Population Ageing: A Growing Challenge for Low- and Middle-income Countries

In many OECD countries since the 1950s, smaller family sizes and longer life expectancy have steadily expanded the ranks of the elderly in many societies, prompting commentators to call it the rise of the Graying Revolution. Once considered a rich country phenomenon because of its origins in high national incomes and better personal health, new World Bank research shows that developing and middle-income countries are now catching up, but largely without the economic means to cope with the social and economic challenges posed by this profound demographic shift.

“Population ageing is a global issue that is affecting, or will soon affect, virtually every country around the world, at a time when family support and other traditional safety nets have become less certain,” says Daniel Cotlear, co-author of a new Bank report “Some Consequences of Global Ageing,” and a Lead Economist in the World Bank’s Human Development Network. “What we find is that many developing countries are getting older before they become more prosperous, which is the reverse of the OECD experience, and cause for worry.”

Cotlear, who has another report coming out in the coming weeks looking specifically at ageing in Latin America, says it’s important to appreciate the importance of falling birth and death rates to gauge the economic implications of expanding older populations. He says that both life expectancy and fertility rates have changed dramatically over the last 60 years and further changes are expected. Life expectancy at birth grew by 11 years between 1950-55 and 2005-10 in more developed countries but the gains have been much greater in less developed regions (excluding the least developed countries), where life expectancy increased by 26 years, and in the least developed countries, where life expectancy increased by 19.5 years. Further gains are anticipated in the coming decades.

Along with his co-authors Andrew Mason and Ronald Lee, Cotlear argues against the common ‘time bomb perception’ of ageing populations and says that with smart policies in labor markets, social security, long-term care and public health in place ahead of time, countries and their communities will better manage the economic and social needs of their ageing societies. For more, click here.

This point is amplified in another new report from the World Bank’s Human Development Network, “Long Term Care Policies for Older Populations in New EU Member States and Croatia: Challenges and Opportunities,” which shows that new members of the European Union and Croatia are also facing a challenge many Western countries have been facing for years: aging populations leading to increased demand for long-term care services. This is made doubly challenging because there are fewer potential caregivers to care for more dependent people, while at the same time, a smaller working-age population has to finance the higher public spending needed for long-term care for older people.

“In looking at how other countries have approached this problem, it became clear to us that there really is no ‘one size fits all’ solution,” says Johannes Koettl, a co-author of the new report and an Economist in the World Bank’s Europe and Central Asia Human Development team. “From tax-financed social safety nets like Medicaid in the United States, to universal entitlements financed either from taxes as in Austria, or social security contributions as in Germany and Japan, what is clear, in all cases, is that some public risk-pooling is needed. Based on our review, we are suggesting that new EU member states and Croatia consider a universal system of basic protection for all individuals requiring long-term care service.”

According to the report, experiences from OECD countries suggest several broad directions for future policy reforms:

- Medical to social services: Many dependent people and their families turn to the health sector, in particular, hospitals, when they need effective social care. Long-term care provided by the health system might not be sufficient.
• **Community-based services:** In most countries, there is a lack of community-based care such as daycare, assisted living, and home-based care. Patients overwhelmingly prefer to be taken care of at homes; in many cases, it is also the more effective and affordable solution.

• **More coordination:** In particular, between health and social services where fragmented financing and delivery of long-term care leads to cost shifting between sectors at the expense of patients’ wellbeing. Patient-centered care coordination, in particular through joint needs assessments, is key.

• **Shift from producing services to purchasing services:** with caring for the elderly likely to take up more and more national economic activity during the coming years, the report says that the public sector cannot be expected to carry this responsibility on its own. The public sector needs to prioritize its core services and buy long-term care services from the private sector, including NGOs and community groups.

• **In-kind benefits to cash benefits and vouchers:** Cash benefits put patients in charge of buying the right type of care services and can play an important role in supporting informal care and spurring private sector response.

“It is easy to assume that the challenge of shrinking and aging populations in these countries will soon create pressure on the state and individual families. Acting now to consider different policies and starting to implement them now provides an opportunity to mitigate those pressures over the long-term,” says Sarbani Chakraborty, a World Bank Senior Health Specialist and a co-author of the report.

With rising life expectancy and smaller family sizes, the proportion of older people in many countries globally has grown substantially, placing great strain on public social security systems. For more on how ageing poses challenges for pensions and old-age security, please click [here](#).