Singapore Perspectives 2018

Together

Monday, 22 January 2018
Fairmont Ballroom, Raffles City Convention Centre
Longevity and Social Welfare
In Singapore

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Singapore Perspectives 2018
Overview

• Longer healthy life spans are an enormous gain in human welfare

• Current institutional arrangements in most countries are not consistent with population aging

• Institutions, not people, have to change
  • Families, governments, communities, employers
  • Changing Incentives and social norms
New Ways of Thinking

• Shift to measuring, and maximizing, human welfare, not GDP per capita. Policies can reduce GDP per capita and increase welfare.

• A simple alternative measure: Income, and health, adjusted life expectancy.

• Use this to evaluate welfare and policies

• Incentives versus risk pooling, savings versus transfers

• Health insurance and pensions in China, Increasing Fertility in China, Welfare inequality in USA.
Measuring Welfare not Income per Capita

- Components of Welfare
  - Life expectancy, Consumption, Health
    - Happiness, Social networks, Children, Inequality, Environment
  - GDP
    - Market activities, demand for traded goods and services, not welfare - Very misleading if used as a policy goal
“Value” of Life by Income Quintile: United States
Value of Money in Life Year Equivalents
Value of Money in Life Year Equivalents

![Graph showing the value of money in life year equivalents. The graph plots annual income in 2011 International US$ against life years. Two curves are shown: one for Income weights and another for Poverty weights. The Income weights curve increases significantly with income, while the Poverty weights remain relatively flat.](image)
Income Adjusted Life Expectancy and GDP
## Output and Welfare Effects of Rural Pensions and Health Insurance in China

<table>
<thead>
<tr>
<th></th>
<th>Pension Insurance</th>
<th>Health Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>-3.10</td>
<td>-2.80</td>
</tr>
<tr>
<td>Consumption</td>
<td>-2.65</td>
<td>-3.33</td>
</tr>
<tr>
<td>Capital</td>
<td>-4.39</td>
<td>-2.43</td>
</tr>
<tr>
<td>Hours worked</td>
<td>-2.00</td>
<td>-9.03</td>
</tr>
<tr>
<td>CEV (%)</td>
<td>-2.76</td>
<td>11.35</td>
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</tbody>
</table>

% change from baseline
Fertility Rate Scenarios in China
Working Age Share Scenarios in China
Output per Capita Scenarios in China
Components of Lifetime Welfare by Decile at Age 60: USA
Lifetime Welfare at Age 60
By Decile USA 2016
## Welfare Ratios of Deciles at Age 60

<table>
<thead>
<tr>
<th>Measure</th>
<th>10/50 ratio</th>
<th>90/50 ratio</th>
<th>90/10 ratio</th>
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</thead>
<tbody>
<tr>
<td>Welfare</td>
<td>0.23</td>
<td>5.22</td>
<td>23.08</td>
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<tr>
<td>Consumption</td>
<td>0.35</td>
<td>2.65</td>
<td>7.50</td>
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<tr>
<td>Health utility</td>
<td>0.61</td>
<td>1.22</td>
<td>2.00</td>
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<tr>
<td>Flow utility</td>
<td>0.35</td>
<td>3.02</td>
<td>8.71</td>
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</tbody>
</table>
Aging in Singapore

- Not locked into unsustainable PAYG transfer systems
  - Fiscal space for innovation
  - Self reliance and limited risk pooling
    - Space for more risk sharing
  - Rising health and long term care costs
    - Value for money, who pays and role of the family, insurance
Overview

• Longer healthy life spans are an enormous gain in human welfare – and are producing increased inequality

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• Institutions, not people, have to change
  • Families, governments, communities, employers

• Changing Incentives and social norms
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