



G20 WORKSHOP

ON

“SILVER ECONOMY” AND AGEING SOCIETY: AN OPPORTUNITY FOR GROWTH AND JOB CREATION IN THE G20 COUNTRIES

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Organisation for Economic Co-Operation and Development

1. The challenge: Adapting to ageing benefits all age groups

1. Population ageing is often talked of as a problem – can we afford to grow old? Who will pay for pensions and health care of an ever larger elderly population when the working-age population is declining

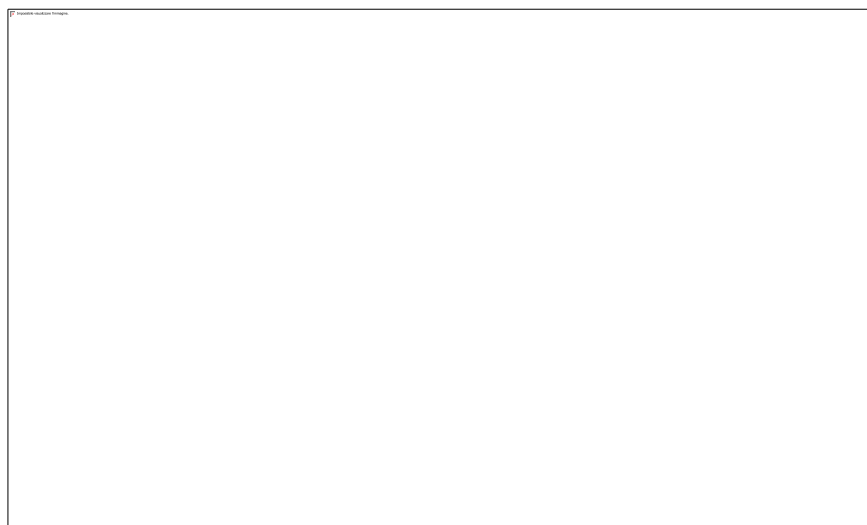
in size? Will population ageing lead to lower growth rates, and contribute to secular stagnation? There is no doubt that population ageing presents policymakers across the G20 with challenges. Many European and OECD countries had pension systems which were becoming increasingly difficult to sustain financially, and which have led to a series of politically difficult and controversial reforms. However, there are also opportunities for those economies and societies that meet the challenge of population ageing. Countries which adapt to the challenges of the silver economy can experience higher employment rates across all age groups, including among older workers. Retired consumers will be able to purchase appropriate goods and services, increasing employment of younger age groups and thus contributing to maintain economic growth. Promoting an effective policy package that addresses the challenges of population ageing and exploits the opportunities of the silver economy should be an important component of a comprehensive G20 inclusive growth agenda that promotes better economic and social outcomes for all.

2. The urgency of the need to move towards a structured policy approach to a silver economy is driven by the pace of ageing. The Figure 1 below shows that in OECD countries, by 2050 one adult in three will be over 65, and in the most aged countries – Japan, Spain and Korea – the ratio will not be that far from being one adult in two. However, some of the most rapid increases in the ratio will be in China and Saudi Arabia, where the population aged over 65 will increase from being marginal to being a substantial proportion of the population in a single generation.

3. There are two main areas where effective action by government, employers, unions and other stakeholders can enable countries to exploit the opportunities of population ageing: making sure that a multigenerational workforce uses the capacities of older workers for the benefit of all; and meeting the needs of increasingly elderly consumers. The paper addresses these two policy areas in turn.

Figure 1 Rapid population ageing across all G20 countries

Number of people aged 65+ per hundred people of working age (20-64)



Source: OECD Database on Population and Labour Force Projections.

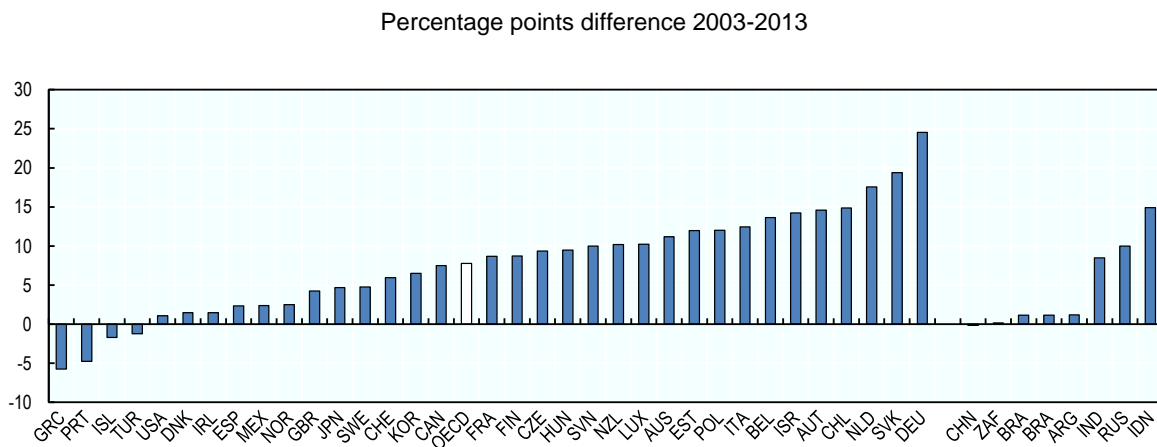
2. Promoting the benefits of a multigenerational workforce

4. Over the past years, the G20 Task Force on Employment (and now in its evolution into the Employment Working Group) has focused on identifying key policy principles and sharing best practices to promote greater participation in the labour market and quality jobs for under-represented and disadvantaged groups, including youth, the low skilled and women.

5. While providing guidance to countries in their efforts to set out actions for supporting the labour market participation of these groups is important, ensuring that older people maintain their employability and have access to better employment choices and opportunities is also essential, both in order to support economic growth and to help sustain public social expenditures as stressed in the report *Live Longer, Work Longer* (OECD, 2006), *Pensions at a Glance 2013: Retirement-Income Systems in OECD and G20 Countries* (OECD, 2013a). Many G20 countries have therefore started to undertake measures in this sense and the evidence shows that the employment rates of older people have increased over the past decade in most G20 countries (Figure 2), particularly in the mature western economies.

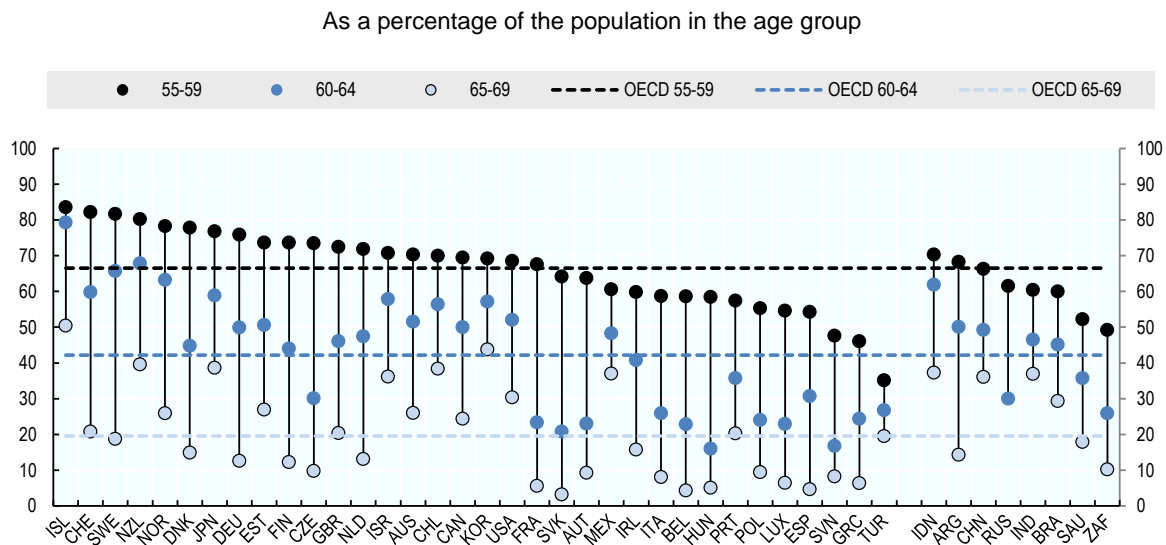
6. Despite these encouraging developments, there remains considerable scope for further improvements. Indeed, there is considerable variation in the opportunities to work at an older age across the G20 countries (Figure 3). About 60% of older working age people (aged 60-64) in Japan and in Indonesia were employed in 2013 but this falls to 26% or less in Italy, France and South Africa. Most countries plan to increase the official age for receiving a pension beyond 65 but, on average in the OECD, only 20% of people aged 65-69 were working in 2013 compared with 67% in the age group 55-59 and 42% in the age group 60-64. In the context of increasing population ageing, the G20 can facilitate “Silver Economy” policies on a path of incremental improvements with mutually reinforcing cost-effective strategies to promote better employment outcomes at all ages. Fostering a culture of greater inter-generational co-operation is a key.

Figure 2. **Change in employment rates for people aged 55-64, OECD and G20 countries, 2003-2013**



Source: National labour force surveys.

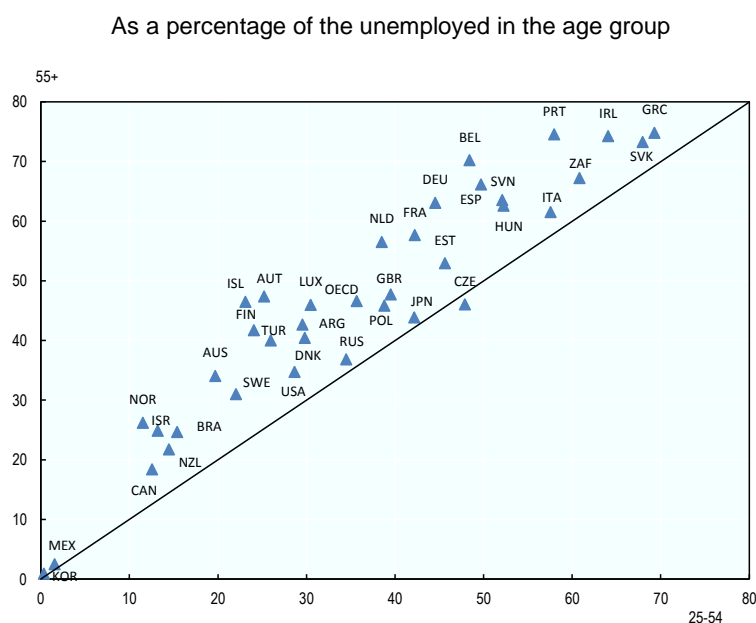
Figure 3. Employment rates for people aged 55-59, 60-64 and 65-69, OECD and G20 countries, 2013



Source: National labour force surveys.

7. Today's outcomes sometimes reflect pre-crisis reforms in pension systems and the closing of routes to early retirement, especially in the advanced G20 countries. Getting incentives right is one important element of a strategy to help raise employment rates of older workers. But a more comprehensive set of reforms may be necessary to improve employment practices in firms to retain and hire older workers and to sustain their employability (Sonnet, Olsen and Manfredi, 2014). This is needed to ensure an "age management" approach: as workers grow older they are helped and encouraged to update their skills, have ready access to public and private employment services and enjoy good working conditions according to their employability. The "age management" approach takes into account age and the ageing process of individuals in order to create a working environment in which employees of all ages are given the opportunity to make full use of their skills, find satisfaction to their needs and realize their healthy ageing (Walker 2005; OECD, 2006; Silverstein 2008). Boosting job mobility and hiring of older workers is crucial to prevent those who lose their job in their late 50s from becoming long-term unemployed and facing a chaotic (and often traumatic) transition to retirement, being "too young to retire but too old to find a new job". The incidence of long-term unemployment for unemployed people over 55 is well above the incidence for unemployed people aged 25-54 in the OECD and G20 area (Figure 4).

Figure 4. **Prevalence of long-term unemployment for unemployed people aged 25-54 and 55+, OECD and G20 countries, 2013**

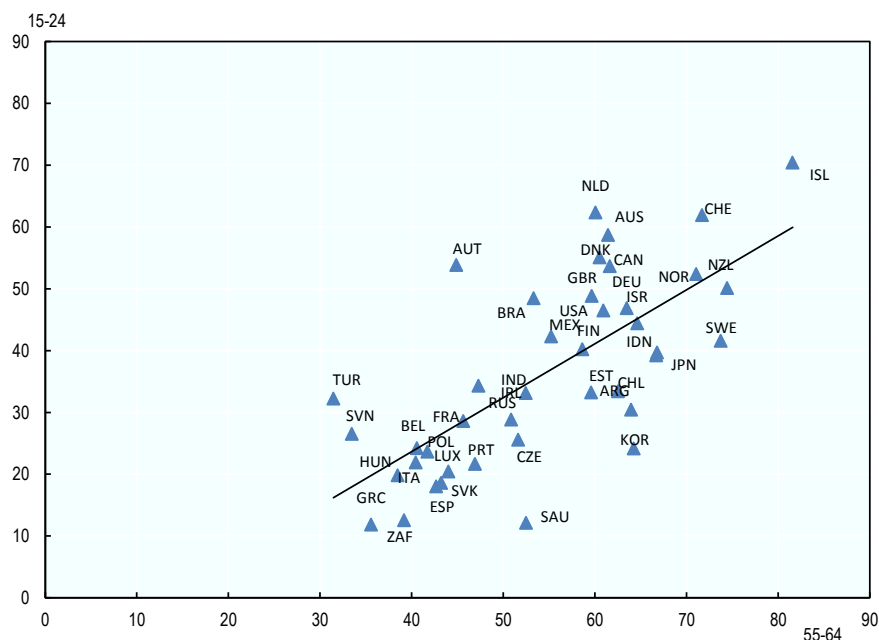


Source: National labour force surveys.

8. Employment rates amongst older workers are positively correlated with employment rates for younger workers (Figure 5; see also OECD, 2010 and 2013b). Rather than reinforcing the common but entirely incorrect public perception that older and younger workers compete for a fixed number of jobs (the so called “lump of labour fallacy”), governments should promote a strategy in the Silver Economy to strengthen the many already existing complementarities in employment prospects for both younger and older workers (Gruber and Wise, 2010). For example, older workers can be involved in the transfer of competences, long-life learning programmes and on-the-job experience to the younger generation of workers through the building of effective intergenerational partnerships. A particular problem in some countries is when population ageing takes place in a segmented labour market – with a core of employees in permanent jobs with high employment protection, and a periphery of people in non-standard work, with little job protection and often little access to social protection. If it is older workers who fall into the former category, and younger people into the latter, the result can be intergenerational resentment. But the real cause of the problem is not population ageing, but rather the nature of the labour market. By reducing the differences in employment conditions between different groups in the labour market, economies will be in a better position to adapt to population ageing, benefiting both older workers and youth.

Figure 5. **Employment rates, workers aged 55-64 and 15-24, OECD and G20 countries, 2013**

As a percentage of the population in the age group

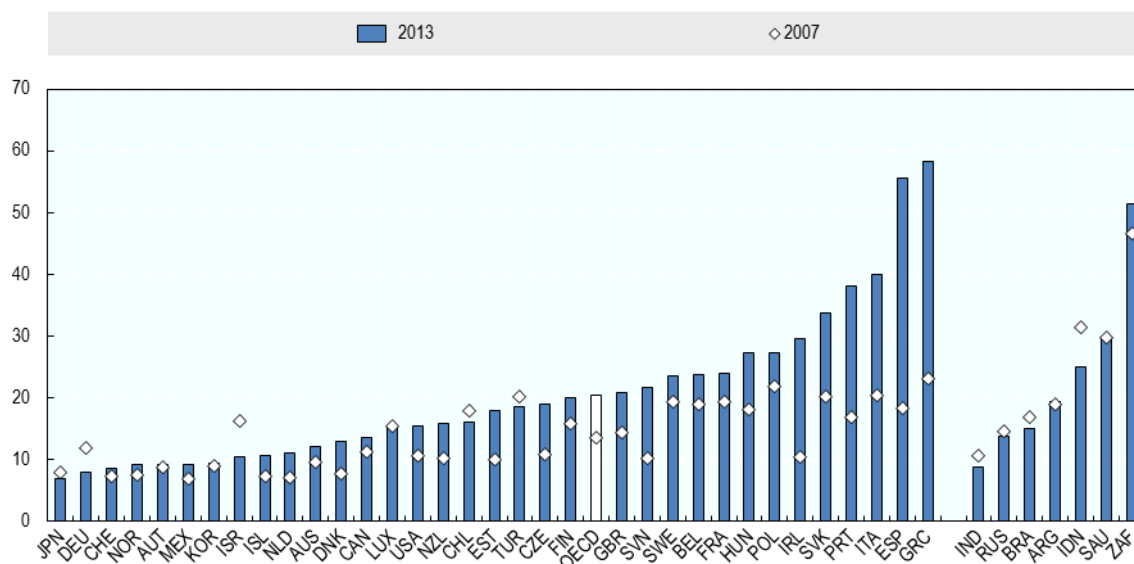


Source: National labour force surveys.

9. The need for framing policies in this way is illustrated by the recent experience of some countries in the face of the economic crisis at the end of the 2000s. The employment rates of older workers have been more resilient, owing to the withdrawal of early retirement incentives and a more stable employment position compared to younger labour market entrants (Eichhorst et al., 2014). Tackling youth unemployment should remain high on the employment policy agenda related to the opportunities for job creation arising from the Silver Economy. Youth unemployment has recently started to decline in some G20 countries, being even lower in 2013 than before the 2007 crisis in Germany and in India (Figure 6). But it remains at historically high levels in some countries such as Spain (55%), South Africa (51%), Italy (40%) and Saudi Arabia (30%).

Figure 6. Youth (15-24) unemployment rate, OECD and G20 countries, 2007 and 2013

As a percentage of the labour force aged 15-24



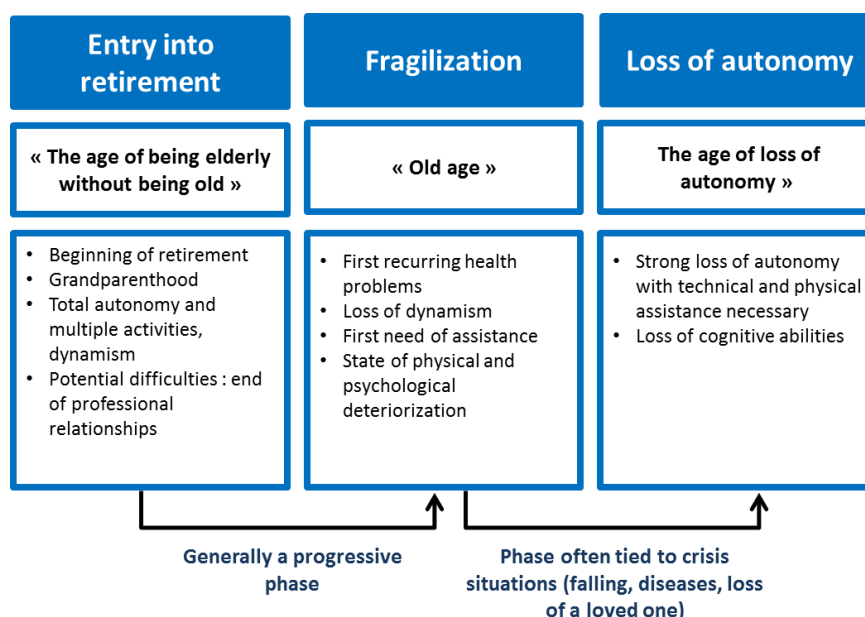
Source: National labour force surveys.

3. Unlocking the opportunities for Services and Innovation in a Silver Economy

10. There are many promising, but few proven, models for how innovation can anticipate and respond to the emerging needs of ageing societies. Stimulating innovation to incorporate the needs of the elderly has benefits not just for their quality of life and the probability that they remain employed and active at older age but for the economy and society as a whole.

11. A crucial issue when talking about the Silver Economy is the concept of “healthy and active” ageing, which is generally interpreted to mean the process of optimizing opportunities of years of good health and autonomy by reducing the number of years of disability. However, the elderly are a heterogeneous group in terms of activity and health levels. A study by Luc Brossy (2013) describes ageing according to three major life transitions as depicted in the figure below. As people age their needs and abilities change. Some tasks that were previously easy may become difficult, in some cases to the point where they are impossible without the support of another person. Health may deteriorate so that long-term care is required and the risk of illness or injury is greater, with evident and substantial consequences, both direct and indirect, on welfare systems. As a result, there is demand within the silver economy for products and services that help to manage this various phases and meet the needs that arise, so that older people can as far as possible continue to live healthy and fulfilling lives, remaining active and valuable members of the society.

Figure 7. Transitions in the Ageing Process

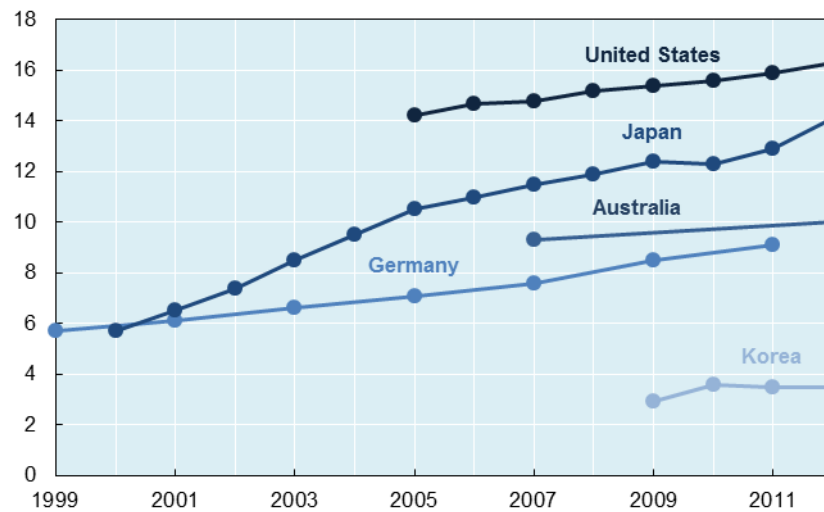


Source: OECD, 2015; Based on Broussy, L., 2013

Demand for long-term care services

12. The most obvious area where the transitions into older age categories is likely to lead to a marked change in demand is when disability and loss of autonomy results in a need for long-term care. Older people are significantly more likely than the rest of the population to depend on long-term care (LTC) as part of their day-to-day routine, whether provided informally by family and friends or formally through professional care. Demand for LTC services has been rising, in part because increasing life expectancies and population ageing mean that some long-term conditions are becoming more common – for example, the number of people living with dementia in Europe is set to increase by 50% over the next 20 years (OECD, 2015a) – but also because today's older people have higher expectations that their needs will be met and that they will have a good quality of life. This has led to growing employment in the LTC sector in many G20 countries (Figure 8), a trend that is likely to continue in the future.

Figure 8. **Growth in the number of formal LTC workers in selected G20 countries**
Head count of workers per 1000 population



Source: OECD Health Data

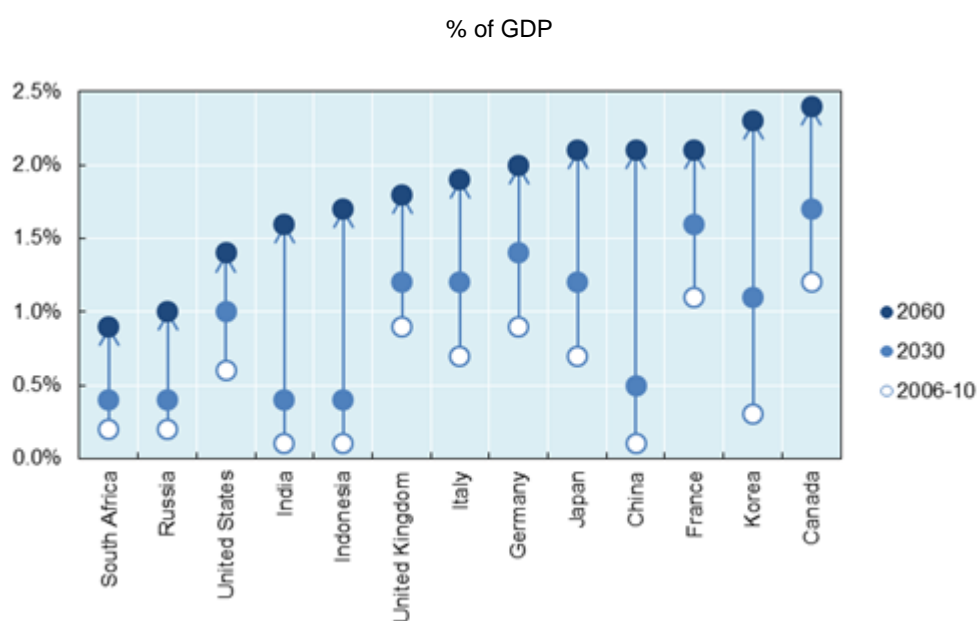
13. However, there are significant challenges in growing the LTC sector. Firstly, low pay, tough working conditions, the poor image of long-term care work and the lack of training and career development opportunities mean that many countries have difficulty in recruiting and retaining skilled staff. Secondly, there is a clear need to develop practical and affordable public and private financing solutions for LTC. Unlike health care, for which universal public coverage is the norm, long-term care is financed through a mix of public and private funding and the level of public support varies hugely between countries. In countries with limited public coverage, people are left to face the cost of LTC on their own. Since costs are unpredictable and can be very high, this can lead to financial hardship or needs not being met.

14. Meanwhile, concerns about growing expenditure (figure 9) have led some countries to implement measures to reduce costs in public systems. While some savings may be found from efficiency gains, LTC is a highly labour-intensive sector and opportunities to improve efficiency are limited, so reducing spending is likely to result in less care, lower employment or lower wages. A comprehensive approach to workforce development and fair and sustainable financing models are crucial if LTC is to continue to be an area of growth for the silver economy. With government finances under pressure, social impact investment (SII) could play an important role in providing the resources needed for the provision of goods and services to meet the needs of an ageing population and drive growth (OECD, 2015b). An international initiative, led by the Social Impact Investment Taskforce, established under the UK's presidency of the G8, has helped in raising awareness and clarifying the broader definition of social impact investment. The public sector can play a catalytic role in the social impact investment market by creating a conducive regulatory environment, encouraging greater transparency and taking concrete steps to help develop the market. Some of the key areas that social innovators and impact investors could help address (and some already are) include how to:

- engage older people and provide opportunities to stay socially connected and active for as long as possible;
- enable people with dementia to live independently for longer;
- enable people with dementia to lead a more fulfilling daily life; and
- make things easier for the carers of people with dementia.

15. In the future, increasing productivity in the sector could be driven by a greater capital component in the delivery of long-term care. There has been a great deal of interest in how to make better use of technology in care, although so far there are a limited number of proven technologies and take-up has been slow. Although technology is unlikely to be a direct substitute for labour, it can be complementary, reducing the strain on care workers and allowing them to deliver better quality care (Colombo F. et al., 2011).

Figure 9. Current public expenditure on LTC and projected growth to 2030 and 2060, for selected G20 countries

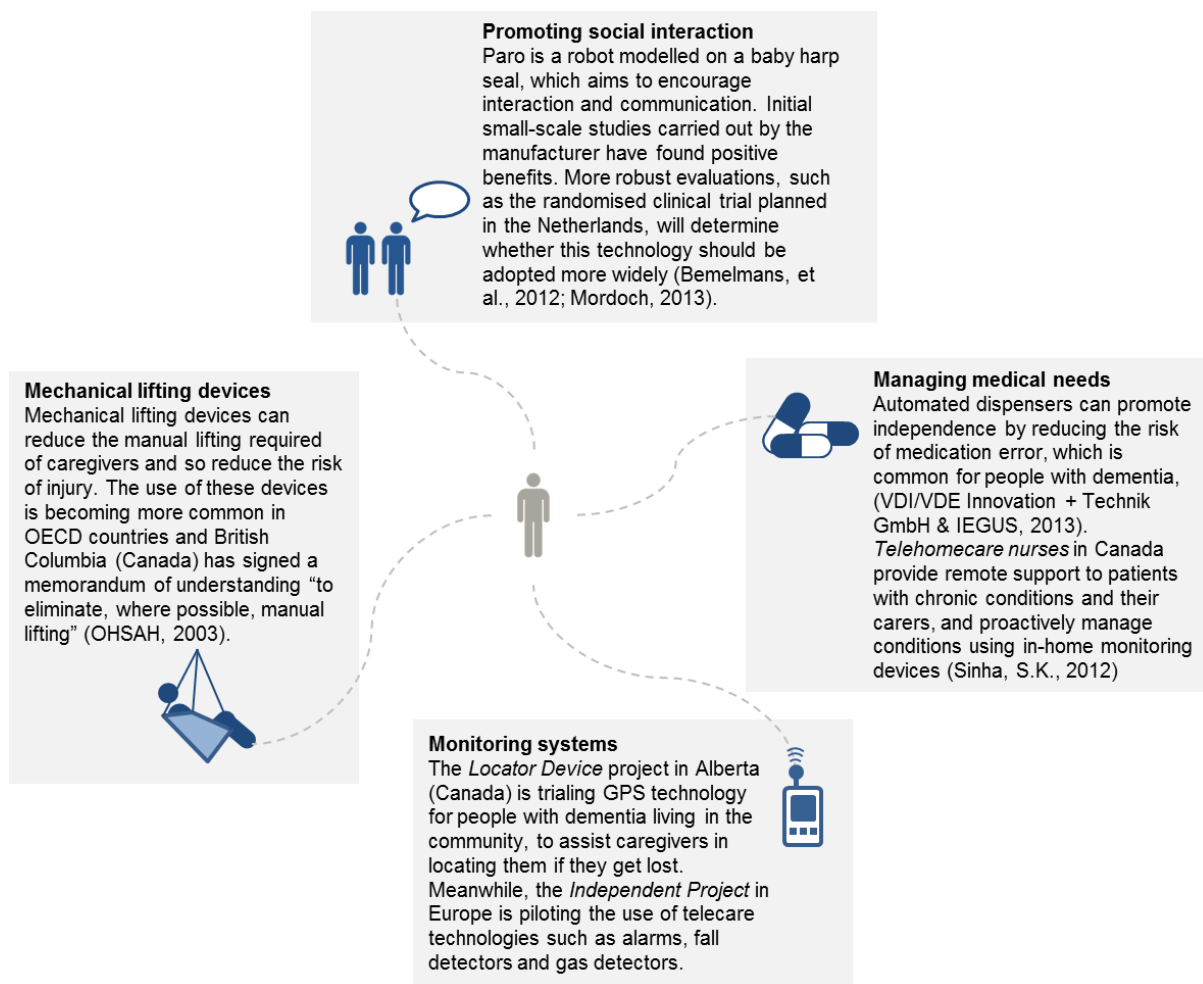


Source: Public spending on health and long-term care: a new set of projections (OECD, 2013)

16. There has been much recent interest in the potential of technology to transform dementia care, for example. The objective is both to improve the lives of people with dementia and to reduce strain on carers (OECD, 2015a). Projects such as ENABLE and ISISMED in Europe have sought to develop and evaluate technologies that promote independence for people with mild dementia, while the Japanese Government has set out a five-year plan to develop and introduce robots to support nursing care. Some types of technology are already used in dementia care in OECD countries (see figure 10). However, the use of technology is not widespread and a recent review of home care technologies for the German Government

concluded that, while there were many research and development projects, few were ready for implementation (VCI/VCE Innovation + Technik GmbH & IEGUS, 2013).

Figure 10. Examples of current care technologies



Source: OECD 2015a

17. Much attention has been paid to the potential of robotics to improve the care process. The intention of such technologies is to replicate the experience of human contact by providing social interaction and companionship. While there is initial evidence that this type of 'social assistive robot' can have a therapeutic benefit, there are also concerns that these technologies risk infantilising and deceiving people with dementia, or that they may lead to overly reduced human contact (Alaiad and Zhou, 2014; Bemelmans et al., 2012; Murdoch 2013). Social and cultural factors are important in explaining how serious these problems might be. For example, Japanese culture is widely accepted to take a more positive view of therapeutic robots, while North America has been slower to accept the concept (Murdoch, 2013).

18. If technology is to be used more and more effectively in the LTC sector, three key barriers need to be addressed (OECD 2015):

- *Identifying user needs:* Some current technologies do not address the needs that are most important to care users and their families (Compagna and Kohlbacher, 2014). By working more closely with users and their families, product developers will increase their chances of developing an effective, marketable product.
- *Robust, independent evaluation:* Care technologies should be subject to the same level of rigour as medical technologies, but many of those currently available have not been evaluated properly and in many cases the only available studies were carried out by the manufacturer (Bemelemans et al., 2012). Robust, independent and credible evaluation should be built into the development process to give care systems and individuals the confidence to adopt new technologies. Real-world assessments, taking advantage of the opportunities presented by big data, are needed to evaluate the comparative effectiveness of technologies in real populations.
- *Clarifying the criteria for reimbursement:* Most long-term care systems do not currently have an established system for assessing care technologies and deciding which should be provided or reimbursed. To help manufacturers to understand what they should be aiming to achieve, care systems need to be clear about the evaluation criteria which they will apply when making reimbursement decisions.

Information and communication technologies

19. Information and communication technologies (ICTs) are today a critical part of what enables product and service innovation. Web-based technologies for remote care and the emerging opportunities of the Internet of Things, especially for smart homes and wearables, are, for example, going to be critical to servicing and improving the quality of life of older people, and their ability to continue to contribute to society. Ready availability of information, the capacity to access and receive services, including health and welfare services, and new approaches to learning without needing to leave the home (e-learning), the potential to connect with the community and family members, are just some of the ways in which new information technology will be able to enrich the lives of older people and support their ongoing participation in society.

Welfare technology use is not, therefore, restricted to a specific sector but can extend across a range of sectors and for a range of purposes as depicted in the table below.

Examples of welfare technologies classified according to purpose and function

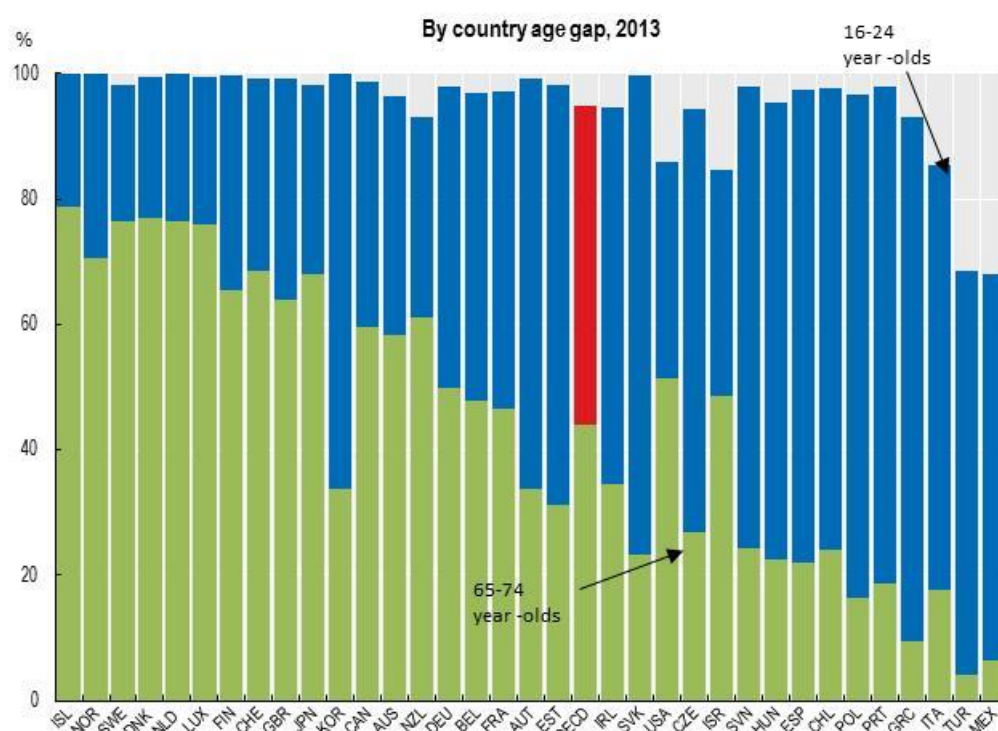
Technology/purpose	Examples/function
Social technologies for communication support recreating in virtual space social networks	Technologies for real time audio-visual contact; Physical Activity Monitoring for Aging People (PAMP); Social groups (AV-technologies, telepresence); Patient information (web-based, interactive); Social networks
Assistive and compensatory technologies	Safety systems : motion and fall detectors; Tracking system, for objects and persons; Cognitive training and assistance
Help for everyday practical tasks and self-management	Telephones with easy read buttons and amplified decibels to aid seniors and the elderly in making calls, hearing and being heard ;Reminders of medications; Automatic pill dispensers.
Remote care and disease monitoring	Monitoring of disease development, home adjusted treatment and care; transmission, assessment and monitoring (of vital signs and alarms) to a care institution; , medication follow up; psychology services by ICT (VR, tele-Presence)

Source: OECD, 2015

20. In recent years, there has also been mounting interest in the role the urban environment may play in supporting active, health ageing. Cities nowadays face complex challenges to meet this objective. Public and private mobilization of resources around the development and piloting of initiatives to promote “age-friendly cities”, “smart urban environments” and “smart urban transport networks” are a response to these challenges. The potential role of cities as innovation environments designed to foster urban connectivity, so as to improve the quality of life of the elderly and favour the social inclusion of persons with disabilities is gaining recognition.

21. All countries need, however, to do more to unlock the potential of ICTs for ageing. Ensuring that older people are able to benefit from the advances in ICTs is an important policy objective. In 2008, the OECD reported at a Ministerial meeting in Seoul that older people are less likely to use the internet than young people and for this reasons less able to profit from the significant potential benefits of ICTs. This is still true in 2014 (see Figure 11), although there are significant differences across countries. Among the older populations, 70 % of 65-74 year olds in Japan reported using Internet against less than 20% in Italy, Mexico, and Turkey (OECD, 2014).

Figure 11. Use of the Internet Age Gap, by country according to age group
(top of bar shows use by 16-24 year olds, bottom by 65-74 year olds)



Source: OECD (2014b), *Measuring the Digital Economy: A New Perspective*.

22. Information technologies must also be available and user-friendly, at the right place and time; poor user interfaces or connectivity can doom adoption. To prevent a digital divide, old people will need the skills, trust and confidence to use the new technologies. Ensuring that their privacy is respected and that they perceive the systems as secure, as well as creating opportunities for education and training will be essential. Content and presentation for older people in online information and services is also an important issue requiring further attention if older people are to embrace and benefit from these services.

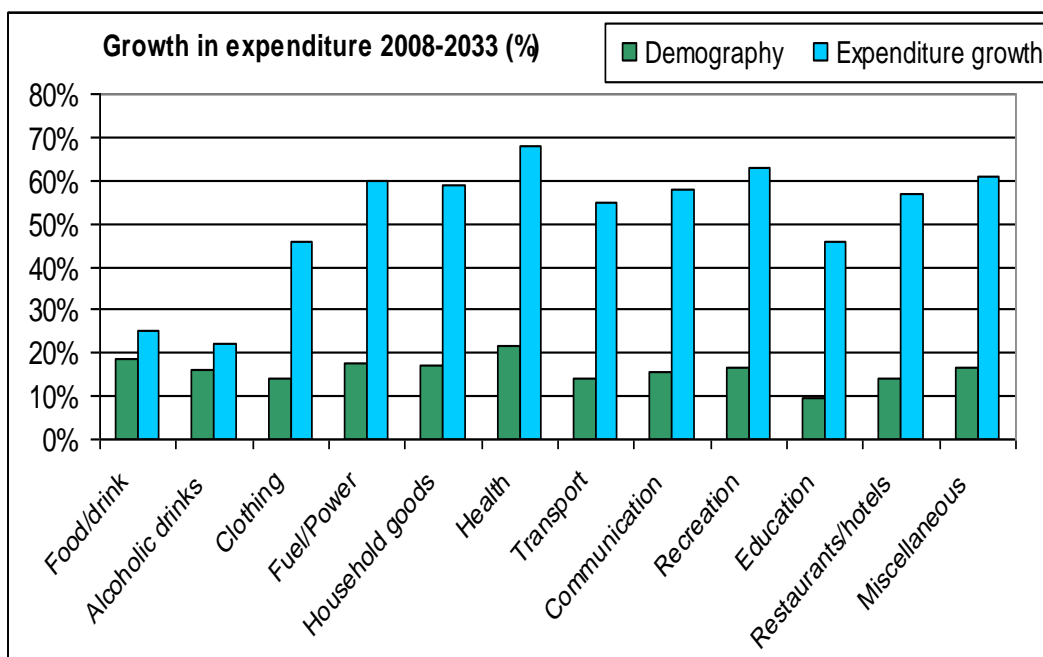
Silver, but not distinct

23. Finally, demand in the silver economy is not limited to products and services that help with the process of ageing. Older people have many of the same needs as the rest of the population (e.g. for food, transport or financial services), although patterns of consumption differ. With differential impacts on different sectors of the economy, population ageing may lead to a changing demand structure in the economy. The rapidly growing elderly/silver market segment remains, however, one of the most unexplored and misunderstood of all markets. Government and industry support is needed to collect this information to maximise opportunities for service sector transformation and innovation to meet the needs of the older populations

24. Recent analysis in France, the UK and the US indicates that there are opportunities for marketers, businesses and services to innovate and expand their offerings to the older population for certain categories of goods and services. In particular, research in the UK shows that health, recreation and culture will

account for the highest proportion of projected growth in household expenditures (see Figure 12 below). The research also shows that there is particularly high expenditure among those aged 60-69, a group that are increasingly integrated in the digital economy and that there is growing liquidity among the oldest members of our society (80+), a group long ignored by marketers and business. While they may be the least likely to spend due to limited mobility and independence, there are clear opportunities for service innovation targeted to this sector of the population.

Figure 12. **Projected growth in expenditure among older households in the UK (2008-2033)**



Source: UK BIS calculations based on ONS 2008 EFS. UK analysis based on assumptions about future population growth, future pensioner income and income elasticities

25. However, many recent innovations that have improved productivity and user experience for most of the population – whether that is online banking, smartphones or even email – remain inaccessible to some older people. If these products and services were designed with older people in mind, it would give older people access to the benefits that these innovations have brought to the rest of the population; and the move towards more efficient ways of doing things would drive up productivity in the economy as a whole. Older people are not a completely separate group from the rest of the population, with completely different needs. Policies to support the silver economy should focus not only on products that help people to manage old age itself, but also on making the things that the rest of us take for granted more accessible to older people.

26. For example, after an extensive consultation process relying on focal groups and interviews, Fujitsu designed a new phone responsive to the safety and operational preferences as well as the visual and hearing needs of this target market. This scored high marks in both customer satisfaction (80%) and brand loyalty (60%) by building a device that enabled the over-50 to have an enjoyable consumer experience on par with that of younger adults (OECD, 2014). Google Glass is being tested as potential assistive aids to help people with Parkinson’s and other neurodegenerative diseases such as Alzheimer’s disease (AD).

Glass can remind AD patients the path to the grocery store or of their family and friends' names. This support, acting also as a stimulating tool, can both mitigate and slow mental deterioration as well as provide the confidence needed to remain active and engaged in society.

27. Young entrepreneurs interested in building start-ups that create products and services for the over-50 market face a number of barriers to entry, however, that touch on the four pillars of market development: talent, insight, distribution and capital. Aging 2.0 – a global network of entrepreneurs – has built an innovation ecosystem to overcome these challenges. Specifically, through capital investment, networking opportunities, mentoring and interactive sessions with ageing consumers and experts, young innovators are better positioned to understand and engage in the silver marketplace (OECD, 2014). Further job opportunities for the youth might arise also from initiatives aimed at supporting further research and high-level training for the development of the silver-economy related technologies. Private companies, too, can benefit by positioning themselves as understanding the silver economy. To address the changing needs of its customers, for example, Bank of America Meryl Lynch has appointed a full-time gerontologist to advise on ageing issues, rolled out an elder care programme to help families navigate the caregiving market, and created a new public-private partnership to support values-based investing (OECD, 2014a).

Conclusion

28. A comprehensive response to population ageing will help ensure that people can remain productive and active members of the society moving towards into older ages, and that the needs of older consumers can be met, so stimulating demand for workers of all ages and contributing to create a more inclusive labour force and society. An effective policy package which responds to both of these opportunities will not only lead to a more productive and dynamic economy, it will also reduce intergenerational tensions and enable a smoother demographic transition towards the ageing society. This should be an important component of a comprehensive inclusive growth agenda that promotes better opportunities and economic and social outcomes for all (see OECD (2014c), *All on Board*).

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