

Podcast: Global challenges – Global solutions

Transcript for:

Are we doing all we can to address ageing in the world of work?

Interview with ILO Senior Economist, Dorothea Schmidt-Klau

Introduction by host:

I'm Tom Netter, host of the podcast series, *Global Challenges, Global Solutions*. My guest today is Dorothea Schmidt-Klau, Senior Economist at the ILO's Employment Policy Department. In a recent presentation entitled, "Older workers, transitions and active ageing: The global perspective", Dorothea highlighted some startling trends that highlight the situation of older workers these days. People are living longer than ever before. For some, this also means working longer than ever before; it's across the board. In developed countries, the rate of growth in the over-65 population is rising faster than the growth in people of working age. In developing countries, the size of the older population is growing even faster than in the developed world. And in both cases, older people either want to or have to keep working, often out of the realistic fear of falling into poverty. So, what are the ageing trends in the world of work and how can we address them? Here to unpack this issue is my colleague, Dorothea Schmidt-Klau. Dorothea, good to talk to you again and welcome to the programme.

Okay, I'm going to start by asking you to give us a brief overview of the ageing trends we're seeing today. Dorothea?

Dorothea: Thanks a lot, Tom, for the introduction, and it's great being here once again. It's also great that you mentioned the presentation that I gave a little while

ago, which actually happened within the frame of a EU-funded project on the future of work. And I'm very thankful to the EU that they actually support our research in this area, and that they help us to use the findings in policy dialogue.

Now regarding the trends, longevity has actually doubled since 1900, which is the fastest change we've ever seen. Can you imagine a child born in Europe today has a 50 per cent chance to become 100-years-old? We soon will have more older people than children in the world. The number of people aged 65 or older is projected to grow from an estimated 524 million in 2010, to nearly 1.5 billion in 2050. This is the fastest increase, and it's actually happening mainly in the developing countries. So, ageing is not at all a phenomenon we only see in developed countries.

As you can imagine, as a result of ageing, pension systems are facing some challenges. When in 1889 pension systems were introduced in Germany, the life expectancy of a German person was 40 years. In 2021, it's 82 years. This means when we introduced pensions in Germany hardly anybody ever reached pension age, whereas today, literally everybody reaches it.

Now another trend that we see is ageism. Ageism means any form of discrimination against people, not necessarily only older people, also younger people. But ageism, especially with older people, is a phenomenon that has been increasing over time. And actually there are some studies that report that nine out of 10 older workers say that there has been an incidence of ageism against them in their work life. So this is really a very, very important trend as well, even if it's not really a trend in numbers, but it's a trend in the quality of the life of older people.

Dorothea, thank you so much for that response. So, what are some of the labour market consequences that are emerging as a result of these demographics? How does this impact on both economies and individuals?

Dorothea: Well, that's a very good question. And let me just mention to begin with, the demographic trends that we see are actually impacting labour markets more than any of the other mega trends we tend to talk about, for example digitalization or globalization or climate change. For the time being, it's really the demographic shifts that have the biggest impact.

Now of course, the first thing is that it has an impact on labour supply. The more older people you have in total numbers, naturally the more older workers you have. And that of course is a trend that is observable, even though it's not that old people have the same labour force participation rates as young people; they're actually much lower.

And let me use this opportunity also to mention, no matter how much we would increase the labour force participation rate of older people, it does not mean that we are pushing out young people from the labour market. We've seen this for years when we were promoting women to increase their labour force participation rates. It never ever had an impact on the labour force participation rate of men. So there is no competition, there is no trade off.

Of course, one of the big changes is also that with ageing societies consumption patterns change, and consumption patterns of course then have an impact on where work is created. Now with ageing populations, we see that there is a higher request for services, of course, especially care services.

But then this is often used as an argument that there will be many jobs destroyed in other areas because of ageing. And I'm not sure about that because as a matter of fact, there are so many impacts on consumption that we just don't know what will happen. We don't know exactly how a healthy older population will actually change their consumption patterns. So I think, yes, we know care services will increase, but that's as much as it goes, and we cannot really say how much impact this will have on consumption overall.

Now then one of the big changes is of course the dependency ratios. And for example in Japan, we have a dependency ratio, or we had one in 2010, of 50 to 100, which means we have 50 people above the age of 65 for every 100 people at working age. And we are expecting this to increase to a ratio of 80 to 100. This has huge implications for pension systems. It has huge implications, as I said, for the composition of the workforce, et cetera, et cetera. But it is something that is reality. And it's something actually we should consider as a success because we do have people living longer and people living healthier, and that's something which is actually quite good.

We also see a change in transitions, and that's very important because transitions is something we need to really look carefully at. Transition means moving from one stage to another. And actually, there is one transition for older people that we

see increasing and that's a very sad transition, that's the risk of transitioning from work into poverty.

The risk of falling into poverty in Europe, a region where we have very good pension and social protection systems, is 20 per cent for women on average and 15 for men. But there are some countries where women have a risk of 50 per cent to fall into poverty once they retire. It's also interesting to mention at this point the fact that women have a higher risk across all countries, and that's of course something very worrisome as well.

Now the last one, and I already mentioned it a bit, is that there are changes in the spending patterns of countries as a consequence of ageing societies. A higher part of public spending will go into pensions, but then that's not necessarily something bad because usually the money that goes into pensions is money that is going to be spent. So we cannot say in general that's very worrisome; it really depends on how the pension systems will be adjusted to the new realities. But it's not that pension systems don't stand a chance to actually cater for the needs of ageing societies.

What about the impact of the COVID-19 pandemic? COVID has scythed its way through the world of work, affecting youth, women, the informal sector, every aspect of the labour market. What sort of particular impact has the pandemic had on older workers?

Dorothea: Thanks, Tom, for another interesting question. I really want to stress that what I'm talking here today is really about the labour market impact, and not the brutal impact that of course the COVID crisis has had on the health of older people and the isolation that they had to go through.

But with regard to labour markets, we see something interesting. If we were only to look at unemployment rates of older people, we would be surprised to see that actually they have not increased in many countries. Actually, in some countries, they have even come down a bit, but this is not a good sign. It's actually because older people tend to give up, and give up in terms of labour market means. They don't move from employment into unemployment; they move from employment into inactivity. They give up hope. They don't think they will find a job again. And we know from experience that anybody who is in inactivity, outside of the labour

force, it's very difficult to get into the labour force again. But for older people, it's almost impossible.

So this transitioning from employment into inactivity or early retirement, that's another option, often goes hand-in-hand with a transition into poverty as I talked about earlier. And we see poverty amongst older people increasing as a result of the crisis.

Thanks Dorothea. This all sounds like we are facing a huge challenge. Can you share with us some of the positive benefits older workers can bring to the workplace and the labour markets and economies as a whole?

Dorothea: Let me just maybe surprise you, hopefully surprise you, with some facts. And it's linked to the fact that what we think about older people is very, very often simply wrong. For example, only 30 per cent of the characteristics of ageing are genetically determined, and 70 per cent is the result of lifestyle. It just means, having a certain age doesn't mean you are set to have a certain set of characteristics; it really depends on your lifestyle, how long you actually stay young in a way.

But there are also other things. For example, older people definitely have more experience. And that's, for example, reflected in the fact that only 28 per cent of start-ups by younger people last longer than three years. For seniors, and here I talk about people older than 50, the success rate is 70 per cent. So obviously older people are very capable of opening businesses, running businesses, and there are many reasons for it. They might only do it when they are very sure, they might have the necessary networks, they might have the necessary financial assets. But still they are more successful and we should really profit from that.

We always think older people, oh, they are permanently sick and they take more leave days than younger people. It's just simply not true. It's not true; older workers do not take more leave days on average than younger people. Older workers are just as successful in upskilling as young workers. Well, here I have to make an assumption. It's if they never stopped learning, so that's a very important point. You can learn very well, languages, mathematics, whatever it needs, at older age, if you have learned throughout your work life. And that's a very important point, because very often we stop learning at a certain age and that's usually in the

middle age; we just stop learning. If we continue, we are very capable of also learning when we are older.

And then one of the last misconceptions that are there is that productivity levels of older workers are much lower than of younger workers. And that's just not true because of the experience. So even if they might not be as quick and as quick in picking up new things as younger people, but older people profit from their experience. And that makes their overall productivity level equally high than that of younger people.

So overall, we just need to rethink and we need to carefully analyze what it actually is that older people can do. And we will come to the conclusion overall: it's the majority of things older people can do, it's the same as that what younger people can do.

Thanks again, Dorothea. Now I'd like to ask you one final question. How do we respond to all this? What are some of the policy responses we need to consider? And are we doing all we can to address ageing in the world of work?

Dorothea: Well, first of all, obviously we can do much better because we do have economies where the labour force participation rate of older people is almost as high as for those at prime age. So obviously it's possible.

I think we have four policy entry points here or four entry points that my might be supported through policies. The first one of course, and that's the most obvious one: if we look at the challenges that pension systems face, well, it's just simply a question of making more people participate in labour markets. So we need to increase the labour supply. For older people this often means that we have to make work at an older age more attractive through, for example, occupational safety and health measures.

But also many older people would prefer to work part-time, they would prefer to do more telework, et cetera, et cetera. So we just need to make sure that there are incentives for older people to stay longer in labour markets. And here, let me make it very clear. We do not want to force anybody to work longer. It's a question of motivating people, and those who can and want to work longer should have the opportunity to do so under very good circumstances.

The other issue might be summarized under the word active ageing, or under the concept of active ageing. And that of course includes health aspects, but it also includes that we make sure that older people don't get isolated, that they participate in societies, that what they do gets recognized, that we give a value to their contributions. Because all that leads to them being active longer and contributing to either the work life, or the life of society as a whole.

One very important entry point and completely underestimated, is that we need to take life course approaches. And that means, I've mentioned one example already, for example, lifelong learning. Don't stop learning. Give people the opportunity to learn until very old age. Everything you learn can contribute to societies and that's very important. We also need to see that we should have a life course perspective on career development, because one of the reasons why women have a higher risk to fall into poverty is because they actually have more breaks in their career development when they have the children, when they need to care for their parents, for other reasons as well.

And with every time your career gets disrupted, your chances of facing difficulties when you are old are higher. And we really, really need to take this into account. With everything that happens in your life path that disrupts a smooth transition from one state to another, it's like having an additional scar and they add up. And that's one of the things we really need to look at. We need to care for people from early age until old age, and not interrupt the health for having safe and solid transitions.

Now the fourth point is actually the fight against ageism. As I hopefully made clear in this interview, we have so many misconceptions when it comes to older people. And as long as we have these misconceptions, it's going to be very, very difficult to integrate older workers into labour markets and to profit from what older people have to give to societies.

And here I just want to quote a report that was written by the UN; it's the global report on ageism that comes up with three areas where we can best tackle the challenges of ageism. And the first one is that, of course, we need to have an adequate policy and legal framework. It's not going to happen unless we have that, so that's something very important. We also need to provide and disseminate facts to reduce misconceptions and educate people. That's very important. We just, as I said again and again, we just think what older people can do and cannot do, but that's far away from reality.

And finally, what we see is that promoting intergenerational solidarity is very important, and the best way to do this is through intergenerational interventions. And for the workplace, this for example means having mixed age groups, task teams where people of different ages work together, have mentor relationships whereby older people mentor younger people, but also vice versa.

Everything that brings people together of different generations helps. And interesting enough, studies have actually shown that ageism is the strongest among people who are not in contact with other age groups. So bringing young people in contact with older people, and vice versa, is really a very powerful means to reduce ageism.

Moderator out:

Dorothea, thanks for that extremely fascinating overview of today's challenges and opportunities that societies face when their population is ageing. It is our choice where the drivers of change, including demographic shifts, take us, and whether we are driving or being driven.

Let's make sure that older workers are part of the solution. I'm Tom Netter, and you've been listening to the podcast series, *Global Challenges, Global Solutions*. Thank you for your time.