



The economic dimension of population ageing – From ‘silver economy’ to ‘Ageing 4.0’

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What I will talk about

1. Traditional approaches to the economics of population ageing
 - Challenges and opportunities
2. The multiple layers of economic effects in ageing societies
 - The impact of the Silver Economy: increasing inequalities?
3. Taking a radical life course approach
 - Age differentiation vs. age integration
4. Towards a new work-life model
 - Defining “Ageing 4.0”

Part I

Traditional approaches to the economics of population ageing ... and the changing economic and technological context

What we tend to talk about

- A demographic 'time bomb'
- Rising 'dependency rates'
- Public expenditure on ageing policies (pensions, health care)
- Too low fertility rates
- Lower productivity of a greying workforce
- The 'lump of labour fallacy' ...



What we ought to talk about

- New individual and societal choices and opportunities
- New technologies and products:
 - robotics, sensing, internet of things, smart homes, robotics ...
- New types of health and care organisation and delivery
- New patterns of work
- New urban development ...



The economic effects of demographic ageing

Direct effects

Changing demand for public goods and services

Saving and labour market effects: labour productivity, capital per worker etc.

Impact on social security systems and fiscal revenues



Traditional (neo-liberal) remedies

Extending working lives

Reducing public pensions

Increasing private pensions

Life-long learning and Active Ageing



Preconditions often omitted

Reemployment after job loss: investment in health and physical capital

Behavioural change of employers *and* older workers

Work-life balance

Investment in early childhood and care

The importance of the ‘Silver Economy’

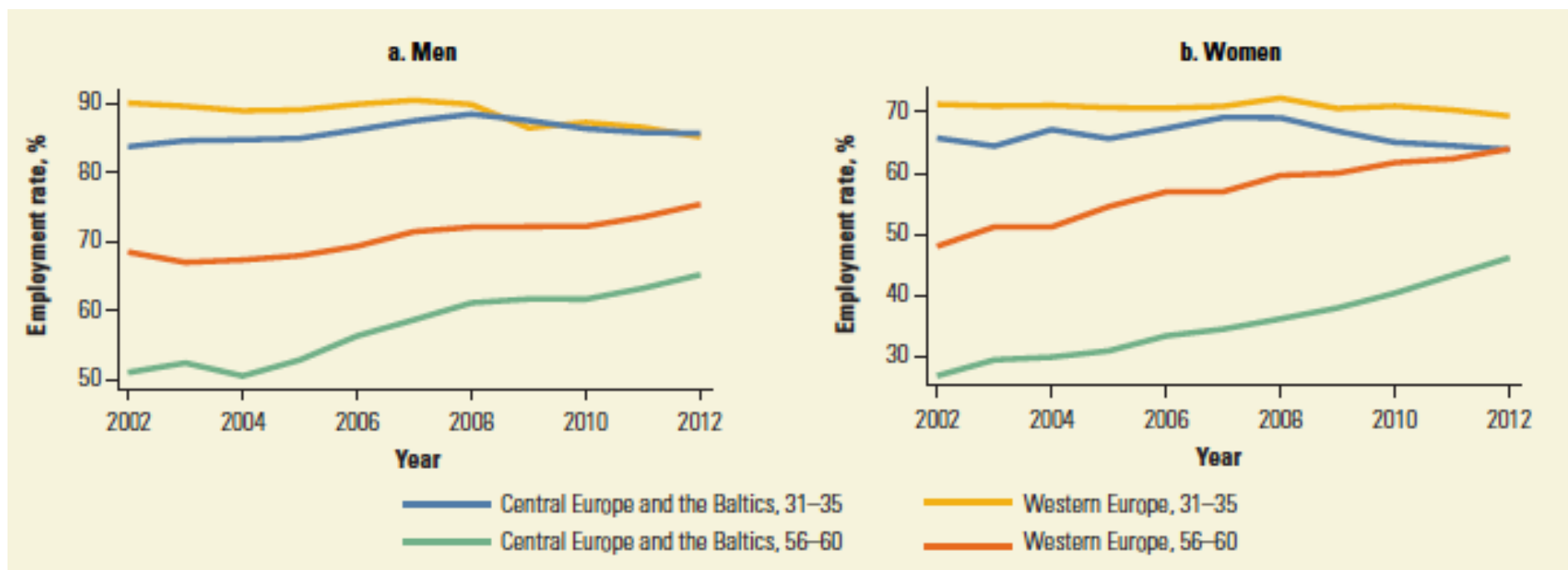
- The value of the Silver Economy: US\$ 7 trillion per year, third largest economy in the world (Merril-Lynch)
- The spending power of the now elderly “baby boomer” generation will reach US\$ 15 trillion by 2020 globally (Euromonitor)
- Annual age-related government expenditure in the EU: 25% of GDP
 - Job opportunities, in particular in health and social services: employment is expected to rise from 2013 to 2025 at a much faster rate (+8.1%) than the overall EU employment (+3%)
 - 1 million new health care jobs are projected by 2020, an additional 7 million job openings are expected due to replacement needs

Source: European Commission (2015)



Age is becoming less important for labor market participation of secondary school graduates ...

Employment rates among secondary school graduates in Central and Western Europe, 2002-2012

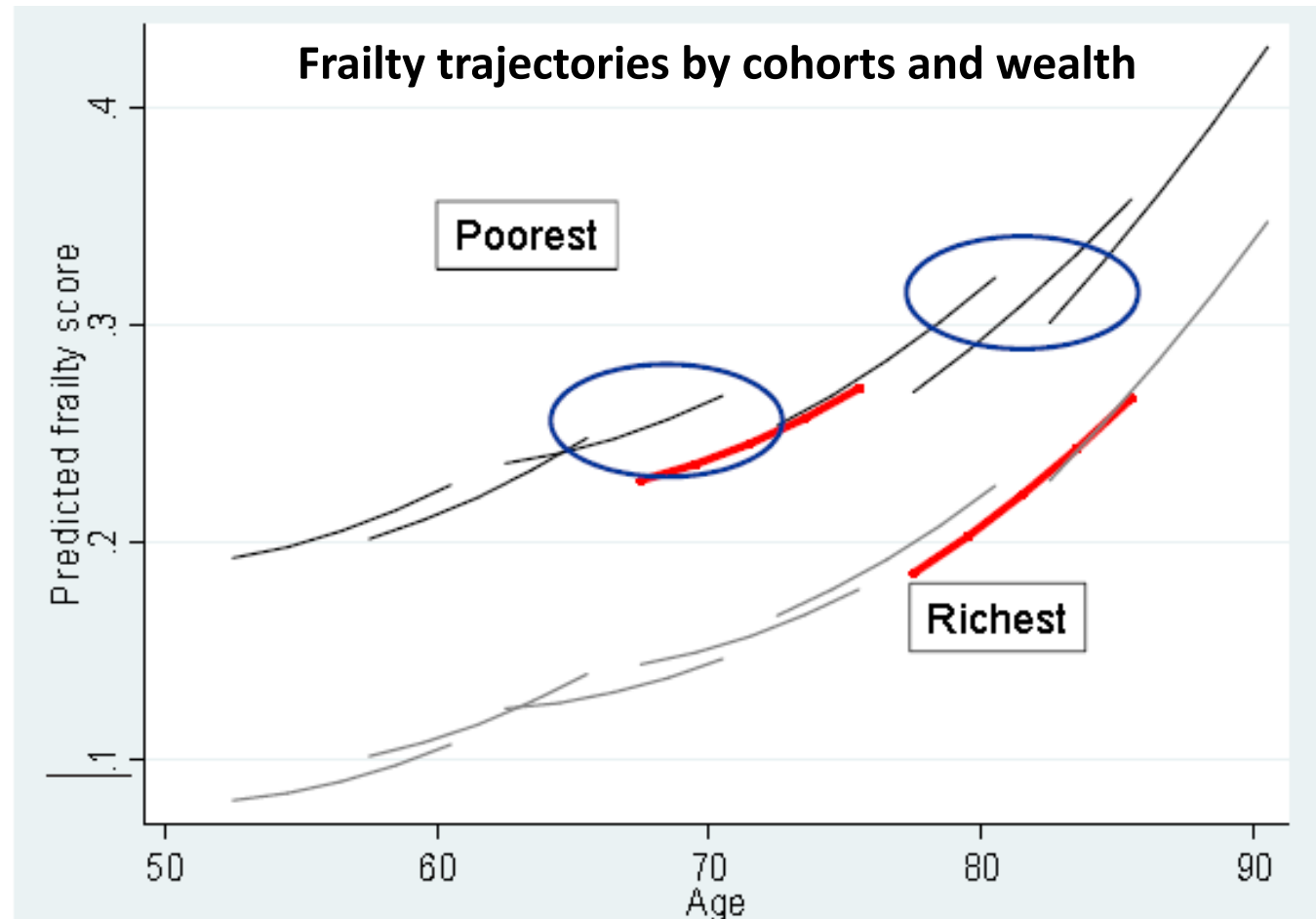


Declining differences in labor market participation of older workers

Source: World Bank (2015: 124)

... but not everyone is fit enough to work longer ...

UK: Older cohorts in the poorest groups (in the UK) show a much steeper increase in frailty over time than the richest wealth groups

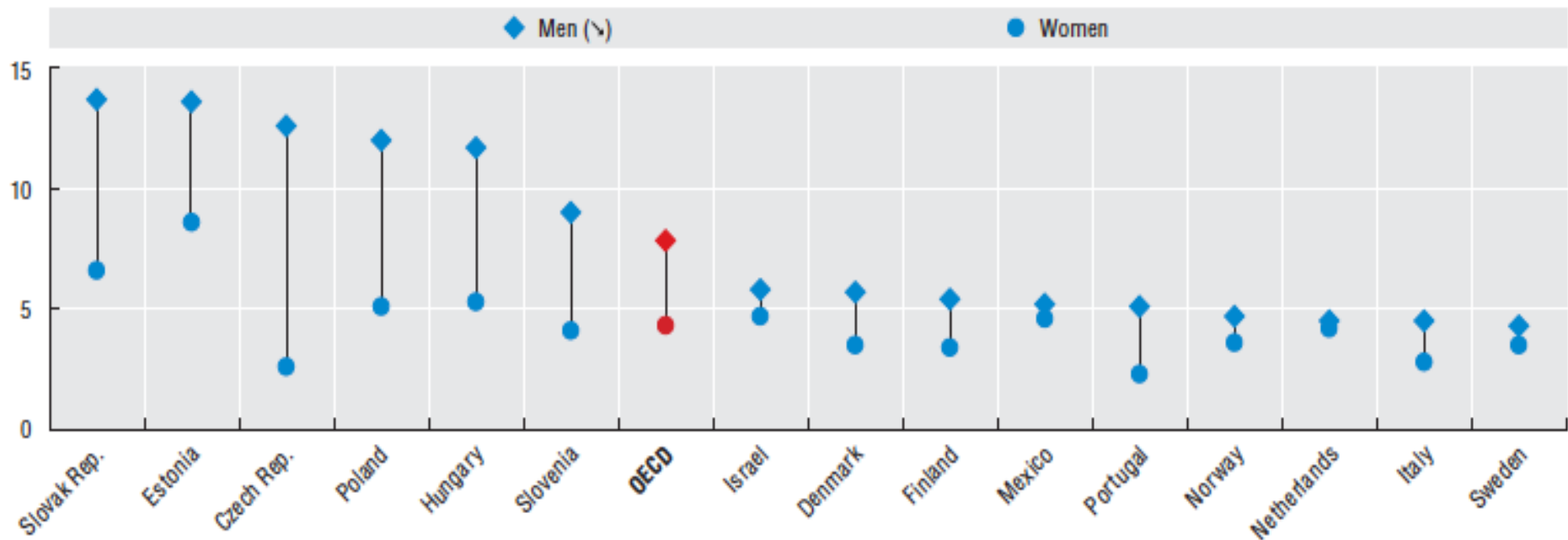


Source: Marshall et al. (2015); ELSA data, UK (reproduced with permission from Nazroo, 2016: 18)

... and longer lives are not for all

People with highest level of education can expect to live six years longer than people with lowest level of education

Gap in life expectancy at age 30 – tertiary and below upper secondary education, by sex



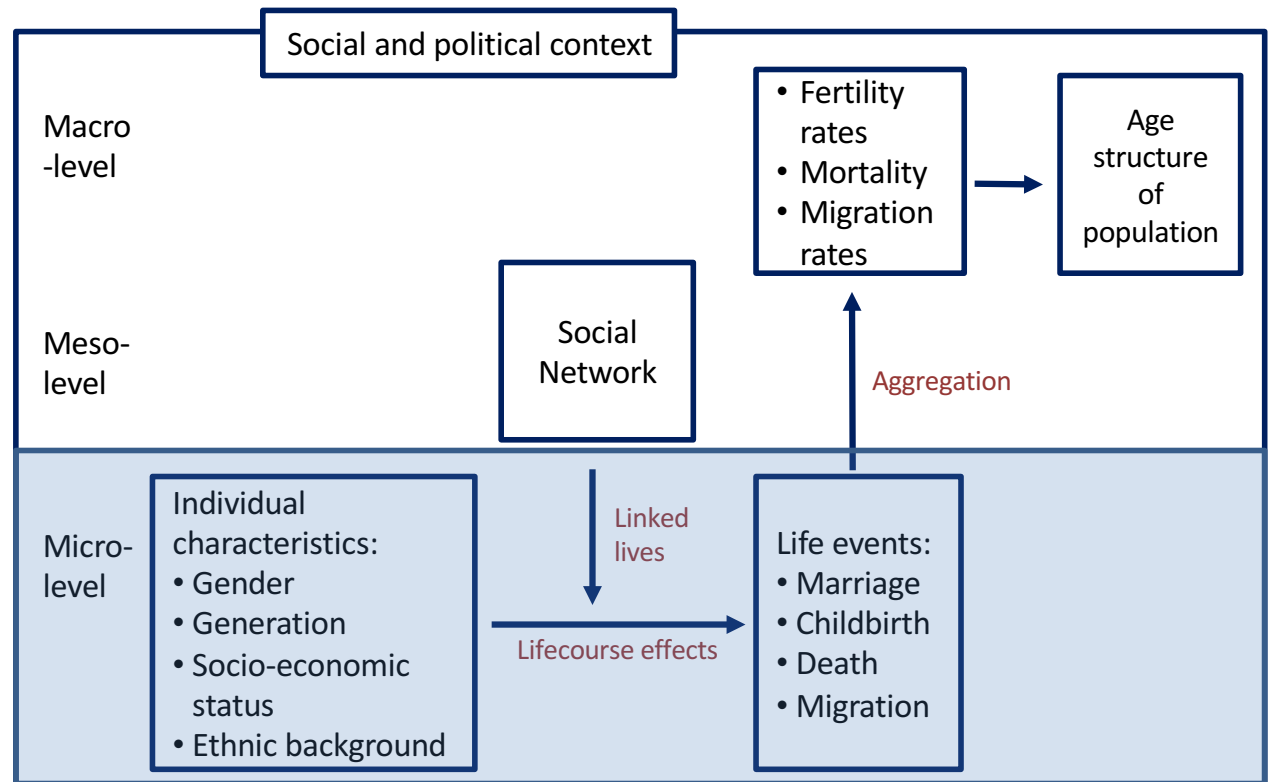
Source: OECD, Society at a Glance (2016)

Part II

The multiple layers of economic effects in ageing societies

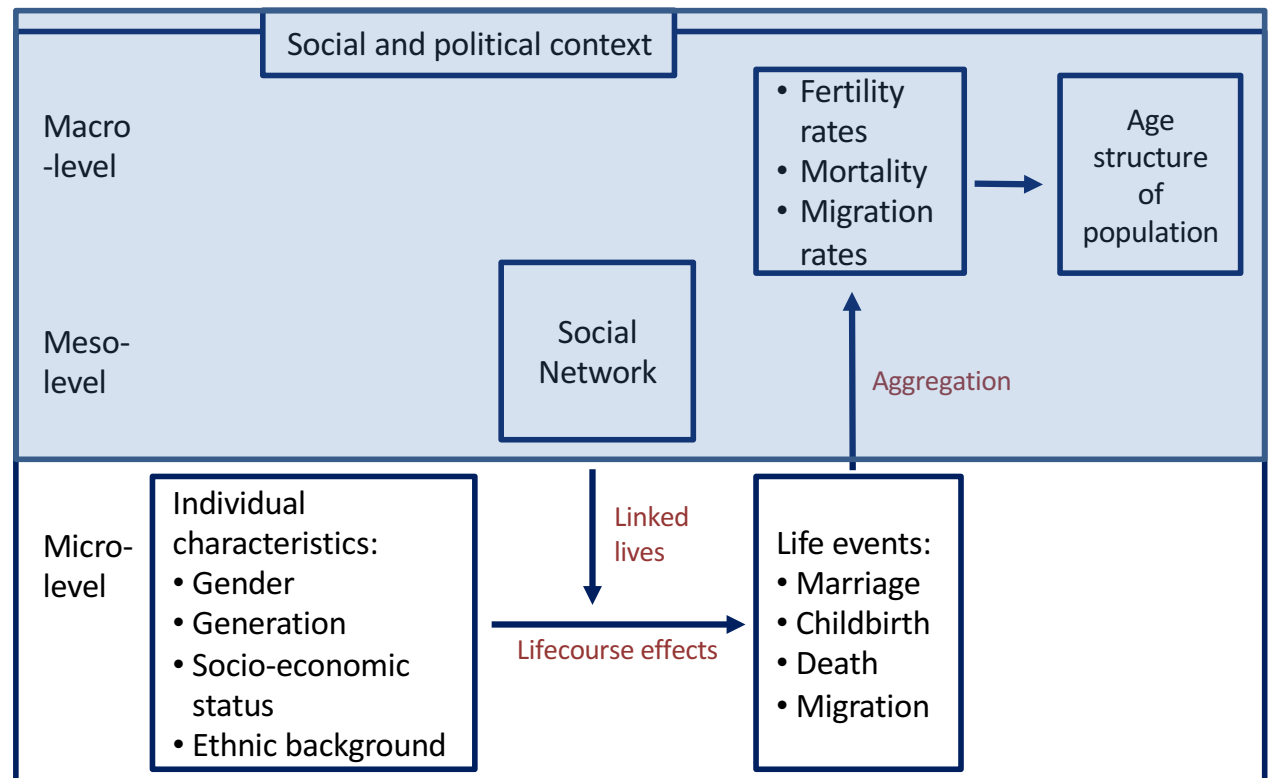
Economic effects of ageing at the micro level

- The strong impact of life events
- Fertility, mortality and migration rates
- No standard life course → no standard prediction of the economic effects of ageing



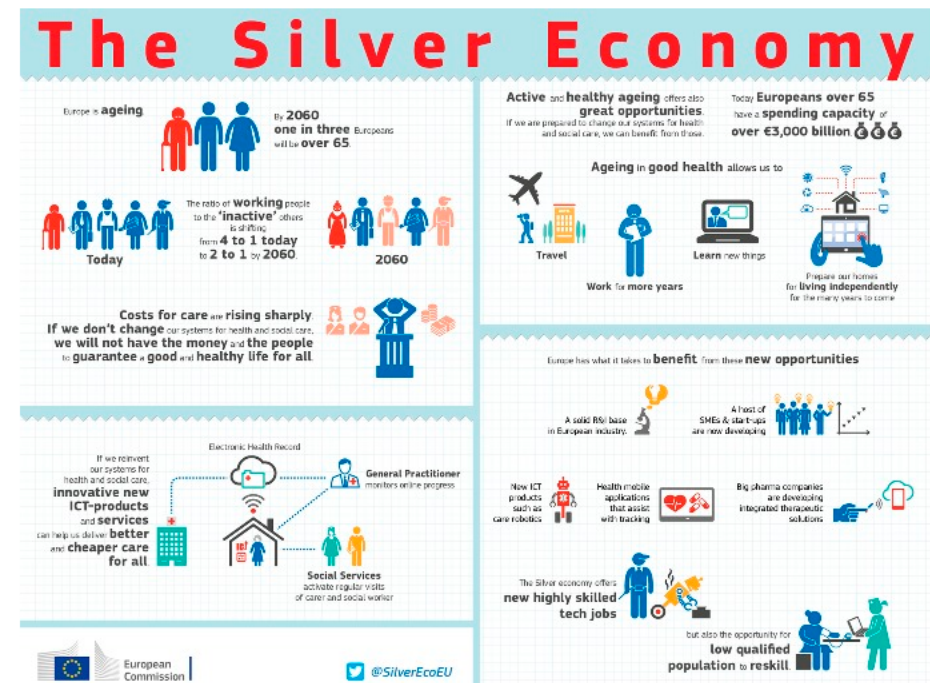
Economic effects of ageing at the meso- and macro levels

- ‘Linked lives’ (Bengtson et al, 2005)
- ‘Lives in time and place’ (Settersten, 1999)
- Culture, labour market structures and welfare state design do influence life courses (Komp & Johansson, 2015)



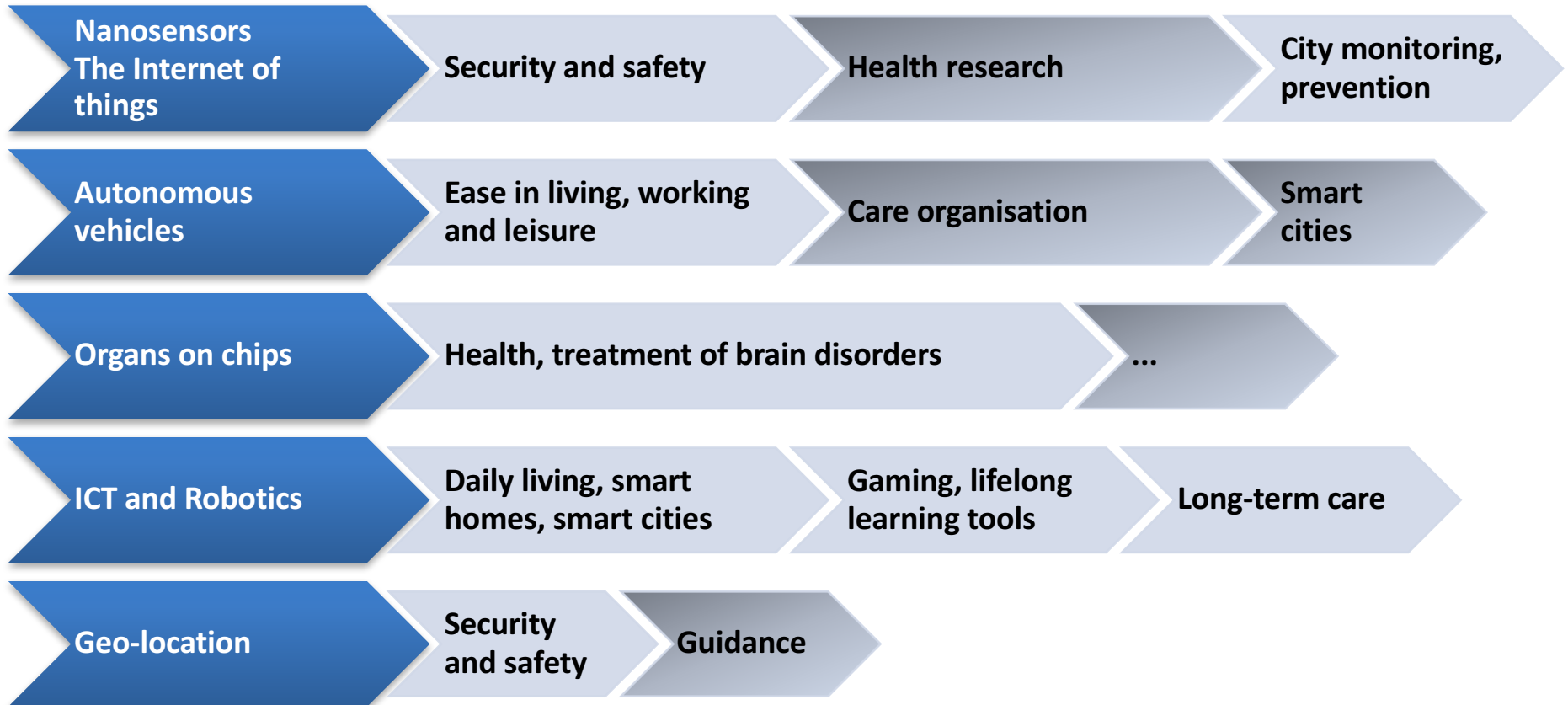
The silver economy triggers different economic effects across levels

- **Potential for economic growth:**
 - New markets: housing for independent living; tourism; health and care ...
 - Sustainable LTC systems
 - Life course and social investment approach to social protection systems and services
- **Potential for job creation**
 - Fast growing demand for health and social care professionals
 - Growing demand for ICT professionals
 - Balance between work and care



Source: <http://mopact.group.shef.ac.uk> (2015); Börsch-Supan (2005); smartsilvereconomy (2016)

(Emerging) Technologies and the 'Silver Economy'

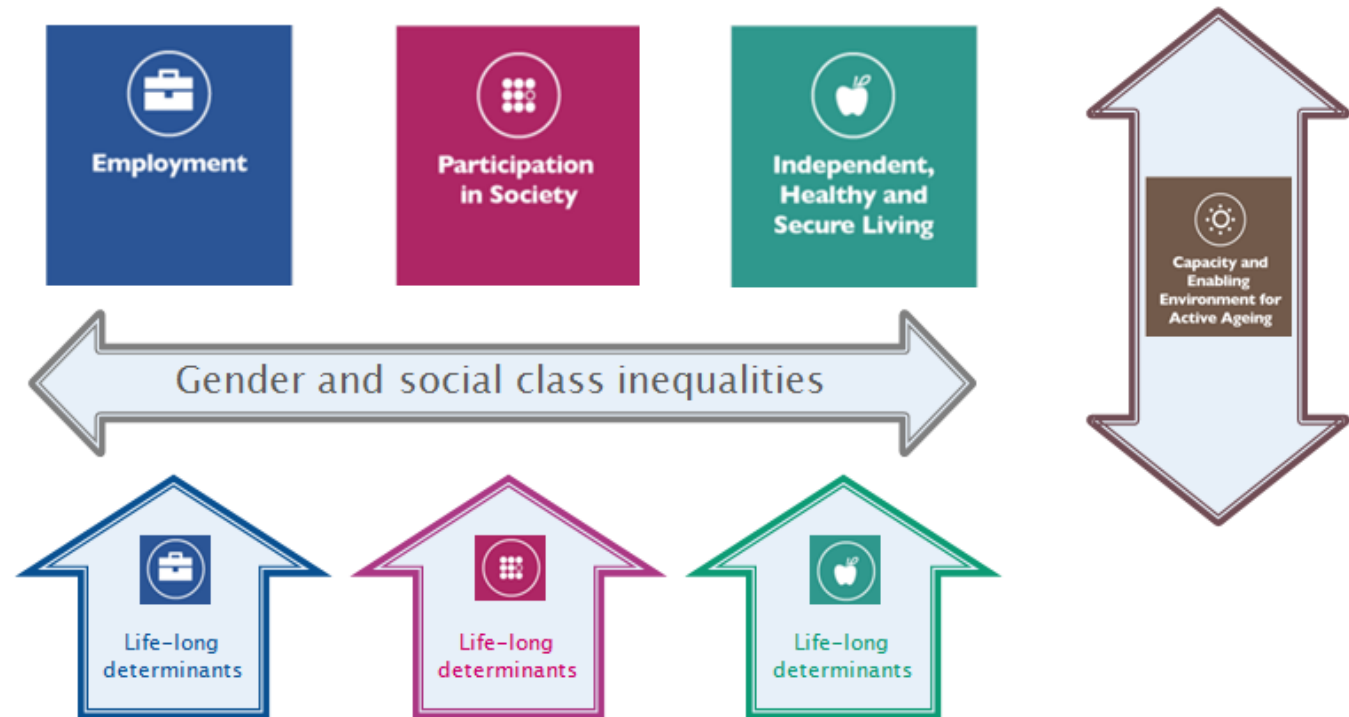


Source: World Economic Forum (2016)

Who will (not) benefit from the Silver Economy?

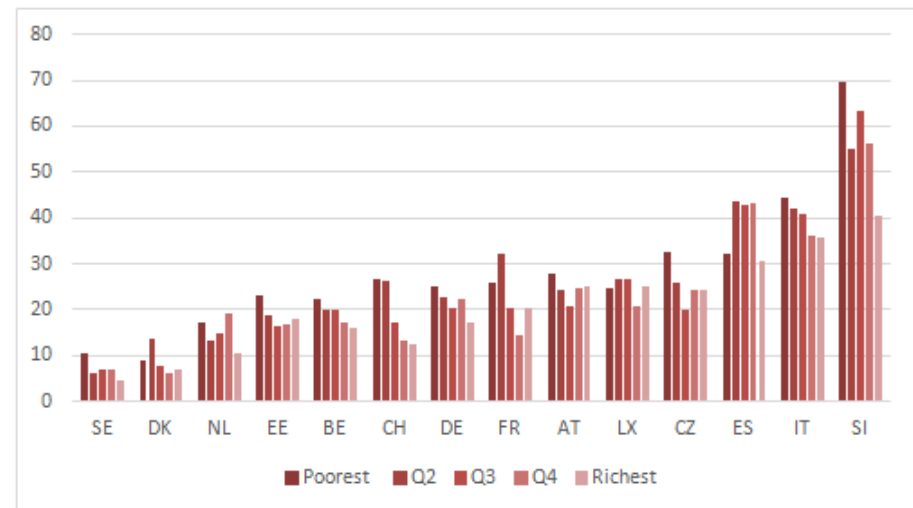
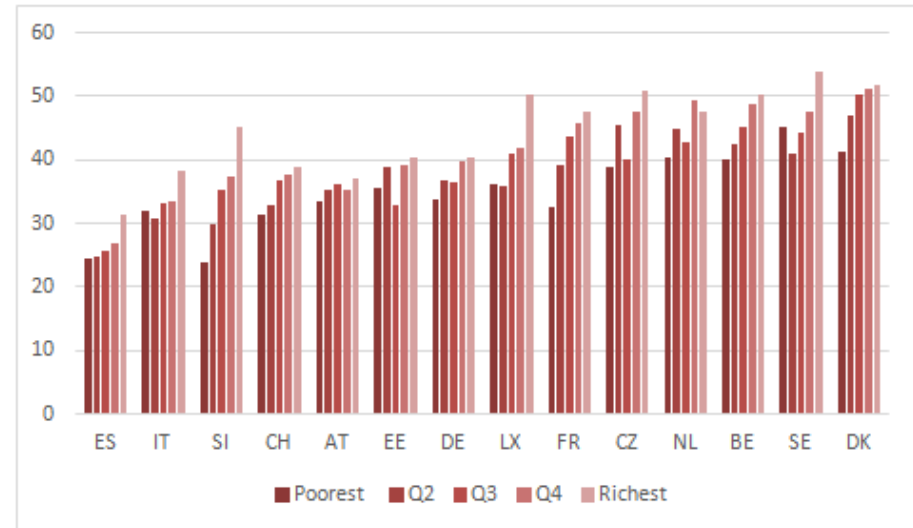
A framework for the assessment of inequalities in old-age

- Ageing affects inequality through multiple channels
- Inequalities between gender and socio-economic groups
- Unequal chances for Active Ageing



Unpaid activities: choice vs. chore

- Care-giving to older family members in need of care is common among older people and especially women, but ...
- While richer individuals (higher income quintiles) provide more basic care (upper graph) ...
- ... frequent care-giving (daily basis) is more common among low income individuals (lower graph)



Sources: SHARE (2014); Ilinca et al. (2016)

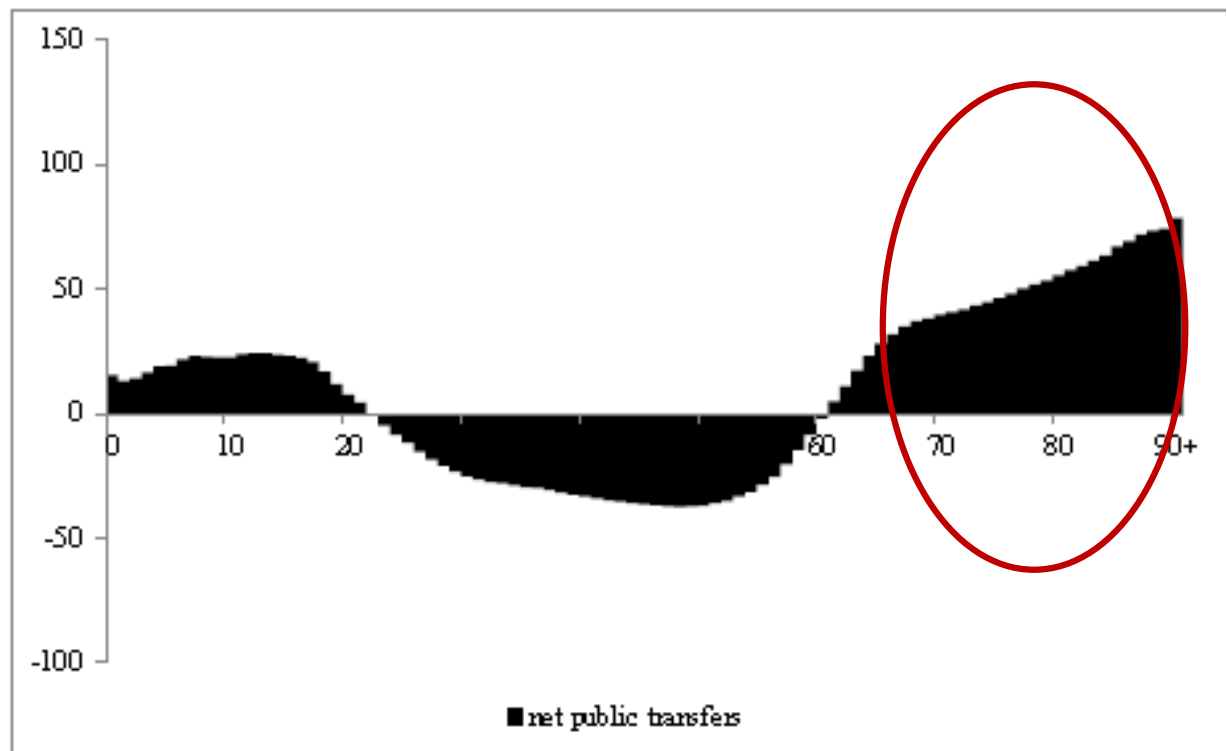
Part III

Good reasons for taking a life course approach

Intergenerational exchange revisited

- European welfare states are pro-elderly oriented: more public transfers per capita than for children
- Comparisons need to account not only for public transfers ...

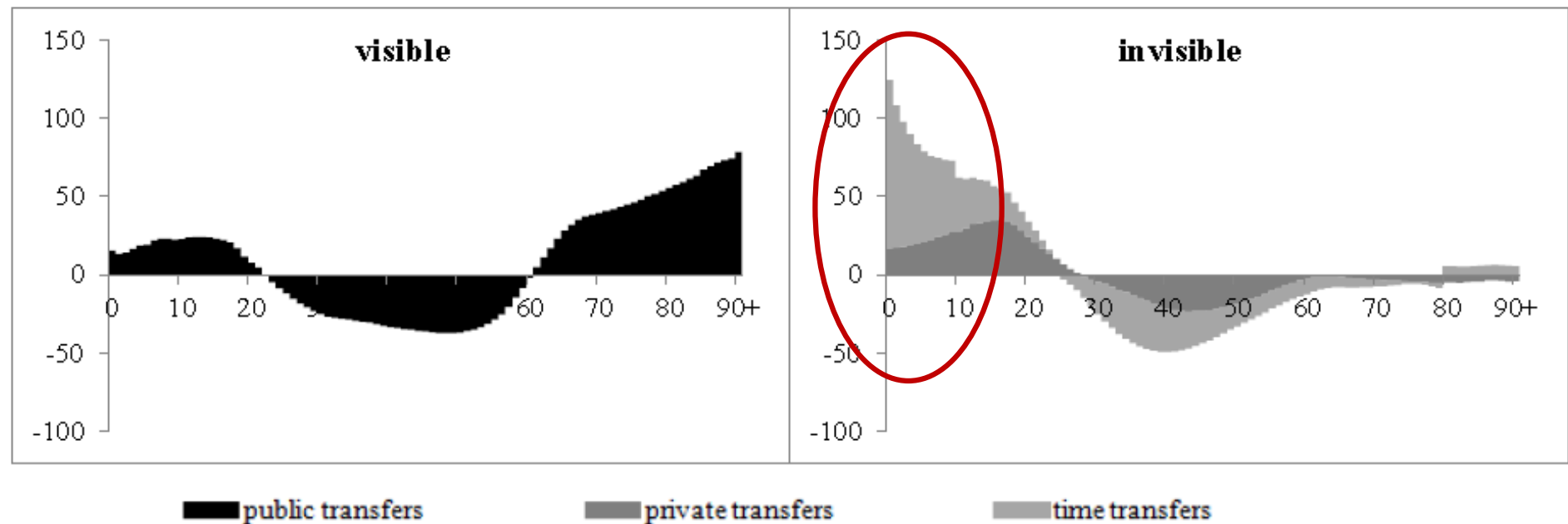
Per capita public transfers in Europe over the life course



Source: Gal & Vanhuyse (2016), reproduced with authors' permission, based on National Transfer Account data for 10 European countries (www.ntaccounts.org)

Considering private (financial and time) transfers

Private and public financial inter-age transfers, and time transfers in 10 European countries

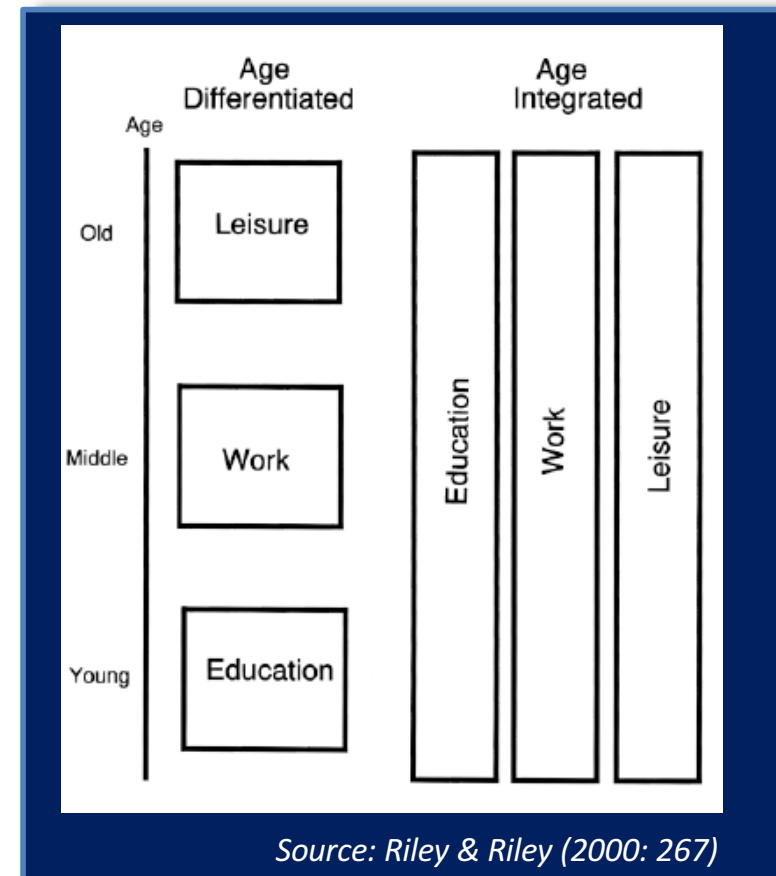


Source: Gal & Vanhuyse (2016), reproduced with authors' permission, based on National Transfer Account data for 10 European countries (www.ntaccounts.org).

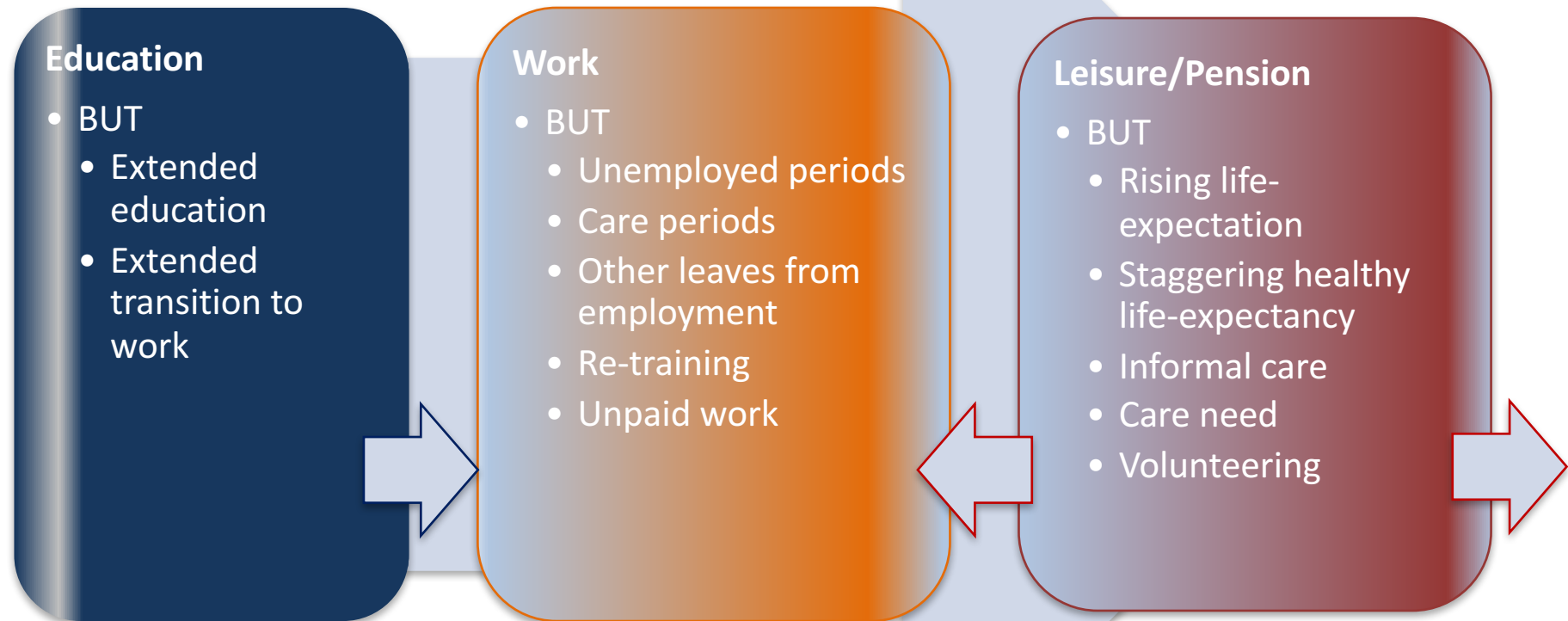
Notes: Values are population weighted averages of 10 EU countries normalised on the per capita labor income of persons aged 30-49 of the respective country. Visible transfers are public transfers; invisible are private and time transfers.

From age differentiation to age integration

- Is the differentiated life-course model still applicable?
- The assignment of tasks and activities to defined age brackets has become outdated
- The age-integrated model conceives of activities as taking place simultaneously, rather than subsequently



The continuous disintegration of traditional life-course patterns (age differentiation)



Source: inspired by Riley & Riley (2000: 267)

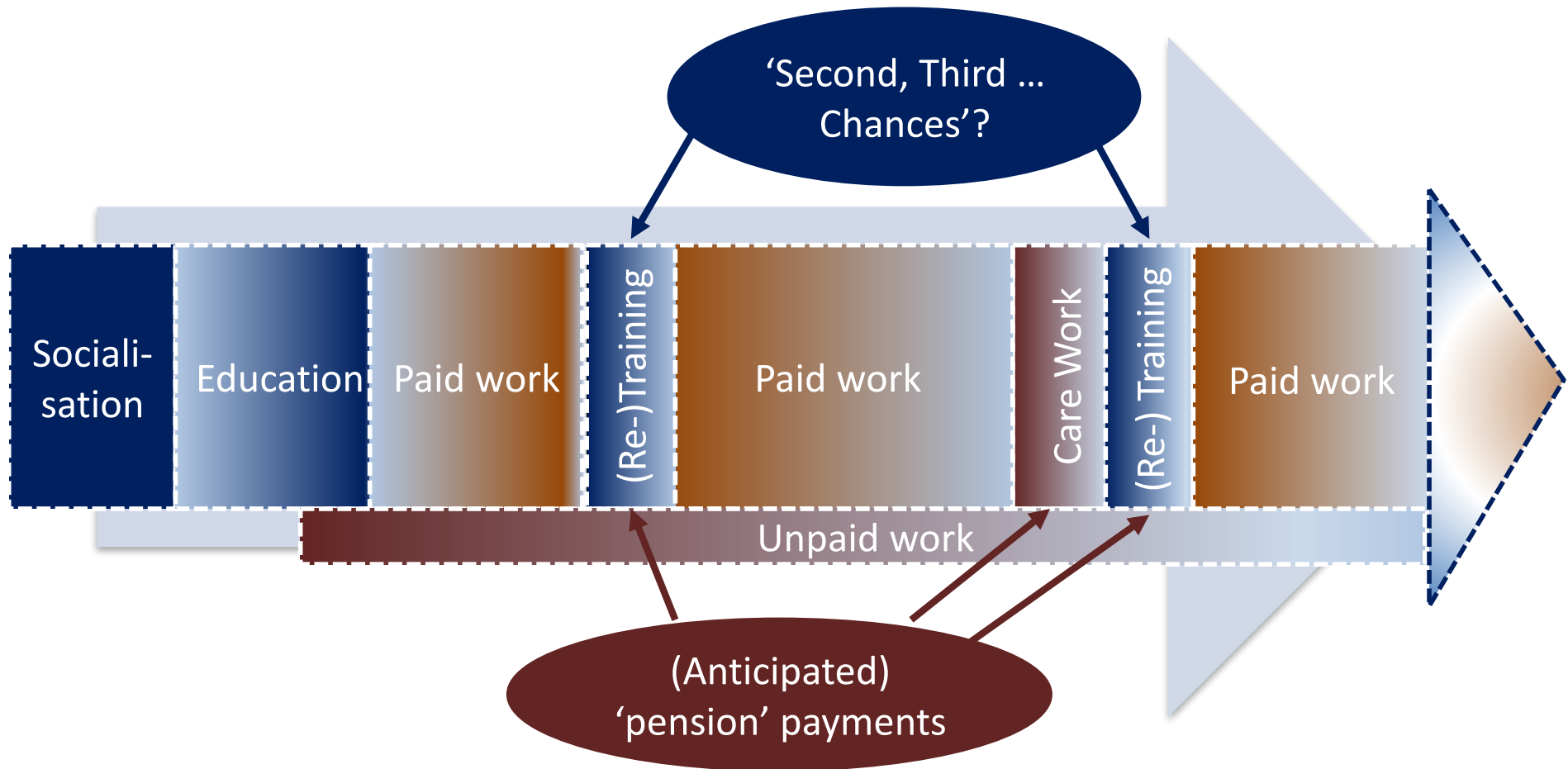
Conclusions

Towards a new work-life model in a sustainable economy: Ageing 4.0

Anticipating future life-course developments: Ageing 4.0

- Facilitating transitions
 - Between paid/unpaid work
 - Between education/training
 - Between family obligations and work/leisure
- Incentives for 're-training', 'upgrading courses', 'care leaves'
 - Every x years with rights and obligations
- Facilitating inter-generational equity
 - Providing 'second chances'

Ageing 4.0: Integrated life-course perspectives in a solidaristic society



Good practice for addressing 'transitions' already established in a number of countries, but streamlining and a more systematic life-course orientation with rights (and obligations?) is needed!

Ageing 4.0: Economic and social dimensions

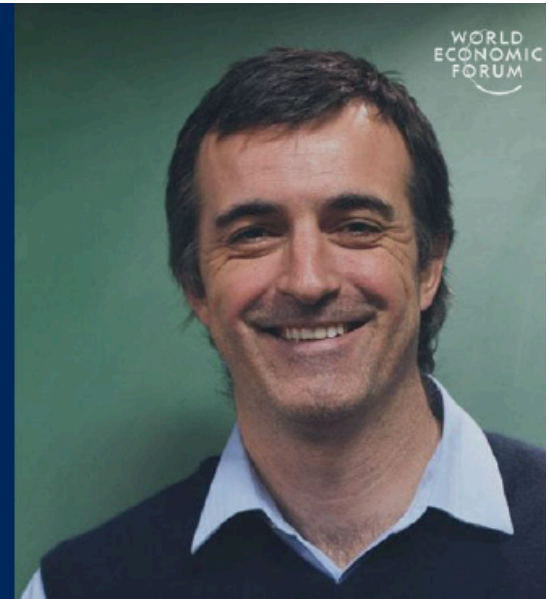
- Addressing the ‘new social risks in transitions over the life-course’:
 - Solidaristic **risk distribution**, rather than individualised risk inequality
 - Reduction of **gendered life-course perspectives**:
 - Acknowledgement of **unpaid reproduction work**
- **Adaptation to technology-induced challenges**
 - **Skills development and increased productivity**
- Equalization of demand and supply patterns (**consumer and labour markets**)
- **Adaptation of welfare systems** to new risks over the life-course
 - Facilitating transitions (school to work, care to work, work to training)
 - Facilitating a new ‘generational contract’
- **Behavioural change** – also towards higher reproduction rates?

Ageing 4.0: Economic and social dimensions

- **Employment at all ages and life-long learning facilitated**
- **Productivity gains**
 - More appropriately skilled workforce
- **Fostering more equal life-chances**
 - Gender
 - Socio-economic status

“A child today can expect to change jobs at least seven times over the course of their lives – and five of those jobs don’t exist yet.”

Esteban Bullrich
Minister of Education, Argentina



Ageing 4.0: Cost-benefit considerations

- **Micro level (individuals):**
 - Flexibility and openness for change required
 - Gains throughout careers from better qualification and work-life balance
- **Meso level (companies):**
 - Family-friendly policies increase productivity, job satisfaction and motivation, reduce absenteeism (Stutzer, 2012; Brandon & Temple, 2007)
 - Flexible solutions for (planned) absences for leaves are needed
- **Macro level (society):**
 - Social investments required to provide income security and support during (educational) leaves and periods of ‘unpaid reproduction work’
 - Increasing productivity and motivation, facilitating work at higher ages

Action needed

- **Embarking into the paradigm change**
 - Changing narratives: combining economics, demography, social gerontology and social policy, rather than playing against each other
 - Including both paid and unpaid labour
 - Shifting values
- **Tackle old-age poverty and inequalities**
 - A life-course perspective
- **Designing social investment and new welfare**
 - Preventative, participative, inclusive, creating values for the individual and the community: from 'ego' to 'eco'

Thank you for your interest!

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