Aging, Longevity and LM dynamics

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Globally, the Number of Older Persons Is Growing Faster Than Any Other Age Group

Aging Is Not Only a High-income Countries Challenge

Aging (and Longevity) Impact Channels

Channels of impact:
- The labor supply effect;
- The quality of labor force effect (human capital);
- Potential effects on productivity & entrepreneurship;
- Impact on savings behavior;
- Impact on fiscal policy;
- Effects on other macroeconomic indicators, e.g. inflation;

Policy actions:
- Fiscal - the revenue models (reinvent?);
- Labor markets;
- Sectoral – Pensions;
  - Social Safety net;
  - Health;
  - Aged care;

Key underlined behavioral uncertainty: (i) will the older people of the future be inclined to work longer, as they live longer? (ii) will the older people of the future be as productive, mobile, innovative and entrepreneurial as the younger people?

Key intermediate outcomes:
- Economic growth
- Delivery of Services
- Gender equality
- Intergenerational fairness
- Migration

Ageing affects intermediate outcomes over (short and medium term)

Poverty and Twin Goals

ECONOMIC GROWTH, HEALTH, EDUCATION, AND MIGRATION AFFECT AGEING TRENDS OVER (LONG AND MEDIUM TERM)
# Labor Market: a Period of Change and Disruption Felt Globally

<table>
<thead>
<tr>
<th>Labor market</th>
<th>Technological change</th>
<th>Economic integration</th>
<th>Social change</th>
<th>Demographic change</th>
<th>Climate change</th>
</tr>
</thead>
</table>
| Demand       | • Automation & artificial intelligence  
  • Declining market transactions costs | • Larger, deeper & more contestable markets  
  • Global value chains  
  • “Premature” deindustrialization | • Rising value of diversity | • Health-care and...  
  • ... longevity-support | • Disruption to place-based and seasonal industries |
| Supply       | • Declining travel costs (migration)  
  • Connectivity  
  • Telepresence & remote work | • Cross border migration | • Women in market work  
  • Population flight or influx from conflict | • Youth bulge  
  • Later entry into work  
  • Longer healthy life | • Population flight or influx from natural disaster |
| Market wide  | • Innovation  
  • Agglomeration | • Fading distinction between “tradables” and “non-tradables” | • From “Plan” to “Market”  
  • Changing norms and aspirations | • Rise of the “active elderly” (ages 60-80) | • Drought and soil erosion  
  • Rising sea levels  
  • Severe climate events |

Source: World Bank 2019, “Protecting All: Risk Sharing for a Diverse and Diversifying World of Work”
Are Older People Work Less?

East Asia and Pacific: many older people continue to work well beyond “working age”

Eastern Europe and Central Asia: as life expectancy increases. The gap in labor force participation rates between the young and the old narrows.
East Asia and Pacific: “Worker quality” is improving, even if quantity less...

Large continued gains in educational attainment predicted

<table>
<thead>
<tr>
<th>Country</th>
<th>1990</th>
<th>2030</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong SAR, China</td>
<td>72.5</td>
<td>89.4</td>
<td>88.9</td>
</tr>
<tr>
<td>Japan</td>
<td>99.9</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Korea</td>
<td>74.6</td>
<td>99.5</td>
<td>99.8</td>
</tr>
<tr>
<td>Singapore</td>
<td>63.3</td>
<td>90.3</td>
<td>92.5</td>
</tr>
<tr>
<td>China</td>
<td>48.5</td>
<td>83.7</td>
<td>89.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>31.6</td>
<td>72.3</td>
<td>79.2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>50.4</td>
<td>89.9</td>
<td>93.0</td>
</tr>
<tr>
<td>Mongolia</td>
<td>75.8</td>
<td>91.4</td>
<td>92.3</td>
</tr>
<tr>
<td>Thailand</td>
<td>20.8</td>
<td>65.6</td>
<td>75.7</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>24.2</td>
<td>49.1</td>
<td>56.9</td>
</tr>
<tr>
<td>Cambodia</td>
<td>16.2</td>
<td>45.2</td>
<td>52.7</td>
</tr>
<tr>
<td>Lao</td>
<td>17.8</td>
<td>48.5</td>
<td>56.3</td>
</tr>
<tr>
<td>Myanmar</td>
<td>27.6</td>
<td>58.2</td>
<td>65.9</td>
</tr>
<tr>
<td>Philippines</td>
<td>52.7</td>
<td>84.0</td>
<td>88.3</td>
</tr>
</tbody>
</table>

Healthy life expectancy rising – though gains at risk from NCD
Eastern Europe and Central Asia: Migrants are more likely to be Active than the Natives

Older women in Europe work and provide care – “sandwiched generation”

Source: Belke-Ensner 2014, based on SHARE Project. Data are taken from SHARE Wave 4 for Austria, Belgium, the Czech Republic, Denmark, Estonia, France, Germany, Hungary, Italy, the Netherlands, Poland, Portugal, Slovenia, Spain, Sweden, and Switzerland, and from Wave 2 for Greece and Ireland.

Note: N = 19,900, grandparents aged 50+, each with at least one grandchild under the age of 16 years.

Are Older Workers Less Productive?

Evidence is mixed:

• Supervisor assessment studies have often found no clear effect of age on productivity

• Quantity & quality of output measures have often found older employees with lower productivity

• Matched employer-employee surveys find mixed results across studies and sometimes across measures of productivity

• More upbeat assessment of older worker productivity, mostly from EU (Bloom and Sousa-Poza, 2013)

Research indicates that:

• **Crystallized abilities** (e.g. verbal ability) remain high till late in life but fluid abilities do decrease over the adult life span

• **Tacit (procedural) knowledge** for everyday problem solving tends not to decrease with age

• **Cognitive skills** of older people have improved in recent decades

• Older workers have **lower absenteeism** than younger workers

• **Job changes** generally lower for older workers than younger, so training costs may be lower
Are Older Workers Less Productive?
Intersection with technology (feasibility of automation)
two dimensions: routine v. human-ness

How routine the tasks in the job are

• Routine – repetitive tasks that require little thinking, identical motions (assembly line work)

Versus

• Non-routine – tasks that change given the circumstances, with changing actions to achieve the task (hotel maid)

How “human” the skills are that are needed to complete the tasks

• Manual – purely physical without nuanced human interactions (construction)

Versus

• Socio-behavioral – empathy, team work, managing emotions (customer service; manager)

• Analytical (ideation) – creativity, problem-solving (research biologist)
Are Older Workers Less Entrepreneurial?

globally, it appears so but in EAP, it may be less acute
Three Critical Policy Areas

Human Capital and Lifelong Learning
• Develop skills that are complementary to new technologies
• Promote both fundamental education and lifelong learning

Labor market flexibility
• Adapt LM institutions to changing demographics

Health and Social safety nets
• Develop new redistributive policies
• Develop LTC
• Promote healthy aging
• Reform health systems towards People Centered Integrated Care
## Human Capital and Lifelong Learning

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Going Forward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic skills, thinking skills, knowledge</td>
<td>socio-behavioral skills, learning to learn, digital literacy</td>
</tr>
<tr>
<td>Education and training while young</td>
<td>Continuous learning throughout the life-time to keep up with technological change</td>
</tr>
<tr>
<td>Multi-year educational programs with a strong focus on theory</td>
<td>Short, tailored training courses and learning by doing to keep up with technological change</td>
</tr>
<tr>
<td>Education and training in educational institutions</td>
<td>Employer-driven training in response to firm-based technological shifts; web-based training courses</td>
</tr>
</tbody>
</table>
Mandated Social insurance
individually financed

10%
25%
40%
70%

Legend
Tapered conditional cash transfer program, food vouchers, cash for work, elderly and disability support, subsidized premia for insurance coverage

Social insurance, (un/re-)employment insurance, pensions
Private insurance pension and health schemes

Level of protection
Protection floor
High
Low

Needs-based social assistance package
publicly financed to eliminate exclusion (expand beyond narrow poverty targeting)

Shift equity elements to financing from broader-based (general revenues financed)
Ensure social insurance is actuarially fair

Mandated Social insurance
individually financed

Purely voluntary insurance
privately financed (encourage both supply and demand of voluntary insurance)

Poor
Vulnerable
Aspiring middle class
Middle class
Upper class
Example of WBG engagements: China, Vietnam, Thailand, Uruguay, Chile, Greece, Slovakia, Poland, Croatia
.. tax revenues will have to rise (and diversify/innovate), especially in developing economies...

Thank you