

# Economics of Population Ageing in South Asia with Special Reference to Sri Lanka

## Introduction

Population ageing has become an issue of concern in most South-Asian countries. Among them, Sri Lanka records the fastest ageing population in South Asia. According to most recent data available Sri Lanka is getting old faster compared to other South-Asian countries. (United Nations, 2008) A country is likely to face massive socio-economic controversies, if prompt policies are not in action with the growing elderly. This paper, using secondary data, will look into the matter of population ageing in South-Asian countries. Arising challenges in the region and its nature will be discussed. According to the United Nations (1999), by 1995, population aged 60 and above in Asia was 8.2% of its total population. This figure amounted to 8.6% by 2000, and is expected to grow to a figure of 12.6% by the year 2020 (United Nations, 1999). Sri Lanka, on the other hand, is the leader in South Asia, when it comes to population ageing. In the South-Asian context, Sri Lanka is unique both in the present process of ageing as well as in its future. The proportion of those over the ages of both 60 and 70 years in Sri Lanka is much higher than that in other countries in the South-Asian region. According to the United Nations (2002), by 1975, 6.3% of the Sri Lanka's population belonged to the age group above 60. This figure rose to a value of 9.3% by 2000, and as projected, it will be 18.0% by 2025 (United Nations, 2002). Thus, it is quite obvious that there is a relatively hefty shift in age structure in a short period of time. South Asia, as a developing region, will have a shorter time period than developed countries, which underwent this phenomenon few decades ago. With the current overall growth rate of the aged population, by 2025, different South-Asian countries are projected to have a

significantly high proportion of aged people in their population. With regard to some countries, it is almost the double compared to 1990. Thus undoubtedly this is a matter of concern.

This paper contains ten sections. The next section discusses demographic theory which describes population ageing and the ageing scenario in South Asia. Section three explains the ageing process and its trend in South-Asian countries. Section four is devoted to explaining how ageing becomes a burden in terms of old age dependency. Section five glances over the positive side of population ageing. Section six discusses the population ageing process in Sri Lanka. Macro economic impacts arising with population ageing on Sri Lanka's economy is discussed in section seven. In section eight, possible solutions to overcome negative effects of ageing are discussed. Recommendations are made in section eight. The last section concludes the paper.

## Population Ageing: The Process

A population is said to be ageing when the percentage of population belonging to age group 60 and above is growing. The demographic transition theory shows us the manner in which the changes in fertility and mortality pave the way to population ageing. In most of the South-Asian countries, the last four or five decades or so was an era of decline in mortality and fertility rates,

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thus giving rise to population ageing. Demography defines fertility as the "number of children a woman would have if she were to bear children over her fertile period at the rate children are born to her at that time." (De Silva, 2007a). Table one shows population composition of South-Asian countries. Aging index proves the fact that Sri Lanka is the leading country in South-Asia when it comes to ageing.

## Population Ageing: South-Asian Scenario

Sustained decline in fertility and mortality in South Asia is the prime factor behind ageing in the South-Asian region. Table 2 shows the manner in which South Asian population became "old" throughout the last five decades. It is notable that among those selected countries, Sri Lanka is on the top containing 16.90% of its population belonging to the aged group by 2025 (Kabir, 1999).

However, different South-Asian countries seem to be at different stages of an upcoming aged population. As a percentage of total population, the 60 and above age group seems to be highest in Sri Lanka. India will be next in the list. Proportion of population belonging to age 60 and above is increasing in all selected countries. The most significant shift will be with regard to Sri Lanka. This trend seems common even with regard to the population above 70 also. The median age of the population is increasing in every country (Table 2 & 3).

**Table 1**  
Population age composition of selected South-Asian countries

Country	0-14 (% of Total Population)	60+ (% of Total Population)	Ageing index*
Bangladesh	34	6	18
Bhutan	30	7	24
India	32	8	25
Nepal	29	7	22
Pakistan	35	6	17
Sri Lanka	23	11	48

Note: \* - Ageing Index is calculated as the number of persons 60 years old or over per hundred persons under the age 15.

Source: United Nations, 2008.

**Table 2**  
Population Aged 65 and above and its percentage in Selected South Asian Countries (% of Total)

Year	1960	1970	1980	1990	2000	2002
Bangladesh	3.55	3.27	3.38	2.99	3.25	3.32
Bhutan	3.34	3.43	3.60	3.79	4.10	4.11
India	3.43	3.65	4.05	4.32	4.96	5.03
Nepal	3.62	3.44	3.51	3.59	3.73	3.78
Pakistan	4.37	3.51	3.36	3.37	3.27	3.32
Sri Lanka	3.70	3.81	4.35	5.14	6.25	6.43

Source: World Bank, 2004.

**Table 3**  
Ageing trends in South-Asian countries

Country	Proportion 60+ (% of Total Populnt)		Proposition 70+ (% of Total Populnt)		Median Age (% of Total Populnt)		Sex Ratio (2000)* 60+ 70+	
	2000	2030	2000	2030	2000	2030		
Bangladesh	4.9	9.7	1.8	3.5	20.0	25.6	100	101
Bhutan	6.5	7.4	2.5	3.2	5.7	20.6	89	83
India	7.6	14.0	2.9	5.9	20.6	30.4	92	88
Nepal	5.9	7.8	2.1	2.9	15.9	20.9	97	91
Pakistan	5.8	7.8	2.1	3.2	15.8	20.8	100	98
Sri Lanka	9.8	21.5	3.9	9.2	26.9	39.2	99.6	100

\*Sex ratio is the ratio of males to females in a population. (E.g.: Sex ratio 100 means, there are 100 females for 100 males)

Source: United Nations, 2001

### Ageing as a Burden

Population ageing is treated as a burden, since we tend to believe that the elderly people are unproductive, dependent on those who work, and old people need money for their health facilities and care in the old age. However with ageing, people become less efficient, and thus, their value added to output will decline. Since with regard to most South-Asian countries, ageing seem to be a rural phenomenon where only a small proportion engaged in wage paid employment. Yet, those who are employed in the agricultural sector will work as long as they can. However, their productivity is believed to decline as they become older. On the other hand, the urban old scenario will be different. Those who retire at age 55 or 60 may continue to live 10-15 more years without employment. Thus, there will be more pressure on those who earn since it is their responsibility to look after aged parents. The old age needs more care and health facilities. The urban nuclear family will shift somewhat towards the extended family, giving rise to social and economic consequences.

### Window of Opportunity

Population ageing is not confined to ill effects. There seems to be positive

aspects of ageing too. With population ageing, the median age of the work force is likely to increase. This is believed to result in an increase in the productivity of the labour force. Population ageing results in a decline of child dependency and an increase in old dependency. There

will be a period with a massive workforce and a relatively smaller old and child population; in other words, both old and child dependency

are low. This can be an era of economic development and acceleration. Decline in dependency will increase savings and may direct more funds towards investment.

Ageing is a process that would result in a higher elderly population and a smaller child population. Hence, public funds can be saved in terms of primary education, child / infant health facilities, etc. Anyhow, there will be more budgetary allocations on elderly houses, elderly healthcare facilities, etc.

### Population Ageing: The Sri Lankan Case

As we have already understood, Sri Lanka has the fastest ageing population in South Asia. According to De Silva (2003), there is a 3.52% increase in population of 65 and above from 1960-2002 in Sri Lanka. In numbers, the increase is 876'000 (World Bank, 2004). Compared to other South-Asian countries, population belonging to the age group 60 and above is significantly higher. In the early 1990s, the figure was around 8%. The reason behind this

could be the massive decline in fertility and increase in life expectancy. Based on the projected figures, we can note that fertility and mortality will decline further in the time to come. Based on De Silva's population projections, by the year 2031, 21.9% of Sri Lanka's population will belong to the elderly aged group. Table 4 shows the manner in which fertility has changed in Sri Lanka for six-year periods from 1991 and projections till 2031, whereas Table 5 shows the increase in life expectancy, which paved the way to ageing in Sri Lanka.

**Table 4**  
Fertility change in Sri Lanka

Period	Fertility
1991-1996	2.3
1996-2001	2.2
2001-2006	2.1
2006-2011	2.0
2011-2016	1.9
2016-2021	1.8
2021-2026	1.7
2026-2031	1.7

Source: De Silva, 2007b.

**Table 5**  
Life Expectancy of Sri Lanka Past and future

Year	Male (At Birth)	Female (At Birth)	Male (At age 60)	Female (At age 60)
1920-1922	32.7	30.7	11.5	10.6
1945-1947	46.8	44.7	14.3	14.5
1952	57.6	55.5	16.0	14.9
1962-1964	63.3	63.7	16.6	17.8
1970-1972	64	66.9	18.8	20.2
1980-1982	67.7	72.1	17.2	21.3
2000-2002	68.1	76.6	17.2	21.3
As Projected 2006			17.3	21.5
2011			17.5	21.8

Source: De Silva, 2008.

The Total Fertility Rate (TFR) is defined as average number of children that would be born to a woman over her lifetime if she were to experience the exact current age-specific fertility rates through her lifetime (De Silva, 2007a). By the year 2001, the elderly population of the county amounted to 10% of its total population, and it is a 4% increase compared to 1960. Fertility, on the other hand, has gone down significantly by 2001 and has reached the replacement level fertility (TFR = 2.1) by 2001. Improved health care service in the country has led to a major decline in mortality also. Considering life expectancy at birth, it has increased to 78 years by 2001. All these demographic changes have enhanced the possibility of an ageing population in next few decades. "The rise was a result of combined

fertility, mortality and international migration trends. With the rapid decrease in fertility that occurred at that time, the onset of the ageing process was accelerated." (De Silva, 1994). Based on the population projection, by the late 2030s', almost one quarter of Sri Lanka's population will belong to the elderly aged group. In other words, one citizen out of four will be an aged citizen. The nature of changes occurred in Sri Lanka's population pyramid depicts the manner in which the age sex structure of Sri Lanka's population has changed. Following population pyramids constructed for year 1982, 2008, and 2050 taken from the U.N. database can be used in this regard. By the early parts of 1982, Sri Lanka's population pyramid has started changing. We could clearly visualise that by observing the fact that the bottom part of the pyramid is heavier. Population pyramid constructed for year 2008 shows how the labour force of the country has started growing by early 2000s. This enhancement in the labour force will continue for a few more decades, until it reaches a situation where the old age (60 and above) population starts growing (Population Pyramids, 1982, 2008 and 2050).

### Macro Economic Issues Arising with Population Ageing

As far as economies of ageing on Sri Lanka's socio-economic context are concerned, growing old dependency will be one prominent burden. This may have various effects on Sri Lanka's economy. It is understood that old age dependency on labour force will increase significantly in time to come. As most neo-classical economists argue, this increasing elderly population will have negative effects on the economy. Savings will decline paving way

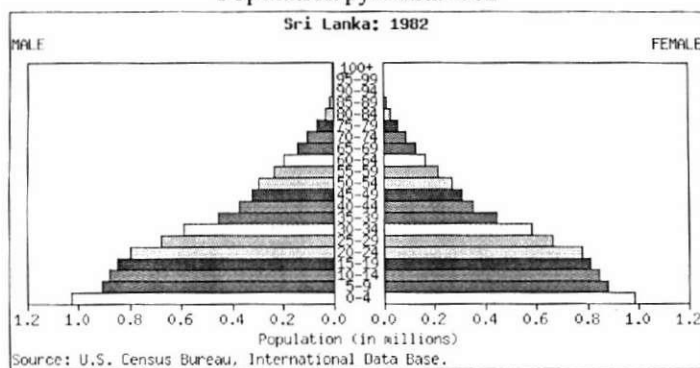
to reduction in investment and finally a decline in macro economic growth. Fiscal pressure on the government will worsen the situation. Ageing will result in a decline in Labour force. With the reduction in the labour force, the tax base of the government will shrink (since reduction in the labour force reduces the number of tax payers), in a situation where many budgetary allocations are needed to look after needs of the elderly. Huge budget deficits, coupled with inflationary situations in the country, will put more pressure on the government and similarly on the work force. On the other hand, the government as well as policy makers need to pay more attention on social security of the elderly group. Pension schemes, insurance schemes, banking facilities, focusing elderly, and health and other

such facilities are urgent musts. Protection of Rights of Elders Act No.9 of 2000 is such attempt made by policy makers to strengthen the growing elderly group.

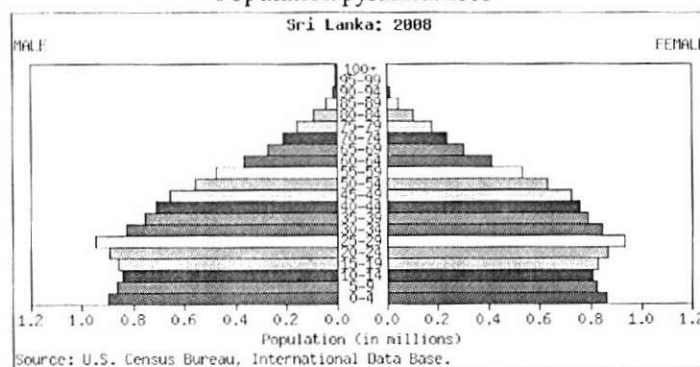
### Ageing, Decline in Labour Force: What can be Done?

One of the main impacts on an economy that is likely to arise with population ageing is a shrinking work force. Hence, the number of retired persons will increase. This issue can be observed by looking at the growth of number of pensioners during last few years in Sri Lanka. A significant increase with regard to the number of pensioners can be identified (Table 6). One solution to overcome this problem is the increase of the retirement age of the country.

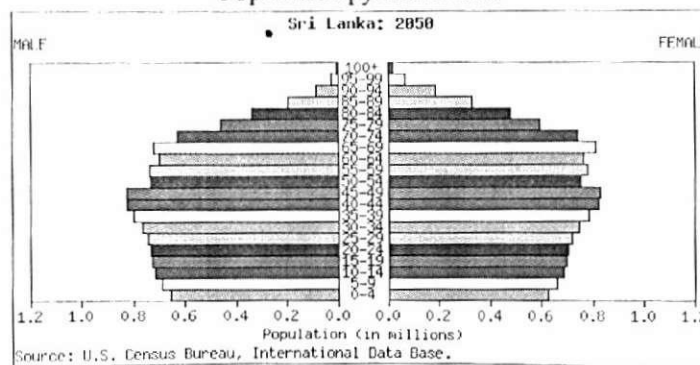
Population pyramid: 1982



Population pyramid: 2008



Population pyramid: 2058



Source: www.un.org

In the South-Asian context, Sri Lanka maintains better health conditions compared to other countries. Sri Lanka's life expectancy is significantly high compared to other South-Asian and most Asian countries. We can observe life expectancy and health status of few selected South-Asian countries and their retirement age by looking at Table 7.

The Retirement age for the government sector employees in Sri Lanka is set as 55. However, extensions can be provided till 58 or 60, depending on the job. On the other hand, only a very few are entitled to work after the age of 60 (e.g., Judges of the Supreme Court, University lecturers). Considering the general health status, life expectancy, healthy life expectancy and Human Development Index it seems timely to talk about increasing the retirement age of the country (Table 7).

The above data emphasises the fact that increasing the retirement age of the country is a long overdue. In terms of life expectancy,

Sri Lanka stands far ahead in South Asia. The healthy life expectancy highlights the health status of Sri Lanka's population. On the other hand, human development index indicates the fact that Sri Lanka is far ahead of her neighbouring South-Asian countries. Hence, increasing the legal retirement age seems to be appropriate as a solution to future declining work force. Change in the retirement age, not only increases the labour force, but also decreases the up coming number of pensioners.

**Table 6**  
**Growth in number of Pensioners**

Year	Number of Pensioners
1992	258120
1993	293719
1994	303993
1995	310854
1996	332824
1997	342343
1998	358228
1999	364472
2000	371728
2001	383838
2002	394625
2003	400000
2004	411427
2005	418923

Source: [www.pensions.gov.lk](http://www.pensions.gov.lk)

**Table 7**  
**Life Expectancy / Healthy life expectancy and retirement age for selected South Asian countries**

Country	Life Expectancy at Birth (Years) Male & Female (2006)	Healthy life expectancy at birth (Years) Male & Female (2006)	Human Development index	Retirement age (Years)
Bangladesh	63	54	0.530	57 (Discussions going on to increase it to 60)
India	63	53	0.611	58 (The Govt. of India Looking forward to increase it to 60)
Pakistan	63	53	0.551	60 (Discussions going on to increase it to 62)
<b>Sri Lanka</b>	<b>72</b>	<b>62</b>	<b>0.755</b>	<b>55 to 60*</b>

Sources: World Health Organisation, 2008/ [www.globalaging.org/](http://www.globalaging.org/) [www.nationalgeographic.com/](http://www.nationalgeographic.com/) [www.pensions.gov.lk/](http://www.pensions.gov.lk/) [www.un.org](http://www.un.org)

*Note\**-The retirement age of the country vary from 55 to 60 depending on the job and provision of extension after the age 55.

## Recommendations

First of all, the community should be aware of the fact that "we are getting older." This will make the younger generation aware of the future challenge, and will be encouraged preparing for the future. For example, saving more when they are employed, contribute to personal pension schemes, etc. On the other hand, the government

as well as other financial institutions should come up with new savings, insurance schemes that would fit the purpose. Legislative amendments are needed to strengthen the elderly. Act No 9 of 2000 was long overdue in this regard. Further, more such legislative enactments are needed. Steps should be taken to increase the legal retirement age of the county. However, before doing this, a more in-depth analysis is needed to identify the health status and working capability of the elderly. Ageing process of Sri Lanka should be studied further in terms of rural and urban, since needs and problems of rural aged defer from that of urban. Furthermore, since females outnumber males among the elderly, policies should be directed more on elderly females. In the Sri Lankan context, elderly homes will not be a convincing home for the elderly. Hence the family should be recognised as the main source of social and economic support of the aged. Introducing a National Welfare Pension Programme for those who do not receive government pension may ensure financial security of elderly.

## Conclusions

Glancing over the issue of population ageing in Asia, it's highly evident that Asia is getting older day by day. Sri Lanka is in the forefront in this regard. The ageing process in South Asia differs from country to country so as its consequences. As far as the Sri Lankan context is concerned, it seems more serious than we tend to believe. One

third of its population will be aged by late 2030s. In disregard of a few policies and legal activities, no proper attention has been paid to the future aged group. The declining workforce, resulting in a shrinking tax base, will put more pressure on the government budget. On the other hand, there is a brighter side of ageing too. Economic acceleration during those times may enable the country to be strengthened to face future coming threats. As far as the country's life expectancy and health status are concerned, increase in the legal retirement seems to be a long overdue. Anyhow, to face future challenges, early preparation and effective policies are essential.

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