Golden Aging

Three messages

1. Demography is not destiny, and it is malleable; Exceptional times are behind us, world is moving towards a more balanced demographic structure.

2. Demography and the economy: aging older societies do not necessarily experience economic decline. Individuals, firms and markets are adapting. Institutions and policies should too.

3. Demography and inequality: potential concern that aging societies may become more polarized.

One conclusion:

Active, Healthy and Prosperous Aging is a Realistic Goal: focus on opportunities;
Message 1: Demography some key facts

Gerontophobia

From ‘population bomb’ to ‘age quake’ (or ‘gray tsunami’)

Average age of the world

<table>
<thead>
<tr>
<th>Year</th>
<th>World Population (bn)</th>
<th>Rate of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>1965</td>
<td>3.3</td>
<td>First doubling After 65 years</td>
</tr>
<tr>
<td>2000</td>
<td>6.1</td>
<td>Second doubling After 35 years</td>
</tr>
<tr>
<td>2100</td>
<td>10.9</td>
<td>Not yet doubling After 100 years</td>
</tr>
<tr>
<td>2300</td>
<td>9.0</td>
<td>Stabilizing After 400 years</td>
</tr>
</tbody>
</table>

Source: UN World Population Prospects
Message 1: A move to more balanced demographics

The last 80 years were exceptional
High population growth during 1900’s period was exceptional
Now → more balanced demographics

Aging is a consequence of a (initially) welcomed drop in fertility
Fertility drop → resources (education) focused on fewer children

In Europe and Central Asia (ECA), societies are aging, but individuals are not
Individuals in ECA: not aging healthily and dying before reaching older age

Demography is malleable
Fertility re-increasing close to replacement level in (some) advanced countries (France and Sweden) but not in others (Austria and Germany)
Longevity rising achievable and helps with shrinking populations
Message 1 - ECA societies are aging but their individuals are not
Message 2: Aging and Growth

Living standards depend on:

• Dependency rates
  In per capita terms, output, produced by a shrinking workforce and shared with a growing group of dependents, will go down;

• Productivity
  As workers become older they will become less productive, so also output per worker will go down.

But…

• Chronological age Dependency rates and productivity
Message 2: The fallacy of the dependency rate

Dependency rates: Central Europe and the Baltics

Ratio of inactive to active population aged 15+

Source: UN World Population Prospects and ILO Stats
Message 2: The fallacy of the drop in productivity

Young people run faster, but Old ones know the shortcuts

Message 3: The concerns about aging societies

Aging might not be an opportunity for all
Fear of more unequal societies

Other concerns and policy challenges
Less entrepreneurship
Lower mobility
Fiscal challenges
Mortality is much higher rates for the less educated: Russia, 2011

Higher education (and incomes), lower mortality
Inequality rises with age (controlling for cohort)

At age 40 vertical axis indicates the average value of the variance for that age observed in the data.

<table>
<thead>
<tr>
<th>Gini at age...</th>
<th>Italy</th>
<th>Poland</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-30</td>
<td>0.267</td>
<td>0.290</td>
<td>0.329</td>
</tr>
<tr>
<td>50-55</td>
<td>0.296</td>
<td>0.308</td>
<td>0.314</td>
</tr>
</tbody>
</table>
Younger cohorts experience higher inequality than older one.

For cohort born in 1960, vertical axis indicates the average value of the variance for that cohort.

<table>
<thead>
<tr>
<th>Cohort</th>
<th>Gini Coefficient</th>
<th>Equivalent to...</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930-35</td>
<td>0.319</td>
<td>Japan</td>
</tr>
<tr>
<td>1945-50</td>
<td>0.329</td>
<td>France</td>
</tr>
<tr>
<td>1960-65</td>
<td>0.380</td>
<td>Venezuela</td>
</tr>
<tr>
<td>1980-84</td>
<td>0.486</td>
<td>Chile</td>
</tr>
</tbody>
</table>
Malleable demographics
1. A re-increase in fertility rates: reconciling family and career goals
2. Healthy aging: behavioral change and focus on preventions
3. Net immigration rate: embrace immigration as part of the solution

Addressing the economic consequences of aging
4. Active aging: translate longer lives into longer work lives
5. Productivity: life-long learning and workplace interventions
6. Fiscal challenge: incentives (pension rules) matter
7. Inequality: reforms needs to be comprehensive (the whole life cycle)

Overcoming the political economy challenge
8. Giving young people a voice
Golden Aging: The severity of the challenge for each country

Note: The y-axis is a simple average of the z-scores of the eight indicators: 1) voting participation gap between old and young, 2) total fertility rate, 3) healthy life expectancy, 4) net immigration, 5) adult dependency ratio, 6) PISA (Program for International Student Assessment) scores in science, 7) gross debt as share of GDP, and 8) relative old-age poverty.
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Golden Aging – The report

Some useful links:


Tweets: #GoldenAging