of disability for older adults. (Falls are the leading cause of injury in adults older than 65 in the USA) These technologies allow for increased prevention and more timely assistance. This also has the long-run effect of greatly reducing medical costs (Lindeman, 2012).

Managerial implications
Aging populations also lead to changes in organizational workforces that create numerous challenges and opportunities for managers. An important consideration for human resources managers will be to ensure that they are prepared for an influx of younger workers into their workforces. This will be especially challenging given that more and more workers will be having longer careers (in response to increasing life expectancies, better health outcomes, rising retirement ages and saving for a longer retirement). Due to the presence of multiple generations in the workforce, it likewise will be important to train workers and managers to contend with generational differences in values and behaviors in the workforce.

Previous studies have shown that older employees’ job satisfaction is driven by different factors than younger workers: older employees put more emphasis on good relationships with colleagues and supervisors, while younger employees are generally more concerned with income and advancement opportunities (Drabe et al., 2015). However, organizational responses to aging workforces through aging diversity management are context and nation dependent, which emphasizes the importance of continuing cross-national aging research (Drabe et al., 2015; Schroder et al., 2014). Despite efforts to appeal to an aging workforce, there also exists a paradoxical prejudice against older workers—many employers perceive that older workers are more inflexible and expensive due to higher wages and extra health-related benefits. They also perceive that older workers have higher rates of absenteeism. Studies in developed economies show that the frequency of older worker absenteeism is lower, but the duration is longer, while the opposite is true with younger workers (Schippers, 2011).
Businesses should view the aging of the workforce as an opportunity to balance their workforce needs: younger workers might be better suited to jobs that involve heavy manual labor or changing technology, while older workers are more appropriate for positions that require a greater degree of social skills and empathy. There is a growing consensus among employers that because of their complementary capabilities, a good mix between older and younger workers can actually lower workforce-related risks (World Economic Forum, 2012). The use of technology that helps boost productivity in older workers (e.g. by making work less labor intensive and more flexible) and helps them stay in the workforce longer would also help maximize these benefits.

Another important issue for managers would be to ensure that transition planning is emphasized. As more younger workers enter the workforce, it is helpful to systematically identify and groom the right ones for positions of greater responsibility. This would be especially challenging in an environment where two divergent forces are acting at the same time: more younger workers entering the workforce as the demographic dividend takes hold, while simultaneously more older workers elect to stay in the workforce longer than was previously the case because of rising life expectancies, longer expected time in retirement and changing family dynamics. The demographic transition model would also be helpful here, since it will give businesses a template to look at regarding companies from other emerging countries that transitioned from stage 3 to stage 4 in the last few decades.

There are also multiple opportunities for organizations as the number of older workers increases. Many older workers are talented, well-trained, and have deep life and workplace experience that can be invaluable to any organization. But the value that comes from having older workers does not necessarily accrue automatically. Companies can cultivate this value by creating a work environment supportive of intergenerational ties, such as by fostering mentoring, knowledge transfer, technology cross-training and mixed-age work teams; by offering accommodations for older employees; by being proactive in training their workforces to prevent age bias in recruiting, hiring, performance management and retention; and by offering older employees opportunities for flexible work arrangements such as flexible hours, reduced work weeks and telecommuting. These efforts can include a formal phased retirement program that allows employees to keep working while reducing their hours and, potentially, their responsibilities over time (Sammer, 2015).

Economic growth must continuously match or exceed population growth throughout the period of the demographic dividend, so that it can be fully exploited. The overall objective should be to have sustainable economic growth so that South Asian countries keep industrializing and moving up the value chain while simultaneously creating systems that can support growth and take care of the elderly when the demographic dividend is no longer available. At the policy level, this will entail creating employment opportunities for the large proportion of the working-age population, educating the populace about the upcoming reality of a large cohort of the elderly who will have to be taken care of, preparing for cultural changes as multigenerational households become less and less common, empowering women so that they can contribute fully to the workforce, and learning from policies implemented by countries at similar phases of their demographic transition. At the managerial level, companies have to ensure that their workplaces are more elderly friendly and more welcoming of women, and that they are learning from and implementing best practices to deal with aging from around the world, implementing policies that support intergenerational work ties, and taking advantage of the knowledge and experience of older workers through fostering mentoring and cross-training. At both levels, this will require a constant conversation with multiple stakeholders within the country, a two-way knowledge flow between companies within and outside the region, and a dynamic understanding of changing social and cultural norms brought about by aging populations within businesses and society at large.
Conclusion

The rapid aging of South Asia is bringing forth numerous challenges and opportunities for policy makers and organizations alike. As the region starts aging more rapidly due to rising life expectancies and falling fertility rates, it will enjoy a one-time demographic dividend. It is incumbent on policy makers to put in place the right policies to ensure that the countries in the region take maximum advantage of this opportunity by providing adequate employment opportunities for their citizens and moving up the global value chain before the rising elderly population requires larger amounts of expenditure in areas like pensions and healthcare. For organizations and their managers, it is important to put into place policies that maximize training and development for younger workers coming into the workforce while simultaneously ensuring that older workers have more flexible working conditions, possibly assisted by improvements in technology, and that the different generations create positive synergy by cross-training and working with each other in multigenerational teams wherever possible.

An important avenue for future researchers is to study countries that have gone through the different stages of the aging process recently, and the policies and practices that they have adopted as a result. It would be particularly important to examine how countries have best utilized their demographic dividends to give themselves a competitive advantage. The example of China, which enjoyed a demographic dividend in the 1980s–2000s, and East Asian economies such as Hong Kong, Taiwan, Singapore and South Korea in the 1970s and 1980s would be particularly apt. Even Japan, which had its demographic dividend starting in the 1950s, could be an appropriate context to study. Researchers should look at public policies that helped these countries take advantage of the demographic dividend (e.g. by encouraging export-oriented labor-intensive industries at an early phase of their industrialization to take advantage of the youthful population) at a similar stage of their demographic transition. They should also study the policies and practices that companies, both in the private and the public sector, adopted to manage their human resources during this period. This could include detailed case studies of companies that transitioned from a younger to an older workforce over time, and/or moved labor-intensive production overseas to take advantage of plentiful younger labor. Companies like Samsung and Lenovo could be good places to study the corporate context of aging workforces within emerging economies. It would also make sense to study the aging countries in Europe and companies from that region to determine what policies and practices could be transferred from the region. In the longer run, public and corporate policies must be adapted to the context of South Asia in a way that provides maximum value to diverse stakeholders within the region.

From a theoretical perspective, future researchers can look at the extent to which the demographic transition model predicts the policies that are being developed in South Asian countries in response to their aging populations. They could also conduct comparative studies to explain the similarities and differences between the policies and practices adopted by South Asian countries vs East Asian countries (such as South Korea, Singapore and Taiwan) when they were at a similar stage of demographic transition, and the implications that this has can have for companies that emerge from these economies.

Another important avenue of research for academics is to study the human resources implications of having a workforce comprised of many different generations. This is both a challenge and opportunity for executives and human resources managers. As more generations work side by side in the workforce due to a population that is aging in the long run but has an influx of young workers in the short run, there will be intergenerational learning opportunities that can aid knowledge transfer across and within organizations. However, at the same time, the differences in attitudes and work styles between different generations can lead to challenges regarding how to best manage these differences and
create synergy that benefit all parties involved. At a minimum, researchers should look at training programs in companies that have dealt successfully with intergenerational workforce issues. This is complicated by the fact that a great deal of prior research on these issues has been done in western countries that tend to be more individualistic and have lower power distances. Once more, the context must be taken into account as South Asian researchers try to formulate best practices for companies in the region.

A fourth avenue of future research is to investigate the value chains of global industries (e.g. textiles, medical transcription, computer assembly) that have historically relocated to more favorable locations to best utilize their limited resources. The study of these industries could point to ways in which South Asian countries could best position themselves to be more involved in the global value chain. Certain parts of the value chain that are more labor intensive and require less skills will be more appealing to South Asian countries in the short run. However, in the long run, moving up the value chain in a way that captures greater value for the region would require upgrading human capital skills and better aligning the regulatory climate with the needs of global businesses. Researchers can help policy makers and businesses by pointing out the global industries whose value chains have relocated over time, and by explaining which policies and institutional environments have had the most success in, first, helping countries be a part of these value chains and, over time, in moving up these value chains to capture more value.

While South Asian countries are still fairly young in terms of the global aging situation, the first signs of long-term aging are already apparent (falling fertility rates, rising life expectancies, smaller family sizes, a rising proportion of the elderly vs the working-age population). It is important for researchers to study how societies at advanced stages of the demographic transition managed their transformation and the challenges that they have had in making this transition. The lessons learned from these studies can be useful in designing policies that are tailored to the South Asian context and culture.

Yet, another area of study for researchers is to look at how other countries have encouraged the participation of women in the labor force. As populations gradually grow older, it becomes even more important to ensure that the working-age population has the right skills and the ability to upgrade skills throughout their careers, and that barriers to performance on the job are minimized. This will mean ensuring that discrimination against women in the workforce is constantly reduced and barriers to their progress are progressively dismantled. Diversity-based programs that encourage participation for women and minorities in the workplace can greatly help in reducing barriers both to progress and constant skill upgrading for the workforce. This avenue of research should include studies of both macro-level policies and more micro-level company-specific policies. Another aspect of this research would be to investigate policies that help reintegrate workers who have left the workforce for longer periods of time. This group often includes parents (mostly women, though men are increasing in numbers among them) who had left the workforce to care for younger children, older adults who decided to take time off to care for aging parents or other relatives, and people with long-term health issues, as well as full-time students who are reentering the workforce after a longer program of study.

At a global level, researchers should investigate policies that make immigration across borders easier to temporarily fill talent and skill gaps. As major diaspora nations, countries such as India, Pakistan and Bangladesh would be well-served to work with their own diasporas to help transfer institutional and technical knowledge back to their home countries as well as leverage them to help implement favorable polices in the host countries.

Finally, management researchers in South Asia need to actively collaborate with researchers in other areas relevant to demographic research to help formulate best practices.
to deal with this issue. For example, if advances in biophysics make it feasible to replace body parts that became less effective with age, it could call into question the whole idea of what aging is. Similarly, if advances in management techniques and ergonomics make it easier for elderly adults to be productive in the workforce longer, the idea of having a defined retirement age will need to be rethought, possibly increasing the supply of full-time workers and further contributing to a multigenerational workplace. The phenomenon of aging is both long-term and largely unprecedented in history and managing its consequences will require a dynamic approach that will be interdisciplinary in nature and multilevel in scope.

Note
1. However, the first estimate from Pakistan’s 2017 census held after almost 20 years puts the population higher at about 207 million (Rana, 2017).

References


Further reading

Corresponding author
Masud Chand can be contacted at: masud.chand@wichita.edu