

# Golden Aging in Europe and Central Asia

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**World Bank**

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[www.worldbank.org/en/region/eca/publication/golden-aging](http://www.worldbank.org/en/region/eca/publication/golden-aging)

# GOLDEN AGING

Prospects for  
Healthy, Active, and  
Prosperous Aging  
in Europe and  
Central Asia



# The “Doom and Gloom” of Demographic change

## Gerontophobia

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

Average age of the world

45

Year	World Population (bn)	Rate of change	
1900	1.7		
1965	3.3	First doubling	After 65 years
2000	6.1	Second doubling	After 35 years
2100	10.9	Not yet doubling	After 100 years
2300	9.0	Stabilizing	After 400 years

20

1950 1954 1958 1962 1966 1970 1974 1978 1982 1986 1990 1994 1998 2002 2006 2010 2014 2018 2022 2026 2030 2034 2038 2042 2046 2050 2054 2058 2062 2066 2070 2074 2078 2082 2086 2090 2094 2098

Source: UN World Population Prospects

# Presentation roadmap

1. Demography is not destiny

2. The concerns of aging societies

3. A move to more balanced demographics

4. Turning aging into an opportunity

# The pitfalls of linear thinking

## Age as a “fixed” concept

Looking at the world today and simply combining it with demographic projections leads to “doom and gloom”

- Example: Fear of population explosion in the 1970s; health spending projections based on current chronological age shares

## Two pitfalls

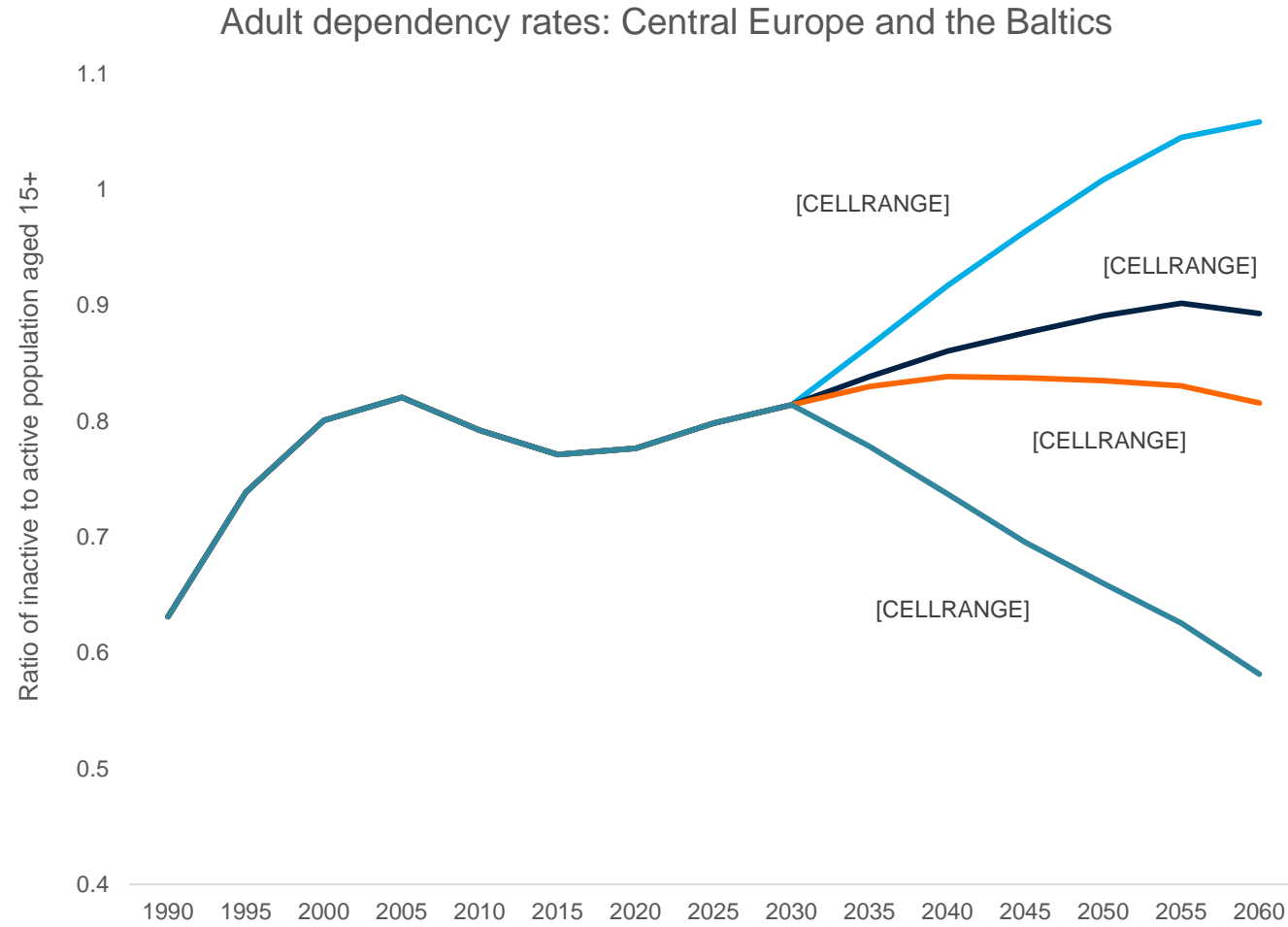
Old-age dependency

Productivity of older workers

(growth, savings,...)

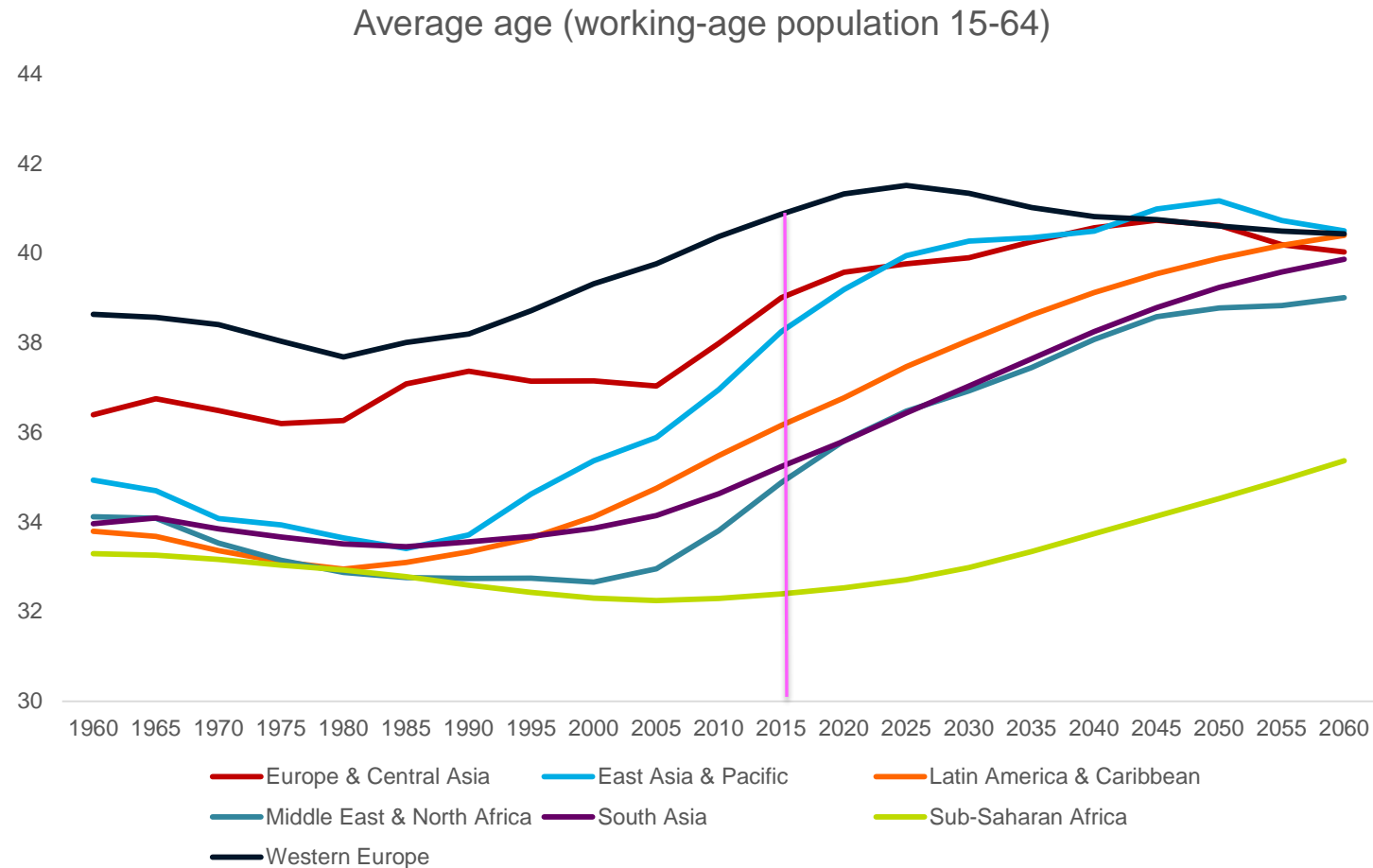
Source: UN World Population Prospects

# Dependency: Focus on employment not population over 65



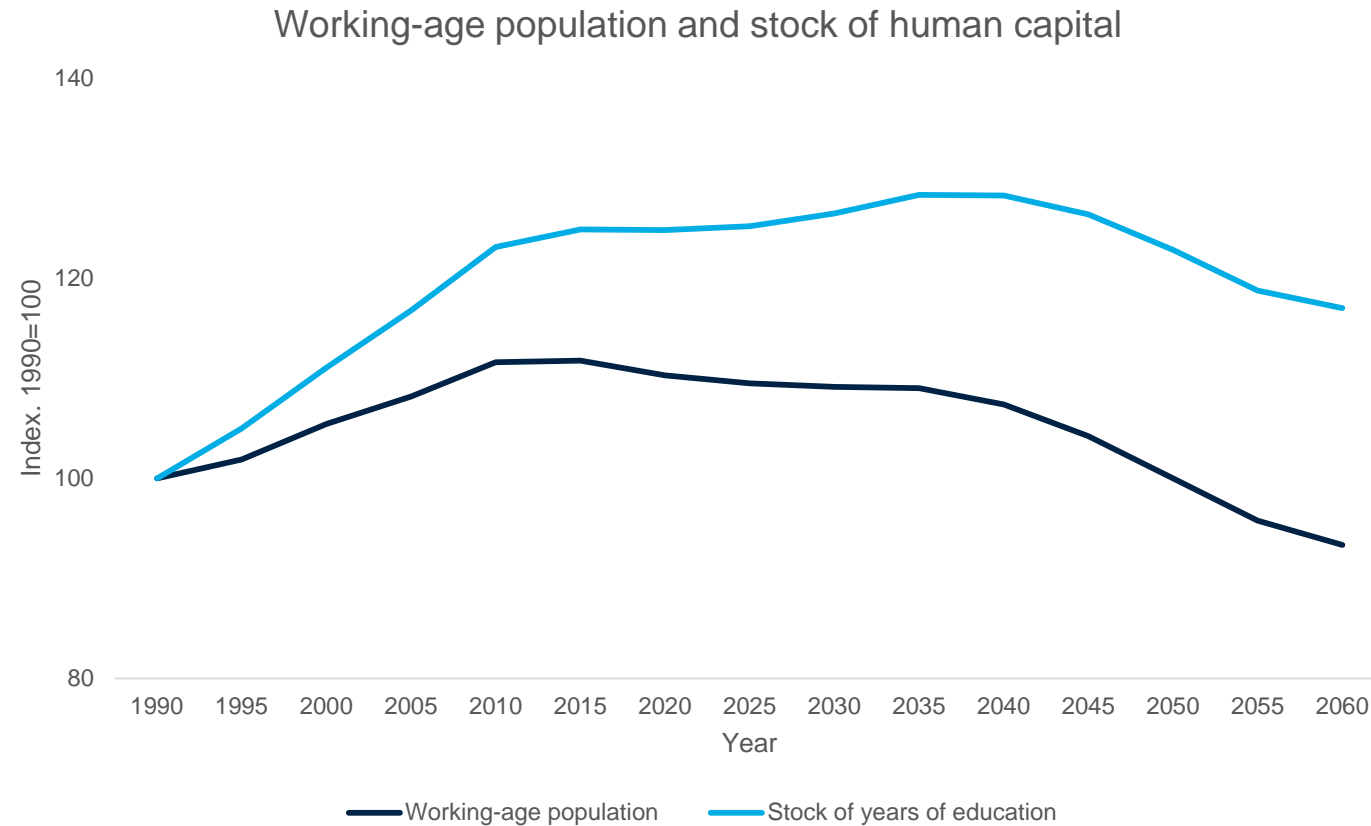
Source: UN World Population Prospects and ILO Stats

# Productivity: fearing older workers...



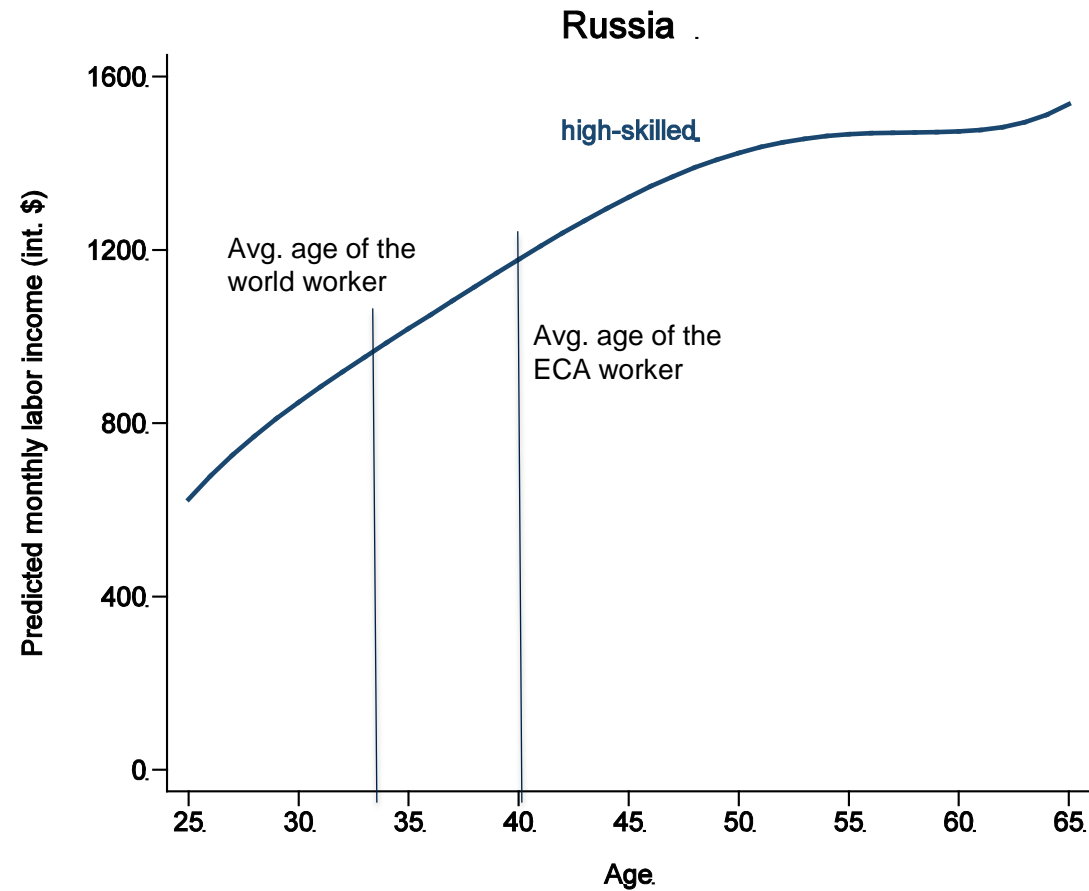
Source: UN World Population Prospects

# ...vs. the potential of increased investments in human capital...



Source: Calculations based on Lutz, Butz, and KC 2014

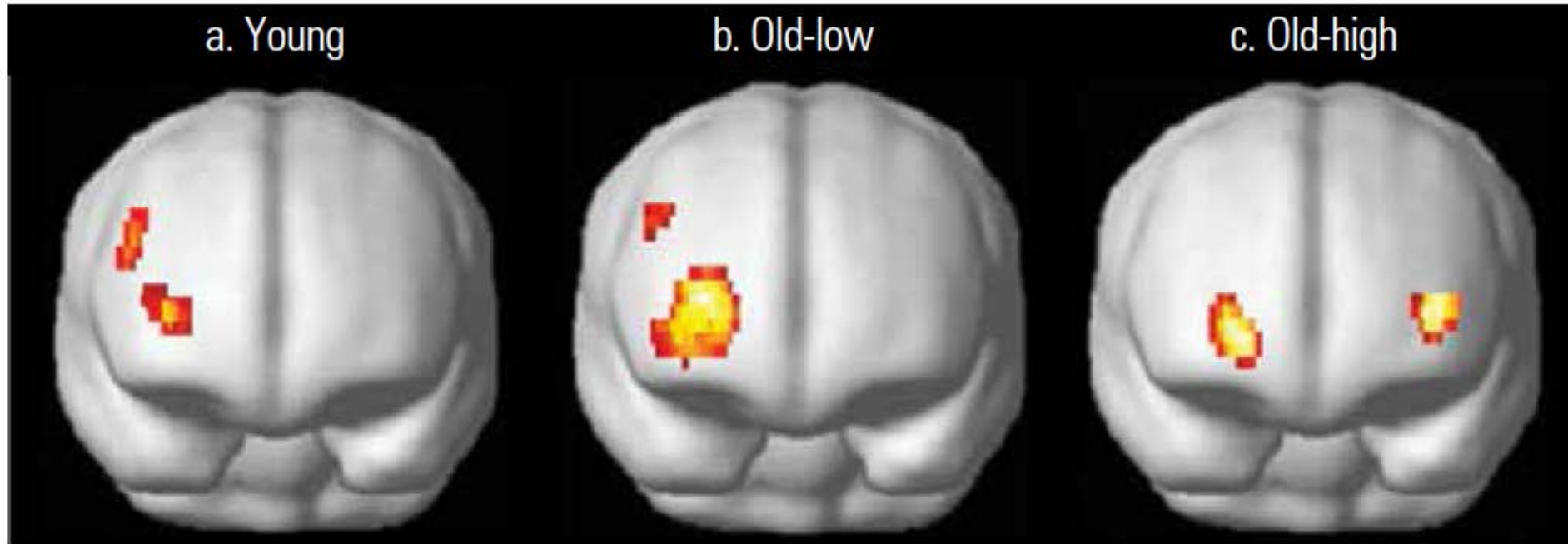
# ...the potential increased productivity of older workers....



Source: Russia Longitudinal Monitoring Data

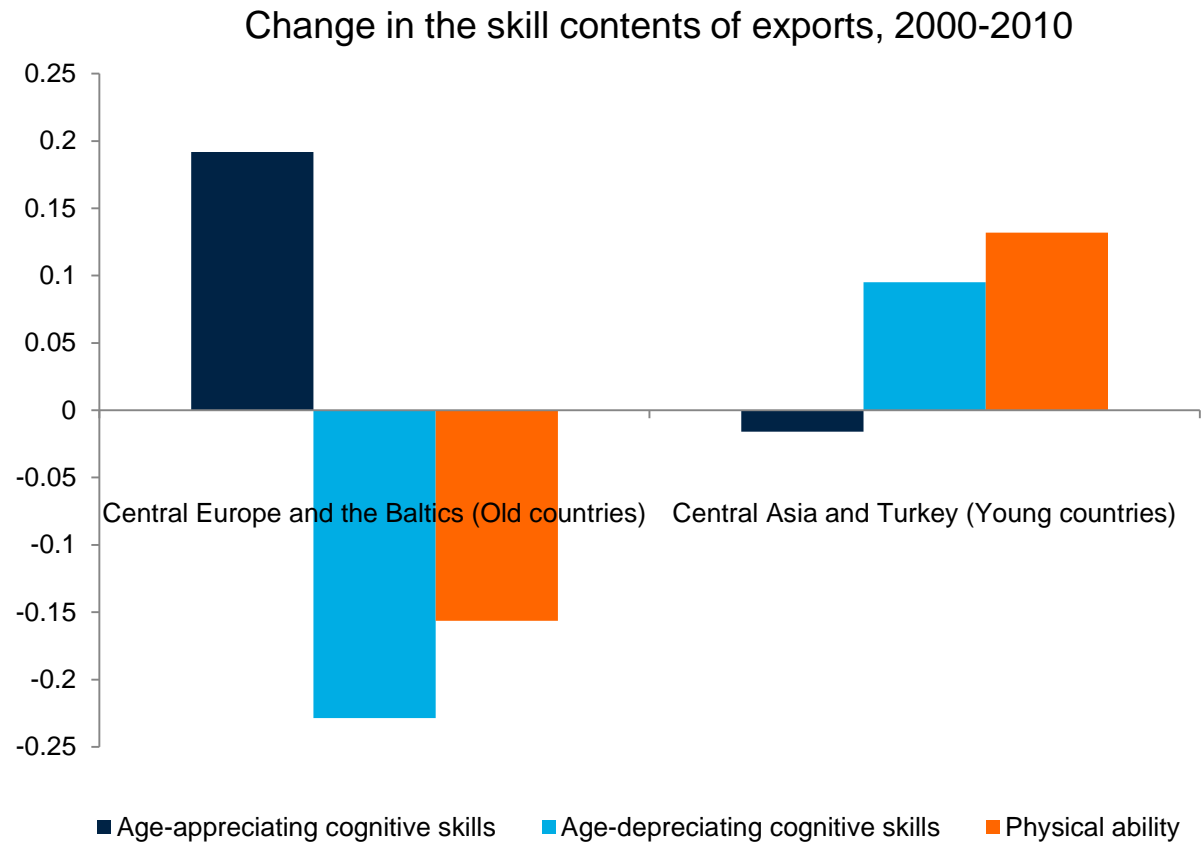


## ...and the shifting—not declining!—skills of older workers



Source: Used by permission of Oxford University Press, USA. S. M. Daselaar and R. Cabeza, figure 6, "Age-Related Changes in Hemispheric Organization," in *Cognitive Neuroscience of Aging: Linking Cognitive and Cerebral Aging*, ed. R. Cabeza, L. Nyberg, and D. C. Park (New York: Oxford University Press, 2004), 325–53.

# Employers know how to take advantage of new strengths



Source: Calculations based on data in Cai and Stoyanav 2014; UN Comtrade

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# The concerns about aging societies

Aging might not be an opportunity for all

Fear of more unequal societies

Other concerns and submental policy challenges

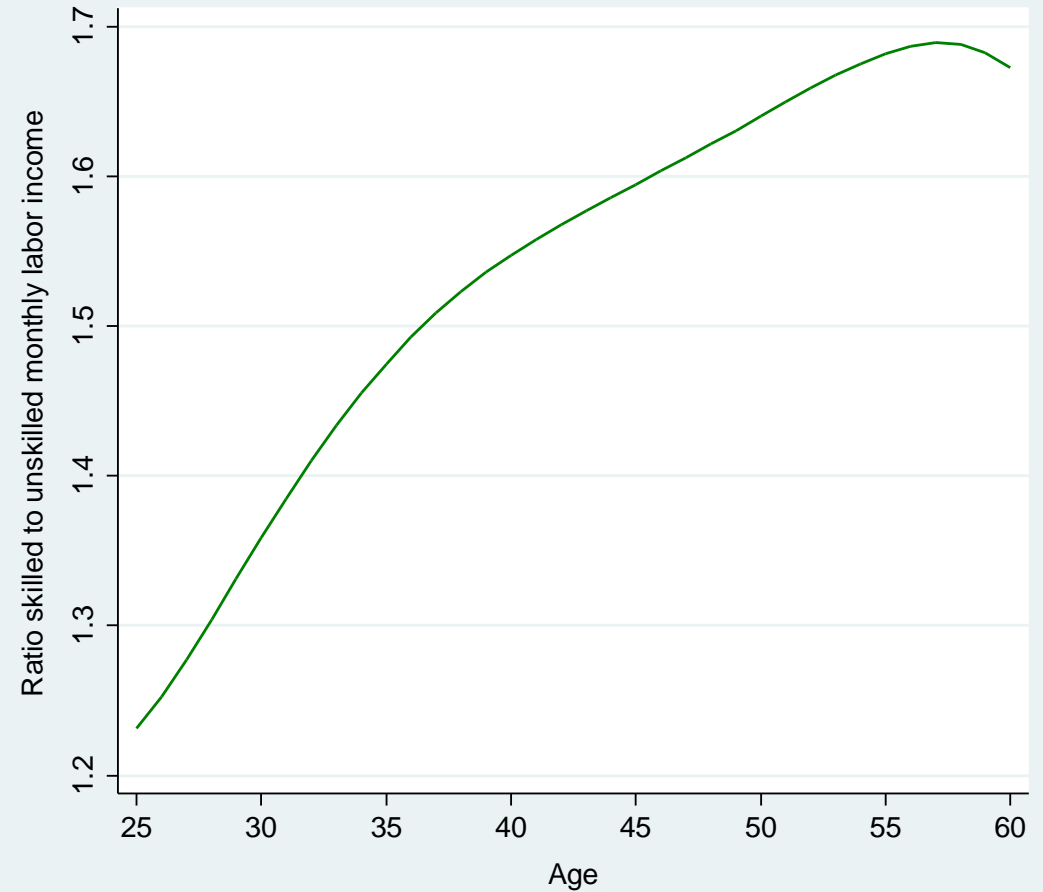
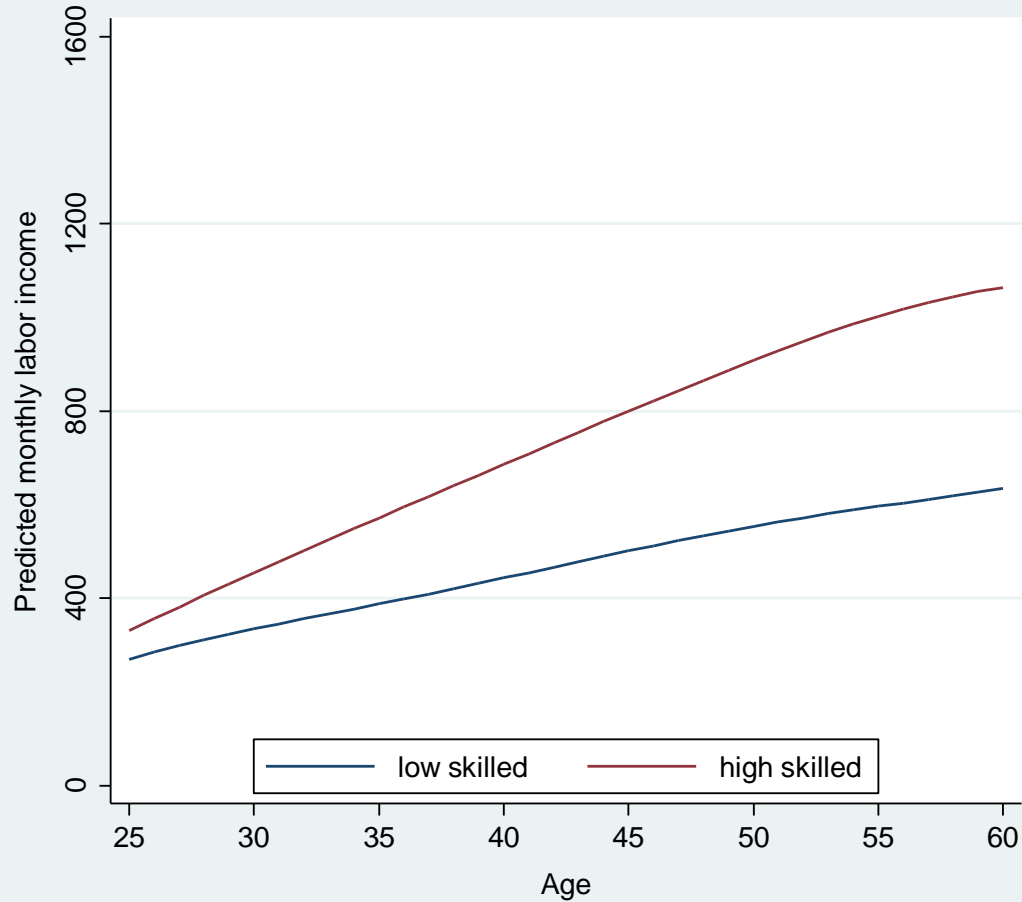
Less entrepreneurship

Lower mobility

Fiscal challenges

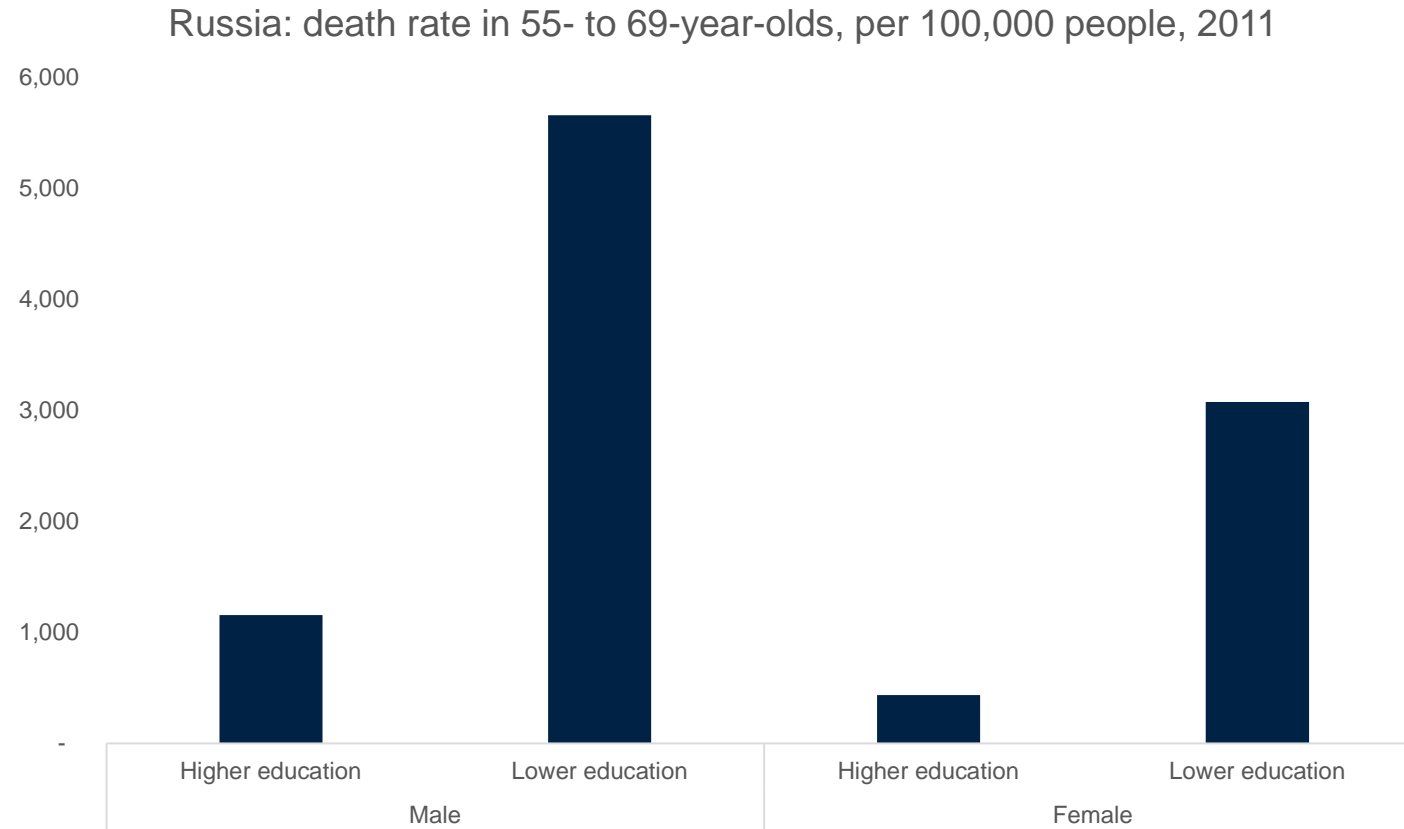
# As people age, wage gap increases

Moldova



Predicted labor income (per month) along the life-cycle for individuals born in 1985 with zero year effect

# The unskilled die earlier, increasing (unobserved) inequality further

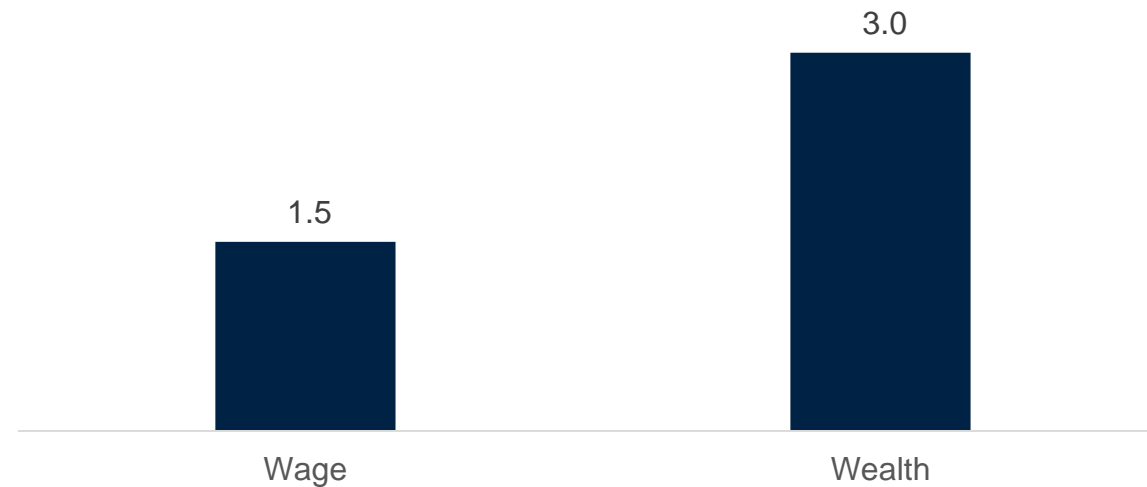


Source: Ivanova et al. 2014

# Aging and Inequality: Wealth accumulation

- Differences in earnings generate differences in savings (flows) resulting in high inequality of wealth (stocks):

Russia: Skilled wage and wealth (close to retirement)  
over unskilled individual's



- Through inheritance, this inequality is transmitted across generations, blurring distinction between inequality of opportunity and inequality of outcomes;
- Aging societies may see a decline in the size of their middle class.

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# A move to more balanced demographics

Fall in fertility in Europe by 1990 put an end to period of rapid population growth

Aging from below

Aging is a consequence of rapid drop in fertility

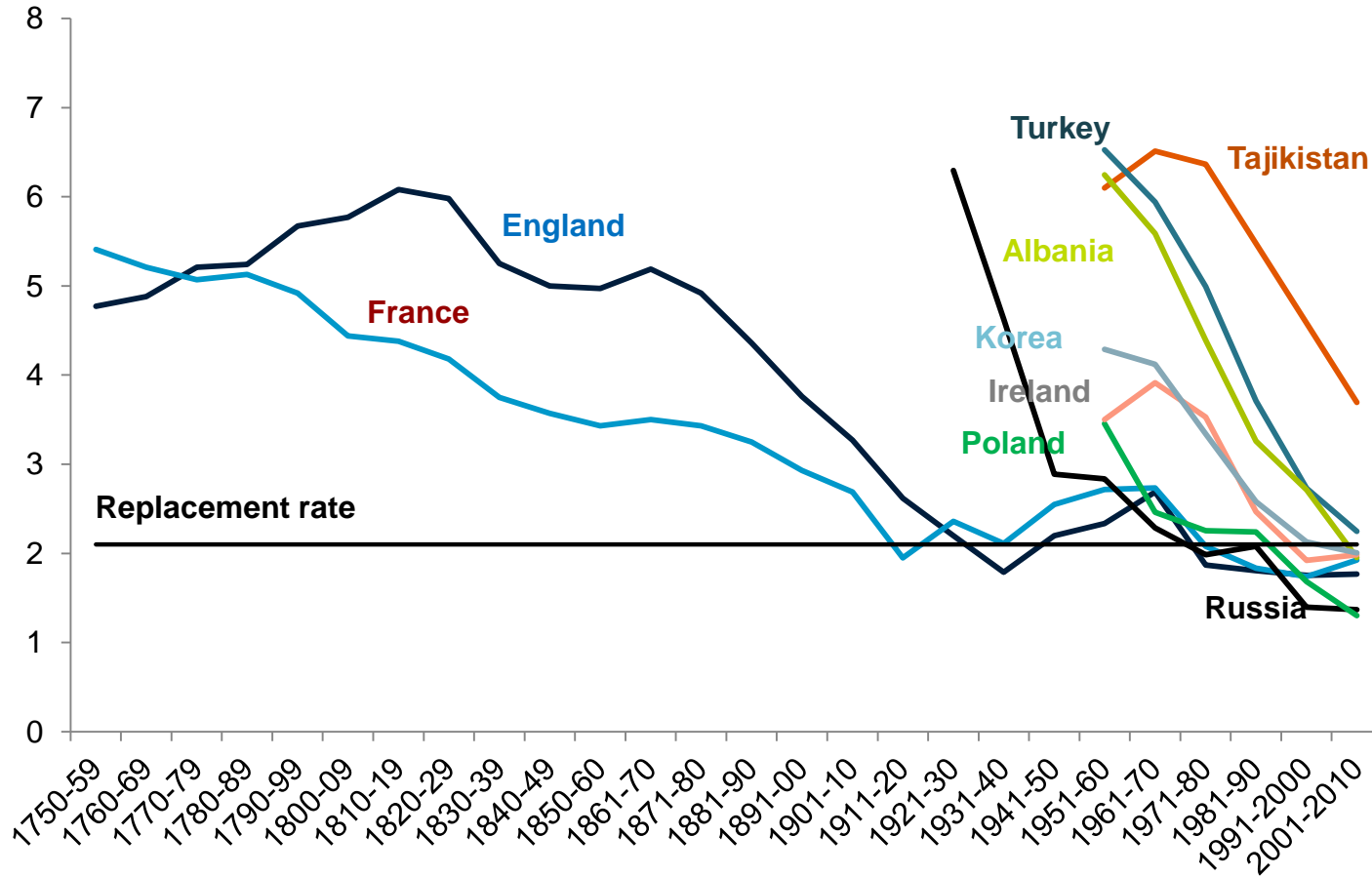
In ECA, societies are aging, but longevity is cut short

Some countries have moved to more balanced demographics

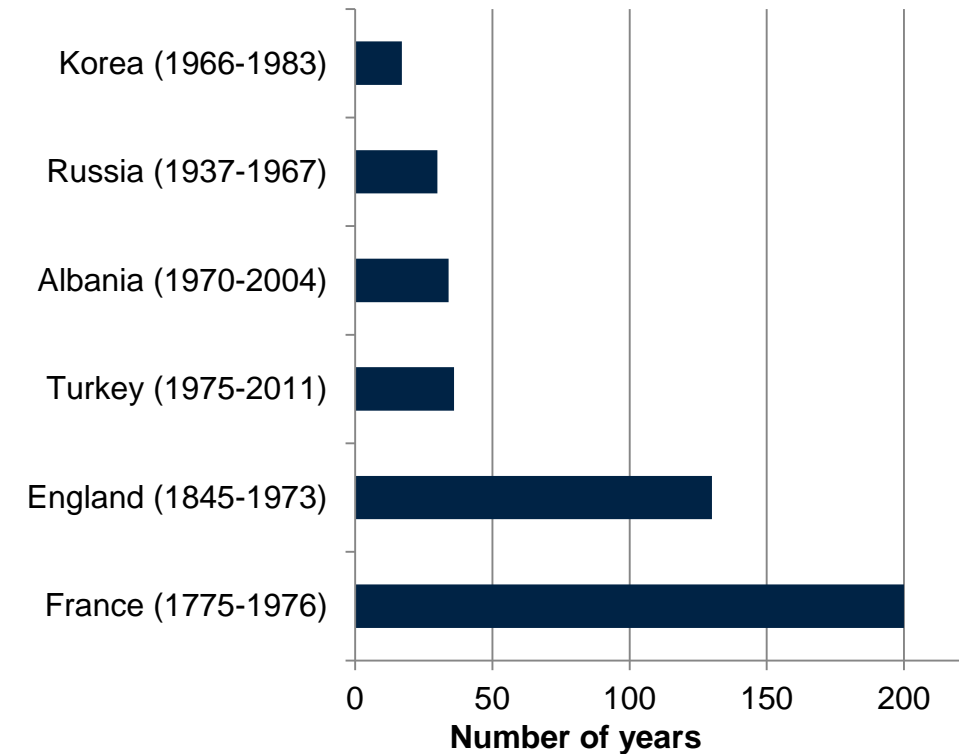
But lowest low fertility and high outmigration means ever shrinking younger generations for other countries

# Demography: Aging as a result of a fast drop in fertility

Total fertility rate (period average), 1750-2010



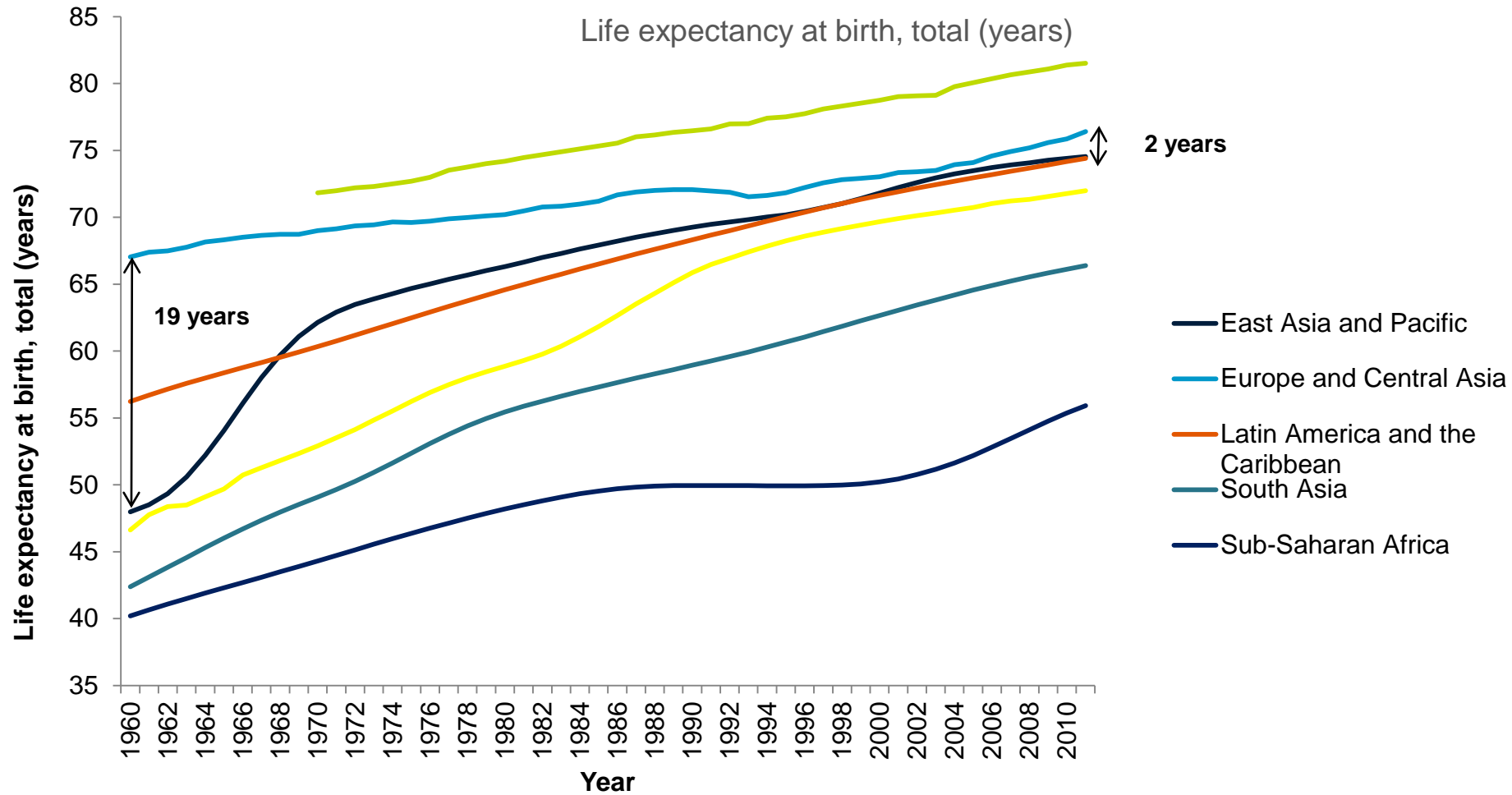
Years to reach below replacement rate fertility



Source: World Bank calculations based on World Population Prospects data: The 2012 Revision, except England and France prior to 1950 (Chesnais 1998); the Russian Empire in 1897 (Borisov 2001); and Russia for all other years prior to 1950 (Andreev, Darskiy, and Kharkova 1998).

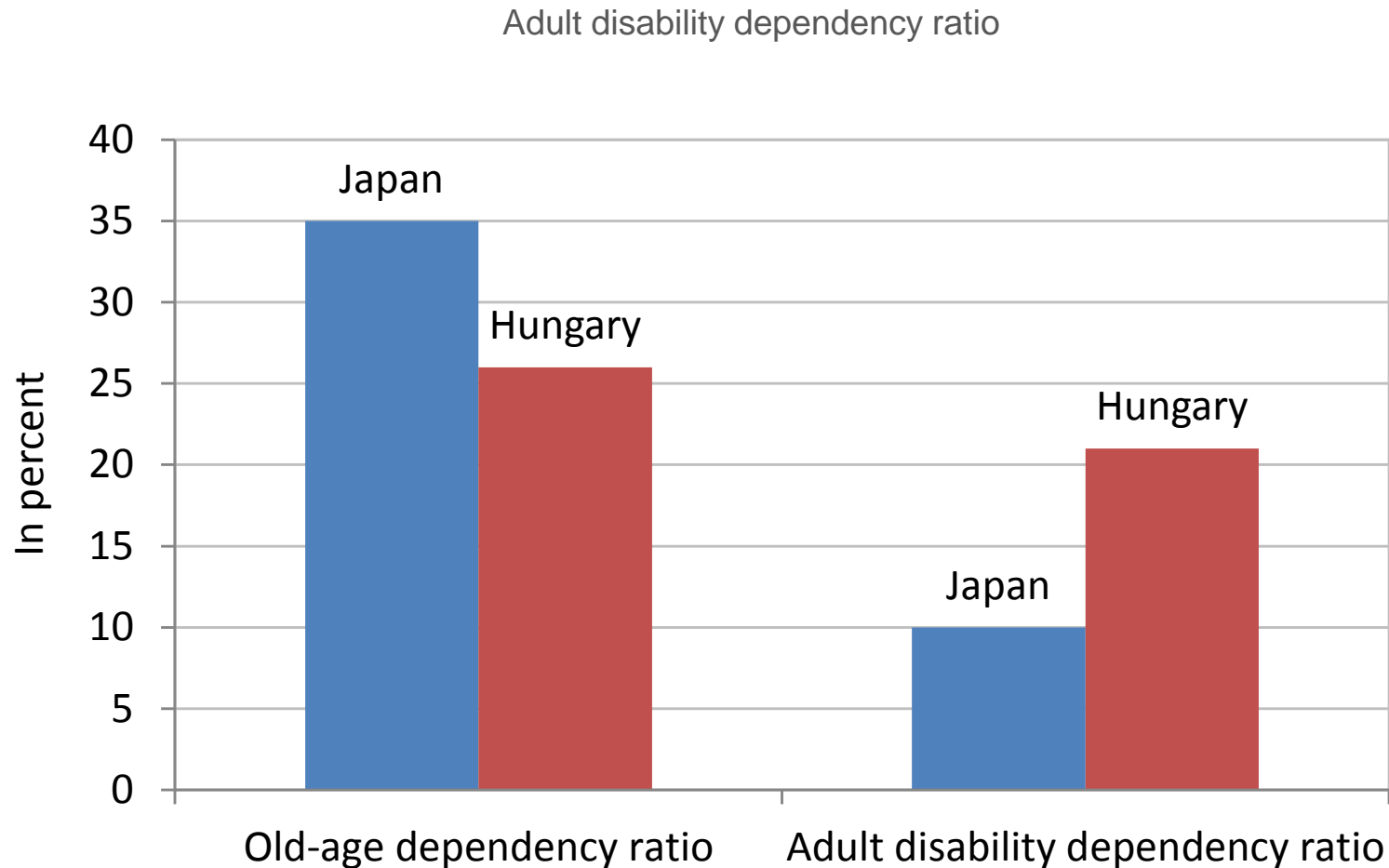
Note: The second figure shows the number of years it takes countries to move from a total fertility rate of 5 to a sustained decline to under the replacement rate of 2.1.

# Demography: ECA societies are aging but their individuals are not



Source: World Bank's World Development Indicators.

# Demography: Healthier aging critical -- Dependency measured as disability diverges from chronological age definition



Notes: Adult disability dependency ratio (ADDR) defined as the number of adults at least 20 years old with disabilities, divided by the number of adults at least 20 years without them.

Source: Sanderson and Scherbov (2010).

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# Turning aging into an opportunity: A multi-faceted agenda

## Returning to normal 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

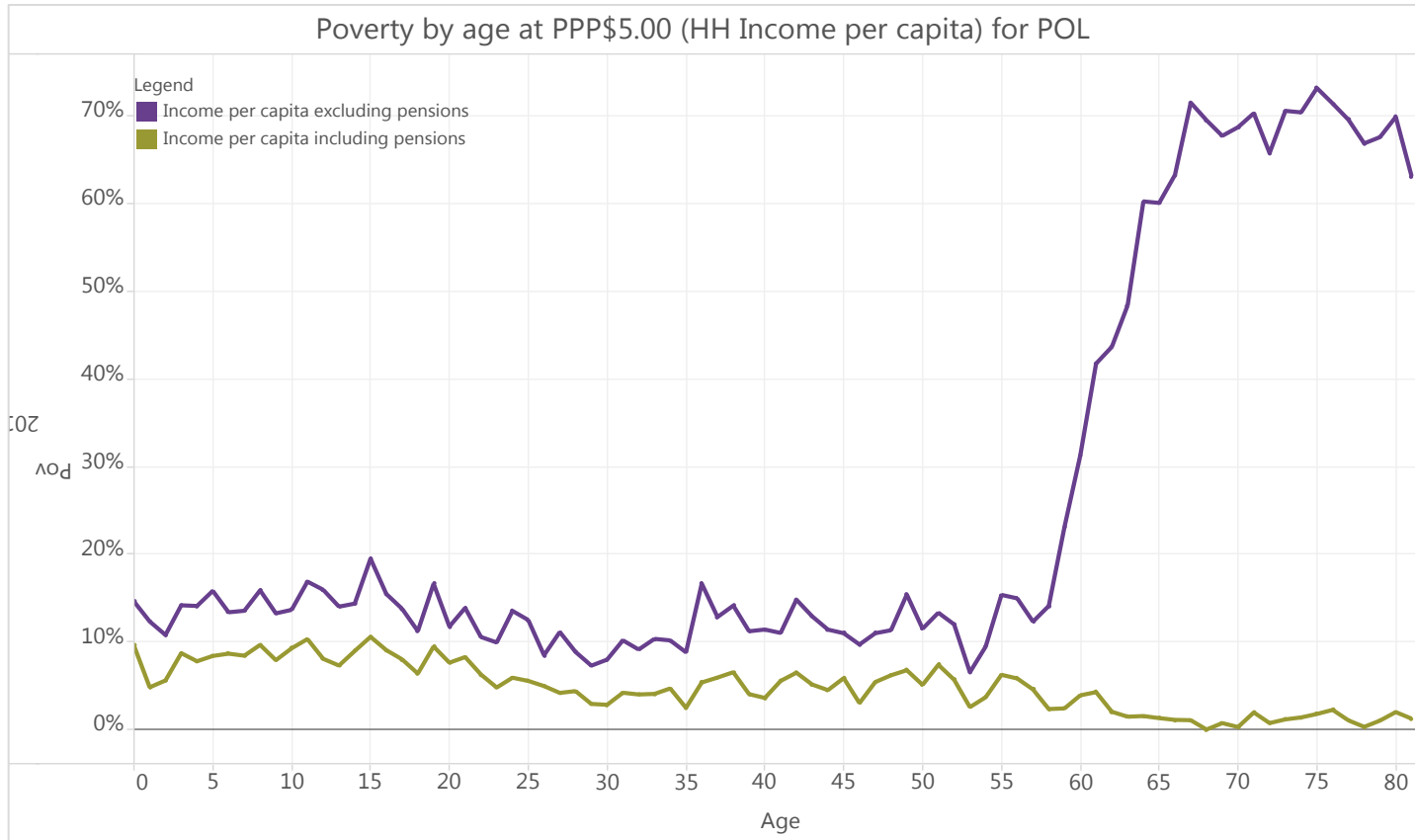
4. Active aging: translate longer lives into longer work lives
5. Productivity: life-long learning and workplace interventions
6. Fiscal challenge: many challenges are not because of aging--but not responding to aging will make them worse
7. Inequality: reforms needs to be comprehensive (health, pensions)

## Overcoming the political economy challenge

8. Giving young people a voice

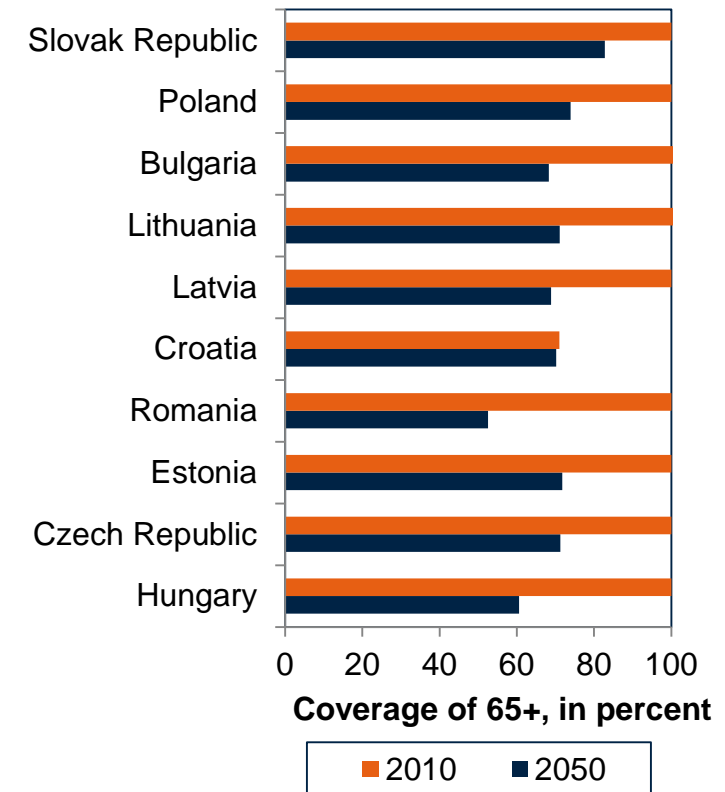
# Shared prosperity challenge: Pensions have been the biggest poverty reduction program, but coverage set to fall

**Poland: Poverty with and without pensions, by age, 2011**



Source: Based on World Bank's Europe and Central Asia Poverty database.

**Share of Elderly Receiving Social Insurance Benefits**



Source: Schwarz et al. 2014.

# Eight dimensions of policy outcomes

Returning to normal demographics

1. Total fertility rate
2. Expected healthy years of life at birth
3. Net immigration rate

Addressing the economic consequences of aging

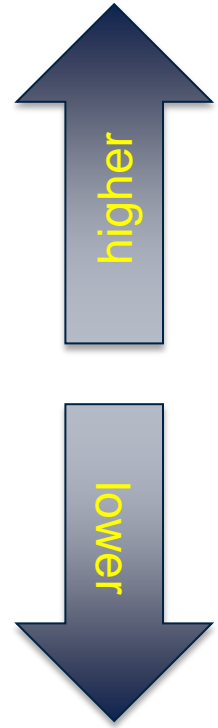
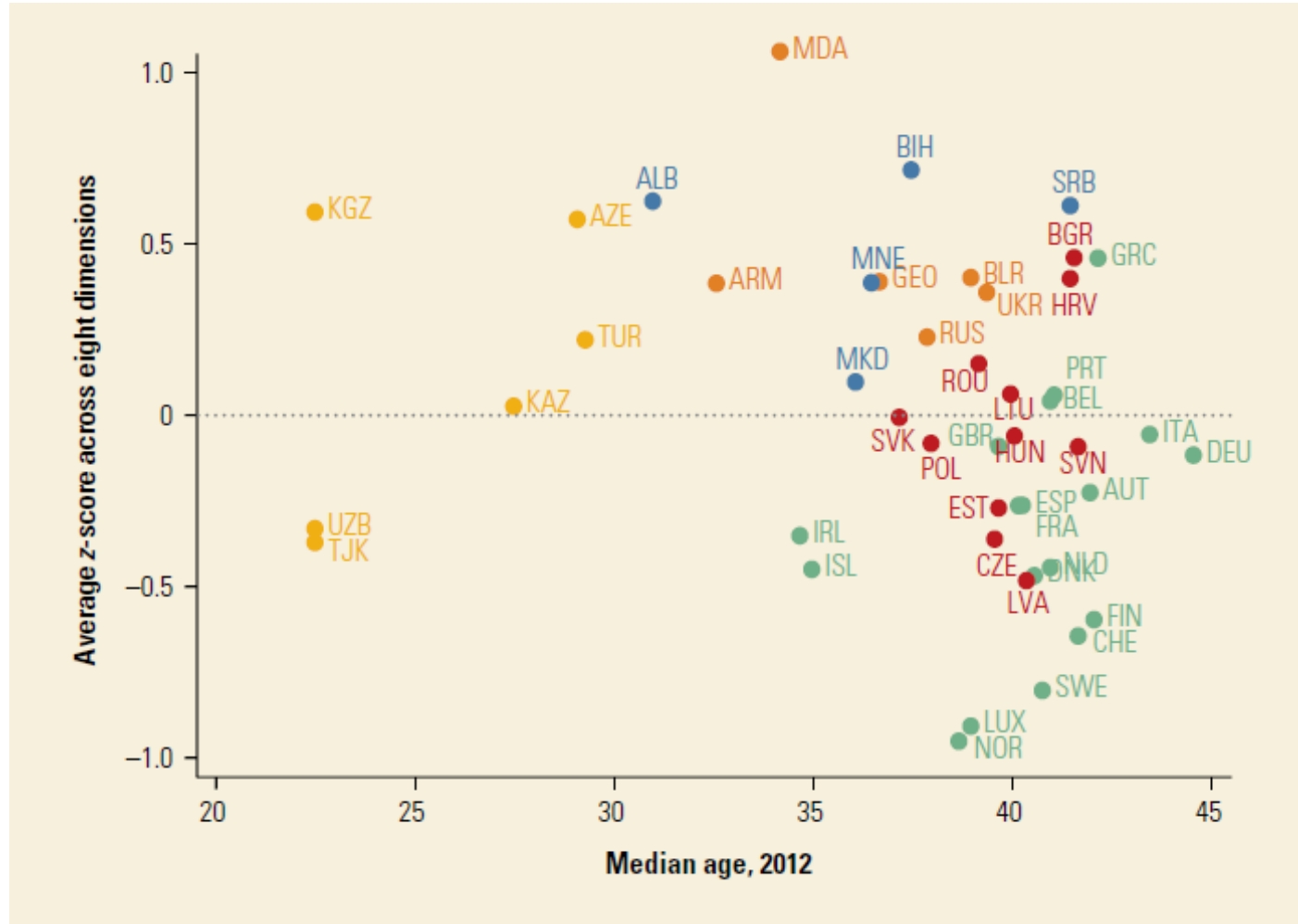
4. Adult dependency rate
5. PISA score
6. Public debt
7. Poverty gap between young and old

Overcoming the political economy challenge

8. Voting: participation gap between young and old



# How big is the challenge for each country?



Link to report:

<http://www.worldbank.org/en/region/eca/publication/golden-aging>

Thank you