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Bracing for aged population

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PETALING JAYA: Malaysia needs to prepare to deal with its ageing population, which could affect its economy and gross domestic product (GDP) in the next 10 to 15 years.

Sunway University professor Yeah Kim Leng and Universiti Tun Abdul Razak economist Dr Barjoyai Bardal were both of the view that with an ageing population, there would be a drop in productivity.

They also felt there would be a drop in consumption as the elderly tend to spend less and are more cautious on how they spend their money.

Yeah said the country could see a shift as the elderly spend more on healthcare and senior lifestyle needs.

"The ageing population will change their consumption patterns. Leisure and travel will see an uptake. This will indirectly lead to an increase in productivity in this sector. The economy will have to make a shift to serve this segment."

➤ Exit of seniors from workforce, reduced spending and hike in govt healthcare costs could impact GDP: Experts

He said healthcare costs will see the government having to spend more to help the less well-off elderly and reduce old age poverty.

Yeah added that there would also be a drop in government revenue and lower income tax collection as there will be fewer people working.

He also said a main challenge will be to raise revenue and improve GDP, with one possible option being to increase the retirement age to allow more people to remain in the employment market, adding that automation and digitalisation will have a role to play in improving productivity to help economic growth.

"The nation has at least 10 years before Malaysia is seen as an ageing nation. The government will have to come up with policies to deal with this to minimise its

impact on the economy and GDP. At present, about 7% of the population is in the ageing category and by 2030 or 2035, it would be 15%."

EPR head of strategy management Balqais Yusoff said the average life expectancy has risen from 54 years in 1957 to about 75 in 2000.

It has been estimated that there were nine working age adults supporting one elderly person last year. This is projected to drop to just three working age adults supporting one elderly dependent by 2060.

Balqais said there is a potential decline of 5.5% in GDP growth for every 10% increase in the elderly population.

In addition to that is a potential 9% decline in revenue from income tax with every 10-percentage-point increase in the old-age dependency ratio, with a 33% increase in health spending attributed to ageing-related health problems by 2030.

Barjoyai said as the population ages, people will be spending less as they consume less and this will have an impact on the economy.

He added that as people get older, more money will have to be allocated for healthcare and their consumption will be inclined towards such needs.

"The elderly are less productive and it will lower their contribution to the economy and this will have an impact on GDP. Turning to automation and digitalisation will help reduce the impact.

"Those who are (skilled) and more knowledgeable will benefit from this and it will help them improve their productivity somewhat."

He said in Japan, where the ageing population is at 30%, the elderly are facing problems in promoting growth to improve their economy and GDP, adding that Malaysia must be prepared to adjust government policies to deal with the issue.

Barjoyai also said Malaysia could adopt the United States model, in which individuals work until the age of 75 and continue to contribute to economic activity.

He said the government still has time to plan for this, while cautioning that waiting too long would harm the economy and national growth.

