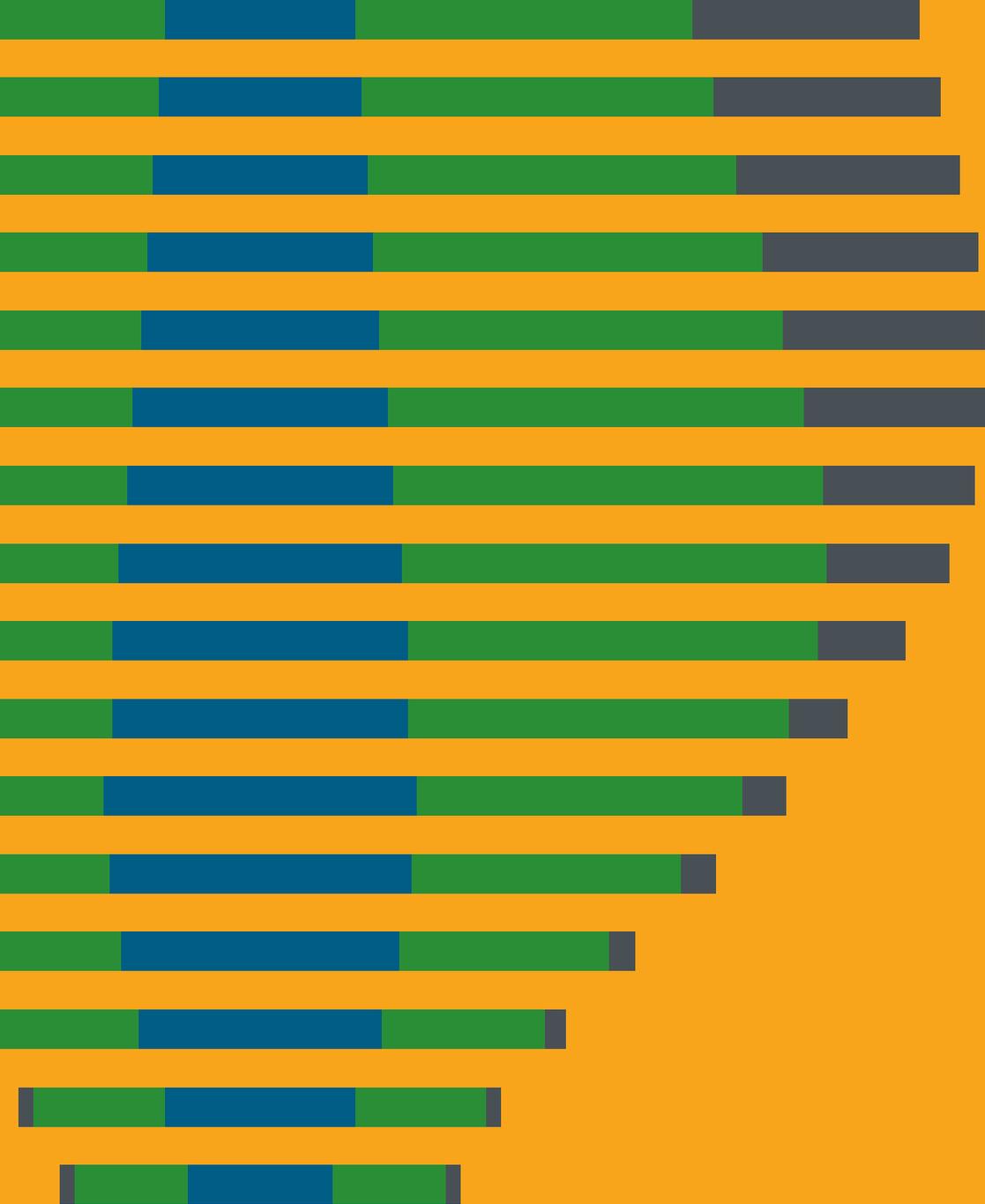




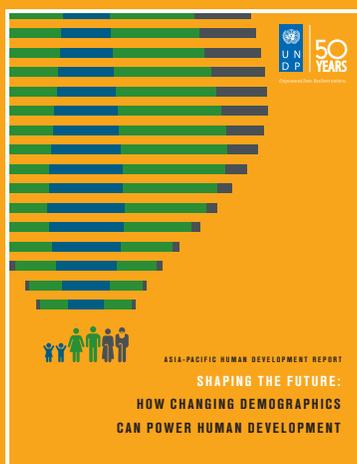
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YEARS

Empowered lives. Resilient nations.



ASIA-PACIFIC HUMAN DEVELOPMENT REPORT

**SHAPING THE FUTURE:
HOW CHANGING DEMOGRAPHICS
CAN POWER HUMAN DEVELOPMENT**



Asia-Pacific has been witnessing dramatic shifts in its population. Since 1950, the share of children has consistently contracted, while the shares of working-age and elderly people have steadily risen. On the cover of this report, patterns in the balloon depict shifting shares from 1950 until 2100. Population dynamics and a period of demographic transition will transform the future of the region, with profound implications for human development.

The picture of a girl and a boy, a working-age woman and man, and an older woman and man convey that all people—including those with other gender identities—are inherently valuable and ought to be equal members of families and societies. Together, they represent how collaboration and interdependence can lead to greater mutual well-being. Ensuring equal rights and opportunities for all population groups will determine collective strength and resilience. Leveraging the capacity and creativity of different people will enable countries to reach higher levels of human development.

The depiction of a hot air balloon carrying the people of the region upwards represents dynamic change and optimism. The balloon can take the region, with more than half the world's population, to new heights, in any direction. In a time of change, the ability to navigate in the right direction will depend on clear, well-informed policy choices and abilities to adjust to changing needs. Making the most of the dividend that can accrue from demographic transition will require countries to read the wind, and to remain alert and responsive to impending challenges as well as opportunities.

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Overview

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Published for the United Nations
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CAN POWER HUMAN DEVELOPMENT

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FOREWORD

We live in times of great instability and change. That is apparent as in the Asia-Pacific region, home to half of humanity as it is anywhere else in the world. The sheer size of the region development choices will impact on the futures of people everywhere.

In 2015, Asia-Pacific countries joined the international consensus on an ambitious vision to frame and guide those choices. Agenda 2030 and its seventeen Sustainable Development Goals, along with the major international agreements in 2015 on disaster risk reduction, financing for development, and climate change, have profound implications for all societies. Taken together, these agendas embody a common commitment to development which is sustainable, inclusive, and resilient. Advancing this agenda is an opportunity to build people's capabilities, provide opportunities for communities to thrive, and promote stewardship of natural resources to benefit people now and for generations to come.

The Asia-Pacific with its economic dynamism and vast wealth in human resources is in a good position to realize the vision of the 2030 Agenda, and to be at the vanguard of the transformation which its implementation requires. Many countries in the region have improved living standards to a point where their population profile offers a distinct advantage—namely, smaller shares of young and old dependents, and larger shares of people in their productive working years who can power development.

Making the most of this period—which will not last forever—requires smart policies and investments. The greatest advances will come from

recognizing that human development, where all people have access to education, health care, and a decent income, produces the demographic transition which leads to a demographic dividend. That dividend, if used wisely, can accelerate human development and prepare for that time when inevitably societies will begin to age.

This *Asia-Pacific Human Development Report* breaks new ground in the way in which it links demography with human development. It explores how periods of demographic transition come with significant opportunities, but also risks. Countries which overlook both these do so at their peril, missing out on potentially large gains in human well-being and economic prosperity. The report emphasizes that policy makers need to understand the implications of a demographic transition, and be able to incorporate appropriate responses to it across all aspects of national development planning.

This report comes at an important juncture for UNDP. Our organisation recently celebrated its fiftieth birthday, and is looking to the future with confidence. The *Asia-Pacific Human Development Report*, with its wealth of insights and data, is one of our latest contributions to development thought leadership. I am confident that it will support policy and decision makers across the region in their work to advance human development progress.

Helen Clark

Administrator

United Nations Development Programme

P R E F A C E

This *Asia-Pacific Human Development Report* comes at a time when the region and the world are at crossroads. Nowhere is this more evident than in the *2030 Agenda* with its *17 Sustainable Development Goals (SDGs)*, endorsed in late 2015 by the 193 members of the United Nations General Assembly. It offers a fundamental rethinking of development as a process that must be universal and transformative, and leave no one behind.

The Agenda blurs the traditional lines between developing and developed countries, in keeping with the profound changes taking place in every region. It recognizes that no country has yet fully achieved sustainable development. It aims at systemic barriers, such as inequality, unsustainable consumption and production patterns, inadequate infrastructure and the lack of decent work.

These are big issues, and our solutions must be equally bold. We have to think long term and across core economic, social and environmental dimensions. Business as usual will no longer be good enough.

All countries need economies that generate enough decent work. All societies and political systems should be inclusive and cohesive. We all need healthy environments that sustain life for ourselves and our children. We need peace. Pursuing sustainable development within and across borders, recognizing our growing interconnectedness, will take everyone towards these goals.

Asia-Pacific is a region with remarkable development achievements, but it would be easy to

argue that this has been more of an ‘economic’ miracle than a ‘human development’ one. Too many people have been left behind or left on the margins. While only four out of 42 Asia-Pacific countries are still classified as low income, a disturbing 450 million extremely poor people live in what are technically middle-income countries.

So we have work to do. UNDP will be there, as it has been now for five decades, to make change happen. Everything we have accomplished and will accomplish unfolds through partnerships and close attention to the priorities of the countries where we work. We have a long legacy of helping develop institutional capacities, and we are already assisting the complex planning processes required to put the SDGs at the centre of national development.

This current *Asia-Pacific Human Development Report* offers the kind of thought leadership that will also be essential. It highlights how Asia-Pacific has favourable demographic patterns that provide a historic opportunity to accelerate human development and galvanize progress on the SDGs. Aimed at catalysing informed debate around solutions, it calls on leaders from across the region to be innovative in steering new directions that can put the region where it belongs: showing the ways to a better future.



Mr. Haoliang Xu

**UN Assistant Secretary-General
and UNDP Regional Director**

Regional Bureau for Asia and the Pacific

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The *Asia-Pacific Human Development Report* is the flagship publication of UNDP's Regional Bureau for Asia and the Pacific. Its findings, analysis and policy recommendations are those of the Regional Bureau alone and cannot be attributed to UNDP or to its Executive Board. The UN General Assembly has officially recognized the Human Development Report as “an independent intellectual exercise” that has become “an important tool for raising awareness about human development around the world.”

This edition of the report, *Shaping the Future: How Changing Demographics Can Power Human Development*, drew on contributions from many people. The report was researched and written by UNDP staff, led by Thangavel Palanivel. Tasneem Mirza, a key member of the core team, provided active and sustained support throughout the process. Team members at different points in the process included Bishwa Tiwari, who led the preparation of Chapter 4; Scott Standley, who led the preparation of Chapter 5; and Abha Nigam, who offered programme and research assistance support.

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SHAPING THE FUTURE: HOW CHANGING DEMOGRAPHICS CAN POWER HUMAN DEVELOPMENT

People are the real wealth of nations. The opportunities they have and the choices they make determine the course of human development—nowhere more so than in Asia-Pacific, home to half the world's population. Asia-Pacific's future, to a large extent, shapes the world's future.

This 'demographic destiny' is not one with fixed outcomes, however. Beyond the sheer size of its population, Asia-Pacific is in the midst of a historic demographic transition. All countries are at some stage along a continuum where the shares of younger, older and working-age people have begun to shift. The process builds on human development gains, but also stands to advance them. Making the most of it requires people to be healthy, educated and productive, enjoying well-being at any stage of life.

This Asia-Pacific Human Development Report considers the challenges and opportunities of demographic changes from a human development perspective. It explores how 'demographic opportunity' invariably occurs when there is a greater share of people who can work, save and pay taxes compared to lower shares of dependent young and older people. In economic terms alone, the region's so-called 'demographic dividend' is already significant, varying among subregions, but accounting for about 42 percent and 39 percent of economic growth in developed and developing Asia-Pacific countries, respectively, between 1970 and 2010. These gains have been accompanied in many cases by significant leaps forward in human development.

Fully capitalizing on demographic changes depends greatly on how proactive countries are in steering the process across many arenas—among them, labour markets, economic growth, savings and investment, education, health and nutrition, social protection,

migration, the provision of public services and the pace of urbanization. Countries that fail to plan ahead may fall short, as when inadequate investments in education shackle a growing economy since people are poorly equipped for the labour market. Squandering the demographic opportunity can result as well in losses to human development, as in the failure to invest new resources in pensions so older people can live in dignity.

Today, Asia-Pacific has countries with some of the youngest and oldest populations in the world. But the majority of nations have entered or are on the cusp of a period where working-age people comprise a significant population share. This puts the region as a whole at a favourable juncture to reap the demographic dividend and advance human development—although not for long. Demographic transition in Asia-Pacific not only involves large numbers of people, but also a pace of change more rapid than seen anywhere before, with particular consequences for societies that will be old long before they will be rich.

The implications are increasingly urgent in light of the recently agreed Agenda 2030, which maps an ambitious global vision for sustainable development that must be translated into action within each country. Countries will have to marshal all available resources, consider the most strategic mix of public investments, and explore all possible avenues—including those opened by demographic transition—to achieve the Agenda's 17 Sustainable Development Goals. These largely reflect the culmination of thinking that emerged in 1994 at the International Conference on Population and Development. It explicitly drew attention to the interplay between population and human development, and the potential for unleashing progress by upholding

human rights, developing people's capabilities and protecting dignity throughout the human lifetime.

This report is roughly organized around different stages of demographic transition: at the middle, with a large share of working-age people; at the onset, where societies are very young; and at the end, with an ageing population. Some countries in Asia-Pacific will need to consider all of these stages at the same time, because they bridge different periods of transition within their own populations. National paths forward will vary widely, but based on the findings of the report, some common priorities apply:

All countries need to factor demographic changes into diverse public policy areas. To leverage opportunities from demographic dynamics and accelerate human development, demographic considerations need to be integrated across core national development plans and strategies. They also should be factored into policies related to economic management, education, health, gender equality, youth, ageing and urbanization, among other issues. This would be consistent with Agenda 2030, where countries commit to take population dynamics into account in national development strategies and policies.

Increased investments in human capabilities are essential. These should be planned carefully against the stage of demographic transition—to help initiate it, to make the most of the dividend and to sustain human development momentum as societies age. Different priorities may be informed by principles of generational balance and fairness, and there should be a focus on enhancing education, health and other capabilities among those who are most vulnerable or marginalized, in line with Agenda 2030. The overarching aim should be to work, over time, towards the universality of services essential to human well-being.

Decent and productive work is fundamental for greater well-being. As the 2015 global Human Development Report argues, decent and productive work is a fundamental driver to enhance human development, and should be readily available to all. Despite 20 million new jobs every year in the last decade in Asia-Pacific, employment still falls short of the needs of burgeoning working-age

populations, both in numbers of jobs and their quality. Creating more work opportunities requires strategies such as setting employment targets, formulating an employment-led development plan, building a supportive macroeconomic framework, advancing regulations to protect workers' rights and safety, and fostering employment-intensive sectors. Targeted actions should reach out to excluded groups, towards realizing the promise of Agenda 2030 to leave no one behind.

Without fully unleashing the power and potential of women, the demographic dividend will remain marginal at best. The region's generally poor record on gender equality is a loss in terms of meeting internationally agreed human rights standards, and a serious impediment to making the most of the demographic transition and advancing human development. Gender equality should be understood as an immediate policy priority of central importance for women, and for societies and economies as a whole. Achieving the 4th Sustainable Development Goal on gender equality is a top priority—whether that involves political leadership, economic participation, education, public resource allocations, prevention of gender-based violence or any other area of life.

Cooperating more as a region on demographic changes would recognize that many relevant issues transcend borders. One priority might be easing imbalances in migration, since ageing societies may struggle to find workers, while those in the earliest stages of transition face a surplus. Another could be financial integration. Older populations have savings to invest, while younger ones need to attract capital given large labour pools and the need to boost productivity.

More and better data is needed to gauge and manage demographic changes. High-quality data needs to be geared towards monitoring the demographic profile overall, as well as the impacts of public policy measures aimed at youth, workers, older people and migrants, and related issues such as urbanization. More data and research are necessary on upcoming challenges due to changing epidemiological profiles and technology. This would be consistent with—and might build on—the data revolution called for as part of the Sustainable Development Goals.

HUMAN DEVELOPMENT IN ASIA-PACIFIC: RAPID BUT UNEVEN GAINS

Human development—as reflected by achievements in income, education and health—is the source and the accelerant of demographic opportunity. In all world regions, human development has steadily improved. Globally, between 1990 and 2014, more than 2 billion people moved beyond low levels of human development, and more than a billion people escaped extreme poverty. Most live in Asia-Pacific.

Among developing regions in the last quarter century, South Asia has made the fastest human development progress, followed by East Asia and the Pacific. These subregions recorded an average annual growth rate in Human Development Index (HDI) scores of 1.4 percent and 1.3 percent, respectively, compared to 0.7 percent for the world as a whole. Despite such impressive progress, however, both subregions lag behind Latin America and the Caribbean, and Europe and Central Asia in terms of human development. South Asia is also behind the Arab States.

Among 36 Asia-Pacific countries and territories with available data, 18 rank high or very high on the HDI, 12 have medium scores and 6 countries have low ones. In recent decades, many of the least developed countries in Asia-Pacific—Afghanistan, Bangladesh, Cambodia, Lao People’s Democratic Republic, Myanmar and Nepal—have made the most rapid progress, albeit from a lower base.

Between 2009 and 2014, 20 Asia-Pacific countries witnessed an improvement in human development relative to other countries, while 9 saw a decline and 6 others witnessed no change. Despite significant progress, 19 Asia-Pacific countries are still below the global HDI average, underscoring that while the region may have achieved an ‘economic miracle’, it has not yet attained a ‘human development miracle’, which undercuts the full potential of its demographic transition.

THE WORLD’S MOST POPULOUS REGION: A BIG TRANSITION IS UNDERWAY

Asia-Pacific’s population size has tripled in the last 65 years, and is expected to reach 4.84 billion in 2050. Six of the world’s 10 most populous countries are located in the region: China, India, Indonesia, Pakistan, Bangladesh and Japan—the first three alone account for 40 percent of all people alive today. The region also has some of the least populous countries in the world, such as Tokelau with 1,250 people and Niue with 1,610 people.

Asia-Pacific has been described as a ‘demographic explosion region’, although a once high population growth rate has significantly slowed. In the future, over three-fourths of the increase in regional population will likely occur in South Asia, while in East Asia, the population will probably remain largely unchanged or decline.

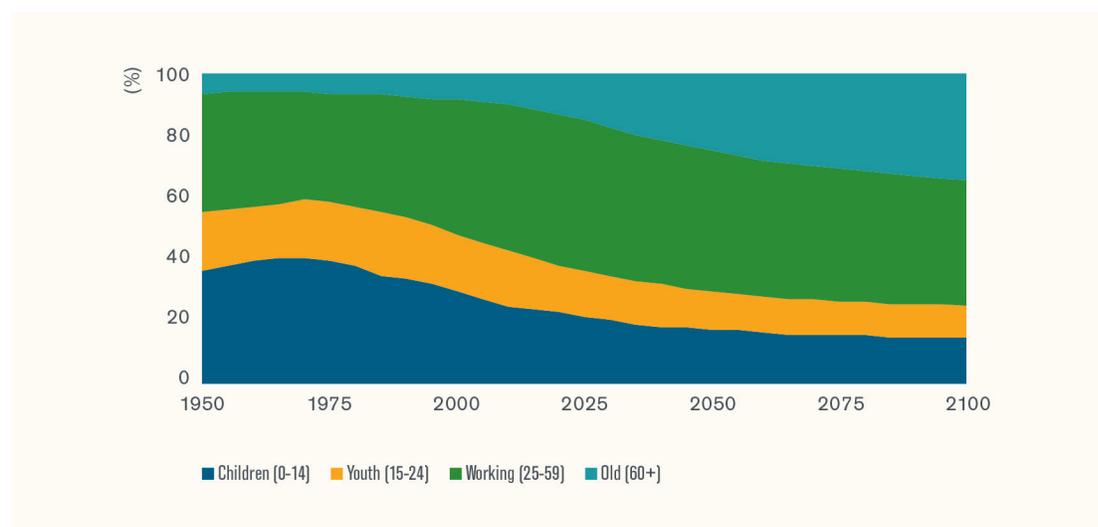
Accompanying falling population growth rates is an unprecedented demographic transition (Figure 1). Currently, 13 countries and territories, out of 38 with data on different age groups, are experiencing a ‘youth bulge’, where 20 percent or more of the population is between 15 and 24 years old. Another 11 countries and territories are ageing rapidly, where at least 14 percent of the population is 60 years and above. Others are witnessing an expanding share of working-age people.

The largest shifts are likely still ahead, between 2015 and 2050. By 2050, for the region as a whole, the proportion of children under age 15 will be less than half of what it was in 1950, while the share of people aged 60 and over will be more than three times what it was then. The largest proportion of the population will be concentrated in the working-age years, although over time, this share will contract.

The speed and scale of these demographic changes have some unique features. For example, the pace of ageing in Asia-Pacific is much faster than in all other regions except Latin America and the Caribbean. In the West, the process spanned about a century; it is occurring in Asia-Pacific over a compressed three to four decades, and in some countries in less than 20

While human development gains have been noteworthy, many countries still lag behind

FIGURE 1:
Across the region, shares of younger people are declining, as populations age



Source: UN DESA 2015a.

Demographic changes in Asia-Pacific are taking place much faster than they did elsewhere

years. The region now has the world’s largest number of people over age 60, at around 489 million. By 2050, population ageing will be well underway in many countries that currently have young populations.

Another marked demographic shift involves urbanization. In the last 30 years, Asia-Pacific added more than a billion people to its cities—more than all other regions combined—and another billion will be added in the next 30 years. While the move to an urban majority took 210 years in Latin America and the Caribbean, and 150 years in Europe, countries such as China, Bhutan, Indonesia and Lao People’s Democratic Republic will make the same transition in about 60 years, and Asia-Pacific as a whole in about 95 years.

Among Asia-Pacific countries, there is considerable variation in progress in the demographic transition. Countries are advanced in it if they have already reached their peak share of working-age people, and in the middle if the share is still rising but had surpassed at least half of its expected increase by 2015. Countries are on the cusp of transition if the share is not expected to peak until after 2060. Almost all of Asia-Pacific’s high-income countries and some of its upper-middle-income countries have reached advanced stages, while some of its lower-middle-income and low-income countries

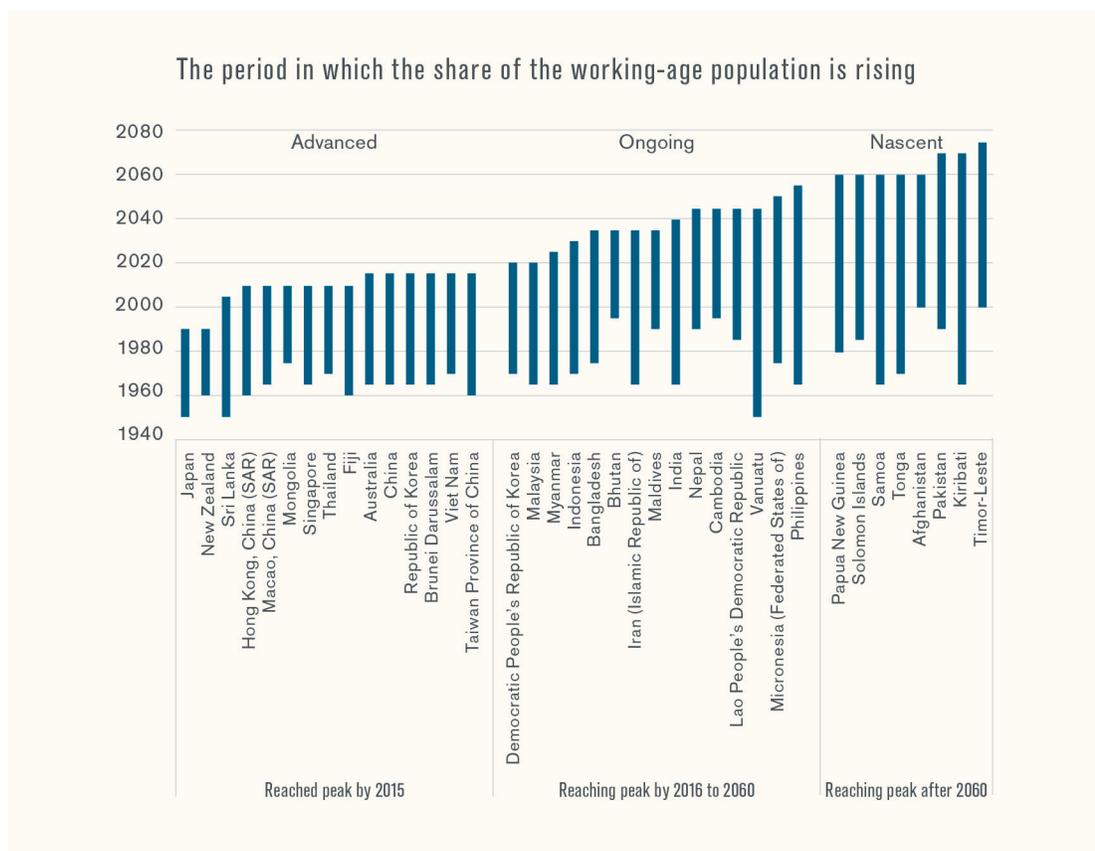
are in the initial stages (Figure 2).

Advanced demographic transition countries are mostly located in East Asia and South-east Asia. Many have witnessed, or will do so soon, a notable decline in both the working-age and total population, and will experience rapid ageing in coming decades. In South Asia, where transition is well underway, the proportions of young and working-age populations are growing rapidly, and almost all countries will have low or declining shares of young and old dependents over the next few decades. Most countries at the start of transition are small island developing states in the Pacific, where rapid population growth will, at least for some time ahead, stall the advent of transition.

HOW DO DEMOGRAPHIC CHANGES ADVANCE HUMAN DEVELOPMENT?

Demographic changes and human development are interrelated and influence each other, but this report mainly analyses how demographic changes impact human development (Figure 3). This occurs through a number of channels, starting with an increased number of people

FIGURE 2:
Wealthier countries tend to be more advanced in their demographic transitions



Source: UN DESA 2015a.

in the workforce. The second channel involves rising income and savings, and the third greater productivity. A fourth channel entails improved human capabilities, built through investing in education and health. A fifth is increasing domestic demand, as people earn and spend more, which can feed further economic growth. Urbanization comprises a sixth channel. As more and more people flock to urban areas, they can find better health and educational services, and diverse opportunities for decent work.

Demographic transition offers two potential dividends, which are roughly sequential. The first occurs when the labour force grows more rapidly than the dependent population. The equation is simple: more labour equals more economic output, assuming no significant drag from unemployment or underemployment. A second dividend unfolds when a larger number of workers is also more productive. This comes about in part through investments in human

capabilities that, for instance, allow people to do more skilled jobs. Over time, they can then earn more, save more and acquire more assets such as homes, land and businesses. Some overlap may occur between the two dividends, and neither is automatic, with demographic transition merely opening a window of opportunity.

While demographic transition is likely to occur in every country, accelerating its arrival and realizing the full scope of any potential dividend depend largely on policy choices to steer the process. If these choices are not made, or are made poorly, a historic opportunity for human development gains will be lost. In this regard, converting a demographic opportunity into a demographic dividend requires strategic policies and good governance. Patterns of public investment need to respond to demographic changes. Countries with a very youthful population need to invest more in schools, for example. Those with a large working-age population need

Converting demographic opportunity into a demographic dividend requires strategic policies, long-term vision and good governance

FIGURE 3:

With appropriate policies and a conducive environment, demographic changes can improve human development by several channels



to create large numbers of decent jobs. And those with an older population need to establish adequate pension systems.

IN THE MIDDLE OF TRANSITION: MAKING THE MOST OF DEMOGRAPHIC OPPORTUNITIES

Countries with a growing workforce can accelerate human development by creating more and better jobs

A number of Asia-Pacific countries are now at a point where the share of their working-age populations has grown dramatically, meaning just a few decades remain to reap a demographic dividend. This time frame largely coincides with the Sustainable Development Goals, suggesting that countries at this stage could be well-placed to achieve the goals, and that efforts to attain them could amplify the demographic dividend.

Acting soon to seize the demographic opportunity is an imperative, however. Both South Asia and South-east Asia will see a continued large jump in working-age populations from 2015 to 2030, after which the rise will begin to taper off. The increase will continue only in Oceania, at a marginally higher rate. In the region as a whole, the working-age population is expected to increase by 10 percent between 2015 and 2030, but by only 0.4 percent between 2030 and 2050.

As workforces expand, countries will need to provide enough decent work, stimulate and manage their economies so that growth is in-

clusive and aligned with human development, expand the scope for savings, and in general ensure people have capabilities, opportunities and freedoms to progress in their lives.

Core actions to make the most of the demographic opportunity may include:

CREATE MORE AND BETTER JOBS AND LIVELIHOODS

The share of people working but earning below the international poverty line is still large in Asia-Pacific, and their numbers are likely to escalate with more entrants into the labour force if current employment shortfalls continue. By 2050, more than 280 million more people will enter the job market in India alone, for instance, a one-third increase above current levels, yet between 1991 and 2013, the economy absorbed less than half of new entrants to the labour market.

Although unemployment rates across the region are fairly low, averaging 4 percent, underemployment is pervasive in many places. Large numbers of people still scrape by in marginal agriculture or informal and poorly paid work, even though the quality of employment is an essential element of the demographic dividend. While labour productivity has risen consistently, along with improved education and investments in technology, labour markets are still not robust enough, leaving many workers to migrate and seek jobs elsewhere, a drain on demographic returns.

The time has come to make job creation central to national development strategies, with

a strong emphasis on protecting workers' rights. One starting point could be new policy measures to encourage small and medium enterprises, which face many constraints despite providing two-thirds of current jobs. Structural transformation of the economy, from less to more productive activities, opens new opportunities for people to find better work, and prepares for the time when a fewer number of workers will need to produce more to sustain development gains for an ageing population.

ACHIEVE WOMEN'S EQUAL PARTICIPATION

A factor limiting Asia-Pacific's ability to fully realize the demographic dividend as well as promote human development is low female labour force participation. The rate is below 60 percent for more than two-thirds of the 30 Asia-Pacific countries that track it. Many women are spending disproportionate time on domestic caregiving, undercutting opportunities to generate an income. East Asian countries that have already benefitted from demographic changes in the last three to four decades have done so in part due to high female labour force participation rates.

Policies designed to bring more women into the workforce will be critical for fully realizing demographic dividends. These need to ensure equal pay and rights for women, safety and security at work and in public spaces, reasonable parental leave, and reliable, cost-effective provision for child care, among others. Malaysia, for instance, is proactively engaging the private sector to bring more educated women back to the workforce by providing grants and incentives that can facilitate child care.

Women's entrepreneurship, an untapped area for many countries, has tremendous potential. Regulations regarding establishing businesses, obtaining credit, and participating in trade need to be oriented towards diminishing gender-related barriers and improving women's access. Women also need to be full participants in political and economic decision-making, as is their right, and because there is otherwise a lower likelihood that policies and plans will fully support their capabilities and contributions to development. Countries need to reform

discriminatory laws, such as those that require women to retire at earlier ages than men, and uproot social norms that tolerate gender-based violence, even if it is against the law.

CHANNEL MORE SAVINGS INTO PRODUCTIVE INVESTMENTS

About half of the demographic dividend already achieved in East Asia has come from savings and capital accumulation closely aligned with increases in the share of the working-age population. As more people work and have smaller families, and know that they may live longer in retirement, they tend to save more. Demographic transition can allow governments to save too, including through reduced spending on social services that are more important when populations are very young or very old. Accumulated savings can be applied in several ways that contribute to human development and the demographic dividend, such as infrastructure to improve productivity.

The region as a whole needs to widen the availability of financial instruments for investing in savings—the large portion currently ending up abroad underscores gaps in domestic options. One important avenue could be developing bond markets, which can have particular value for businesses as well as municipalities aiming to keep up with rapid urbanization and expansion of infrastructure and services. Banking and other basic financial services need to reach the large shares of people and smaller businesses who currently go without them, a process that could be backed by financial literacy and education efforts.

Bringing more women into paid employment and entrepreneurship will increase the demographic dividend

EARLY IN TRANSITION: UNLOCKING THE POTENTIAL OF THE NEXT GENERATION

One of the greatest challenges facing Asia-Pacific today is how to scale up and improve the quality of education, health and employment opportunities for its 1.7 billion people under age 25, as well as to empower them in decision-making. Children and young people in some sense are the starting point for demographic transition, since higher child survival rates lead to declines in fertility that lead, in turn, to a larger share of working-age people.

While policy makers sometimes see young people as a 'problem' group, they are the next generation of workers, scientists, innovators, entrepreneurs, visionaries and political leaders. In Agenda 2030, the international community committed to providing children and youth with a nurturing environment for the full realization of their rights and capabilities. With the right chances to make their way in life, they can catalyse enormous human development gains and propel the demographic dividend.

Core actions to unlock the potential of the next generation may include:

INVEST IN BASIC CAPABILITIES: UNIVERSAL, HIGH-QUALITY EDUCATION AND HEALTH CARE

Health and education are human rights and pillars of human development, and countries in the region have made progress in both areas. Significant gaps remain in the coverage, scope and quality of services, however. Towards closing these, public investment in education should reach international standards; health care systems need to aim for universal coverage, as called for in Agenda 2030.

Areas that need more attention include closing disparities along the lines of gender, disability and location. Strong progress in primary education should be matched at the secondary and tertiary levels. Early childhood development programmes need to expand, since these dramatically improve children's chances for success later in life. Countries need to further emphasize

quality, perhaps looking to successes in Hong Kong, China (Special Administrative Region); Japan; the Republic of Korea; Singapore and Taiwan Province of China, which top world rankings by the Organisation for Economic Co-operation and Development (OECD).

In health care, priorities include further reducing child and maternal mortality, cutting rates of malnutrition that are still high in some areas, and ensuring that adolescents and young adults can access the full range of sexual and reproductive health services. Countries such as Japan, Republic of Korea, Singapore and Thailand have achieved universal health coverage and admirable health-care outcomes, in some instances with limited financial resources. Several Pacific Island countries have also set excellent examples in providing state-sponsored systems. Out-of-pocket health-care costs in Kiribati, Samoa, Solomon Islands, and Tuvalu account for less than 10 percent of total health expenditures, allowing all citizens to access services.

SMOOTH THE TRANSITION FROM SCHOOL TO WORK

Many young people in Asia-Pacific face a rocky transition to adulthood, marred by a frustrating search for employment that does not exist, or for which they have been poorly prepared. An astonishing one-third of youth—around 220 million people—are neither in school nor the labour market. Directionless, unable to start adult lives, they end up frustrated, their enormous energy and enthusiasm thwarted. Unmet youth expectations can weaken social cohesion and stability.

A smoother transition from school to employment depends on easing multiple barriers to starting work. Countries need to ensure that their educational systems prepare youth with skills demanded by the labour market. In many cases, technical education and vocational training need to be expanded and the quality improved, drawing on proven models, such as the one in Germany.

Opportunities for internships or apprenticeships for young people could be created, and employers incentivized to hire more youths. Career counselling centres designed for youth

Investing in education
and skills for youth
is key to human
development and
the preparation of
a productive future
workforce

could provide job matching assistance, and training and mentoring, among other services. Improved access to finance, technical support related to business management, and legal advice could encourage young entrepreneurs to pursue innovations and start new ventures. The Republic of Korea offers an example of reducing barriers to market entry; its ‘Youth Initiatives’ scheme provides start-up funds and entrepreneurship training.

ENCOURAGE YOUTH PARTICIPATION

Youth involvement in democratic processes upholds their rights, and opens opportunities to more effectively steer development. Since many Asia-Pacific economies are growing fast, they need innovative and dynamic leaders, including youth. Young people can offer new insights and pioneering solutions in policy dialogues, or as representatives in national or local decision-making bodies. Many today are more informed than ever before, and keen to tap into new technologies to devise innovative solutions, such as through social media and crowdsourcing platforms. They participated pro-actively in deliberations around Agenda 2030, and are now poised to support its implementation.

Volunteerism and civic participation of youth can bring tremendous value to local communities. Civic education is another priority, as it instils common values, and a sense of social and civic rights and obligations. The Philippines’ well-known ‘Check My School’ programme mobilizes youth volunteers to monitor educational resources in local schools to ensure accountability and responsiveness to community needs. The programme has become so successful partly because of a trusted partnership between youth and local governments, and a strong emphasis on transparency and publicly available information.

IN ADVANCED TRANSITION: SUSTAINING HUMAN DEVELOPMENT ACROSS LONGER LIFESPANS

In 2005, for the first time in its history, Asia-Pacific had more people over age 60 than children under age five. By 2050, 1.2 billion older people will call the region home, and half the population will be over age 50. The onset of rapid ageing is an early warning signal, an urgent call for action.

Managing ageing is a complex and dynamic process, with challenges and opportunities. Until now, Asia-Pacific governments have mainly focused on interventions for younger and working-age groups. Given the direction of demographics, however, continued progress on human development and sustaining the gains of demographic transition will largely depend on integrating ageing issues across national development planning, recognizing that ageing touches every area of life.

While ageing is often feared, with the right planning and preparation, it can be a source of enrichment for individuals and societies. In some countries, including Japan, New Zealand and Thailand, high-level political commitment, such as through dedicated ministerial posts and interministerial bodies on ageing, has ushered in positive ways to move forward.

Core actions to manage ageing to drive human development may include:

ADJUST NATIONAL PENSION SYSTEMS FOR EQUITY, ADEQUACY AND SUSTAINABILITY

Poverty rates are higher in many countries among older persons, a strong justification for pension schemes. With traditional family structures beginning to shift, a growing share of the elderly live alone and must rely on their own means. Pension coverage is rising, yet less than half of people in Asia-Pacific have access to pensions, and even those who do may find payments do not meet basic living expenses. In public pension expenditure, the region is below the global average, and given its large older

With the right preparation, ageing can be a source of enrichment for individuals and societies

population, worse off than Africa.

Pension systems will need to grow—rapidly in many cases. This will not be easy or cheap. Choices may be needed to balance priorities across generations and develop social consensus around what constitutes fair shares of limited resources. There is a need to pay attention to proper design and appropriate institutional mechanisms to help contain expenditures, and supportive measures such as a higher retirement age can be considered.

In general, pension systems should aim to be progressive, where pension benefits are equitably shared, and those with the capacity to contribute more do so. A fair floor of essential benefits could be established for all pensioners, while avoiding the trap of setting overly generous benefit levels that are a disincentive to work. The region will need to focus on coverage, adequacy of benefits and sustainability. Increasing links between public and private pensions to ensure basic social security coverage, and facilitating long-term investment options for varying levels of income are emerging as models to consider in Australia, Chile and Denmark.

Early planning for old-age health care and pensions will smooth the transition to ageing

IMPROVE HEALTH-CARE SYSTEMS FOR OLDER PERSONS

Rapid ageing is changing the profile of health-care needs, requiring corresponding shifts in health-care systems. The current rise in non-communicable diseases underscores the importance of preventive health care, including healthy eating and exercise habits that can minimize common old-age illnesses such as diabetes and heart disease. Stronger commitments are needed to support prevention, diagnosis, management and proper care of non-communicable diseases over the course of life.

Older people typically need more health care, but not all can afford it, particularly those from lower income households or who live independently. Health-care spending for older adults is about three to four times higher than that of the working-age population in many countries. Universal health care, which can make some of the most significant contributions to human development, should address these issues and be an aim in all countries. There should be an explicit focus on removing barriers to access

that may be specific to older persons.

Also needed is an expansion in long-term care facilities. As the proportion of older people living alone rises, they will require more of these, including in homes and communities. There is a growing demand for home-based nurses and care providers, but these are still largely missing for most countries in the region. Investments are needed in integrated, person-centred care tailored to individuals. Other priorities are to increase rehabilitative care, care for disabilities and mental health services geared to older persons. Health facilities, especially in rural areas, need to be more accessible to them.

SUPPORT ACTIVE AGEING

Older people require interaction with friends, families and the wider community to remain healthy. As the region's population ages, and more seniors begin to live alone, elderly communities will increase, making accessibility even more important. A living and working environment friendly to older people facilitates their movement, reduces their risk of injury, enhances their ability to care for themselves and access services, and increases their participation in economic and social activities. Countries such as China, Indonesia, the Philippines and Viet Nam have introduced new programmes and policies to promote employment opportunities for older people.

Priority measures include, among others, dwellings that can accommodate those with limited mobility and strength; a wider range of home care services for the elderly; transportation that is elderly-friendly, affordable and accessible; walkways that are in good repair and free of obstacles; traffic signals that allow sufficient time for older persons to cross streets safely; places to rest outdoors; and public buildings accessible to those with limited mobility. Other avenues for active ageing come from opportunities to participate in voluntary activities and community service, and to engage in making public policy choices. Some countries, such as China and Malaysia, have reserved seats in consultative bodies to provide important roles to older adults in decision-making.

Every older adult should enjoy the right to choose to remain employed, yet older people in

Asia-Pacific leave the workforce at rates that are higher than ideal, including in comparison to other developing regions. Institutional, legal, social and technical barriers need to be tackled—such as to make work environments more inclusive by accommodating the physical and health conditions of older people. Businesses might be encouraged to retain older workers through flexible employment conditions. Occupational retraining programmes and general educational upgrading can allow older men and women to take up new occupations and cope with technological change.

CHANGE NEGATIVE PERCEPTIONS AROUND AGEING

Older men and women have the same rights as everyone else. Yet negative attitudes towards old age and older people are deeply ingrained in many societies. Unlike other forms of prejudice and discriminatory behaviour, these are rarely acknowledged or challenged. They reduce many significant contributions older people make to society by working, voting, paying taxes, volunteering and playing vital roles in families, such as through caring for children.

Public awareness campaigns can be invaluable in countering discriminatory notions about older people. Anti-discrimination legislation should explicitly protect them from abuse and deprivation, and recognize potential intersections with other forms of discrimination related to gender, ethnic origin, disability, income, sexuality, HIV status or literacy levels. Asia-Pacific countries could look to European Union programmes and policies aimed at safeguarding the interests and rights of ageing populations, including the EU Framework Directive, which legally prohibits age-based discrimination in employment.

REALIZING THE FULL PROMISE OF URBANIZATION

Rapid urbanization is transforming Asia-Pacific. Lured by the promise of better jobs and higher incomes, as well as quality education and health care, people across the region are on the move from the countryside to new lives in cities. In Asia-Pacific, 47 percent of people live in urban areas; their share will swell to an estimated 62 percent by 2050.¹

Throughout history, as centres of learning, culture, art, innovation and productivity, cities have accelerated human development. Urbanization also helps trigger demographic transition. In the midst of explosive growth, however, the pressure is on to provide enough decent jobs, affordable housing and quality services.

The international community has consistently recognized the centrality of cities in development. For example, the 2012 Rio+20 Summit outcome states that “...if they are well planned and developed, including through integrated planning and management approaches, cities can promote economically, socially and environmentally sustainable societies.”² Agenda 2030 also emphasizes building sustainable cities and communities through its 11th Sustainable Development Goal.

Core actions to realize the full promise of urbanization may include:

MANAGE CITIES MORE EFFECTIVELY

Many Asia-Pacific cities lack the necessary institutions, policies and resources to keep up with growing populations. In governance, they are among the weakest in the world. If urbanization is not well managed and soon, the region will likely not sustain the momentum of economic growth or human development, and will lose some of its demographic dividend.

One urgent priority is to review intergovernmental relationships between local and central authorities, and move towards a proactive, bottom-up approach that goes beyond just designing a new territorial administrative structure. Success will depend strongly on a national legal foundation, capable institutions, and adequate financial instruments to manage

Well-developed cities can be the backbone of sustainable societies

decentralization and coordinate among different levels of government. Local institutions will need requisite technical and managerial skills, the ability to engage with the public, and strong capacities to design, implement, monitor and evaluate local public policies.

Each city, regardless of size, needs a well-defined administrative area over which it has full autonomy, and a clear formula for intergovernmental transfers. As capacity for local administration improves, cities can often boost local resource mobilization, including through taxation, and plan more systematically for infrastructure investment, operations and maintenance. Cities at a more advanced stage of development can explore alternative instruments of finance, such as user fees, municipal bonds and public-private partnerships. The city of Ahmedabad in India pursued reforms related to local resource mobilization that enabled it to raise significant funds and transform its credit rating to AA.

MAKE CITIES MORE COMPETITIVE AND INCLUSIVE

Competitive cities attract new industries, investments and skilled workers to spur dynamic economic growth. Competitiveness is determined by factors such as infrastructure, educational and research institutions, and the quality of public administration. Much depends on the ability to nurture a capable workforce, and absorb its talents through the generation of decent work.

A few Asia-Pacific cities such as Hong Kong, China (SAR) and Singapore have been hugely successful in attracting talent and investment, and ensuring prosperity and good public services for their citizens. Many more are struggling to cope with challenges such as the large-scale influx of migrants. Much needs to be done to tackle crippling infrastructure gaps, such as unreliable power systems, poor quality roads, inefficient ports and inadequate schools. Local economic development and job creation efforts should be at the heart of dialogue with the local business community, and local finance and educational institutions.

Strong and vibrant cities are broadly inclusive, since exclusion, social or otherwise, is a critical impediment to human development.

Infrastructure, services and decent employment opportunities need to reach all city residents; special measures may be needed for migrants, youth, older people, women and girls, and people with disabilities. Singapore offers an example of how this can happen. Ranked today as Asia's greenest city, and as having the best business environment and being the best place to live, Singapore was once a city with polluted rivers and massive infrastructure and housing shortages.

Bridging the still often wide gap in many Asia-Pacific cities between citizens and governments requires strengthening accountability, and increasing government transparency and openness. Citizen participation is important in building consensus and making local services most relevant to local needs.

PURSUE MORE CONCENTRATED PATTERNS OF URBAN GROWTH, SUCH AS COMPACT CITIES

In driving economic activity and human development gains, cities consume vast quantities of energy, water and other resources, and generate more waste than rural areas. More than half of the world's most polluted cities are in Asia-Pacific. Increasingly, the costs of environmental degradation will be excessive and difficult to reverse, ever more so given the pace of urbanization. It will be far more cost-effective, and in line with commitments under Agenda 2030, to begin working now towards more sustainable cities.

One essential measure is to foster urban agglomeration, and promote green and compact cities. These avoid the urban sprawl that can make public services more expensive and difficult to provide. They can dramatically decrease traffic congestion and greenhouse gas emissions. Restrictions on the expansion of urban boundaries are one way to encourage denser urban development. Countries such as China, India, Japan and the Republic of Korea have begun pursuing compact and smart cities, including to reduce per capita carbon emissions. In Seoul, for example, the metropolitan government plans to expand the renewable energy share from 1.5 percent in 2007 to 20 percent by 2030, with nearly half to come from hydro energy.

Strategies to make cities more inclusive and competitive can multiply the demographic dividend

WHAT'S AHEAD IN THIS REPORT

This *Asia-Pacific Human Development Report* considers demographic changes in the region today and in the near future, and assesses different approaches to managing transition in order to accelerate human development. The report also probes the issues of rapid urbanization and migration, both of which result from and influence demographic transition.

Chapter 1 introduces key concepts of the demographic transition and dividend, and provides an overview of major human development and demographic changes in Asia-Pacific. Chapter 2 considers ways to maximize the dividend in countries with a large share of working-age people, with an emphasis on decent and productive employment and the effective investment of savings. Chapter 3 assesses investments that need to be made in the early stage of transition, particularly in children and youth so they are

healthy, well-educated and can move readily into adult life. Chapter 4 takes up the issue of ageing, examining its challenges, but also exploring the many contributions of older people to societies and economies. In Chapter 5, urbanization is analysed as a phenomenon that can trigger and accelerate demographic transition and an associated dividend that can improve human development, if it is managed well. Chapter 6 highlights core policy options presented in the previous chapters.

People are the real wealth of nations—and their well-being is the core purpose of this report. Much of Asia-Pacific has reached a point in history where a few short decades remain to reap a demographic dividend. It is unlikely that such an opportunity will come again. A demographic transition rooted in making advances in human capabilities, opportunities and freedoms that are inclusive and open to all will result in a tremendous leap forward. It will pay a high dividend in human development, now and for many generations to come.

Readers' guide

COUNTRY GROUPINGS

In this report, Asia-Pacific countries refer to those based on UNDP regional classifications. Including both developing and developed countries and areas, the region is divided into four subregional groups: East Asia, South Asia, South-east Asia and Oceania. The subregions of Central Asia and Western Asia are excluded from Asia-Pacific demographic and other data.

The term country or economies as used in this publication also refers, as appropriate, to territories or areas. As the demographic and other data for China do not include Hong Kong, China (Special Administrative Region); Macao, China (Special Administrative Region of China); and Taiwan Province of China, for statistical purposes, these areas or territories have been denoted in this report as Hong Kong, China (SAR); Macao, China (SAR); and Taiwan Province of China, respectively. The designations used and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the United Nations or UNDP concerning the legal or UN Member State status of any territories, cities or areas.

The descriptions of countries and areas as 'developed' and 'developing' are intended for statistical convenience and do not necessarily express a judgement about the stage reached by a particular country or area in the development process. Developed or industrialized countries generally refer to members of the Organisation for Economic Co-operation and Development.

The Asia-Pacific region encompasses 42 countries and 3 areas. These include:

East Asia (5 countries and 3 areas)

China, Democratic People's Republic of Korea, Japan, Republic of Korea, Mongolia. Plus Hong Kong, China (SAR); Macau, China (SAR); Taiwan Province of China.

South Asia or South-west Asia (9 countries)

Afghanistan, Bangladesh, Bhutan, India, Iran

(Islamic Republic of), Maldives, Nepal, Pakistan, Sri Lanka.

South-east Asia (11 countries)

Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Viet Nam.

Oceania (17 countries)

Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia (Federated States of), Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu.

Wherever possible, all 45 countries and areas are reported in data tables to maintain uniformity; notes alert readers to data limitations. Lack of data in itself is a finding that may in some cases suggest the need for building statistical capacity.

The report generally uses the above categorization of countries, except for data from some specific sources. For World Bank data, subregional groupings generally follow the World Bank classification, which combines developing East Asia, South-east Asia and Oceania as East Asia-Pacific. For data from the International Labour Organization (ILO), subregional groupings generally follow its classification, which combines developing South-east Asia and Oceania as South-east Asia-Pacific.

Differences between classifications by UNDP and the World Bank are as follows.

East Asia and the Pacific (developing countries): 23 out of 24 countries are common in both UNDP and World Bank classifications. UNDP includes Nauru; the World Bank includes American Samoa.

South Asia: The World Bank classification includes eight countries. The UNDP classification includes all of these as well as the Islamic Republic of Iran. To recognize the difference, some statistical tables refer to South and West Asia.

References to Latin America in the text or

tables include the Caribbean countries unless otherwise indicated.

References to Sub-Saharan Africa include South Africa unless otherwise indicated.

KEY DATA SOURCES

Data in the report are derived from several key databases as listed below.

Demographic data

Data on demographics were obtained from the World Population Prospects projections of the United Nations Department of Economic and Social Affairs. The latest data come from the 2015 revisions. For projections beyond 2015, the medium variant on fertility is used according to which global fertility is projected to fall from 2.5 children per woman in 2010 to 2015 to 2.4 in 2025 to 2030 and 2.0 in 2095 to 2100.

The report refers to five age groups. Children, youth and young are defined as aged 0 to 14, 15 to 24, and 0-24 respectively. Different countries and institutions use different definitions. For comparability, this report uses the UN definition.

The categorization of working-age people also varies across countries and regions depending on the approximate age of entry to and exit from the workforce. The report generally applies the parameters of ages 15 to 64. Age 60 and beyond denotes older adults.

Data on labour markets

Extensive data on labor markets are used to understand the employment and occupations of working-age people in the region. Data on employment, labour force participation, unemployment, labour productivity, sectoral decomposition of employment and wages were obtained from the ILO's Key Indicators for the Labor Market database, 8th edition. Limited data are available on underemployment and informal sector employment; these were obtained from specific ILO publications.

Data on education and health

Data on education come predominantly from the United Nations Educational, Scientific and

Cultural Organization's Institute of Statistics online database, available at www.uis.unesco.org/DataCentre/.

Data on health are from the World Health Organization.

Data on urbanization

Data on urbanization are from the World Urbanization Prospects database of the United Nations Department of Economic and Social Affairs. The latest data are from the 2014 database. They include data on urbanization rates; rural-urban distribution of population; small, medium and megacities; and age composition.

Data on the Human Development Index and other development indicators

Data on human development were obtained from the 2014 dataset produced by UNDP's Human Development Report Office for its 2015 Human Development Report. Annex tables include data from the Human Development Index, Gender Development Index, multidimensional poverty measures and indices adjusted for inequality.

Throughout the report, numerous development indicators come from a variety of other sources including the World Bank's World Development Indicators database and the Millennium Development Goals database.

ABOUT ASIA-PACIFIC HUMAN DEVELOPMENT REPORTS

For 25 years, the concept of human development has influenced discourse on international development. Putting people at the centre, human development has inspired policies, advocacy and actions to improve well-being.

To better understand current development challenges and bring new ideas and solutions to the forefront, UNDP produces global, regional and national human development reports. The Asia-Pacific Human Development Report is a flagship publication of UNDP's Regional Bureau of Asia and the Pacific. It focuses on common concerns for countries in the region, addresses challenges requiring national and regional responses, and encourages learning and knowledge-sharing.

The report's theme is developed through a regional participatory process that includes consultations with key stakeholders within and outside UNDP. The concept and structure of the report is based on guidance from a

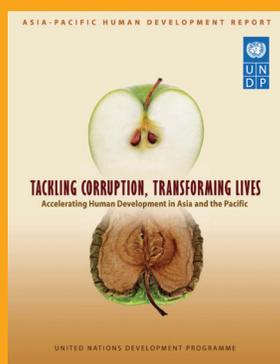
technical advisory group consisting of various UN agencies. Multistakeholder consultations with governments, the private sector, academia, civil society, and media are undertaken at various stages of preparation.

The key authors consist of a core group of UNDP staff, who draw on internal analysis as well as technical background papers prepared by renowned experts. The draft report is shared with UNDP headquarters and country offices in Asia-Pacific, technical advisory group members, readers' groups from different fields of work, and the UNDP regional communications team for their views and feedback. The review process is critical for quality assurance and helps to strengthen the report's messages.

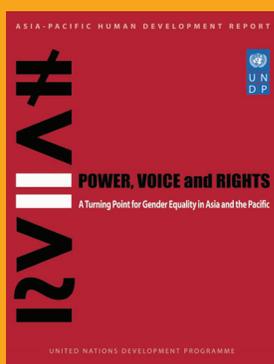
The report is disseminated widely, helping to promote dialogue and bring together the people of Asia and the Pacific to accelerate human development and advocate for its messages across the globe.



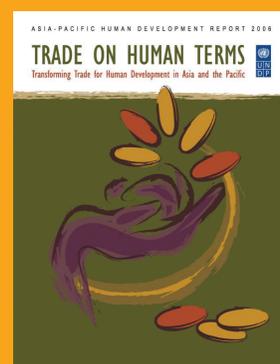
One Planet to Share
Sustaining Human Progress
in a Changing Climate



Tackling Corruption, Transforming Lives:
Accelerating Human
Development in Asia and
the Pacific



Power, Voice and Rights:
A Turning Point for
Gender Equality in Asia
and the Pacific



Trade on Human Terms:
Transforming Trade
for Human Development
in Asia and the Pacific

SHAPING THE FUTURE: HOW CHANGING DEMOGRAPHICS CAN POWER HUMAN DEVELOPMENT

People are the real wealth of nations. The opportunities they have and the choices they make determine the course of human development—nowhere more so than in Asia-Pacific, home to half the world's population. Asia-Pacific's future, to a large extent, shapes the world's future.

Beyond the sheer size of its population, Asia-Pacific is in the midst of a historic demographic transition. All countries are at some stage along a continuum where the shares of younger, older and working-age people have begun to shift. The process builds on human development gains, but also stands to advance them. Making the most of it requires people to be healthy, educated and productive, enjoying well-being at any stage of life.

This Asia-Pacific Human Development Report considers demographic changes from a human development perspective. It explores the coming 'demographic opportunity' and a potentially substantial 'demographic dividend'. Since sweeping demographic changes are happening at a historically rapid pace—and will not last forever—it urges countries across the region to understand potential opportunities and challenges in reaching their development goals, including those of the new 2030 Agenda. The time is now to make smart policy choices and investments that will steer demographic patterns in inclusive ways benefitting all people, now and for generations to come.



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YEARS

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