

Is an aging population an economic burden to Asia, and what policy reforms are needed to address this demographic shift?

Creaky Joints or Golden Gears?

Rethinking Aging in Asia's Economic Engine

Introduction

“East Asia and Pacific is aging faster- and on a larger scale- than any other region in history... The rapid pace of aging makes it especially urgent for structural reforms to make the process manageable and affordable.”

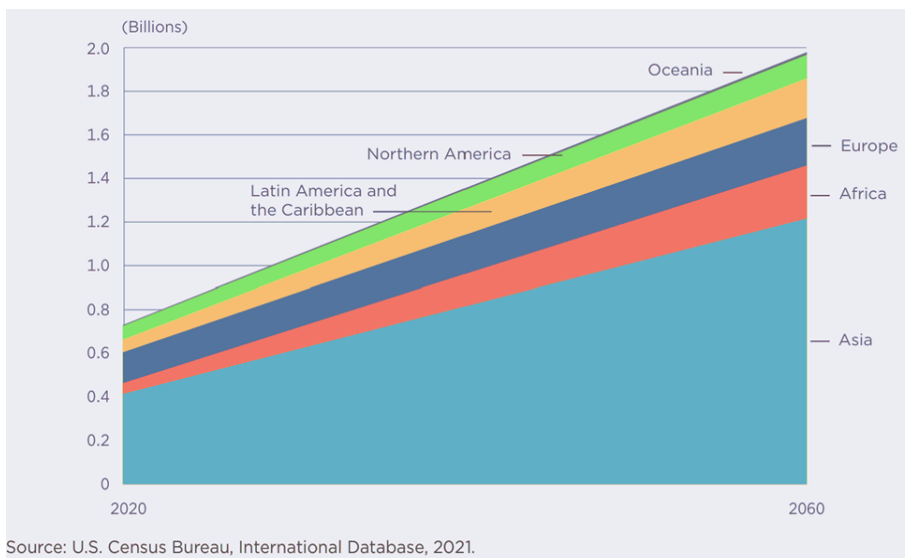
- Axel van Trotsenburg, Regional Vice President, World Bank East Asia and Pacific Region.

This stark warning from the World Bank captures the urgency of a demographic shift that is reshaping Asia's economic landscape. As birth rates plummet and life expectancy climbs, the region finds itself at a crossroads- where the very systems that once powered growth now creak under the weight of an aging population. By 2050, one in four people in Asia and the Pacific will be over 60 years old. (United Nations Population Fund [UNFPA], 2023) The metaphor “Creaky Joints” evokes more than physical frailty; It signals the strain on outdated labour structures, pension models and healthcare systems that were never designed for longevity.

Yet aging need not be synonymous with decline. Just as worn joints can be strengthened with care and adaptation, aging societies can be revitalised through bold, inclusive reforms. This essay argues that while demographic aging presents real economic challenges, it also offers untapped opportunities. By imagining labour participation, healthcare innovation and social inclusion, Asia can transform its aging populations from perceived burdens into “Golden Gears” driving sustainable and equitable growth.

Section 1- Asia's Aging Clock: Scale and speed of aging in Asia

Asia is undergoing one of the fastest demographic transitions in human history. As of 2025, the region is home to over 4.8 billion people, accounting for more than half of the global population. (Worldometer, 2025) Yet beneath this scale lies a seismic shift: the proportion of older adults is rising faster than anywhere else in the world. East and Southeast Asia alone are projected to host over 572 million individuals aged 65 and above- more than double today's figure which increase from 12.2% in 2024 to 22.9 % by 2050. (Asia Health and Wellbeing Initiative, 2023) This pace of aging is especially striking in East Asia. Countries such as Japan, South Korea and Hong Kong are expected to have over 40% of their populations aged 65 and above by mid-century. (Statista, 2023) The U.S. Census Bureau (2023) estimates that Asia's population aged above 65 will triple from 414 million in 2020 to 1.2 billion by 2060, representing over 61% of the world's elderly. As shown in the chart, Asia's elderly population will far outpace other regions by 2060.



This rapid aging is driven by two converging trends: declining fertility and rising life expectancy. Asia's total fertility rate has dropped to 1.9 births per woman in 2025- below the replacement level of 2.1. (Worldometer, 2025) For instance, South Korea's fertility rate fell to a record low of 0.72 in 2023, far below the replacement level 2.1. (Lee & Kim, 2023) Meanwhile, life expectancy across Asia has reached 75 years for both sexes combined, with women living up

to 77.6 years and men 72.5 years on average. (Worldometer,2025) These trends are reshaping the population pyramid into a rectangle, with fewer young people and swelling elderly base.

Look into Malaysia, while younger than its northern neighbours, is also aging at an accelerated rate. The Department of Statistics Malaysia (2025) reports that the proportion of citizen aged 65 and above rose from 7.6% to 8% in 2025, officially classifying 12 of its states “aging”. The country’s total population is projected to reach 34.2 million in 2025, with a median age of 31.3 years- up from 30.9 the previous year. Projections suggest Malaysia will become an “aged society” (14% aged 65 and above) by 2048. (Malay Mail, 2025)

This demographic shift is not just statistical- it is structural. As the labour population shrinks and the elderly cohort expands, Asia faces mounting pressure on labour market, healthcare systems and fiscal sustainability. The urgency is clear: without adaptive reforms, the region risks entering a phase of demographic drag, where aging becomes a brake on growth rather than a catalyst for resilience. This following section explores how aging strains Asia’s growth engines.

Section 2- Economic impacts of aging: Where the strain shows

Firstly, one of the most immediate impacts is the shrinking pool of working-age people. In Asia-Pacific, the labour force participation rate is expected to fall from 61% in 2023 to just 55% by 2050. (Lewis Silkin, 2025) That’s a big drop and it means fewer people contributing to the economy while more relying on it. In countries like South Korea and Japan, the ratio of dependents to workers is rising fast- by 2050, there could be nearly one dependent for every employed person. (JILPT, 2025) This imbalance puts pressure on productivity, wages and innovation. Malaysia, while younger, is also seeing early signs: labour force participation among older adults remains low and early retirement is common due to health or lack of flexible work options. (Yusof & Rahman, 2023)

On the other hand, as people live longer, they need more financial and medical supports. Pension systems across Asia are under pressure. In South Korea, aging could push pension-related fiscal spending up to 9.3% of GDP by 2050. (AMRO, 2025) Japan already spends over 10% of its GDP on pensions. (OECD, 2024) Healthcare costs are also climbing. A regional study estimates that elderly healthcare spending in Asia Pacific will hit \$20 trillion between 2015 and 2030, accounting for nearly half of total health expenditure during this period. (Marsh, 2025)

The bigger picture? Aging is starting to drag down growth. The IMF projects that without major reforms, global GDP growth could slow by about 1.1 percentage points annually, with aging responsible for nearly three-quarters of that decline. (Gruss & Noureldin, 2025) In Asia, countries like China and Japan are already seeing this play out. China's growth is expected to slow by 2.7 percentage points due to aging and the end of its rapid catch-up phase. Even India, which still has a relatively young population is projected to see a 0.7-point slowdown by 2050. The Asian Development Bank warns that aging could reduce annual GDP growth in developing Asia by up to 1.5 percentage points between now and 2050. (ADB, 2023)

The numbers speak volume, but behind every statistic is a story of strain. Families stretched thin, retirees outliving their savings, economies quietly slowing under the weight of demographic change. The truth is sobering without reform, the golden years may become a grey weight. And that is a future too heavy to carry.

Section 3- Rethinking the “Burden” Narrative

It’s easy to see aging as a problem- shrinking workforces, rising costs, slower growth. But that view is incomplete. Older adults aren’t just dependents, they’re contributors, mentors and consumers. Asia’s aging population holds potential that’s often overlooked.

Take Japan for an example, despite having the oldest population in the world, it’s also a leader in elder-focused innovation. Its “silver economy”- industries serving older adults- generates billions annually, from robotics to wellness tourism. (Mason, 2023) In Singapore, retirees are being matched with startups through mentorship programs, blending experience with fresh ideas. (OECD, 2023) These are not just feel- good stories. They are economic strategies.

Older adults also play key roles in unpaid labour: caregiving, volunteering and community leadership. South Korea’s “Senior Club” initiative mobilizes retirees for public service, reducing isolation and boosting civic engagement. (Tan et al, 2024) In Malaysia, many seniors support family businesses or care for grandchildren, quietly sustaining household economies. (Hamid, 2021)

The real burden isn’t aging- it’s failing to adapt. If policies continue to sideline older adults, we waste a growing pool of talent and wisdom. But if we redesign systems to include them, aging becomes a strength. It’s not about reversing the clock- it’s about rethinking the value of time.

Section 4- Policy Reforms for a Resilient Future

If aging is not the problem, then outdated systems are. Across Asia, many policies still treat older adults as passive dependents rather than active contributors. To shift the narrative and ease the economic strain, reforms must be bold, inclusive and regionally grounded.

Firstly, governments across Asia must strengthen fiscal policy to support aging-related infrastructure and services. One approach is to reform pension systems by diversifying funding sources. For example, Singapore's Central Provident Fund (CPF) integrates retirement, housing and healthcare savings into a unified model, reducing reliance on public subsidies. (OECD, 2024) Countries like Malaysia, where Employees Provident Fund (EPF) often leaves retirees with insufficient savings, could adopt similar multi-tiered systems. Additionally, governments should offer targeted tax incentives to companies that hire or retrain older workers. This not only eases the fiscal burden of early retirement but also promotes active aging and labour market inclusion. (Yusof & Rahman, 2023)

Secondly, monetary policy can play a role in financing eldercare innovation. Central banks could support the issuance of "silver bonds"- government- backed securities that fund eldercare infrastructure, community health programs and age-friendly housing. These instruments would attract long-term investors while channelling capital into sustainable aging solutions. As seen with green bonds, strong demand can lower borrowing costs and encourage private sector participation. (Gruss & Noureldin, 2025) In aging societies, where healthcare and long-term care demand is rising, such as financial tools could help bridge funding gaps without overburdening national budgets.

Thirdly, supply-side policies should focus on building human capital and technological capacity for eldercare. Governments can invest in collaborative research and development (R&D) across ASEAN to accelerate innovation in assistive technologies, telemedicine and geriatric care. Countries with advanced aging solutions such as Japan's robotics or South Korea's smart eldercare systems can share their expertise with neighbours through regional platforms. This exchange fosters a skilled workforce and helps less-developed nations leapfrog into effective aging strategies. (Tan et al, 2024)

Moreover, governments should implement market-based regulations to encourage innovation in eldercare delivery. One option is to introduce a "Care Credits" system, similar to tradable permits in environmental policy. Under this model, eldercare providers who exceed service quality benchmarks could earn credits that are tradable or redeemable for subsidies. This incentivizes efficiency and quality while allowing flexibility across providers with varying capacities. Such schemes could be piloted in urban centres with aging populations, like Seoul or Kuala Lumpur and scaled regionally if successful. (OECD, 2023)

Conclusion- Aging Is Not the End- It's the Test

Asia stands at a demographic crossroads. The region that once surged ahead on the strength of its youthful labour force now faces the quiet weight of aging- a shift not marked by sudden collapse, but by slow strain. The metaphor of "Creaky Joints" captures this moment: systems built for speed now groan under longevity and economies must learn to move differently.

But aging is not the end of dynamism. It is the test of resilience, of whether societies can evolve rather than retreat. The data is clear: without reform, aging will slow growth, stretch budgets and deepen inequality. Yet the path forward is equally clear. With bold policies- flexible labour market, smarter healthcare, sustainable pensions and inclusive innovation, Asia can turn demographic pressure into economic renewal. If Asia dares to rethink its systems, the creaky joints of today may yet become the golden gears of tomorrow.

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