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REFLECTIONS ON GLOBALIZATION

AGEING AND GLOBALIZATION: A GLOBAL ANALYSIS

Jason L. Powell and Hafiz T. A. Khan

As we look forward into the mid-21st century, the demographers forecast dramatic increases in cultural diversity in the general population of the globe, which will also be reflected in increasing ageing populations. Globalization is a complex phenomenon which includes increasing human interconnectedness facilitated by new information technologies and huge volumes of trade, capital, people, and cultures flowing across national borders, and an evermore integrated global economy. Globalization can be experienced as structural forces impinging on our daily lives, as the creation of new spaces and inter-connection between locales and also as ideological resources (Chen and Powell 2012). A key issue is the relationship between globalization and population ageing which has possibilities and consequences for social change across the globe.

Keywords: *population ageing, globalization, economic crisis, health.*

Introduction

Population ageing is considered to be an important aspect in this age of globalization as it has huge impacts on diverse areas of our daily life. Past literature has highlighted the impact of ageing on various levels at societal and economic of a country, however, little is known about the interconnectedness between the ageing and globalization. This paper therefore aims at providing an exploratory investigation on the linkages between globalization and ageing of populations across the world.

Discussion on Ageing and Globalization

While the highest proportions of older people are currently found in more developed countries, the most rapid growth of this age group is actually occurring in the less developed world (McDaniel and Zimmer 2013). Between 2006 and 2030, the increasing number of older people in less developed countries is projected to grow by 140 % as compared to an increase of 51 % in more developed countries (Krug 2002). A key feature of population ageing is the progressive ageing of the older population itself. Over time, more older people survive to even more advanced ages (Chen and Powell 2012). The forecast rise in the number of older people aged 75+ over the next two decades will lead to an expansion of demand for health, housing accommodation and pensions for ageing populations and is thus of crucial importance for governments, policy makers, planners, and researchers in all nation states (McDaniel and Zimmer 2013). On a global

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scale, the population aged 85 and over is projected to increase by 151 % between 2005 and 2030, compared to a 104 % increase for the population aged 65 and over and a 21 % increase for the population under 65 (Bengston and Lowenstein 2004). The most striking increase will occur in Japan: by 2030, nearly 24 % of all older Japanese are expected to be at least 85 years old. As life expectancy increases and people aged 85 and over increase in number, four-generation families may become more common (Chen and Powell 2012).

In advanced capitalist or First World countries fertility decline that started in the early 1900s have resulted in current fertility levels below the population replacement rate of two live births per woman. Perhaps, the most surprising demographic development of the past two decades has been the pace of fertility decline in many less developed countries (Giddens 1993). In 2006, for example, the total fertility rate (TFR) was at or below the replacement rate in 44 less developed countries (Cook and Powell 2007). Most of the more developed nations have had decades to adjust to this change in age structure. For example, it took more than a century for France's population aged 65 and over to increase from 7 % to 14 % of the total population. In contrast, many less developed or Third World countries are experiencing rapid increases in the number and percentage of older people, often within a single generation. The same demographic ageing process that unfolded over more than a century in France will occur in two decades in Brazil (OECD 2007). In response to this compression of ageing, institutions must adapt quickly to accommodate a new age structure. Some less developed nations will be forced to confront issues, such as social support and the allocation of resources across generations, without accompanying economic growth that characterized the experience of ageing societies in the West. In other words, some countries 'may grow old before they grow rich' (Cook and Powell 2010: 77).

Globalization has also produced a distinctive stage in the social history of population ageing, with a growing tension between nation state-based solutions (and anxieties) about growing old and those formulated by global institutions (Heshmati and Lee 2010). Globalization, defined here as the process, whereby nation-states are influenced (and sometimes undermined) by transnational actors (Powell 2005), has become an influential force in shaping responses to population ageing. Growing old has itself become relocated within a transnational context with international organizations (such as the World Bank and International Monetary Fund) and cross-border migrations, creating new conditions and environments for older people (Phillipson 2003).

Ageing can no longer be viewed just as a 'national' problem but the one that affects transnational agencies and communities. Local or national interpretations of ageing had some meaning in the world where states were in control of their own destiny (Estes *et al.* 2003). They also carried force where social policies were being designed with the aim or aspiration of levelling inequalities, and where citizenship was still largely a national affair (and where there was some degree of confidence over what constituted 'national borders'). The crisis affecting each of these areas, largely set in motion by different aspects of globalization, is now posing acute challenges for understanding 'global ageing' in the twenty-first century.

If these examples illustrate the complexity and impact of global ageing – then, it may be pertinent to highlight how globalization is impacting more specifically across different continents around the world.

Since the turn of the last century, the life expectancy of people born in North America has increased by approximately 25 years and the proportion of persons 65 years or older has increased from 4 % to over 13 % (Estes and Associates 2001). By 2030, one in five individuals in the USA is expected to be 65 years or older and people aged 85 and older make up the fastest growing segment of the population. In 2000, there were 34 million people aged 65 or older in the United States that represented 13 % of the overall population (Estes and Associates 2001). By 2030, there will be 70 million people over 65 in the United States, more than twice their number in 2000. 31 million people, or 12 % of the total population, are aged 65 and older. In another 35 years, the elderly population should double again. The ageing population is not only growing rapidly, but it is also getting older:

In 1990, less than one in ten elderly persons was age 85 or older. By 2045, the oldest old will be one in five. Increasing longevity and the steady movement of baby boomers into the oldest age group will drive this trend (Longino 1994: 856).

The percentage of the oldest old will vary considerably from country to country. In the United States, for example, the oldest old accounted for 14 % of all older people in 2005. By 2030, this percentage is unlikely to change because the ageing baby boom generation will continue to enter the ranks of the 65-and-over population (Bengston and Lowenstein 2004). This is obviously causing much concern among policy-makers but Longino (1994), for instance, believes that thanks to better health care service, changing living arrangements and improved assistive devices, the future may not be as negative as we think when we consider an ageing population. Ageing is, therefore, seen as a triumph of the 21st century (UNFPA 2012).

Estimates suggest that there is an increasing trend of share portion of older people (60+ years) globally (UNFPA 2012; McDaniel and Zimmer 2013) and a significant variation exists between developed and developing countries in terms of responding policy actions to emerging issues particularly in bearing the cost of care for the elderly persons (Khan *et al.* 2013). In many countries of the world the progress of solving global ageing issues has become slower or somehow impossible due to the 2008–2012 global financial crises. Recent study shows that the global economic crisis has exacerbated the financial pressure in every country to ensure both the economic security and the access to health care in old age (UNFPA 2012).

It will be different, however, not least because people currently divorced constitute a small proportion of older populations. This will soon change in many countries as younger populations with higher divorce and separation rates age. In the United States, for example, 9 % of the 65-and-over population is divorced or separated compared to 17 % of people aged 55 to 64 and 18 % of people aged 45 to 54 (Manton and Gu 2001). This trend has gender-specific implications: in all probability non-married women are less likely than non-married men to have accumulated assets and pension wealth for use in older age, while older men are less likely to form and maintain supportive social networks.

Shoring up public pensions is hardly the only path the nations of North and South America are exploring. In many countries, privately managed saving accounts have been strongly advocated (Estes and Associates 2001). Two decades ago, nearly every South American nation had pay-as-you-go systems similar to the U.S. Social Security

system. Some granted civil servants retiring in their 50s full salaries for life. Widening budget deficits changed that. In 1981, Chile replaced its public system with retirement accounts funded by worker contributions and managed by private firms. The World Bank encouraged 11 other Latin nations to introduce similar features. For example, in Chile the government addressed its fiscal budget deficit by mobilizing \$49 billion of pension-fund assets that make it easier for companies and corporations to fund investments in the local currency with bond offerings, and most workers have some retirement benefits from this (OECD 2007). At the same time, the downside has been those people who cannot afford a private pension and have been left to a low state pension which has intensified poverty (Estes and Associates 2001); an enduring feature of all nation states in America. For the future, there is no safety guarantee that private pension schemes are protected and pay out for people who invest their savings in such provision. In the deregulated U.S. pension system, the issue of corporate crime has highlighted the continuing problem of private pension provision. For example, it can be clearly seen with the energy corporation of Enron's embezzlement of billions of dollars of employees private pension schemes (Powell 2005). This debate amounts to a significant global discourse about pension provision and retirement ages, but one which has largely excluded perspectives which might suggest an enlarged role for the state, and those which might question the stability and cost effectiveness of private schemes. The International Labour Organization (ILO) concluded that investing in financial markets is an uncertain and volatile business: that under present pension plans people may save up to 30 % more than they need, which would reduce their spending during their working life; or they may save 30 % too little – which would severely cut their spending in retirement (Phillipson 1998; Estes *et. al.* 2003).

Holtzman (1997), in a paper outlining a World Bank perspective on pension reform, has argued for reducing state pay-as-you-go (PAYG) schemes to a minimal role of basic pension provision. This position has influenced both national governments and transnational bodies, such as the International Labor Organization (ILO), with the latter now conceding to the World Bank's position with their advocacy of a mean-tested first pension, the promotion of an extended role for individualized and capitalized private pensions, and the call for Organization for Economic Cooperation and Development (OECD) member countries to raise the age of retirement.

There is also the impact of intergovernmental organizations (IGOs) on the pension debate in South America. Such arguments are to create a climate of fear, inevitability and scientific certainty that public pension provision will fail. In so far as this strategy succeeds, it creates a self-fulfilling prophecy. If people believe the 'experts' who say publicly sponsored PAYG systems cannot be sustained, they are more likely to act in ways that mean they are unsustainable in practice. Certainly, in Europe and elsewhere, the state pension is an extremely popular institution. To have it removed or curtailed creates massive opposition. Only by demoralizing the population with the belief that it is demographically unsustainable has room for the private financiers been created and a mass pensions market formed.

Increasingly, the social infrastructure of welfare states is being targeted as a major area of opportunity for global investors. The World Bank has expressed the belief that

the public sector is less efficient in managing new infrastructure activities and that the time has come for private actors to provide what were once assumed to be public services. This view has been strongly endorsed by a variety of multinational companies, especially in their work with the World Trade Organisation (WTO). The WTO enforces more than twenty separate international agreements, using international trade tribunals that adjudicate disputes. Such agreements include the General Agreement on Trade in Services (GATS), the first multilateral legally enforceable agreement covering banking, insurance, financial services and related areas (Estes *et al.* 2003).

Asia has the fastest increase in the ageing population in the world. Kim and Lee (2007) claim the growing elderly population is beginning to exert pressure on the East Asian countries' economies. Three decades ago, major industrialized countries have begun to grapple with the similar problem. With increasing drop in fertility rates, more East Asian economies such as Japan, Hong Kong, South Korea, Singapore and Taiwan are expected to turn into 'super-ageing societies' by 2025 (Kim and Lee 2007). However, the magnitude of the future impact depends on the (in)ability of individual economies to resolve the demographic changes problem through increased privatization, pension reforms, migration to more productive countries and extension of retirement age. Like western countries, Asia will ultimately have to tackle issues related to pension reform and the provision of long term health care services (Cook and Powell 2010).

For Japan, the basic statistical reality of its demographic profile is escalating. Already 17 of every 100 of its people are over 65, and this ratio will approach 30 in 15 years. From 2005 to 2012, Japan's workforce is projected to shrink by around 1 % every year – a pace that will accelerate after that. Economists fear that, besides blowing an even bigger hole in Japan's underfunded pension system (Cook and Powell 2010), the decline of workers and young families will make it harder for Japan to generate new wealth.

The future challenge of providing for the elderly is especially urgent in the world's two biggest nations – India and China. Only 11 % of Indians have pensions, and they tend to be civil servants and the affluent. With a young population and relatively big families, many of the elderly population still count on their children for support. This is not the case in China. By 2030, there will be only two working-age people to support every retiree. Yet only 20 % of workers have government- or company-funded pensions or medical coverage (Chen and Powell 2012). However, as a counterbalance to such a gloomy perspective, 'Chindia' (China and India taken together) is currently accumulating vast wealth as a result of globalization, wealth that could potentially be redirected for the support of their elderly populations.

The population structure of Western European countries has changed since the turn of the 20th century. Whereas in 1901, just over 6 % of the population were at or over current pension age (65 in the UK for men and women), this figure rose steadily to reach 18 % in 2001 (Powell 2005). At the same time, the population of younger people under age 16 fell from 35 % to 20 %. As European countries reach a relatively high level of population ageing, the proportion of workers tends to decline. European countries, including France, Germany, Greece, Italy, Russia, and the Ukraine, already have seen an absolute decline in the size of their workforce. And in countries where tax increases are needed to pay for transfers to growing older populations, the tax burden

may discourage future workforce participation. The impact on the Nation States' gross domestic product will depend on increases in labor productivity and that State's ability to substitute capital for labor. Less developed countries can shift their economies from labor-intensive to capital-intensive sectors as population ageing advances. Options for more European nation states may be more constrained. The 'rolling back' of pensions promises is just one symptom of a shift in European history: the 'graying of the baby-boom generation' (Chen and Powell 2012). The percentage of 60-year-olds and older are growing 1.9 % a year. This is 60 % faster than the overall global population. In 1950 there were 12 people aged 15 to 64 to support each one of retirement age. Currently, the global average is nine. It will be only four-to-one by 2050 (McDaniel and Zimmer 2013). By then, the numbers of older people will outnumber children for the first time. Some economists fear this will lead to bankrupt pensions and lower living standards. It is interesting that in Germany this fear is becoming a battleground for political electioneering. For example, Germany has the highest population in Europe and the third oldest population in the world, which presents both critical questions on public finances to provide pensions and healthcare and an opportunity for innovations in the marketplace. Currently, ageing has started to figure prominently in political discussions prior to 2009 elections, as political parties vie for the elderly vote. The current Merkel administration has been criticized for increasing pensions while opponents talk about a 'war of generations' requiring young people to pay for taxation for elder care.

The trend has drawn further attention across Europe, where the working-age population declined by 0.6 % in 2010. By 2025, the number of people aged 15 to 64 is projected to dwindle by 10.4 % in Spain, 10.7 % in Germany and 14.8 % in Italy. But ageing is just as dramatic in such emerging markets as China – which is expected to have 265 million 65-year-olds by 2020 – and Russia and the Ukraine (Cook and Powell 2007).

Using evidence from the UK, the percentage of people of working age, that is 16–64, will drop from 64 % in 1994 to 58 % in 2031 (Powell 2005). As the number of workers per pensioner decreases there will be pressure on pension provision. This is evident now, in such areas of pensions and long term care, the retreat of the state made evident in the erosion of State Earnings Related Pensions Scheme are forcing people to devise their own strategies for economic survival in old age (Phillipson 1998). In the British context that also impinges on global societies in general, private pensions are slowly being introduced in order to prevent the 'burden' of an ageing population. These are ways in which the State continues to rely on apocalyptic projections such as 'demographic time bomb' about ageing populations in order to justify cuts in public expenditure (Powell 2005). Hence, the population of Great Britain, like that of other European countries, is ageing rapidly. There are only enough young people to fill one in three of the new and replacement jobs that will need to be taken up over the next decade. Older people take much of the responsibility for our social and civic life and for the care of children, the sick and the very old in the community. Yet, the gap between wealth and poverty, choice and the absence of choice for older people is stark and growing wider (Phillipson 1998). The UK government is at the time of writing seeking to promote a debate over what they envisage as a multi-billion pound deficit that will be found in care for the elderly in future.

Economic security, health and disability, and living conditions in old age are policy concerns throughout the world, but the nature of the problem differs considerably from continent to continent and between and within countries – especially within Africa.

In Africa older people make up a relatively small fraction of the total population, and traditionally their main source of support has been the household and family, supplemented in many cases by other informal mechanisms, such as kinship networks and mutual aid societies. In 2005, Nigeria ranked among the top 30 countries in the world on the basis of the size of its population aged 60 and over. Nigeria had the largest older population in sub-Saharan Africa, with over 6 million people of age 60 and over; South Africa had just over 3.4 million. Congo and South Africa are projected to have nearly 5 million older people in 2030. Burkina Faso, Cameroon, Cote d'Ivoire, Madagascar, Mozambique, Niger, Senegal, and Uganda are all projected to have their older populations grow to over one million people by 2030 (HIV/AIDS Alliance and HelpAge International 2004). Very little careful empirical research has been undertaken on long-term trends in the welfare of older people, but there are a number of reasons to believe that traditional caring and social support mechanisms in Africa are under increasing strain (OECD 2007).

Located on the least developed and poorest continent, according to the World Bank report, the average per capita income for 25 sub-Saharan African countries was only 130 (GDP per capita in current US\$), this increased to US\$ 1315 by 2011. In addition, reductions in fertility and child mortality have meant that, despite the huge impact of the HIV/AIDS epidemic across much of the region, both the absolute size and the proportion of the population of age 60 and over have grown and will continue to grow over the next 30 years (Estes *et al.* 2003).

In Africa, as in other traditional societies such as those in India or China, older people have traditionally been viewed in a positive light, as repositories of information and wisdom. And while African families are generally still intact, development and modernization are closely connected with social and economic changes that can weaken traditional social values and networks that provide care and support in later life. Africa has long carried a high burden of disease, including malaria and tuberculosis; today it is home for more than 60 % of all people living with HIV – some 25.8 million in 2005. The vast majority of those affected are still in their prime wage-earning years, at an age when, normally, they would be expected to be the main wage earners and principal sources of financial and material support for older people and children in their families. Many older people have had to deal with the loss of their own support while absorbing the additional responsibilities of caring for their orphaned grandchildren. Increasingly, then, it appears that African societies are being asked to cope with population ageing with neither a comprehensive formal social security system nor a well-functioning traditional care system in place (HIV/AIDS Alliance and HelpAge International 2004).

According to the 2010 UN database, the big issue is that the majority of the world's population of older people aged 60 years and over (461 million) live in Asian countries out of world's total 865 million. There is also a remarkable difference between geographical locations. For example, in 2012, only 6 % of the population in Africa was 60 years and over, compared with 11 % in Asia, and 22 % in Europe. By 2050, it is expected that 10 % of the population in Africa will be 60+ years, compared with 24 % in

Asia and 34 % in Europe (UNFPA 2012). For many countries, however, population ageing has been accompanied by reductions in per capita income and living standards decline. Epstein (2001) notes that between 1950 and the late 1970s, life expectancy increased by at least 10 % in every developing country of the world, or on average by about 15 years. Life expectancy is generally increasing with the passage of time and varies largely across geographical regions (UNFPA 2012). However, at the beginning of the twenty-first century, life expectancy remains under fifty years in more than *twenty* developing countries, and in those countries since 1970 life expectancy has actually fallen (*e.g.*, Uganda, Zambia, Zimbabwe, Botswana, Lesotho, and Swaziland), or has barely risen (*e.g.*, Burundi, Malawi, Mozambique, Rwanda, Nigeria, Mali, Chad and Somalia) (UN 2013).

The AIDS epidemic is certainly a major factor here, but development loans requiring the privatization of health care have also had an impact. Epstein (2001) reports, for example, that by the mid-1990s the African continent was transferring four times more in debt repayment than on health or education. More generally, HelpAge International argues that:

Older people's poverty is still not a core concern in the social, economic and ethical debates of our time. Their right to development is routinely denied, with ageing seen as a minority interest or case for special pleading. Poverty and social exclusion remain the main stumbling blocks to the realisation of the human rights of older people worldwide (HelpAge International 2000: 8).

Conclusions

The globalization of ageing will have dramatic effects on local, regional, and global economies (Powell and Chen 2012). Most significantly, financial expenditures, labor supply, and total savings will be affected. Changes in the age structures of societies also affect total levels of labor force participation in society, because the likelihood that an individual will be in the labor force varies systematically by age. Concurrently, global population ageing is projected to lead to lower proportions of the population in the labor force in highly industrialized nations, threatening both productivity and the ability to support an ageing population. At the same time, as age structural transition takes place quite rapidly, globally there are concerns regarding the actual capacities of societies to address the challenges of ageing population, particularly during the global economic crisis. The first thing would be to understand the extent of ageing issues with each society and to take steps to remedy the problems. For that we need real data on elderly people and their families. Countries need strong political commitments as to how they can utilize the resources for wellbeing of elderly by providing social pension or restructuring workforces in order to accommodate older persons at workplace or enhancing social care by encouraging intergenerational relationships within societies and communities (Khan *et al.* 2013). People should be encouraged for taking part in voluntary activities within the community at large. Mass campaign is necessary in order to educate the society that older person is not a burden instead they are contributing more to the family as well as to the society. We should highlight positive news on older people. At the same time, 'young old' should be prepared for the life-long saving as the future benefit system is likely to be uncertain.

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