

Development in an Ageing World

WDA Forum

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Director

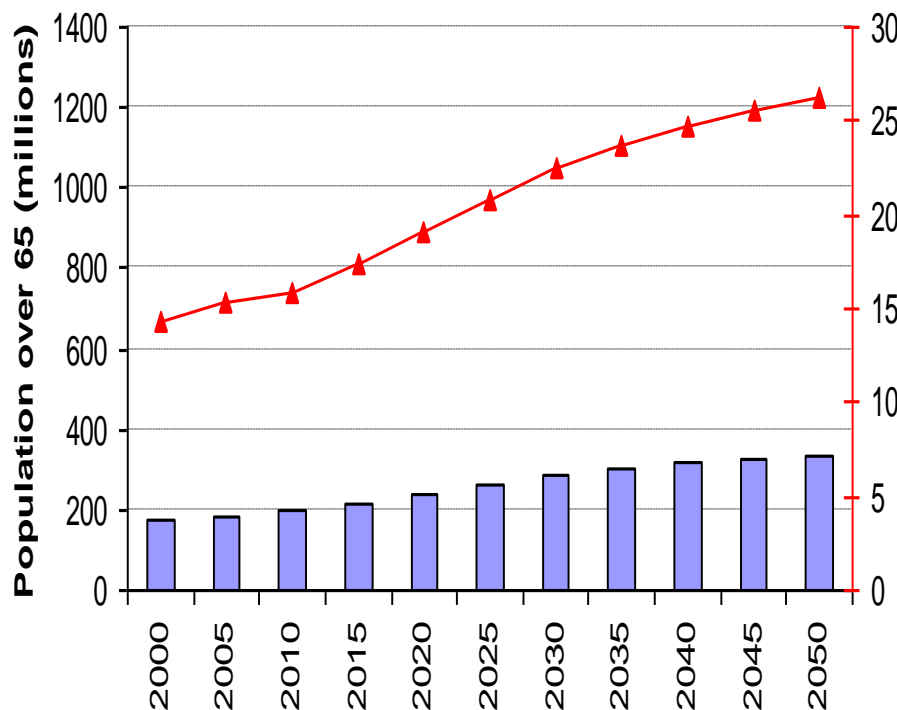
United Nations

Department of Economic and Social Affairs

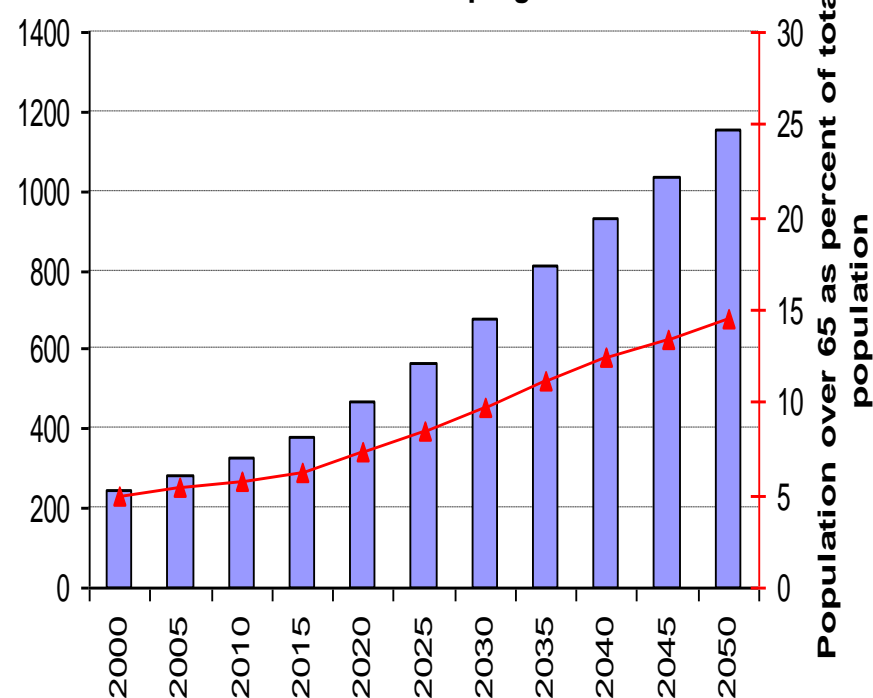
The world population is ageing at an accelerating rate!

... and by 2050, 80% of older persons will live in developing countries

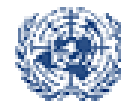
Developed



Developing



Population over 65 — Over 65 as percent of total (right axis)



Ageing reflects human progress:

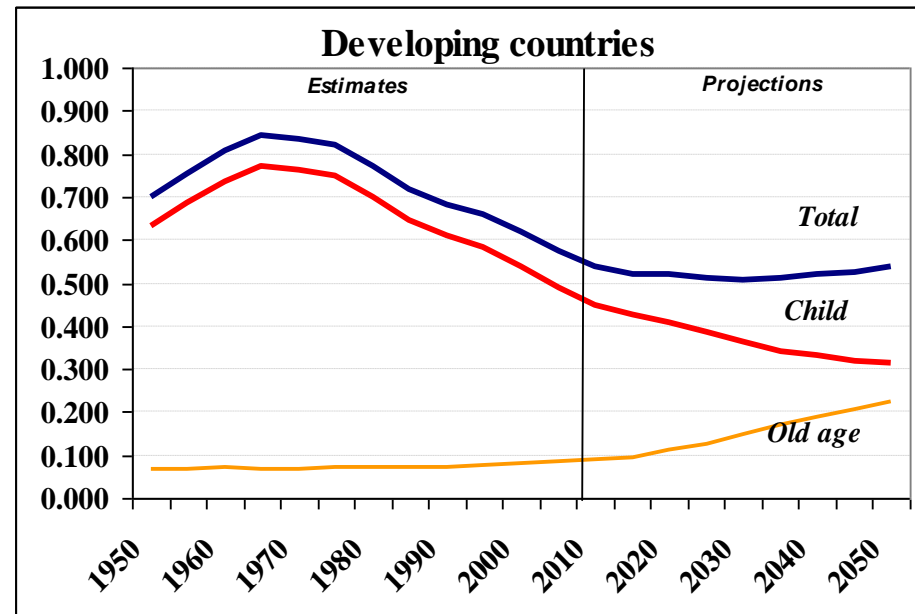
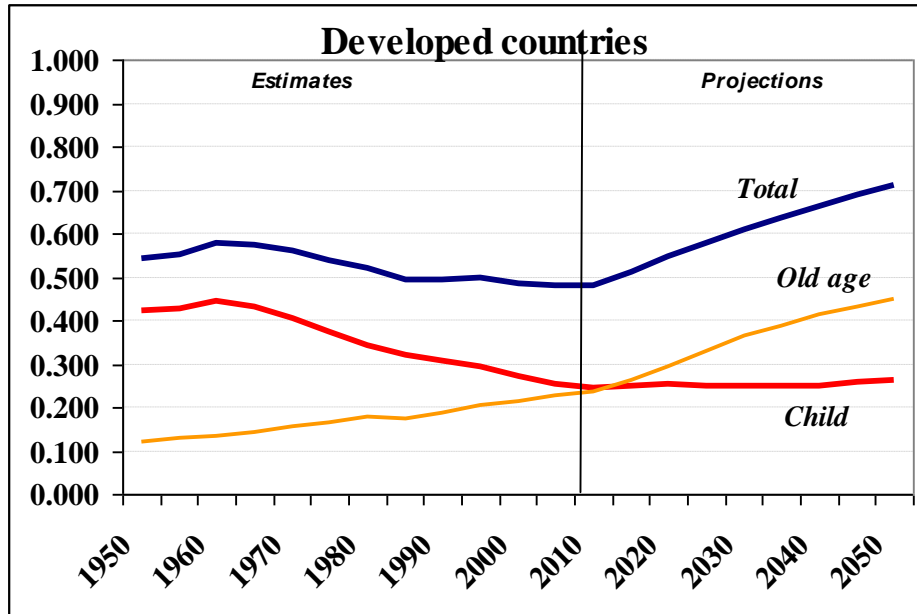
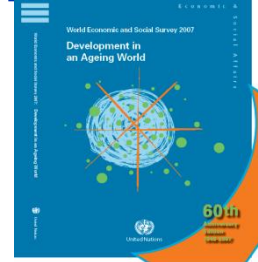
- Increased longevity and lower mortality
- An **opportunity** through the active participation of the older persons in the society

... **but** it also poses **challenges**:

- Smaller **labour force** may affect economic growth
- Sustainability of old age **pension** and **health care** systems may come under pressure
- Adjustments in living arrangements, long-term care systems and participation in society needed to ensure wellbeing of **older persons**



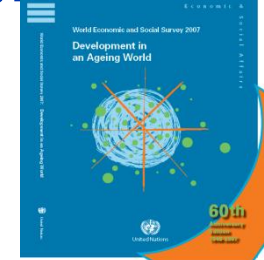
Dependency ratios will increase, but ...



... there is an asymmetric transition: Challenges differ for developed and developing countries



Economic challenges for ageing societies

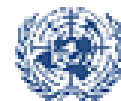


Growth of labour force will decelerate or even turn negative. This may potentially affect economic growth and welfare

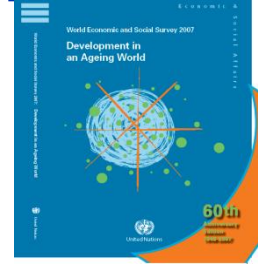
Possible responses:

1. Population policies: fertility and family planning, migration
2. Outsourcing
3. Increased female labour participation
4. Remove incentives to early retirement and increase retirement age
5. Improve working environment for older workers
6. Increase labour productivity

→ UN study: Measures 3-6 are most important



Economic opportunities for more slowly ageing societies: **Youth Power**



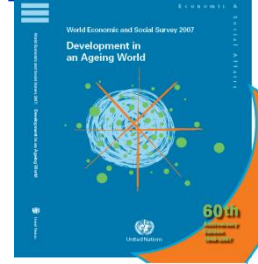
Labour force is still growing and could provide a window of opportunity for economic growth, but only if countries manage to...

Policy Actions:

- Boost **employment rate**
- Improve economy-wide **productivity**
- Increase **investment in human and physical capital**



Old age income security is also challenge in developing countries



Inadequate coverage:

80% of world population lacks social security coverage currently.

→ *Without policy change: 1.2 billion older persons may face income insecurity by 2050*

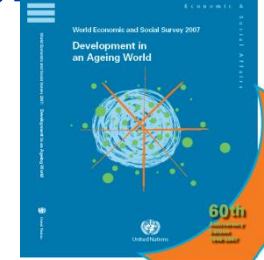
→ *Low social security coverage is associated with high old age poverty*

Unsustainable pension systems:

- Weak growth and employment creation
- Early retirement practices: short working life
- Mismanagement, bad governance, poor design
- Demographic pressures



Ensuring old age income security: Comprehensive reforms are needed



Multi-layered old age income security systems (tailored to country conditions and preferences):

Non-contributory Pillar: universal social pension scheme

- Also feasible for developing countries ([Figure](#))

Contributory Pillar: targeting certain wage replacement level

- Parametric reforms (raising retirement age!) with labour reform (increasing participation rates)
- Structural reforms (elements of fully funding, assuring economic security)

Other Pillars:

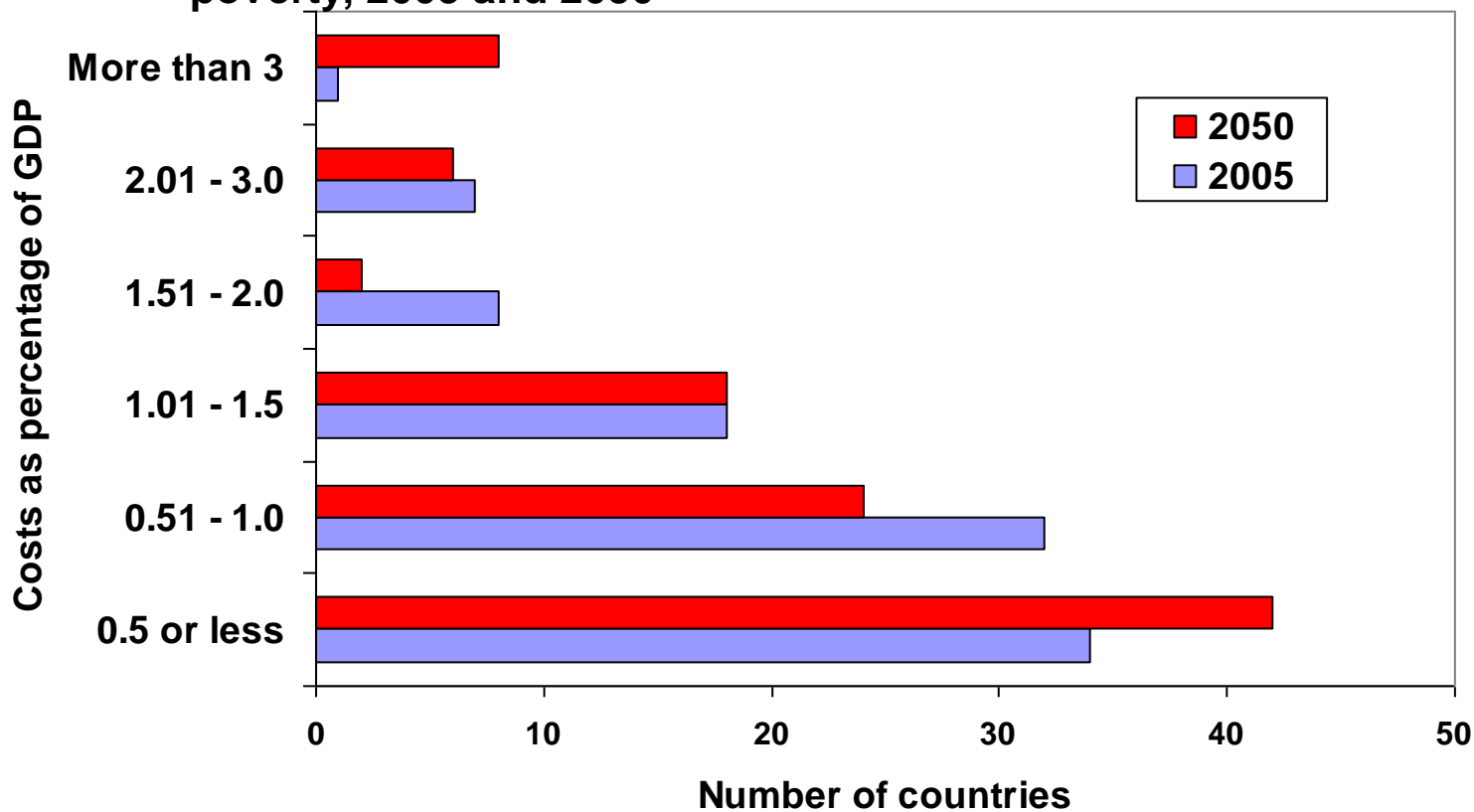
employer-related, private schemes, individual savings and/or asset accumulation

For any system to be sustainable, continued productivity will be needed



Universal protection: estimated costs

Simulated costs for developing countries of universal social pensions designed to keep older persons out of extreme poverty, 2005 and 2050



[Back](#)

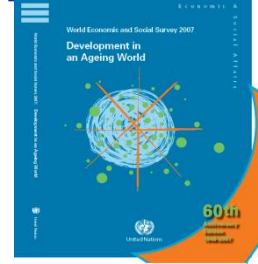


Population ageing is inevitable..., so what can be done?

- Fertility and migration policies will not suffice
- Increase labour productivity and participation rates!
- Extend working life (improving working conditions)
- Reform of pension systems: Multi-Pillar systems with universal social scheme at its basis!
- Reform of health care systems: preventive action, home-based care and limit cost of drugs

All these challenges seem surmountable!

UN Reports



- **Reports on Programme on Ageing**
(http://www.un.org/esa/socdev/ageing/un_meetings.html)
- **World Economic and Social Survey 2007:
Development in an Ageing World**
(www.un.org/esa/policy)
- Rob Vos, J.A. Ocampo, Ana L. Cortez, *Ageing and Development*, Zed Books
- 7 October 2010: **20th Anniversary of International Day of Older Persons**

