

Mr. Vieira da Silva, Minister of Labour, Solidarity and Social Security,

Mrs. Ola Algayerova, Executive Secretary of the UNECE

Distinguished Ministers, Civil Society Representatives

Ladies and gentlemen,

It is my pleasure to be here on behalf of the United Nations Population Fund – UNFPA – and to serve as chair of this session entitled “Recognizing the Potential of Older Persons: Intergenerational perspective”.

The discussion on population aging often pitches the older against the younger generation. It is said that the younger generation is being squeezed to meet the expenditures that come with an increasing number of older persons – notably those associated with health care and pensions – and that vice versa the older generation is living it up without consideration of the burden they place on the younger generation. In accordance, the current generation is frequently referred to as the sandwich or Panini generation. You might think that such perceptions and statements are confined to the popular media, but you would be surprised that they go much deeper and are even reflected in the academic discourse.

To proclaim an inherent conflict of interest between generations is both misguided and counter-productive. It leads to anxieties and antagonism and ageism. Against this background, it is most appropriate therefore that last year’s International Day of Older Persons has put the focus on combating the “negative” -- ageism and discrimination of older persons -- and that this year’s Day of Older Persons is putting the focus on the “positive” – the contributions of older persons to society.

Both, the arguments that foster anxieties, and the arguments that seek to calm anxieties are often rooted in economics.

Of course, as the number of older persons grows and the payouts of pension funds or insurance companies increase, there is a need for reform. Accounting tells us that payouts have to decrease, contributions have to increase, or a combination of both must be pursued to prevent insolvency. What solution a society opts for is to some extent determined by its economic circumstances, but more often than not it is determined by the political consensus that is feasible at a particular point in time. It is important however to underscore that these are issues that can be fixed and must be fixed, and that these are not catastrophes. Central bankers regularly change interest rates in response to macroeconomic changes, and policy makers change taxes, and subsidies. In a word where everything is changing, it is normal that payouts and / or contributions will also need to be adapted to new demographic and economic circumstances every so often.

Must changes of the pension or health care system inevitably have negative implications for someone? No. The scope for change very much depends on the growth of labor productivity and income, and how the economic resource are distributed between the economic actors in a society. In the developed economies that currently have the largest share of older persons, as well as emerging market economies that have the most rapid rate of population aging, the growth of labor productivity and GDP per capita is almost always sufficient to match any growth in expenditures for health care and pensions attributable to population ageing. Whether and how countries reform their health care and pension systems, and how they decide to redistribute resources –

not just between the old and the young but also between employees and employers -- is rarely dictated by economic circumstances, and more often than not dependent on political decisions and social consensus. It is not a question whether countries have the economic capacity to finance growing expenditures, but a question of whether countries have the political will to undertake reforms against established interests, and last but not least a question of whether the countries have the social consensus that supports a redistribution of resources. To be clear the social consensus that we have in my home country, Portugal, or the North of Europe, would never be acceptable in other countries.

Furthermore, from a macroeconomic perspective it is inaccurate to see expenditures on health care, for example, as a cost to an economy. Everything that is a cost to some is, in a closed economy, inevitably income to others. So, if we spend more on health care in Portugal, we also create more jobs in the health care sector of Portugal. Thus, if we have higher expenditures because we have older persons, it will give a boost to some industries, will create new jobs and will raise income, and this is first and foremost to the benefit of the working-age population. It is wrong to see spending by some as detrimental to the wellbeing of others, and it would be wrong to see a contradiction between the spending on and by older persons as contradictory to the wellbeing of the younger generation.

Finally, spending on the health and wellbeing is properly understood as an investment. It is fundamental for healthy aging, and empowering older persons to actively contribute to society for longer. And that is exactly what many older persons do. Even if they retire from formal work, it does not mean that they stop working and contributing to society. They often support their families, for example by taking care of children, and volunteer in their communities. While many of these jobs

are not paid, they are valuable. And these valuable but unpaid activities are an important element of the longevity dividend that comes with active and healthy aging.

Looking forward there are however many ways in which we can further strengthen the engagement of older persons in the economic, social, cultural and political life of their countries. First and foremost it is important to eliminate all discriminatory practices, including mandatory retirement ages. However, older persons should be empowered to work longer if they want to and still have contributions to make; they should not be forced to work longer because they have to and cannot make ends meet. So, the call to abandon mandatory retirement must be accompanied by a call for adequate pensions and social protection at any age. Not doing so would be cynical. It would simply force people to work longer to survive, regardless of persons, social or economic conditions.

To think about population aging is not just about the wellbeing of older persons, but also about the wellbeing of younger persons and relationship between the generations. After all, the best way for a country to address any challenges that come with an increase of older population is to invest adequate resources in its younger population that enables and empowers this generation to make active and productive contributions to society. If countries manage to realize a first demographic dividend -- investing in health and education, strengthening human and physical capital, promoting technological progress and labor productivity -- they are best positioned to also address population aging which will ultimately be the next step in the demographic transition.

Before handing over to others, let me conclude by encouraging us to think about inter-generational cooperation in a comprehensive sense.

An inter-generational perspective cannot solely focus on the relations between younger and the older generation at a particular point in time, but needs to assume a life-course perspective and see the evolution of the younger and older generations over time. An intergenerational perspective, is a life course perspective. The realization that we all live longer lives changes the very way we live our lives. If we know we have another 10 years towards the end, we probably do not just want to do the same things 10 years more. Instead, it will change the way we think about education and employment, work and leisure, and social protection. Thinking about population aging – not just older persons, but also the younger generation, and the intergenerational relationships – is essential for comprehensive, coherent and sustainable policy responses.

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