

Employment and social protection
in the new demographic context

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Employment and social protection in the new demographic context

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Preface

This study was initially prepared for a discussion at the International Labour Conference. It addresses an important global challenge, that of the implications of the demographic transition, or population “ageing”, for societies and for the world of work in particular. Data and information collected and analysed show that this new demographic context is affecting or will affect all countries in all regions, industrialized and developing, albeit at different rates and within different time horizons.

The report analyses the numerous implications for economic performance and for labour markets, and, in particular, for employment and social protection, in different development contexts. It reviews policy solutions that are being developed and debated, especially in the industrialized countries, which are at a more advanced stage of this demographic transition. It also discusses the challenges of demographic transition in countries which continue to experience higher levels of poverty and of informality. Global awareness is increasing and there is a broad realization that developments in one region have an effect on others, through population movements and labour migration, for example.

Almost three decades have elapsed since the First World Assembly on Ageing took place in Vienna in 1982, and seven years since the Second World Assembly on Ageing was held in Madrid in 2002. The Vienna International Plan of Action on Ageing made a significant contribution to the forging of a new understanding of the opportunities and challenges that ageing poses for all societies. Twenty years later, the Second World Assembly addressed new issues and challenges and adopted the Madrid International Plan of Action, which calls for changes in attitudes, policies and practices at all levels so that the enormous potential of ageing

may be fulfilled. The Plan aims to ensure that “persons everywhere are able to age with security and dignity and to continue to participate in their societies as citizens with full rights”¹.

Since its inception, the ILO has shown concern about demographic change. The first instruments on the matter, adopted in the 1930s and revised in 1967, set out to provide invalidity, old-age and survivors’ insurance.² In 1962, the Director-General’s Report to the Conference³ acknowledged the key contributions that older workers can bring to economies and society.

Older workers were again on the agenda of the 1979 International Labour Conference,⁴ and in 1980 the Conference adopted the most comprehensive instrument on the subject: the Older Workers Recommendation, 1980 (No. 162). The Recommendation aims to protect the right of older workers to equality of treatment and focuses on the measures that should be implemented to protect their needs.⁵

The present report discusses the implications of this new demographic context – for employment and social protection – as well as possible policy directions from a forward-looking perspective. It emphasizes the need for policy solutions to address demographic change from a life-cycle and intergenerational perspective. Given that a key implication of demographic change is a longer life expectancy, resulting in larger numbers of older people among the population, the report also places specific emphasis on this particular age group.⁶

The policy perspective is guided by the principles embedded in the 2008 ILO Declaration on Social Justice for a Fair Globalization and accompanying resolution, designed to strengthen the ILO’s capacity to promote its Decent Work Agenda and forge an effective response to the growing challenges of globalization. The Global Employment Agenda and the Global Campaign on Social Security

¹ United Nations: *Report of the Second World Assembly on Ageing*, Madrid, 8–12 April 2002 (New York, 2002). See www.un.org/esa/socdev/ageing/madrid_intlplanaction.html.

² See Invalidity, Old-Age and Survivors’ Benefits Convention, 1967 (No. 128).

³ ILO: *Older people, work and retirement*, Report of the Director-General, International Labour Conference, 46th Session, Geneva, 1962.

⁴ ILO: *Older workers: Work and retirement*, Report VI(1), International Labour Conference, 65th Session, Geneva, 1979.

⁵ The report will not refer to a specific age bracket to define older workers. The age at which an individual can be considered an “older worker” may differ among countries, occupations and sectors. This will be further discussed in the chapter on age-based discrimination.

⁶ Unlike “youth” (defined by the United Nations as those persons between the ages of 15 and 24 years, without prejudice to other definitions by member States), there is no UN definition of older people. The ILO Older Workers Recommendation, 1980 (No. 162), however, defines older workers as “all workers who are liable to encounter difficulties in employment and occupation because of advancement in age”. In accordance with this definition, the report will not include a specific age bracket to define old age.

and Coverage for All provide useful frameworks to analyse the key challenges and suggest policy responses. The report is innovative as it provides a new and integrated perspective combining the employment and social protection challenges in tackling population ageing; it also seeks to identify the range of possible contributions that the ILO can make to facilitate a socially harmonious and economically efficient process of ageing.

It responds to the resolution adopted by the UN General Assembly regarding follow-up to the Second World Assembly on Ageing, which requests the organizations and bodies of the United Nations system to “incorporate ageing, as appropriate, into actions to achieve the internationally agreed development goals, including those contained in the United Nations Millennium Declaration, in particular the goal on the eradication of poverty”, and “to integrate ageing, including from a gender perspective, into their programmes of work”.⁷

This report deals essentially with changes of a long-term structural nature and does not cover the short- to medium-term implications of economic trends and upheavals. Consequently, it cannot do full justice to the assessment of the impact of the biggest financial crisis since 1929, which has rapidly spread to the real economy. The current process is still unfolding and the full extent, structure and regional aspects of the ensuing labour market effects cannot be gauged at the present time. However, the expected massive collapse of aggregate demand will inevitably lead to rapidly increasing levels of unemployment and underemployment for all population groups – but the people who are the most vulnerable will be the hardest hit. The crisis will also lead to financial pressures on social security systems, whose tax and contribution base will contract while their benefit expenditure is expected to increase, bringing possible reductions in benefit levels. The report is not intended to address overall economic and social policy coping strategies for the crisis; it can only – at the appropriate points – list policies that might help to prevent specific demographic groups, such as the young and older people, from being asked to shoulder a disproportionate share of the burden of the crisis and its aftermath.

In the current context of crisis, there is broad agreement among governments that demand-side macroeconomic policies to stabilize employment levels during the economic downturn are needed to avoid increasing unemployment and poverty, and worsening levels of inequality and informality. As suggested by the Global Jobs Pact adopted at the 2009 International Labour Conference, the focus of such policies could be on public infrastructure investments; support to

⁷ United Nations: *Follow-up to the Second World Assembly on Ageing*, Resolution 58/132, adopted by the General Assembly, 58th Session, New York, 2003 (doc. A/RES/58/134).

micro- and small enterprises; public procurement and taxation geared to employment growth and decent jobs; and front-loading the necessary restructuring of the economy. Necessary social investments in areas such as education, infrastructure and health care and environmentally friendly energy production could be advanced. Investment strategies that meet the challenge of demographic change also need to be developed.

The analysis is divided into four chapters. The first chapter presents a global and regional overview of the demographic, labour force and dependency trends and prospects, which are shaping labour markets and social transfer systems in both industrialized and developing countries.⁸ Chapter 2 deals with the key social and economic challenges and opportunities of demographic change which largely differ depending on the countries and their levels of development. Chapter 3 discusses observed and possible policy responses based on the four pillars of the decent work strategy and highlights the need to improve the quality and quantity of employment for all population groups. The last chapter presents a recapitulation of the main findings and challenges and suggests ILO follow-up action based on an integrated decent work framework.

The study was prepared by Azita Berar Awad, Michael Cichon, Mariangels Fortuny, Krzysztof Hagemeyer, Anne Drouin, Wouter van Ginneken and David Freedman. It has drawn on numerous contributions by ILO staff from different units in the field and at headquarters, and external consultants and experts.

Its publication in this form is intended to respond to a wide expression of interest and to encourage further thinking and policy discussions in global and national forums.

JOSÉ MANUEL SALAZAR-XIRINACHS
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Executive Director
Social Protection Sector

⁸ The source for population information and population projections is the United Nations Population Information Network (UN Population Division): www.un.org/popin/data.html. Projections are undertaken until the year 2050. In order to project the population until 2050, assumptions regarding future trends in fertility, mortality and international migration are used. Because future trends cannot be known with certainty, a number of projection variants are produced. A summary of the main assumptions underlying the results of the *World Population Prospects: The 2006 Revision*, can be found at: <http://esa.un.org/unpp/index.asp?panel=4>. The source for labour force and labour force projections is the ILO labour statistics database: <http://laborsta.ilo.org>. Projections are undertaken until 2020. The reference period used for the estimates on labour force participation is 1980–2006 and, for the projections, 2007–20. Further information on the methodology and model for the projection is available at: http://laborsta.ilo.org/applv8/data/EAPEP/EAPEP_methodology.pdf.

Demographic and labour force trends: An overview

1

This chapter provides the factual basis for further policy analysis and presents an overview of global and regional demographic trends and prospects. It highlights the fact that the age distribution of the world's population is undergoing a profound transformation and that there will be fewer and fewer working-age people to support an increasingly larger dependent population, mostly found among the older age group and young people. Furthermore, as women tend to live longer than men, the proportion of women in the older population will also rise. The chapter will then outline the implications for the labour force of these demographic changes. Finally, it tackles the consequences of the demographic and labour force trends for the economic dependency ratios as well as the total transfer ratios.¹

1.1. The new demographic context

Global trends

The worldwide demographic context is largely shaped by two factors: decreasing mortality at all ages, resulting in increased longevity; and declining fertility rates. This is having a profound impact on the population structure: the proportion

¹ The economic dependency ratios measure the number of dependants that have to be maintained by the active population and the total transfer ratios measure the share of the income of the economically active persons that needs to be transferred to the dependent population to provide them with an adequate level of consumption.

of older persons is rapidly increasing, a process known as “population ageing”. Indeed, due to these two factors, almost all countries – developed and developing – are ageing.

The demographic transition involves three stages. First, lower mortality rates among children lead to increasing proportions of youths in the population. Second, declines in fertility lead to lower proportions of young people and higher proportions of adults of working age. Finally, declines in mortality and fertility lead to increasing proportions of older persons – that is, population ageing.

Between 2010 and 2050, the global population will increase by one third, from 6.9 billion persons in 2010 to 9.2 billion in 2050. This is compared with a nearly 90 per cent increase during the preceding 40 years, as the world population was 3.7 billion in 1970.² The increase is concentrated in less developed regions. The population of the more developed regions, supported by migration from developing countries, is expected to remain largely unchanged over the period to 2050.³

While the rate of population increase is slowing, the absolute amount of the increase of more than 2 billion people is a major challenge. The global employment challenge is exacerbated by the fact that most of this increase will occur in regions which currently have low employment and income-generating opportunities, as well as much lower incomes than in developed regions (where the population and labour force will be stagnating or shrinking).

The change in the global population is not uniformly distributed across all age groups, as shown in figure 1.1. While the number of children (under age 15) will stabilize during the projection period (compared to an increase of one third during the preceding 40 years), the size of the working-age population (aged 15–64 years) will increase by 30 per cent (while it more than doubled during the previous 40 years), and the population over age 65 will nearly triple from around half a billion persons to almost 1.5 billion by 2050.

The old-age dependency ratio⁴ is expected to increase from 11 per cent in 2000 to 25 per cent in 2050. Put another way, in 2000 there were nine persons

² Unless otherwise noted in this chapter, estimates, figures and tables are based on population projections up to 2050 under the medium variant in: United Nations: *World Population Prospects: The 2006 Revision*, Population Division, Department of Economic and Social Affairs (New York, 2007). For the medium variant assumptions and alternative variants, see <http://esa.un.org/unpp/index.asp?panel=4>.

³ According to the United Nations classification, the category of more developed regions includes all regions of Europe plus North America, Australia, New Zealand and Japan. “Less developed regions” comprise all regions of Africa, Asia (excluding Japan), Latin America and the Caribbean plus Melanesia, Micronesia and Polynesia. “Least developed countries” are those defined by the United Nations General Assembly in 2003. They comprise 50 countries, of which 34 are in Africa, ten in Asia, one in Latin America and the Caribbean, and five in Oceania.

⁴ Defined as the number of persons over age 65 in the working-age population (15–64 years).

Figure 1.1. World population by age group, 2000–50

of working age to support each person aged 65 or over, while in 2050 there will globally be only four persons of working age to provide this support.

While all regions experience the same direction of demographic change, the pace and size of these changes differ significantly. The ageing process will result in the proportion of the population over 60 years old increasing from 8.5 per cent of the total population in 1970 to 22 per cent in 2050, as shown in figure 1.2. Ageing is inevitable. It is at an advanced stage in developed countries and is progressing rapidly in developing ones. By 2050, 2 billion people will be aged 60 years or over and 80 per cent of them will live in developing countries. As will be discussed in the following chapters, this is a major global challenge. The majority of the population in the developing world works in the informal economy and has no access to social security arrangements (or has low levels of benefits), which would normally be expected to be available to ensure income security and affordable access to health care in old age.

A notable aspect is the progressive ageing of the older population itself. At the global level, the most rapidly growing age group consists of persons aged 80 and over. This age group, the “oldest old”, is expected to quadruple over the next four decades, as shown in figure 1.3.

The feminization of old age is a major characteristic of ageing. Women live longer than men and, worldwide, women now account for 55 per cent of the population aged 60 years and over. Among the very old (aged 80 and over), women are almost twice as numerous as men. Account must be taken of the smaller gap

Figure 1.2. Population aged 60 and over by region, 2000–50

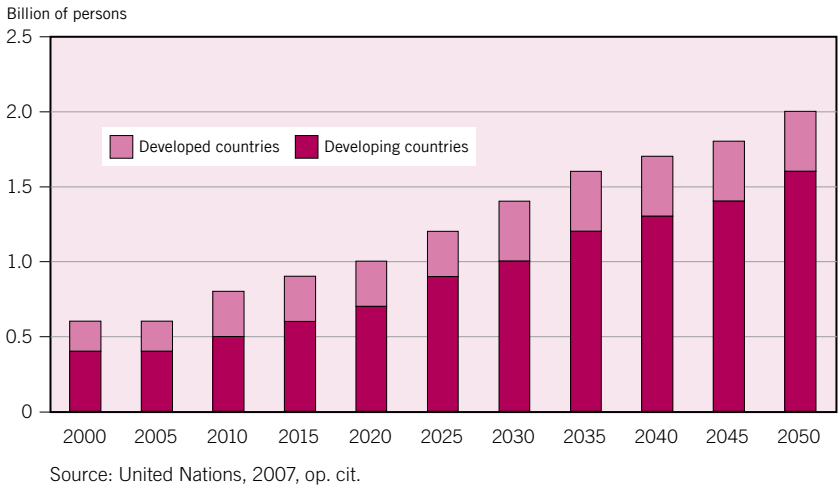
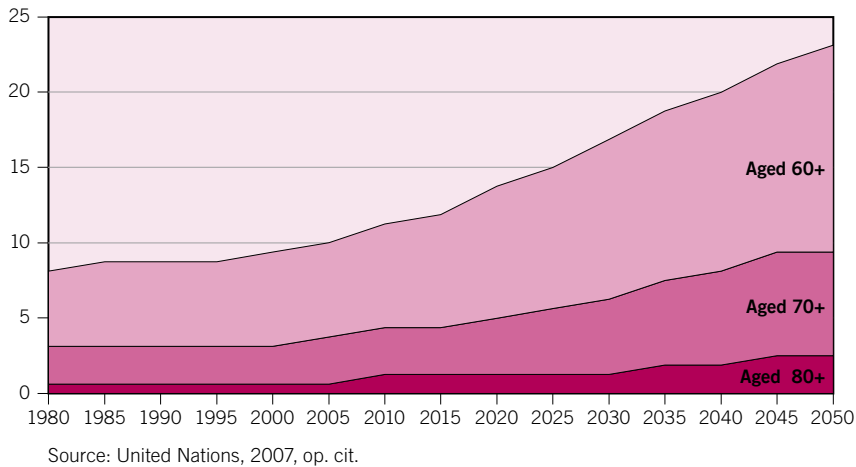


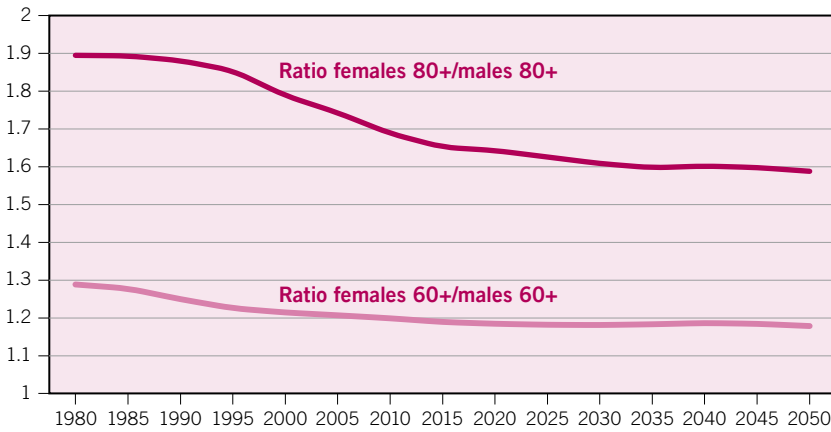
Figure 1.3. Population groups aged 60+, 70+ and 80+ as a percentage of total world population, 1980–2050



between the life expectancy of men and women in some of the least developed countries, where maternal mortality is still relatively high.

The dominance of women among the older population may decline somewhat in the future, as the gap in life expectancy between men and women is normally expected to narrow, but women will still outnumber men – particularly at the older ages (figure 1.4). This poses another major global challenge: female

Figure 1.4. Ratio of the world female population to male population by older age group, 1980–2050



Source: United Nations, 2007, op. cit.

poverty, which becomes more pronounced with age. Women have much lower social security coverage than men and often face more obstacles in accessing the labour market. Hence, for women surviving into old age there is a much higher probability that they will be left without adequate income in their own right and become dependent.

While the old-age dependency ratio⁵ is increasing, the youth dependency ratio is expected to decrease from 48 per cent in 2000 to 31 per cent in 2050. The decrease in youth dependency is attributable to projected reductions in the total fertility rate, referring to the average number of children born per woman during her childbearing years.⁶ Globally, the total fertility rate of 2.58 children per woman in 2005–10 is expected to decrease to 2.04 in 2045–50.

At the global level, the total demographic dependency ratio⁷ is expected to decrease from 59 per cent in 2000 to 57 per cent in 2050, as shown in figure 1.5.

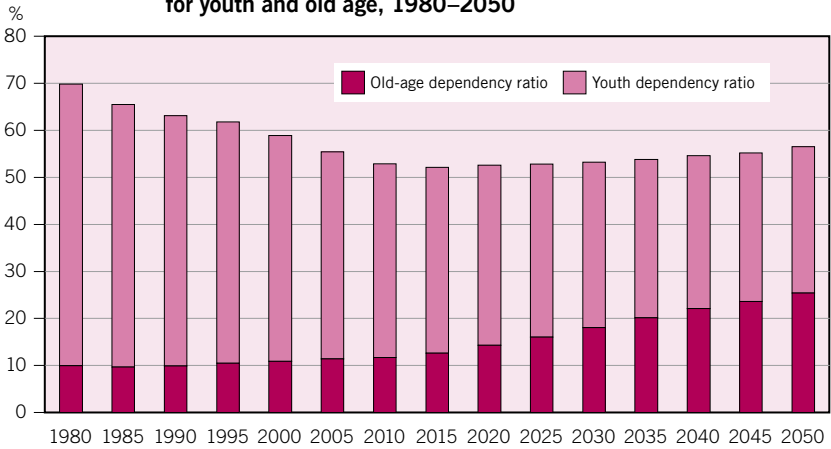
As fertility declines, migration contributes to population growth in the more developed countries. In many countries, migration is a significant demographic

⁵ Defined as the number of children under age 15 per person in the working-age population aged 15–64.

⁶ The total fertility rate is the number of children that would be born per woman, assuming no female deaths during childbearing age and the relevant age-specific fertility rates of the specific region or reference period.

⁷ Taking into account youths (under age 15) plus older persons (age 65 and over) per person in the working-age population aged 15–64.

Figure 1.5. World total dependency ratios disaggregated for youth and old age, 1980–2050



Source: United Nations, 2007, op. cit.

factor impacting on the profiles of the general population and the labour market. In 2000, there were over 86 million economically active migrants the world over, of whom 32 million were in developing regions.⁸ Migration figures vary over time. There were 191 million migrants in 2005, implying that nearly 3 per cent of the world's population had left their countries of birth or citizenship for a year or more.

Over the period from 2005 to 2050, the net number of international migrants to more developed regions is projected to reach 103 million. It is noteworthy that this figure offsets the projected excess of deaths over births of 74 million in the more developed regions receiving the net migrants.

While migrants usually move to nearby countries, some 2 million Asian workers leave their countries every year to work in other countries within and outside Asia. Furthermore, although 62 million developing country migrants moved to more developed countries in 2005, almost as many migrants, 61 million, transferred from one less developed country to another.

Between 2005 and 2050, the major net receivers of international migrants are projected, on an annual basis, to be: the United States (1.1 million), Canada (200,000), Germany (150,000), Italy (139,000), the United Kingdom (130,000), Spain (123,000) and Australia (100,000). The countries with the highest levels

⁸ ILO: *Towards a fair deal for migrant workers in the global economy*, Report VI, International Labour Conference, 92nd Session, Geneva, 2004.

of net emigration are projected to be: China (–329,000 annually), Mexico (–306,000), India (–241,000), the Philippines (–180,000), Pakistan (–167,000) and Indonesia (–164,000).

Regional trends

Different regions⁹ are at various stages in their population ageing process. Although the age structure of the developed countries is generally older than that of the developing ones, the majority of the world's older persons now live in developing countries. In 2005, 63 per cent of the population aged 60 years or older lived in the developing world.

In the more developed regions, over a fifth of the population is currently aged 60 and over and by 2050 nearly a third of the population is projected to be in that age group. In the less developed regions, older persons now account for 8 per cent of the population and by 2050 they are expected to account for one fifth of the population. Thus, by 2050 the developing world is likely to reach the same stage in the population ageing process as now applies in the developed world.

The majority of older persons will continue to be increasingly concentrated in developing countries. By 2050 it is expected that 79 per cent of those aged 60 and over will be in developing countries, particularly in Asia. In 2050, China and India are expected to comprise slightly less than 60 per cent of the population of Asia, while their populations aged 60 and over will be slightly more than 60 per cent of the total. Figure 1.6 shows the projected development of the absolute size of the older population.

The pace of population ageing is such that the current world median age of 28 is expected to increase to 38 in 2050.¹⁰ The current advanced stage of ageing in Europe is evident from its present median age of 39, which is expected to reach 47 in 2050. The velocity of ageing, reflecting the growth rate of the age group of 60 years and over, is projected to be higher than the growth rate of the total population in all regions of the world, as shown in figure 1.7.

The velocity of ageing of the advanced age group of 80 years and over is depicted in figure 1.8. Since the difference between these two growth rates is greater in developing countries, this implies that the velocity at which the population in developing countries is ageing is higher than in industrialized ones.

⁹ This section uses the ILO and UN country classifications in terms of “more developed regions” and “less developed regions”.

¹⁰ Half the population is younger than the median age and half is older.

Figure 1.6. Population aged 60 years and over, by geographical region, 1980–2050

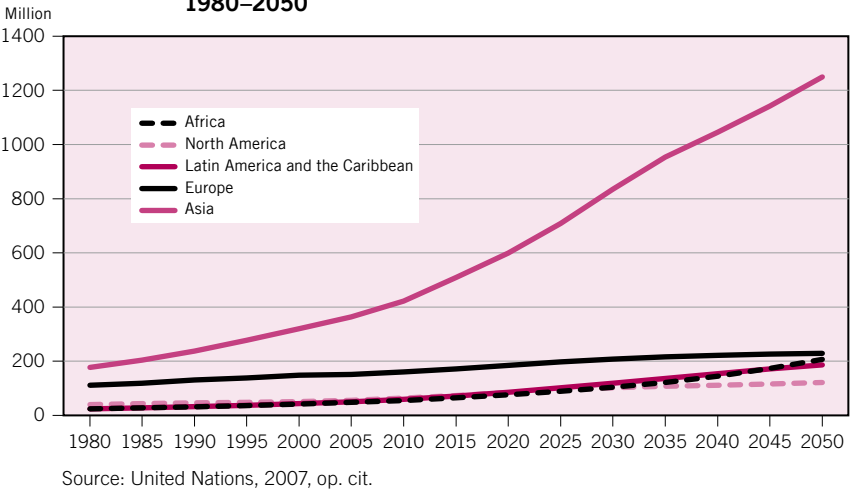
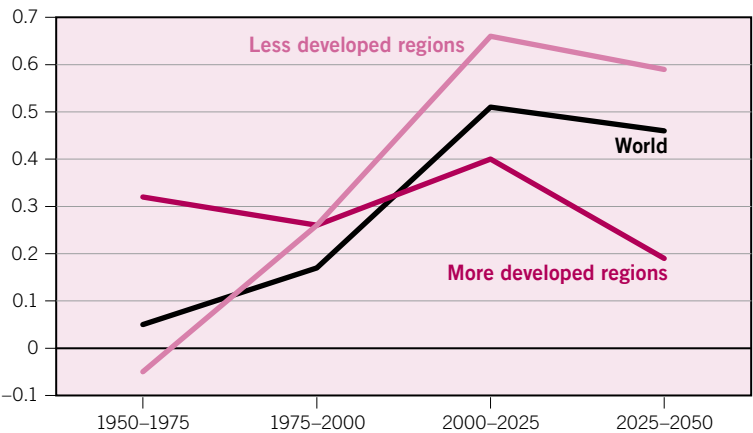
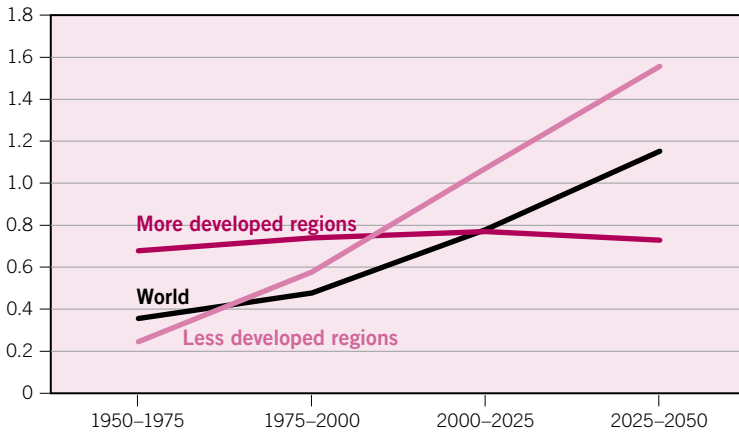


Figure 1.7. Velocity of ageing for the age group 60 years and over

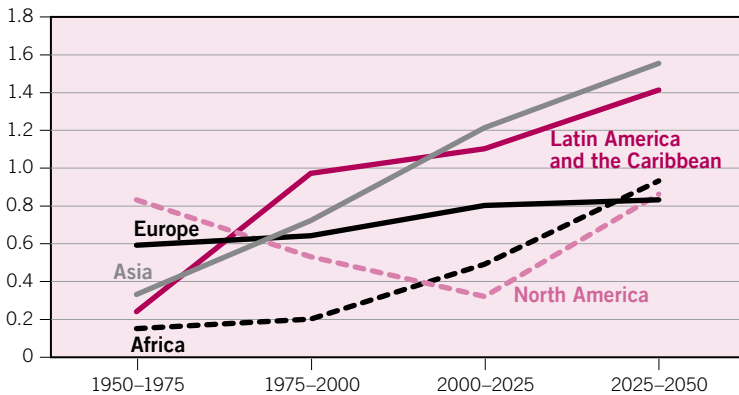


Note: Velocity of ageing is equivalent to the rate of growth of the population group aged 60 and over.
Source: United Nations, 2007, op. cit.

Developed countries have already been facing a rapid ageing process for some decades and have adjusted their systems accordingly. Many developing countries are now entering this stage but will have less time to adjust to the consequences. Moreover, population ageing in less developed regions is taking place at lower levels of socio-economic development. The velocity of ageing by geographical region is presented in figure 1.9.

Figure 1.8. Velocity of ageing for the age group 80 years and over

Source: United Nations, 2007, op. cit.

Figure 1.9. Velocity of ageing for the age group 80 years and over by region

Source: United Nations, 2007, op. cit.

Decreasing fertility is the main cause of population ageing. In the more developed regions the total fertility rate in 2005-10 is estimated at 1.6 children per woman, which is below the 2.1 rate necessary to maintain a population size at its current level. It is expected to increase to 1.8 over the period to 2045-50. In less developed regions, the rate is expected to decrease from 2.8 to 2.1 over this period, as shown in table 1.1 and figures 1.10 and 1.11.

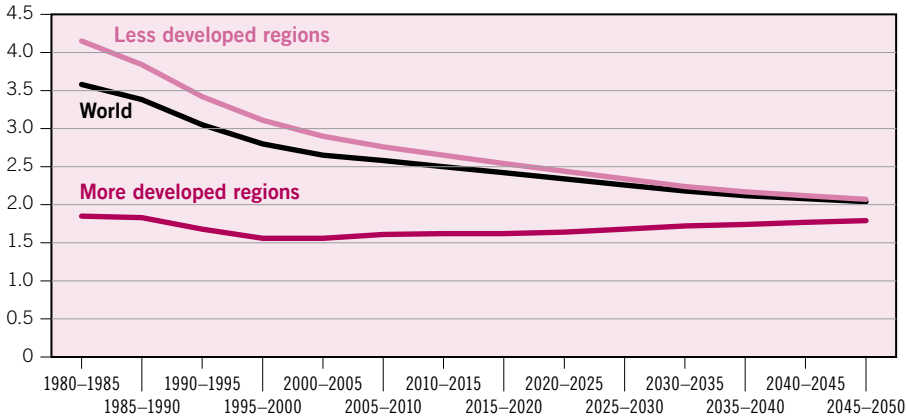
The regional statistics conceal remarkable decreases in fertility in certain countries. In southern Europe, there has been a rapid decline in fertility rates that

Table 1.1. Total fertility rate, 2005–50

	2005–10	2025–30	2045–50
World	2.6	2.3	2.0
More developed regions	1.6	1.7	1.8
Less developed regions	2.8	2.3	2.1

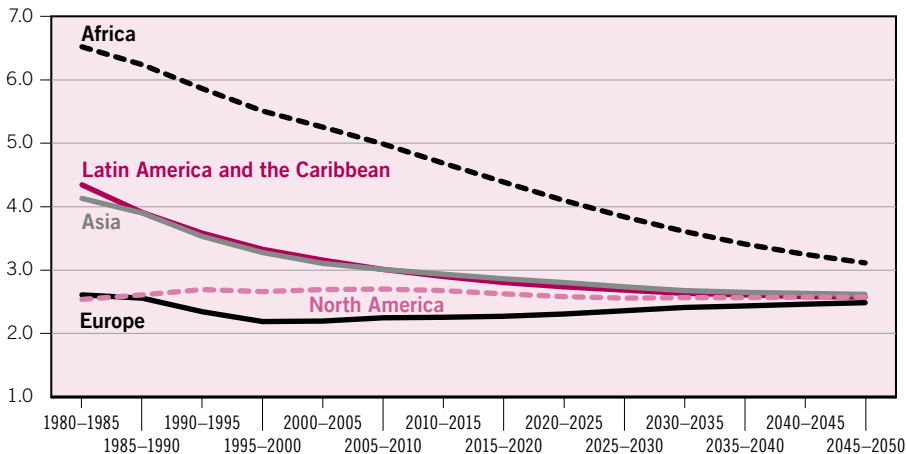
Source: United Nations, 2007, op. cit.

Figure 1.10. Total fertility rates by region, 1980–2050

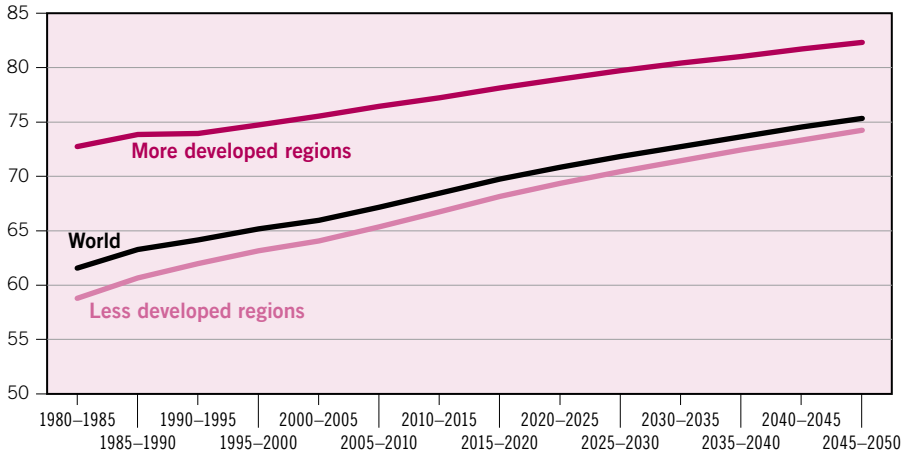


Source: United Nations, 2007, op. cit.

Figure 1.11. Total fertility rates by geographical region, 1980–2050



Source: United Nations, 2007, op. cit.

Figure 1.12. Joint life expectancy at birth by region, 1980–2050

Source: United Nations, 2007, op. cit.

are now slowly increasing. For example, in Spain the total fertility rate of 2.9 in 1970–75 fell to 1.4 in 2005–10, but is expected to increase to 1.8 by 2045–50. A similar situation occurs in Eastern Europe and in the Commonwealth of Independent States (CIS). In Poland, the total fertility rate of 2.3 in 1970–75 fell to 1.2 in 2005–10 and is expected to increase to 1.6 by 2045–50.

In Asia, the total fertility rate in the Republic of Korea fell from 4.3 in 1970–75 to 1.2 in 2005–10. In China it fell from 4.9 in 1970–75 to 1.7 over the same period. By 2045–50, the total fertility rates are expected to rise to 1.5 and 1.9 respectively.

Life expectancy¹¹ at birth is expected to grow in all regions of the world due to improvements in living standards, as shown in figure 1.12. The more developed regions will experience a smaller increase in joint (male and female) life expectancy of 6.8 years over 2000 to 2050 – from 75.6 to 82.4 years. Over the same period, joint life expectancy at birth in less developed regions will rise by 10.2 years (from 64.1 years in 2000 to 74.3 years in 2050).

Figure 1.13 depicts the projected changes in life expectancy by geographical region. While the life expectancy for females is longer than for males, the differential in their life expectancies at birth is now diminishing in the more developed regions, as shown in figure 1.14. Elsewhere, from 2010 to 2050, the differential increases slightly.

¹¹ Joint life expectancy is the average number of years of life a group of persons at a specified age is expected to live after that age according to the mortality rates of a given period.

Figure 1.13. Joint life expectancy at birth by geographical region, 1970–2050

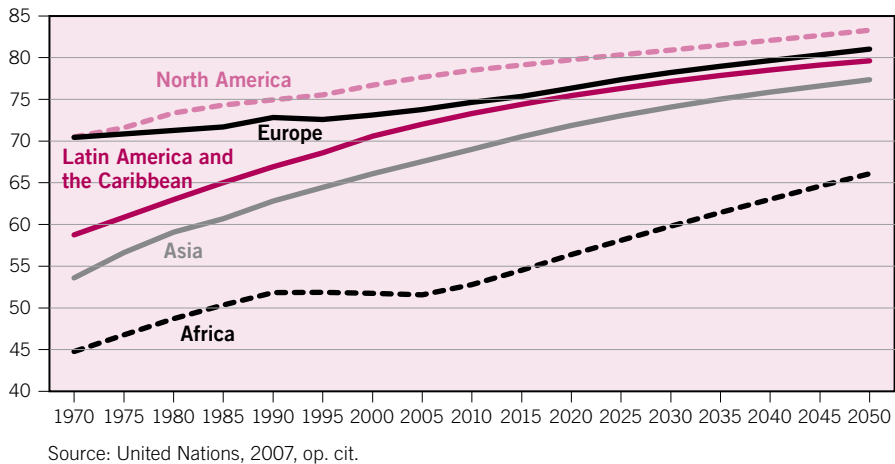
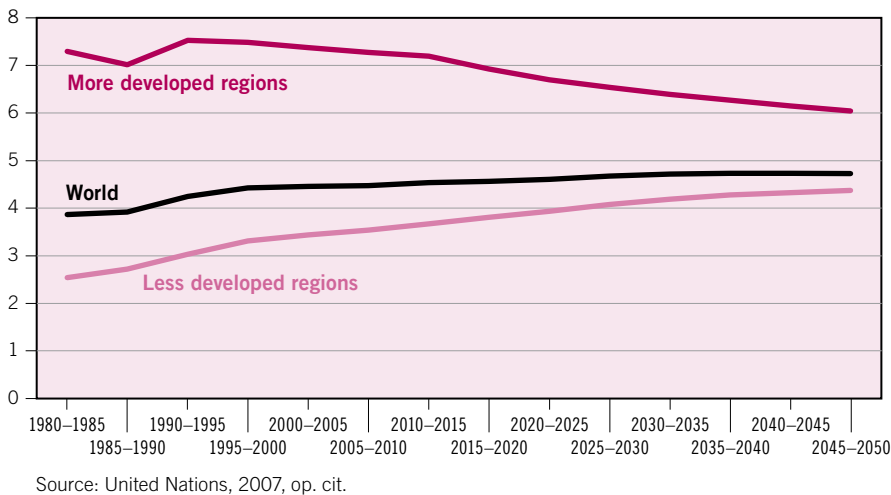
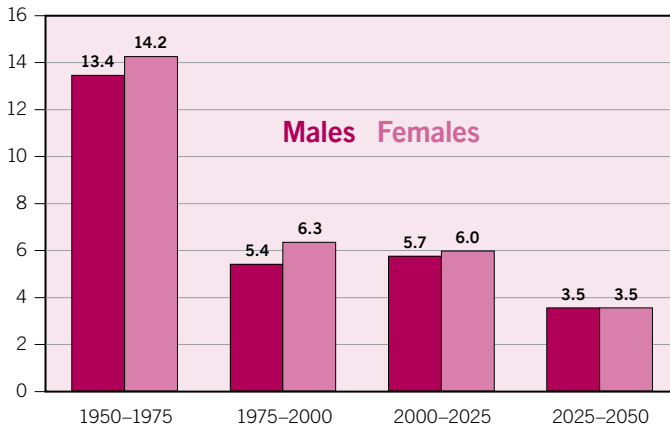


Figure 1.14. Difference in female and male life expectancies at birth, 1980–2050 (life years)



Life expectancy at birth is growing, but at a decreasing rate. Significant increases in life expectancy in the past reflected improvements in living standards – and in particular greater access to health services, which reduced mortality. Future improvements in factors affecting mortality are expected to result in smaller mortality gains, as shown in figure 1.15. Between 2000 and 2025 the

Figure 1.15. Gains in life expectancy at birth among the world population, 1950–2050



Source: United Nations, 2007, op. cit.

increase in joint life expectancy is expected to be around six years, while over the years 2025 to 2050 it is expected to be 3.5 years.

While mortality in the developed world is low and continues to decline, it has been stagnant or even increasing in a number of countries in south-eastern Europe and the CIS, largely due to deteriorating social and economic conditions and, in some cases, because of the spread of HIV/AIDS. Among the more developed regions, Eastern Europe has the lowest life expectancy at birth and has had a declining life expectancy since the late 1980s. In 2005–10, life expectancy at birth in the region, at 68.6 years, is lower than it was in 1960–65 (69.3 years). The Russian Federation and Ukraine have experienced serious increases in mortality since the early 1990s. Mortality is decreasing in developing countries, except for those seriously affected by the HIV/AIDS epidemic.

However, there is also strong evidence that life expectancy varies by socio-economic stratum and that such differences are becoming more pronounced. These are powerful indicators of trends in general inequality that is increasing in many societies. In the United States in 1980, life expectancy at birth was 2.8 years more for the richest socio-economic group than for the poorest. By 2000, that gap had risen to 4.5 years. In 1980, the difference in life expectancy at age 65 between the richest and poorest socio-economic groups was 0.3 years, but by 2000 that difference had grown to 1.6 years, accounting for more than 80 per cent of the increase in overall average life expectancy at age 65 over that

period.¹² Similar trends are available for other countries with relatively higher income inequality like the United Kingdom, while societies with comprehensive social security such as Canada do much better.

In 2007, there were 22.5 million persons living with HIV in sub-Saharan Africa, 4.9 million in Asia and 2.1 million in North America, Western and Central Europe.¹³ In a number of countries, notably in sub-Saharan Africa, HIV/AIDS is having a profound demographic effect. Two-thirds of all HIV-positive people live in this region, where more than three-quarters of all AIDS deaths in 2007 occurred. Southern Africa accounts for 35 per cent of all people living with HIV.

In these countries, the usual assumption of a steadily increasing life expectancy no longer applies; instead, rising mortality levels due to AIDS have substantially reduced life expectancy, as shown in table 1.2. In southern Africa, life expectancy has fallen from 62 years in 1990–95 to 49 years in 2005–10; it is not expected to regain the level it had in the early 1990s before 2045. Nevertheless, the relatively high fertility levels in these countries mean that their populations

Table 1.2. Impact of AIDS on population life expectancy in selected countries of Africa and Asia, 2007

	Adult HIV prevalence in 2005 of population (%)	Joint life expectancy at birth in 2007		Decrease in life expectancy (years)
		Without AIDS (years)	With AIDS (years)	
Sub-Saharan Africa	—	—	—	—
Tanzania, United Rep. of	7	60	52	13
Zambia	17	56	42	25
Zimbabwe	20	66	43	35
Southern Africa	22	—	49	—
Botswana	24	68	50	26
Lesotho	23	65	42	35
Namibia	20	70	52	26
South Africa	19	67	50	25
Swaziland	33	65	40	38
Nigeria	4	50	47	6
India	—	66	64	3
Thailand	1	72	70	3

Source: United Nations: *Population and HIV/AIDS 2007*, Population Division, Department of Economic and Social Affairs, 2008.

¹² United States Congressional Budget Office, at: www.cbo.gov/ftpdocs/91xx/doc9104/04-17-LifeExpectancy_Brief.pdf.

¹³ Joint United Nations Programme on HIV/AIDS (UNAIDS) and WHO: *AIDS epidemic update, December 2007*, doc.UNAIDS/07.27E/JC1322E (Geneva, 2007).

Table 1.3. Life expectancy at birth and at age 65 in the world and by region (in years)

	2000–05		2045–50	
	Females	Males	Females	Males
<i>Life expectancy at birth</i>				
World	65.0	69.5	73.1	77.8
More developed regions	72.9	80.2	79.4	85.4
Less developed regions	63.7	67.2	72.1	76.5
<i>Life expectancy at age 65</i>				
World	14.7	17.5	16.9	20.2
More developed regions	15.5	19.3	18.8	23.1
Less developed regions	14.2	16.1	16.4	19.4

Source: United Nations, 2007, op. cit.

will still increase, albeit much more slowly than they would have done in the absence of the HIV/AIDS epidemic.

Life expectancy at birth tells little about how much longer, on average, men and women will live after they survive to age 60 or 65 – or to any age after which they are no longer able to work, have little chance of finding a job, or simply should not continue to work according to social or cultural norms. Even in countries where life expectancy at birth is low, the life expectancies of persons who survive to age 60 or 65 are near those in the more developed regions (see table 1.3).¹⁴ And life expectancy for women is higher than for men of the same age.

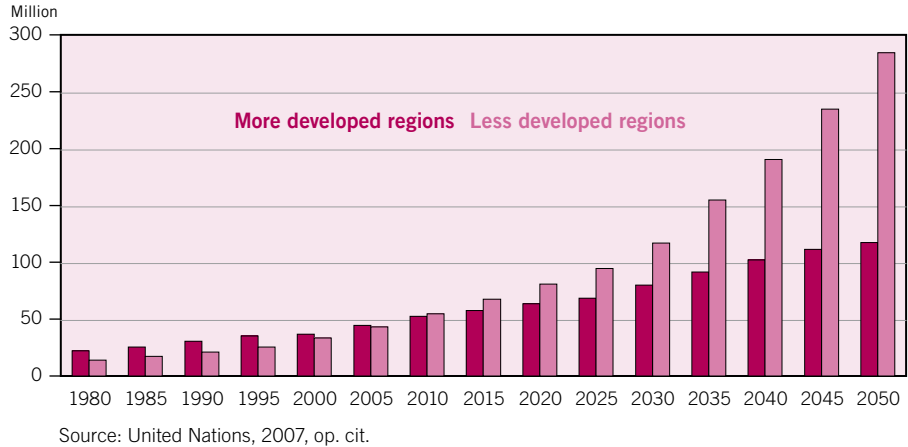
The proportion of all persons aged 65 and over who live in less developed regions will rise from 63 per cent in 2010 to 78 per cent in 2050. Throughout this period, women will comprise between 55 and 60 per cent of the global population aged 65 and over. China will account for slightly more than one fifth of the world's population over age 65, and the proportion of all elderly living in India will rise from 12 per cent to 16 per cent.

As a result of the higher velocity of ageing in less developed regions, the proportion of persons aged 80 and over in these regions will increase more rapidly, from 48 per cent in 2000 to 71 per cent in 2050, as shown in figure 1.16.

In developing countries, it is projected that there will be a continuing imbalance between the number of older men and older women because of the difference in their life expectancies. This imbalance is projected to decrease slightly in developed countries. Over the period 2010–50, in developing countries, women aged

¹⁴ The lower life expectancy at birth for less developed regions is largely explained by significantly higher infant mortality. Life expectancy at age 60 or 65 is no longer affected by infant mortality.

Figure 1.16. Number of persons aged 80 and over by region, 1980–2050



60 and over will outnumber men by slightly over ten percentage points. Women aged 80 and over will increase from being 40 per cent more numerous than men in 2010 to being over 50 per cent more numerous than men in 2050.

Since the youth population will virtually stop growing, increases in the total dependency ratio – children (under age 15) plus older persons (age 65 and over) per person in the working-age population aged 15–64 – will be almost entirely attributable to the numbers of older persons increasing at a faster pace than young people.

Figure 1.17. Age distribution of population of more developed regions, 2000–50

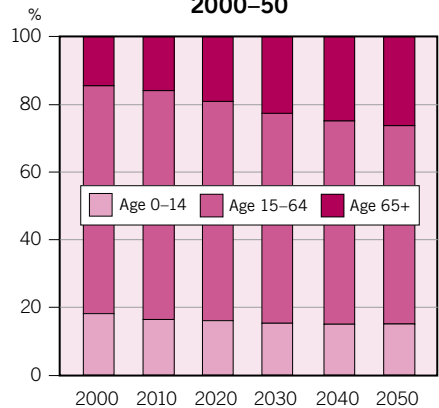


Figure 1.18. Age distribution of population of less developed regions, 2000–50

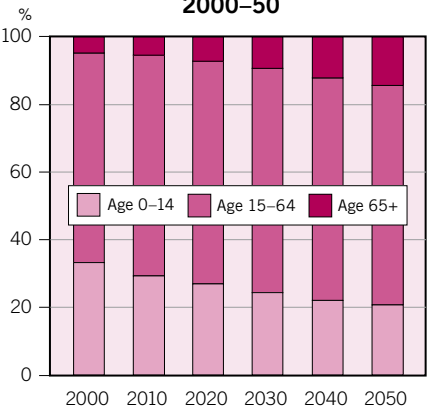
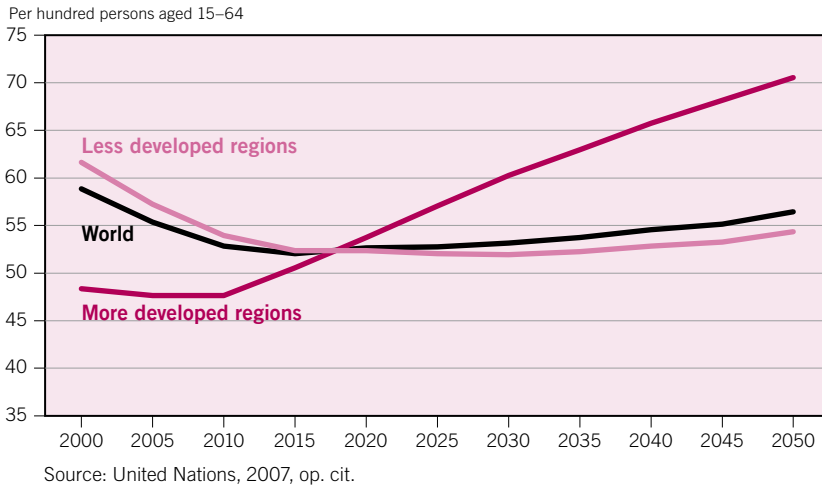


Figure 1.19. Total dependency ratios, 2000–50

In less developed regions, the increase in the number of older persons is almost balanced by the decrease in the number of youths in the population (see figure 1.18), resulting in modest increases in the total dependency ratio. The relatively lower fertility rates in more developed regions result in increasing overall total dependency ratios, as shown in figure 1.19.

The stabilization of the total dependency ratio in the developing world presents a window of opportunity. Along with economic growth, it may help to create a fiscal space in these countries, which would allow further investments in education to increase its quantity and quality – and at the same time permit more resources to be allocated to policies aimed at a significant extension of social security coverage with a view to ensuring affordable access to health care and income security.

1.2. Global labour force trends

Labour force trends

The demographic changes discussed earlier in the text have important implications for the labour force, which, at the global level, will continue to grow. By 2020, the global labour force will be about 500 million workers larger than it is today. But there are important asymmetries in labour force growth between regions and countries depending on fertility and mortality trends. As figure 1.20

illustrates, labour force growth will be particularly strong in the less developed countries. In the more developed regions, however, it is foreseen that the total labour force will slightly decline in the next decade.

Regarding the regional distribution of the labour force, figure 1.21 indicates that by 2020 the majority of the world’s labour force will be living in Asia, followed by Africa.

The strongest labour force growth between 1980 and 2020 is foreseen in Asia, particularly in East Asia due to the expansion of China’s labour force. China is expected to have almost 820 million workers by 2020, meaning that about 23 per cent of the world’s labour force will be living in this country.

Figure 1.20. Total labour force in more developed and less developed regions, by sex, 1980–2020

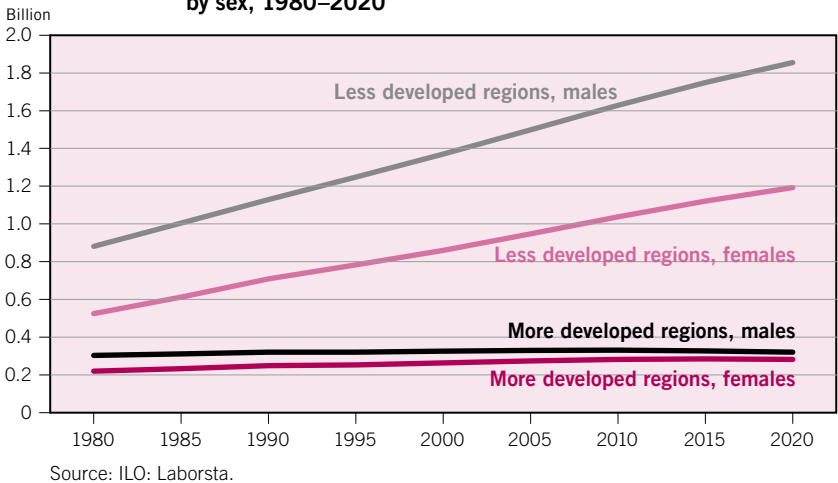
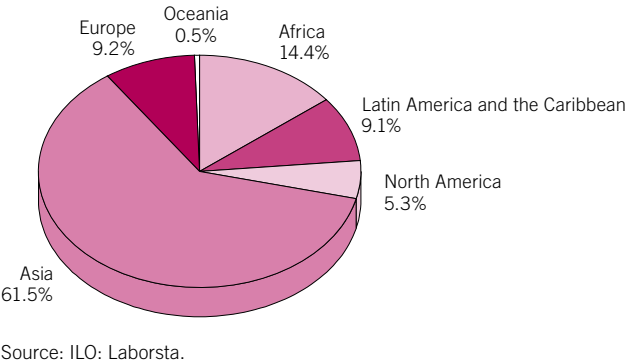


Figure 1.21. Estimated distribution of the world labour force, by region, 2020

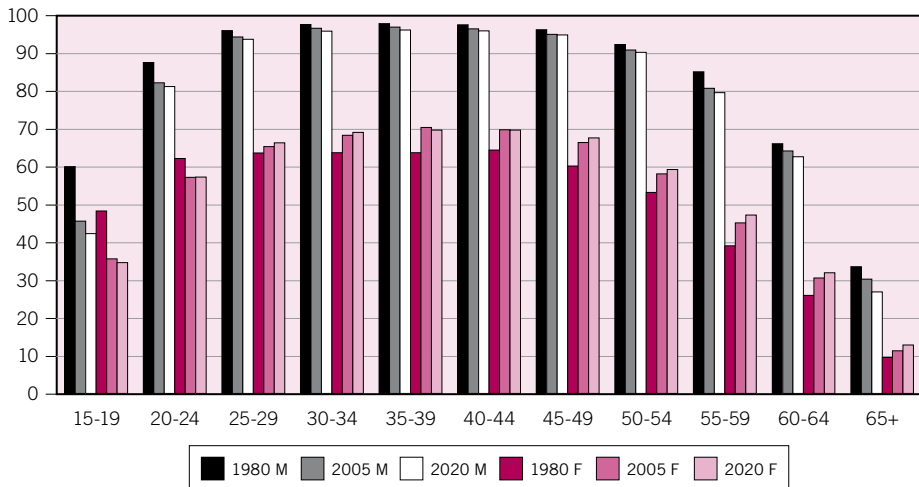


The labour force will grow rather quickly in most African countries, particularly in Eastern Africa. Countries in southern Africa, however, will present a lower labour force growth due to the devastating population effects caused by the HIV/AIDS pandemic. In Latin America, the Caribbean and North America, the labour force is expected to continue growing, but at a slower pace. In Europe, there will be a marked slowdown in labour force growth. This will be mainly due to the dramatic decrease of the labour force in Eastern Europe, and particularly in the Russian Federation.¹⁵

Labour force participation

As figure 1.22 shows, worldwide labour force participation is higher for men than for women regardless of the age group, although female participation rates have increased in the last few years. Furthermore, there are important differences in levels of participation depending on the age group, and regional trends differ depending on the level of development. Younger and older age groups present the lowest levels of participation. In the last decades, youth labour force participation rates have substantially decreased and they are expected to continue decreasing, in particular

Figure 1.22. World participation rates by sex (1980, 2005, 2020), as a percentage



Source: ILO: Laborsta.

¹⁵ See also United Nations: *World economic and social survey 2007: Development in an ageing world*, Department of Economic and Social Affairs (New York, 2007).

for young men. This may be attributed to several reasons, including the increased education enrolment of young people and their extended studies. It is also due to discouragement and outmigration in those economies where labour market conditions are particularly bad.¹⁶ For the older age groups, declines in labour force participation during the last decades have been less acute; indeed, the labour force participation rates of older women have actually increased and are expected to continue increasing, while they have declined for males and will continue to decline.

Regional differences in participation trends

There are important regional differences in participation trends by age and sex depending on the level of development of regions and countries. As we can see in figure 1.23, the prime age groups 25–39 and 40–54 present the highest participation rates in all regions.

Male participation rates are higher than female rates everywhere, which mainly reflect differing cultural traditions and the lack of opportunities for women to combine work and family duties. Female labour force participation, however, has substantially increased in several regions, such as Latin America. This might be attributed to the overall employment growth in the region during the last years and low levels of female participation during the 1980s.

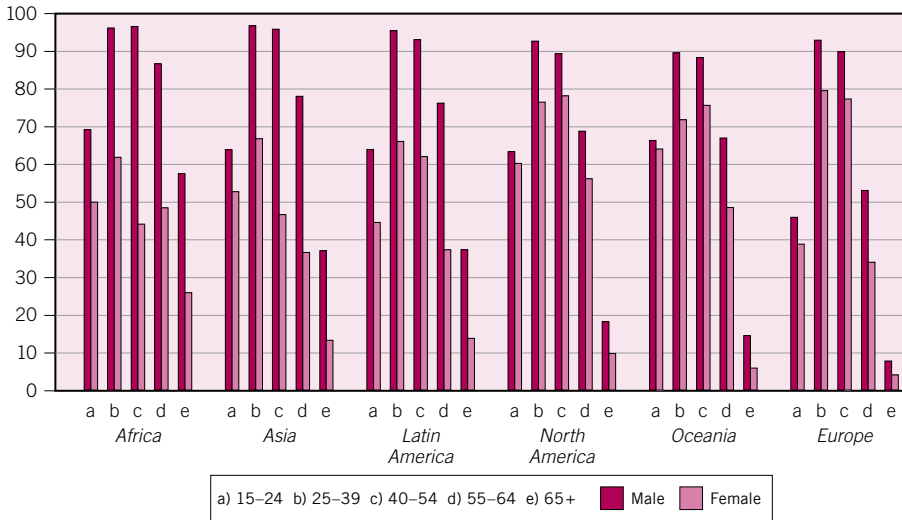
Compared to the other age groups, young people present low and declining participation rates, but also the highest unemployment – particularly in the Middle East, Central and South-Eastern Europe (non-EU), the CIS and North Africa. Youth labour force participation decreased during the last decade in all regions for young men, whereas for young women it increased in North Africa and particularly in Latin America.¹⁷

In all regions it is obvious that labour force participation and unemployment rates are lower in the older age categories (see unemployment rates by age in Appendix I). There are important differences, nonetheless, between older male and female participation rates. In the more developed regions, and particularly in Europe, despite recent increases, the participation rates of older persons are the lowest in the world – and this is particularly true for women.

¹⁶ For an extensive analysis of youth participation and the youth labour market, see ILO: *Global employment trends for youth 2006* (Geneva, 2006), at: www.ilo.org/public/english/employment/strat/download/gety06en.pdf.

¹⁷ For an extensive analysis of the youth labour market, see ILO: *Global employment trends for youth 2008* (Geneva, 2008), at: www.ilo.org/public/english/employment/strat/download/gety08.pdf. See also ILO: *Trabajo decente y juventud – América Latina* (Lima, 2007), p. 86.

Figure 1.23. Labour force participation rates by region, age group and sex, 2005, as a percentage



Source: ILO: Laborsta.

Labour force participation of older age groups

Regarding older age groups, in the more developed regions – despite recent and future projected increases – male participation rates have decreased in the last two decades, particularly in the 55–64 age group. In the case of older women, participation rates have remained more or less the same or have slightly increased, but they remain low. In some countries, this reflects the fact that a number of workers who can afford to do so have chosen to withdraw from the labour force prior to the statutory retirement age as financial incentives have made leisure increasingly attractive compared to work. Eastern Europe experienced a particularly significant decline in male participation rates in the 55–64 age group between 1980 and 2005. In this subregion, labour force withdrawals of older workers have been largely the result of involuntary early retirement associated with economic restructuring.¹⁸

It is indeed remarkable that, despite sustained increases in longevity, the effective age at which workers withdraw from the labour force in the more developed parts of the world has tended to follow a downward trend in virtually all

¹⁸ P. Auer and M. Fortuny: *Ageing of the labour force in OECD countries: Economic and social consequences* (Geneva, ILO, 2000), and M. Fortuny, A. Nesporova and N. Popova: *Employment promotion policies for older workers in the EU accession countries, the Russian Federation and Ukraine*, Employment Paper 2003/50, Employment Sector (Geneva, ILO, 2003).

countries, at least until recently. Although the decline has been interrupted in most OECD countries, the effective retirement age is well below the legal age for receiving an old-age pension,¹⁹ as figure 1.24 shows.

The number of years that workers can expect to spend in retirement has therefore risen considerably, as we can see in figure 1.25 – Japan, Republic of Korea, Mexico and Turkey being the notable exceptions. In countries such as Mexico, Turkey and the Republic of Korea, the population coverage for pensions is much less than 100 per cent.²⁰

In OECD countries, the main pathways for leaving the labour market early differ from country to country. In some of these countries, this occurs mainly through provisions in the pension system or through formal early retirement schemes. In others, it is through disability and other welfare benefits.

In Central and Eastern European countries, during their transition period, the availability of early retirement or pre-pension benefit schemes was a way of mitigating labour market tensions at the expense of older workers. This was also the case in some Western European countries in the 1980s.²¹

Unemployment has not been the main pathway for older workers to leave the labour market and unemployment rates decline substantially with age. A lower unemployment rate for this category of workers does not necessarily imply that older workers face a lower risk of job loss than their younger counterparts – it may reflect that they are more likely to withdraw from the labour market following job loss. Moreover, many older workers are being pushed out from the labour market and prefer to retire rather than face the stigma of unemployment. Furthermore, although unemployment rates for older workers are low in many countries, as shown in figure 1.26, the incidence of long-term unemployment is higher. Under these circumstances, older workers easily become discouraged and may be forced into early retirement involuntarily.

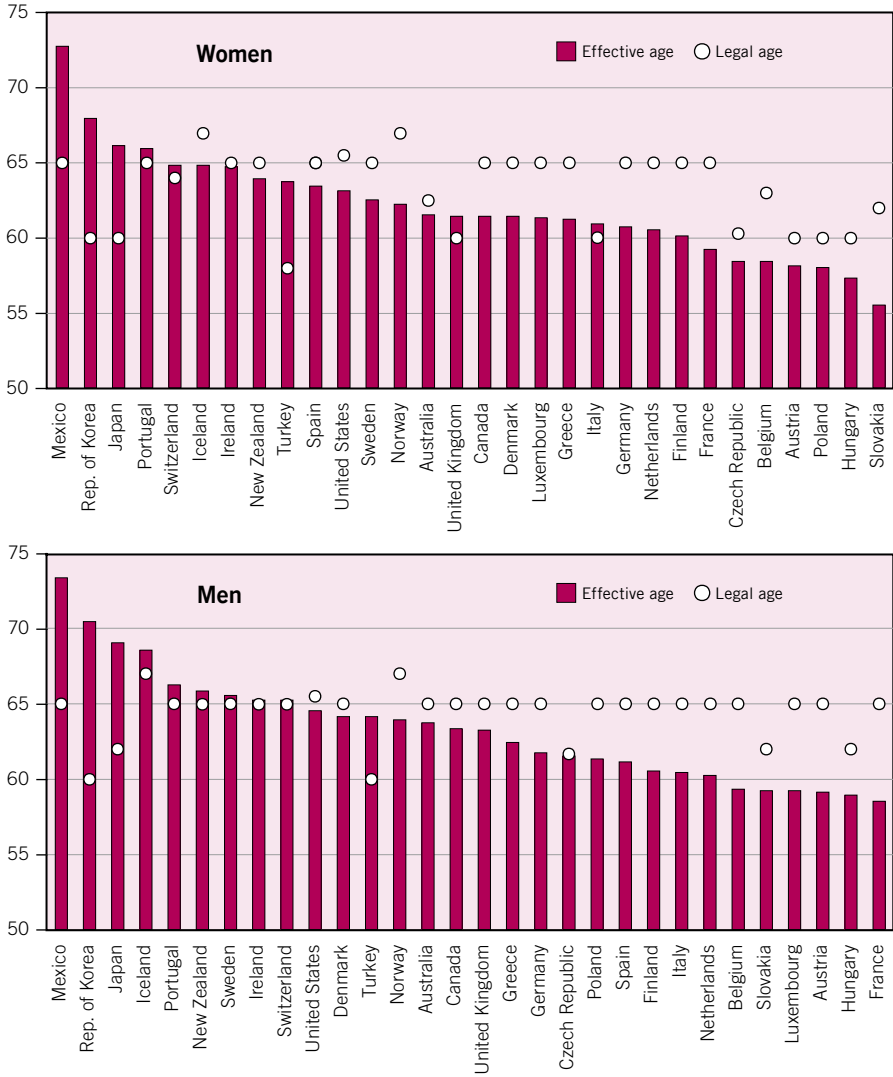
As mentioned earlier, developing countries present the highest levels of labour force participation among the older population. In these countries, large numbers of older people work in the informal economy due to the lack or low

¹⁹ The average effective age of retirement is defined as the average age of exit from the labour force during a five-year period. Labour force (net) exits are estimated by taking the difference in the participation rate for each five-year age group (40 and over) at the beginning of the period and the rate for the corresponding age group aged five years older at the end of the period. The legal age corresponds to the age at which a pension can be received, irrespective of whether a worker has a long insurance record of years of contributions.

²⁰ In these countries, the legal age of retirement applies only to part of the population. The effective age of withdrawal, on the other hand, is calculated as an average of the total labour force (those that have the right to retire and those that have not).

²¹ ILO: *World Labour Report 1995*, Chap. 2 (Geneva, 1995), and Fortuny, Nesporova and Popova, 2003, op. cit.

Figure 1.24. The effective age of retirement versus the legal age of retirement

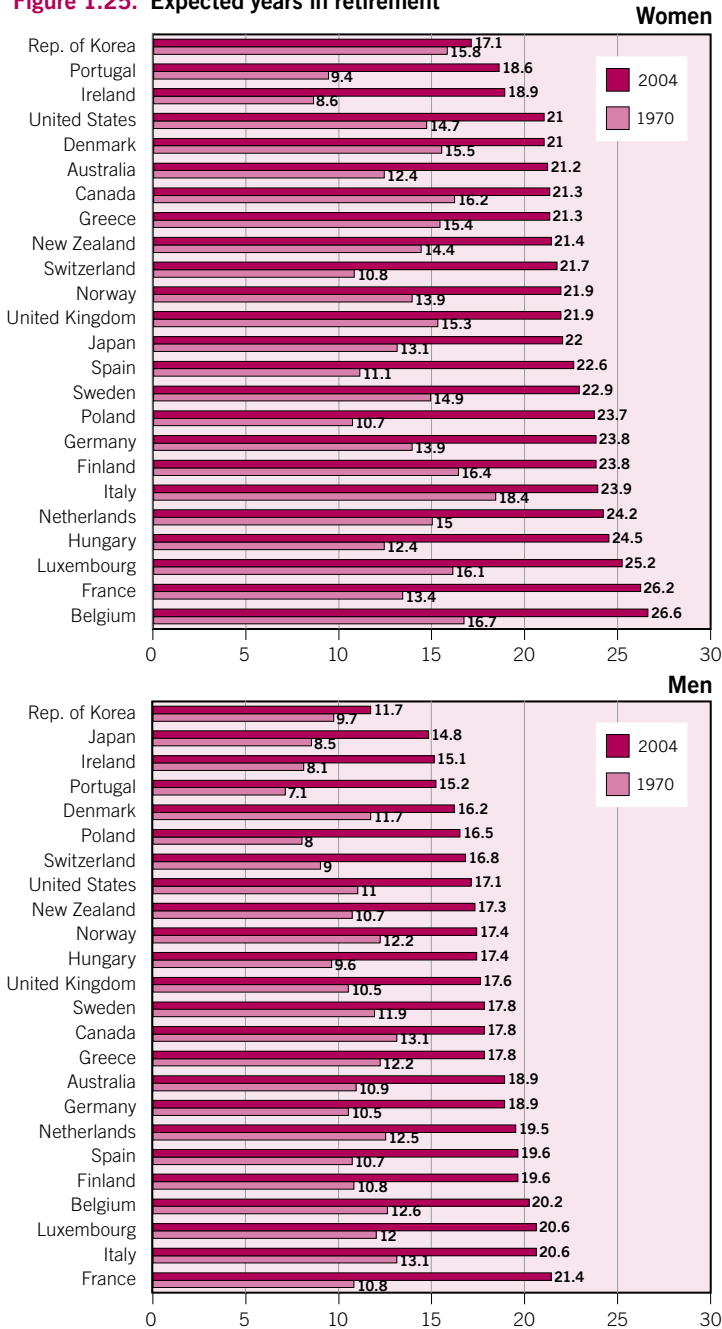


Source: OECD data and national labour force estimates, 2005.

level of old-age benefits. The scarcity of data – and, in particular, data disaggregated by age – is one of the major challenges of any analysis of the labour market situation of older workers in these countries.

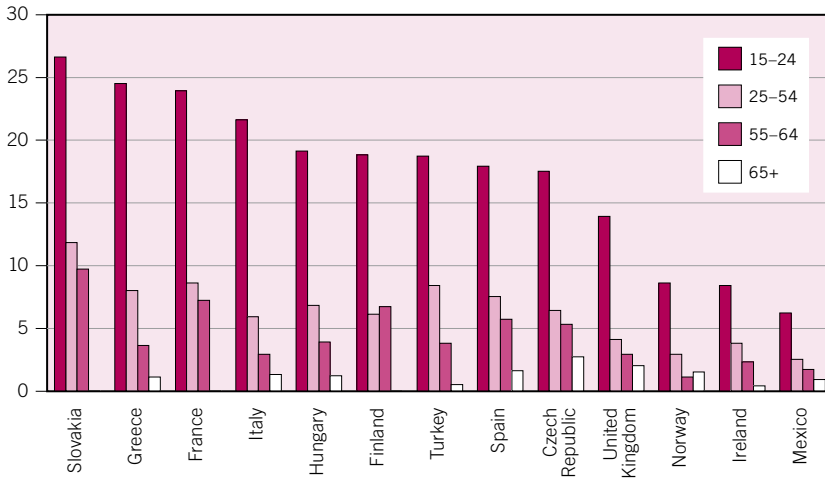
Africa is the region with the highest labour force participation of older workers. Despite some decline recently, participation rates are high and are

Figure 1.25. Expected years in retirement^a



^a The data refer to life expectancy at the average effective retirement age.

Source: OECD, 2005 estimates, in OECD: *Live longer, work longer* (Paris, 2006).

Figure 1.26. Unemployment rates by age in selected OECD countries, 2006

Note: Data for Spain refer to 16–25 age group.

Source: OECD: *Labour force statistics 1986–2006* (Paris, 2007).

expected to remain so. In the poorest parts of the continent (Eastern, Central and Western Africa), the participation rates of workers who are 65 years and above are extremely high; indeed, for males they are above or around 70 per cent.

Older female participation rates in these subregions are also very high (over 70 per cent for the 55–64 age group in Eastern Africa). Female poverty later in life obliges women to continue working mainly in the informal economy for long periods. The participation rates of the older workforce in Asia and Latin America are also high but are lower than those in Africa.

According to a recent ILO study in Latin America,²² large numbers of older people who remain active longer in the labour market are engaged in the informal economy, have low-quality jobs and are mostly self-employed. The ILO study concluded that the participation rates of workers over 60 years were quite high by international standards, and they had been growing. In countries such as Ecuador, Honduras and Paraguay, about half of the older population were working or looking for a job. This was attributed to the improvement in longevity and health among certain segments of the older population, as well as to low pension coverage and insufficient retirement benefits – resulting in older people continuing to work to supplement their pensions. In addition, pension reforms in the 1990s increased the

²² F. Bertranou (ed.): *Envejecimiento, empleo y protección social en América Latina* (Santiago de Chile, ILO, 2006).

retirement age. Finally, Latin America's substantial economic growth throughout the last decade had generated employment for all age groups, including older people.

Regarding unemployment rates, the study found that unemployment among older workers was low but growing in certain countries. In Argentina, for instance, the unemployment rates of older workers had increased by ten percentage points between 1990 and 2003, and the share of older workers in the informal economy had grown in most Latin American countries (except in Brazil, Chile and Panama). In Paraguay, only about 12 per cent of older workers were working in the formal economy. Wage employment was low and decreased with age. Only in Uruguay was the share of older people in wage employment about 50 per cent. Working time decreased with age and time. In Brazil, Honduras and Paraguay, the number of working hours per week of older people decreased by 8 hours between 1990 and 2003.

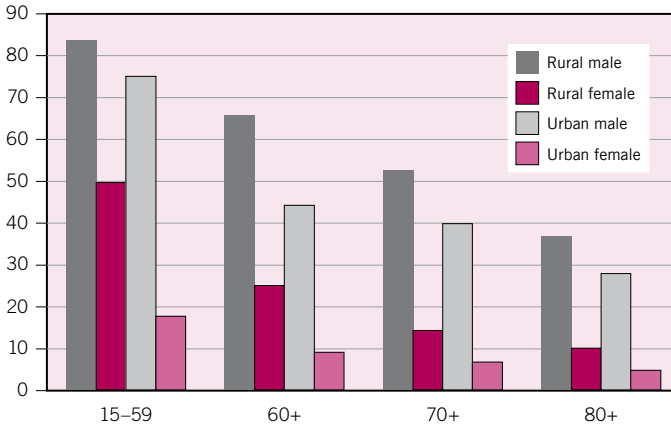
In Asia, countries in South-East Asia present the highest participation rates for the oldest age groups. These are particularly high for females in the 65+ age group, accounting for over 27 per cent, and are expected to continue increasing in the coming years. In Latin America, increases in female participation in the 55–64 age group are particularly striking. In South America, female participation rates of the 55–64 age group have increased by over 20 percentage points since 1980 and are expected to continue rising. In the case of the 65+ age group, rates have increased by 7 per cent and are expected to continue their upward trend. The substantive increase in female participation rates later in life may be attributed to the fact that a large number of older women have to depend on their low widowhood pension and non-contributory benefits, because of their low labour market participation earlier in life.

There are marked differences in old-age participation rates between urban and rural areas in developing countries. According to a recent ILO study,²³ in India, both older men and women present higher participation rates in rural areas (figure 1.27). These rates are particularly high for older males and low for urban females, but may not reflect employment in the informal economy adequately.

In China, where urban areas benefit to a certain degree from social protection systems, labour force participation declines with age. As can be seen in table 1.4, the decline in participation rates for men starts at age 60, which coincides with their official retirement age, while for women the decline starts at age 50 – despite the fact that their official retirement age is 55 years.

As seen earlier, the age structure of the population and labour force is changing and differs according to regions and countries. In the more developed countries, despite increases in longevity, the labour force participation of the older

²³ S. Rajan: *Demographic ageing and employment in India* (ILO, forthcoming).

Figure 1.27. Participation rates by age in urban and rural areas in India, 2001 census

Source: S. Rajan: *Demographic ageing and employment in India* (ILO, forthcoming).

Table 1.4. Outcomes by age group in the urban labour market in China, 2005

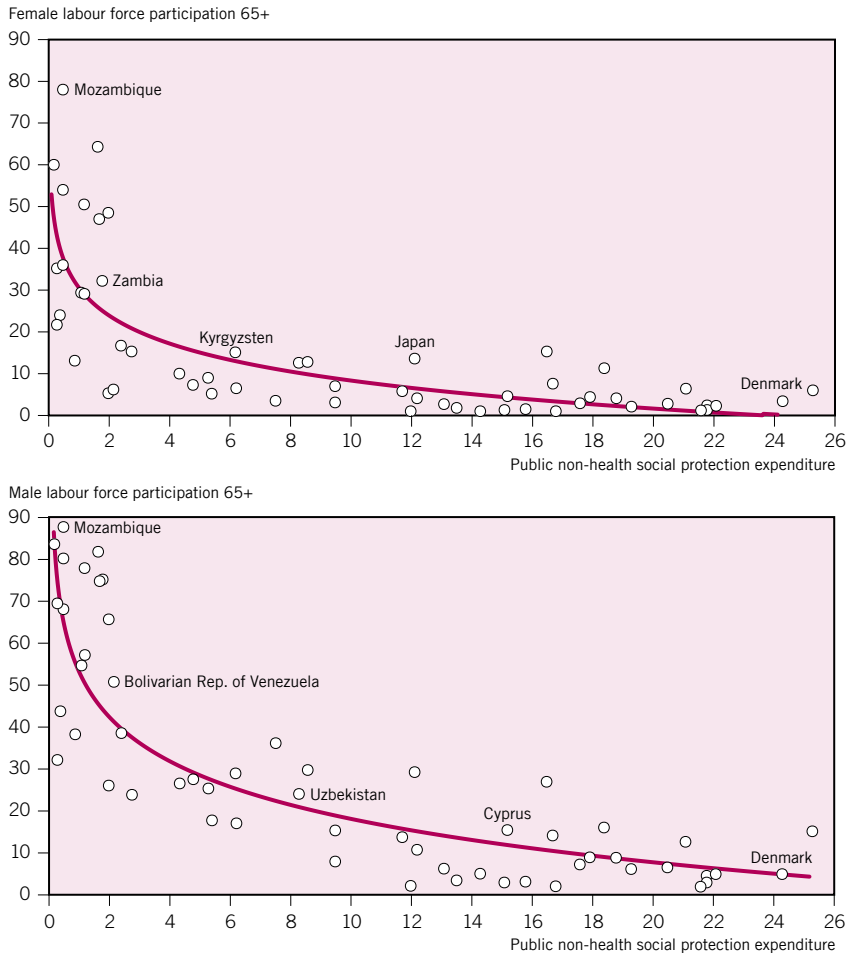
Age group	Labour force participation rate (%)	Unemployment rate (%)
<i>Male</i>		
-40	91.3	8.7
41-50	89.7	7.2
51-60	66.0	4.0
61+	6.4	0.2
All	69.9	5.7
<i>Female</i>		
-40	82.4	8.1
41-50	70.3	6.7
51-60	22.1	0.7
61+	1.9	0
All	51.9	4.7

Sources: Chinese Academy of Social Sciences: *China Urban Labour Survey* (2005). D. Yang and M. Wang: *Demographic ageing and employment in China* (ILO, forthcoming).

age groups has tended to follow a downward trend. Therefore, the number of years that older workers spend in retirement has risen.

In the less developed countries, however, older people continue working to make a living, and their labour force participation is high. The consequence of the changes in the age composition of the labour force in terms of the balance/

Figure 1.28. Correlation between labour force participation of population over 65 years and public non-health social protection expenditure for selected countries as, percentage of GDP, 2005

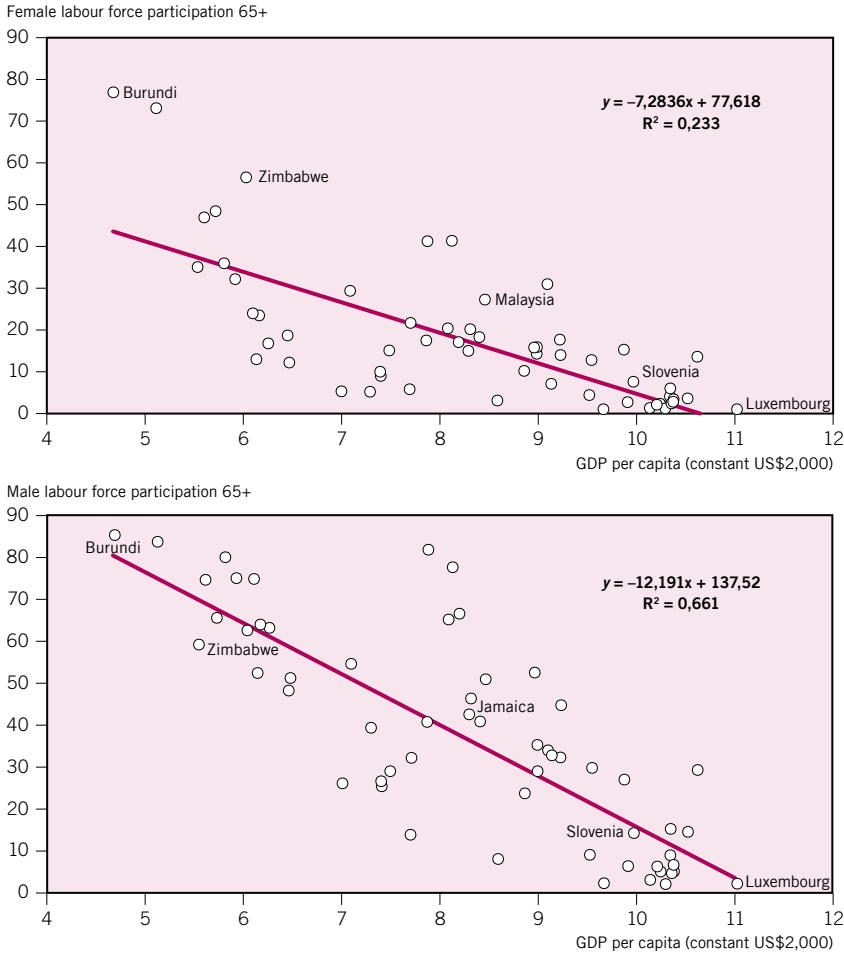


Source: ILO: Laborsta, public non-health data. Authors' own calculations.

proportion between the number of people who work and generate an income versus those who do not work and depend on incomes generated by others, is a key issue. It will be examined in section 1.3.

There is a clear relationship between labour force participation and social security coverage. Figure 1.28 shows the correlation between the labour force participation of men and women over 65 years and public non-health social protection expenditure (which is dominated by pension expenditure). The labour force

Figure 1.29. Correlation between labour force participation of population over 65 years and GDP per capita, 2006



Source: World Bank: *World Development Indicators, 2006* (Washington, DC, 2008).
Authors' own calculations.

participation of older people declines in those countries with higher expenditures. Interestingly, male participation rates are more sensitive to changes in expenditure than female rates. This could be attributed to the fact that male benefit levels tend to be higher than those of women.

Furthermore, there is a clear relationship between labour force participation and income levels. Figure 1.29 presents a correlation between the labour force participation of people over 65 years and GDP per capita, clearly showing the marked inequalities between older people across countries.

1.3. Trends in economic dependency

The demographic context and labour force trends will have important implications for social transfer systems. All countries experiencing a demographic transition will ultimately have to cope with redistributive pressures. The policy challenge posed by this transition is inadequately described by demographic dependency ratios. Countries must generate and redistribute sufficient income from the active groups in the population to those that are less active or inactive to ensure that both transfer financiers and transfer recipients lead a decent life.

Each society develops a pattern of sharing income between the economically active and dependants. National patterns are composed of informal and formal income transfers between various population groups. Informal transfers mostly consist of intra-family transfers in cash and in kind. Formal transfers refer generally to social security benefits financed from general taxes and salary contributions.

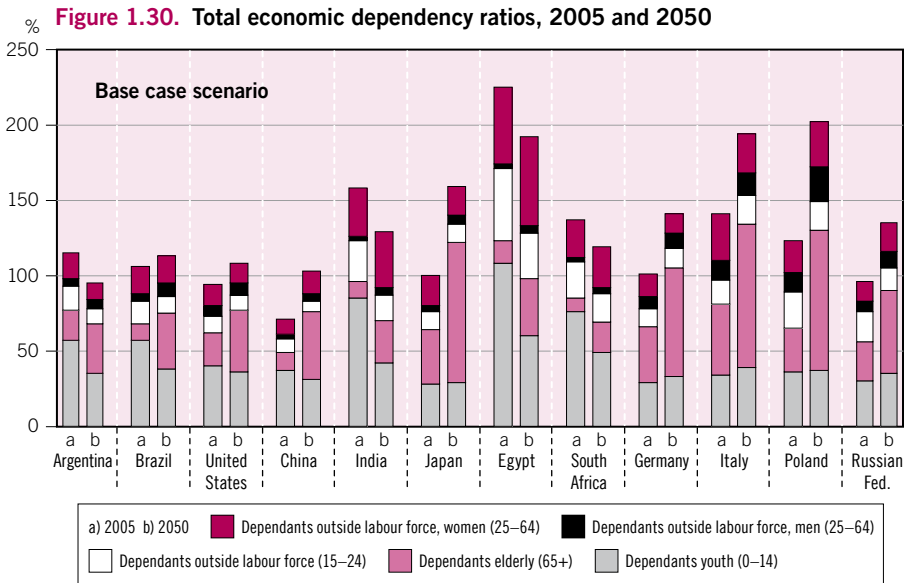
The political and financial sustainability of such patterns of sharing depend on two indicators: the economic dependency ratio and the total transfer ratio. The development of these ratios describes to a large extent the structural social and labour market context for developing policies to deal with demographic change.

Projecting economic dependency ratios

Economic dependency ratios are a proxy for the number of people who have to be maintained by one economically active person. The trends of economic dependency ratios have been studied for six developing countries and six industrialized countries, as seen in figure 1.30. This figure shows that total economic dependency is projected to continue increasing significantly in all industrialized countries during decades to come until 2050, while the overall economic dependency is projected to remain stable or stagnate in developing countries, except in fast-ageing China, although structural shifts are observed among the dependants' group.²⁴

There might still be room for measures to increase overall labour force participation in older industrialized countries, but in developing countries the relatively low level of old-age dependency calls for “de-activation policies” of older people through retirement. In other words, the elderly in developing countries should be allowed to withdraw from the labour force before they die or become totally disabled.

²⁴ The model does not take account of unemployment levels and the fact that economic activity during working age mostly increases when the active cohort shrinks and unemployment drops as a consequence. A risk assessment shows that the worst-case scenario would lead to an underestimation of the total transfer ratio of no more than five to ten percentage points across all regions.



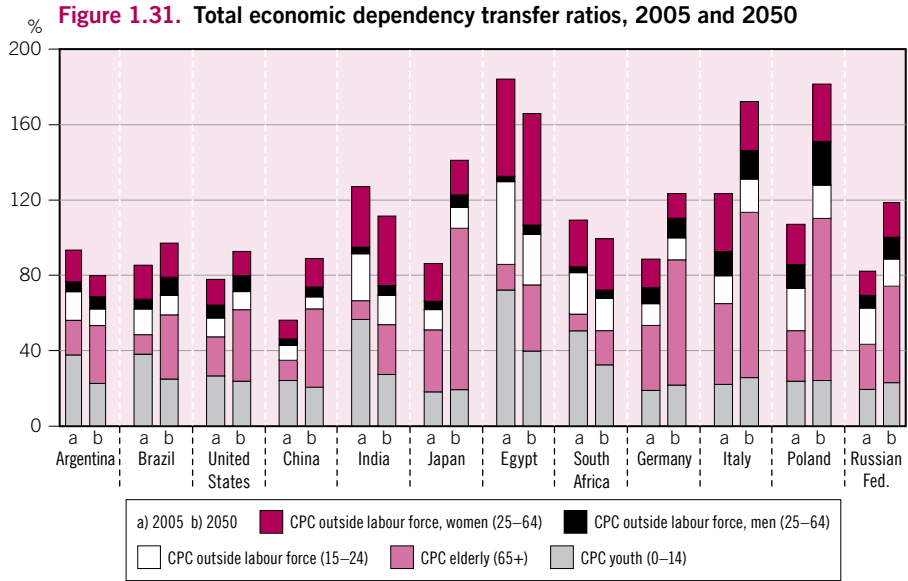
Source: Authors' own calculations.

There is a clear indication that measures to increase labour force participation in developing countries could be targeted at integrating unemployed young persons (dependants in the 15–24 age group) and inactive women of working age, as both these groups of dependants appear to be very large in many of these countries.

Projecting the total transfer ratios

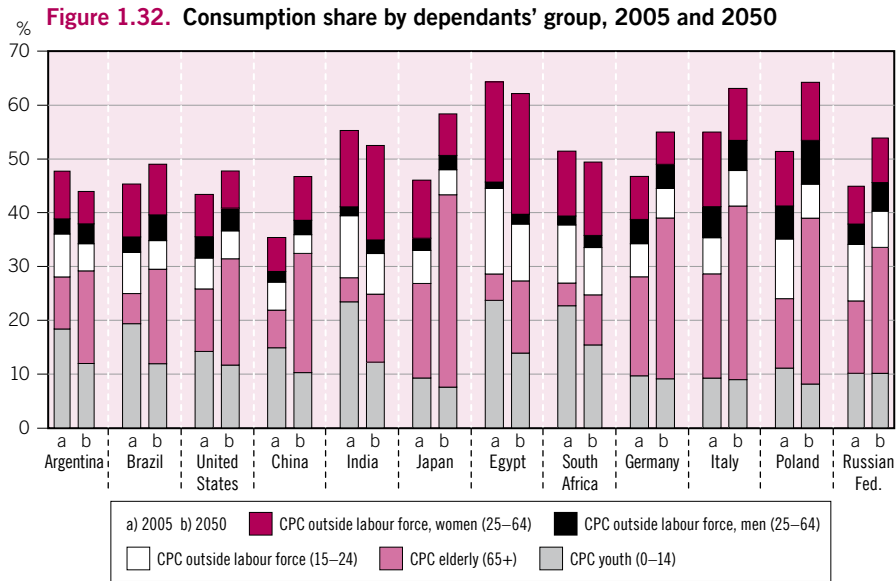
All societies, irrespective of their state of economic development, will transfer income for consumption in cash or in kind from the active population producing goods and services to the young, old and inactive working-age population. Since the elderly generally consume more than children on balance, the trend of increasing old-age dependency will change the composition of redistribution in affected societies.

The combined amount of formal and informal income transfers to the elderly and the young will also change in all regions over the coming decades. Obviously, some of the increased burden to the elderly will be offset by decreasing youth dependency. Shrinking labour forces may lead to reduced unemployment and hence reduce dependency during an individual's active working life. The degree and nature of the net burden will vary by region and country, depending



Notes: ILO assumption: Consumption per capita (CPC) in terms of CPC for age 25–64 equals 100 per cent. For the different population groups of dependants: CPC (0–14) = 67 per cent; CPC (65+) = 92 per cent; CPC (15–24) = 92 per cent; CPC [M(25–64)] = 92 per cent; CPC [F(25–64)] = 92 per cent.

Sources: (1) ILO labour force projections; (2) United Nations: *World economic and social survey 2007*, op. cit.; (3) ILO calculations based on ILO: *Economically active population estimates and projections* (Laborsta, 5th edition, revision 2008); and United Nations, 2007, op. cit.



Source: See fig. 1.31.

on institutional transfer arrangements (such as child benefit schemes and pension schemes) and informal traditions and values.

To demonstrate transfer requirements, figure 1.31 illustrates the extent to which selected countries redistribute adequate amounts of consumption, either formally or informally, to dependent children and inactive women and men. Wherever formal transfer schemes do not exist, informal sharing of income, albeit probably less reliably and less equitably, is assumed to step in.

Figure 1.31 demonstrates the effects of demographic change using a normative transfer ratio.²⁵ The 12 country cases show that in the absence of any policy change, the normative transfer burden in some of the “old” countries will increase over the next four decades, and that in developing countries the burden is likely to stagnate or even decrease (except in fast-ageing China). This may give rise to counteracting policies in industrialized countries. In developing countries it may indicate that there is a “demographic window” for the formalization of social transfers, i.e. the introduction of social security schemes. These schemes may be introduced in these countries and they will have a “window” of about four decades, during which they will be able to operate without additional overall demographic pressure.

The case is also made for policies to tackle the integration of the large groups of inactive women of working age and young unemployed people into the labour force. There will inevitably be some shift in consumption between the young, the non-active individuals of working age and the elderly. Figure 1.32 shows the total consumption of the different groups of dependants in relation to total consumption, which could be expressed in relation to total labour income earned by the active labour force. Countries with a demographic and labour market profile similar to Egypt’s face a challenge nearly as important as aged societies such as Japan and Italy.

In reality, sharing is not perfect. Chapter 2 will demonstrate that the curve of poverty rates by age, notably in developing countries, is U-shaped. In the absence of social security schemes with wide coverage, this indicates that informal redistribution achieves less-than-perfect results. The same is true for formal schemes, albeit with a smaller average gap between real incomes and the poverty line. The above developments set the stage for the policy challenges for developing and developed countries that will be addressed and analysed in the following chapters.

²⁵ Based on United Nations: *World economic and social survey 2007*, op. cit., it is assumed that a child consumes 67 per cent of the amount of an adult of working age (15–64) and dependants in all other categories consume 92 per cent of goods and services consumed by an active person in the labour force. It is also assumed that an economically active person earns an income that is 20–40 per cent higher than her/his consumption. The transfer ratio then sums up all transfer payments to the three groups of economically dependent persons and relates it to the assumed income of all economically active persons.

The economic and social implications of the new demographic context

2

Chapter 1 gave an overview of the new demographic context. This chapter examines economic and social implications this might have on growth, poverty, employment and social protection in developed and developing countries. It argues that while many developing countries still benefit from the so-called “demographic dividend”, most developed and some middle-income countries might find it a challenge to cope with increasing old-age dependency ratios.

2.1. The nexus between economic performance, employment and social security

The relationship between social security, employment and economic performance is complex and multidimensional. Historically, high levels of growth and employment have had a positive impact on the extension of social protection and social security benefits. Most social insurance schemes are financed out of labour incomes and protect against risks related to employment capacity, such as unemployment, sickness, disability and old age. Favourable social security and employment outcomes are influenced by economic growth, and all of them contribute to progress in human and economic development and to poverty reduction.

It is sometimes argued that labour market institutions providing income protection in case of unemployment can, in some cases, have negative economic consequences. But at the macroeconomic level there is little reason to believe that social expenditure has a negative impact on economic performance and employment outcomes. On the contrary, there is ample evidence of the beneficial effects

that reliable social protection systems can have on the economy and labour market. First, they provide income to the unemployed, the disabled, the elderly, and other vulnerable groups, and stabilize consumption during recessions – thereby supporting enterprises until the next growth cycle; second, health care and occupational safety and health increase labour productivity; and third, social services themselves generate substantial employment.¹

Nevertheless, the actual method of financing social expenditure and the incentives set by the benefit structure can influence macroeconomic performance and microeconomic behaviour. A number of econometric studies² have found evidence that a high labour tax wedge³ can increase unemployment. It is argued that even when it is not possible or desirable to cut tax wedges by reducing public spending, it may still be possible to lower them by substituting revenue derived from alternative tax bases. However, alternatives should be closely scrutinized, as expanding other types of taxes is likely to raise efficiency and equity concerns. Furthermore, there is evidence for some industrialized countries⁴ that the level and duration of unemployment benefits may exert an adverse effect on unemployment, but this effect can be reduced through a better design of benefits and supporting labour market policies.

On the whole, the conclusion is warranted that there need be no trade-off between sound economic and employment performances and decent levels of social security. From a historical and worldwide standpoint, it may be seen that those countries that have been most successful in achieving long-term sustainable growth and poverty reduction have all put in place extensive systems of social security. OECD countries have made the decision to invest heavily in social security – generally more than 20 per cent of GDP – as part of their long-term growth and poverty reduction strategies, which they introduced at an early stage. Research on the European Union (EU) indicates that many countries have succeeded in maintaining high-quality social security schemes, while also performing well in terms of economic growth.⁵ In the absence of suitable statistical data, the

¹ ILO: *Social protection as a productive factor*, Governing Body doc. GB.294/ESP/4, 294th Session, Geneva, Nov. 2005, presents a detailed discussion and list of such effects.

² OECD: *Employment Outlook 2006: Boosting jobs and incomes* (Paris, 2006).

³ The tax wedge is the difference between the labour cost to the employer and the corresponding net take-home pay of the employee.

⁴ C. Quintero-Rojas, S. Adjemian and F. Langot: *Growth, unemployment and tax/benefit system in European countries* (Paris, MPRA, 2008).

⁵ M. Cichon and W. Scholz: *Social security, social impact and economic performance: A farewell to three famous myths*, paper for DFID/GTZ/ILO seminar on challenging the development paradigm (Geneva, Sep. 2006); and A. van de Meerendonk et al.: *Economic impacts of selected social security policies covered by international labour standards: A review of recent research* (Geneva, ILO, 2007), mimeo.

picture in developing countries is less clear, but there is no reason to expect a less favourable experience in the long term than that of the industrialized countries. Recent research in India has found evidence that overall expenditure on social protection – measured over a long period, 1973–99 – had a significant positive impact on economic growth. According to the study, social security policies can contribute towards increasing the productive capacity of the poor and thus also boost their potential to secure employment and increase their income.⁶

Furthermore, the current economic recession which is afflicting both developed and developing countries is placing macroeconomic demand-side measures high on the political and economic agendas. In the face of the global crisis, there is broad agreement that fiscal stimulus has a key role to play and the current policy packages emphasize both employment and social security components. There is also growing recognition of the key role of measures to increase demand and restore confidence. According to a recent report, the optimal fiscal package should be timely, large, lasting, diversified, contingent, collective and sustainable.⁷

It is therefore necessary, now more than ever, to look for synergies between policies for social protection, employment, growth and development. Governments, in partnership with the social partners, are being called upon to pursue social objectives alongside economic ones. There is evidence that this can be done successfully – and there is no reason so far to believe that demographic shifts will change that fact.

2.2. Impact on economic growth

Demographic dividends in the developing world: The window of opportunity?

In an increasing number of developing countries, as a result of fertility reductions and increased longevity, the proportion of children is beginning to decline, while there is a rise in the share of working-age adults. If this relatively larger workforce is productively employed, the growth rate of income per capita can potentially receive a considerable boost, which is referred to as the “demographic dividend”. To benefit from the opportunities created by this demographic dividend and to

⁶ P. Justino: “Social security in developing countries: Myth or necessity? Evidence from India”, in *Journal of International Development*, Vol. 19, Issue 3, Sep. 2003, pp. 367–382.

⁷ O. Blanchard et al.: *Fiscal policy for the crisis*, CEPR Discussion Paper No. 7130 (London, CEPR, 2009).

attain a permanently higher economic growth rate, the promotion of productive employment and decent work will be of crucial importance.

The demographic “window of opportunity” first “opened” for the developing world during the 1970s, when Latin America, East and South-East Asia, the Pacific island nations, as well as the Middle East and North Africa, all began to enjoy this dividend. This first dividend period for countries in these regions is expected to last for around 50 years, but with considerable variation between countries. A notable exception is China where, as a joint result of its one-child policy and socio-economic development, the demographic transition was completed in about 20 years.⁸ The window opened later in South Asia (around 1985) and in sub-Saharan Africa (around 1995). The first dividend period for these regions is projected to last longer – somewhere between 60 and 80 years.⁹

The pattern and level of economic growth is dependent not only on the size of wealth accumulation, but also on its distribution and transfer. When unearned income, derived for example from inheritance, is added to full income, this will lead to a higher savings ratio for wage income as well as to a higher savings ratio in general. But this process will also lead to greater income inequality, which is harmful to economic growth. According to some estimates, the latter effect is likely to be higher than the former in ageing societies.

Impact in developed countries

Most studies on the macroeconomic effects of ageing in developed countries are based on the assumption that population ageing could become a drag on economic growth, unless the decline in labour force growth can be arrested, and greater efforts are made to increase labour productivity.

The European Commission¹⁰ has projected that demographic change will gradually limit the scope for future employment growth. The population of working-age persons (15–64 years) in the EU-25 is expected to decline from around 2011 onwards, but total employment will probably continue growing until around 2017 due to rising labour force participation. Thanks to higher education levels and the greater labour force attachment of younger cohorts of women, female employment rates are projected to rise from 55 per cent in 2004 to almost

⁸ D. Yang and M. Wang: *Demographic ageing and employment in China* (ILO, forthcoming).

⁹ R. Lee and A. Mason: *Population aging, wealth, and economic growth: Demographic dividends and public policy*, WESS background paper (New York, United Nations, 2007).

¹⁰ European Commission: *Europe's demographic future: Facts and figures on challenges and opportunities* (Brussels, 2007).

65 per cent by 2025. The employment rates of older workers in the EU-25 are also projected to increase, from 40 per cent in 2004 to 47 per cent by 2010 and 59 per cent in 2025. From 2017 onwards, however, the shrinking working-age population will lead to stagnation and reduction of employment. Productivity will become a key source of future economic growth. For the EU-25 as a whole, the annual average potential GDP growth rate will decline from 2.4 per cent in the period 2004–10 to only 1.2 per cent in the period 2031–50.

Most countries of Central and Eastern Europe are also affected by population ageing, but the economic effect has been greatly offset by the growth in labour productivity.¹¹ Compared to Western Europe, Central and Eastern European countries have greater opportunities to increase productivity and therefore to cope with the consequences of ageing. However, that potential has to some extent (in pre-crisis times) been compromised by migration to Western Europe. Much of the early drop in labour productivity, especially in the former Soviet countries, was the result of an economy-wide shift from higher productivity manufacturing to subsistence farming and low-end services. Romania, for example, saw the share of employment in agriculture rise rapidly from about 30 per cent in 1990 to almost 43 per cent in 2000, while employment in industry plummeted from 40 per cent to just over 25 per cent.

Productivity growth was initially driven more by restructuring, but can now increasingly be boosted by the advantages of greater economic integration, better training and lifelong learning opportunities. Projections demonstrate that policies to increase participation across all ages will have a greater influence on mitigating the effects of ageing than merely focusing on increasing participation of the older age groups.¹²

An important challenge for ageing economies is to bring about significant increases in labour productivity that complement measures to stem the fall in labour supply. For instance, according to United Nations calculations and all other things being equal, Japan would have to ensure a labour productivity growth of 2.6 per cent per year in order to sustain an annual per capita income growth of 2 per cent during the next 50 years to offset the negative impact of a smaller labour force. More than 80 per cent of the required labour productivity growth would be needed to overcome the growth impact of population ageing. The same holds true – but to a lesser extent – in other ageing economies such as Germany, Italy and the United States.

¹¹ M. Chawla et al.: *From red to gray: the “third transition” of aging populations in Eastern Europe and the former Soviet Union* (Washington, DC, World Bank, 2007).

¹² *ibid.*

2.3. Labour force and skill shortages

Several countries, in particular industrialized ones, are increasingly – or were in pre-crisis times – concerned about the prospect of labour shortages. A study commissioned by the Australian Government estimated a shortfall of 195,000 workers for the period 2005–10 as a result of population ageing.¹³ In Sweden, some economic sectors are facing immediate labour shortages. In about 18 out of 24 counties, mostly in big city regions including Stockholm, the demand for labour exceeds the level of supply in occupational sectors such as construction and the mechanical industry. For many companies, this shortage is resulting in a loss of profitability and competitiveness. The Confederation of Swedish Enterprise suggests that one solution to the labour shortage would be to attract more foreign workers into the Swedish labour market.¹⁴

The European Commission predicts that current demographic trends are likely to generate major labour market bottlenecks and skills shortages. According to a recent study, labour market imbalances in future years are unlikely to be limited to the higher skill segments of the labour market. The study concludes that the jobs which will become available in the future will not be confined to those created to meet increased demand or to cater for new markets but will consist also of existing jobs vacated by people retiring – a fact that is often neglected. While some of these jobs may disappear when people retire, most will not. Such jobs are more similar in nature to the prevailing structure of employment than new ones, though more biased towards managers and professionals, on the one hand, and low-skilled workers, on the other, reflecting the pattern of employment among those in the later years of their working lives.¹⁵

According to the World Bank,¹⁶ skills shortages in the new EU Member States have emerged, particularly since 2005, as a constraint to expanding employment. Employers in the Czech Republic, Hungary, Latvia, Lithuania, Poland and Romania report a lack of skilled workers as an important obstacle to business growth. In Latvia and Lithuania, vacancy rates in manufacturing have increased sharply. And in both countries, as well as in Poland, vacancy rates in construction have increased as well. Part of this is due to outmigration associated with the

¹³ Australian Government, Department of Employment and Workplace Relations: *Workforce tomorrow: Adapting to a more diverse Australian labour market* (Canberra, 2005).

¹⁴ European Industrial Relations Observatory On-line (EIROnline): *Tackling the shortage of skilled labour in industry* (2008) at: www.eurofound.europa.eu/eiro/2008/01/articles/sc0801029i.htm.

¹⁵ European Commission: *The implication of demographic trends for employment and jobs* (United Kingdom, Alphametrics Ltd, 2005).

¹⁶ P. Mitra: *Innovation, inclusion and intervention. From transition to convergence in Eastern Europe and the former Soviet Union* (Washington, DC, World Bank, 2008).

opening of labour markets in the original EU-15 countries. However, there is an excess supply of unskilled labour, particularly in Bulgaria, the Czech Republic, Hungary and Slovakia.

The impact of labour shortages in specific sectors and occupations such as health care is a pressing issue. In this respect, both developing and developed countries are facing important challenges due to the shortage of qualified health-care workers. The WHO estimates a global shortage of 4.3 million health workers.¹⁷ The shortage is most acute in the countries that need them most. In developing countries, especially low-income ones, shortages of qualified health workers are already noticeable and will worsen; these countries will also require more professional health workers for chronic diseases. In developed countries as well, there is a growing demand for specialized personnel in hospitals and long-term care facilities associated with a growing older population.

Already, one out of five practising physicians in the United States is foreign-trained, and by 2020 the United States could face a shortage of up to 800,000 nurses and 200,000 doctors. Zimbabwe trained 1,200 doctors during the 1990s, but only 360 remain today. In Zambia, only 50 of the 600 doctors trained over the last 40 years are still in the country.¹⁸ Vacancy levels in the Ghana Health Service demonstrate a health-care system in crisis. In 2002, there was a nearly 50 per cent shortfall in doctors and a 57 per cent shortfall in professional nurses. A 2002 memo by the Director-General of the Ghana Health Service indicated that more Ghanaian doctors worked outside of Ghana than within. The predominant countries of destination of Ghanaian doctors, ranked in order, are the United States, United Kingdom, South Africa and Canada.¹⁹

2.4. Productivity and earnings

At the macroeconomic level, productivity growth is generally considered the result of a variety of production factors, such as capital, labour and technology, all of which are interrelated. The growth contributions of capital and labour are fostered by investments in physical and human capital. Research and development is at the source of new and improved technologies and products as well as of improved working methods.

¹⁷ WHO: *World Health Report 2006* (Geneva, 2006).

¹⁸ L. Garrett: "The challenge of global health", in *Foreign Affairs*, Vol. 86, No. 1, 2007.

¹⁹ J. Crush (ed.): *The brain drain of health professionals from sub-Saharan Africa to Canada*, Southern African Migration Project (SAMP) (Cape Town and Queen's University, Canada, 2006).

Innovation and creativity are typically associated with younger members of society. It is therefore sometimes argued that a shrinking proportion of younger workers in the labour force may result in slower advances in science and technology, which could have an adverse impact on productivity growth.

A common view is that workers become less productive and more expensive when they get older. There is the perception that productivity may decline with age due to deteriorating mental and physical capacity and skill obsolescence as well as to increasing labour costs, especially in the context of the seniority-based wage systems. While there is little research to report on these links for workers in the informal economy and in the developing countries, evidence on age-productivity-earnings profiles for wage earners in the OECD region shows that for some of these countries, earnings rise more steeply with age or decline very little in the older age groups. Where labour costs of older workers rise faster than their productivity, employers may be reluctant either to retain workers beyond a certain age or hire older workers.²⁰

Available evidence, however, does not underpin the views that older workers are necessarily less productive than their younger counterparts. An older labour force and longer working lives need not necessarily imply a less productive labour force. A comprehensive survey of the vast literature that exists on the relationship between age and productivity concludes that verbal abilities and communication skills remain virtually unchanged throughout the life cycle.²¹

Older workers frequently rely on the knowledge and skills and overall professional experience acquired in the course of their working lives. Often what they bring to jobs late in their careers goes well beyond their formal education. Qualities such as accuracy, reliability and the ability to communicate with customers and colleagues characterize many older employees.²² The premature loss of such skills, or the failure to replace them, often entails an economic risk for a company. As both practical experience and research demonstrate, older employees – deployed in the right posts for their individual skills – are highly productive.²³

It has also been observed that if older workers are more expensive, this may reflect to a greater extent non-wage costs, such as pensions and the tax wedge, rather than wage costs per se. In Switzerland and Finland, social security

²⁰ OECD, 2006, op. cit., p. 67.

²¹ V. Skirbekk: *Age and individual productivity: A literature survey* (Rostock, Max Planck Institute for Demographic Research, 2003).

²² Useful qualities often found in older workers that are cited in the literature include: stability, reliability, less voluntary absenteeism, lower turnover, company loyalty, etc.

²³ G. Naegele and A. Walker: *A guide to good practice in age management* (European Foundation for the Improvement of Living and Working Conditions (Eurofound)) (Dublin, 2006).

Box 2.1 Seniority wages in Japan and the Republic of Korea

Japan and the Republic of Korea are two countries where seniority wages are a deeply embedded part of national wage practices, leading firms to set a relatively low age of mandatory retirement. Consequently, few older workers are retained in their existing jobs after age 60 in Japan and age 55 in the Republic of Korea. In fact, while in all countries the wages of men generally drop after the age of 50–54, in the Republic of Korea this drop occurs from the age of 45–49 onwards.

Once their employment contracts cease at age 60, Japanese workers who wish to remain with the same company can be rehired at a lower wage or in another position. Upon reaching the age of 60, the average wages of Japanese workers decline significantly. This is true regardless of company size, although the cut in average wages tends to be larger for companies with a greater number of employees. Hence, at companies with 100–999 employees, the cut is around 30 per cent, compared to 35 per cent in companies with 1,000 or more employees.

Note: Seniority wages are also present, although less prominently, in the wage-setting practices of other countries such as Austria, Belgium, France, Netherlands and Spain.

Sources: OECD: *Korea, Ageing and Employment Policies* (Paris, 2004); and OECD, 2006, op. cit.

contributions rise with the age of workers, while in the United States, employer-provided benefits such as health insurance and defined benefit pension plans may lead with age to significant increases in non-wage costs.²⁴ According to a recent study, high tax wedges are found to be associated with lower employment prospects for older workers.²⁵

With respect to earnings, there is large variability among countries and within regional groups, with some countries emphasizing seniority wages while others display flatter or diminishing age-earnings profiles. Greater proportions of older workers are in employment in the second group of countries. For instance, Eastern European countries tend to show a flat profile while among the EU-15 average earnings continue to rise until the 55–64 age group, declining only after age 65.²⁶

²⁴ OECD, 2006, op. cit.

²⁵ A. Bassanini and R. Duval: *Employment patterns in OECD countries: Reassessing the role of policies and institutions* (Paris, 2006).

²⁶ Eurofound: *Working conditions of an ageing workforce* (Dublin, 2008).

Although seniority wages may promote worker loyalty and retention at younger ages, they are likely to reduce the hiring and retention of older workers.²⁷ Elsewhere it has been observed that for older workers at risk of lay-off or dismissal, there may be an argument for their accepting lower wages in return for employment security. Nevertheless, the main issue for consideration needs to be how wages can be equitably structured in a manner that encourages the productivity of older workers in the workplace, while also recognizing their financial needs.²⁸

With a view to moving away from a seniority-based to a more flexible wage system, Singapore established a tripartite committee comprising representatives from the Government, employers and trade unions in 2004. The flexible wage system requires that a greater proportion of variable components, such as performance bonuses, form part of the wage structure. It is closely tied to value-added activities of workers and company performance. Although small and medium-sized enterprises (SMEs) have been slower to adopt the wage reform, as of June 2005, 90 per cent of the workforce in large enterprises and 73 per cent in SMEs were covered by wage structures that contained at least one key wage recommendation.²⁹

Finally, there is evidence that the likelihood of having a disability increases with age, and that an increasing proportion of the workforce will therefore have age-related disabilities. Consequently, policies to integrate disabled people into the labour force will become increasingly important,³⁰ particularly in economies experiencing skills and labour shortages.

2.5. Poverty and the informal economy

Much of the above analysis on the relationship between ageing, growth, productivity and wages relates to formal wage employment. There is relatively little research on the overall impact that ageing societies have on poverty and the informal economy – an issue which concerns mainly but not exclusively the developing countries.

The synergies between demographic change, age distribution and economic development have long been debated among policy makers and the research

²⁷ OECD, 2006, op. cit.

²⁸ N.S. Ghosheh Jr., S. Lee and D. McCann: *Conditions of work and employment for older workers in industrialized countries: Understanding the issues* (Geneva, ILO, 2006).

²⁹ S. Thangavelu: *Country study on the promotion of decent work for older persons in the formal and informal economy – case of Singapore* (Singapore, National University, 2008).

³⁰ ILO: *Skills for improved productivity, employment growth and development*, Report V, International Labour Conference, 97th Session, Geneva, 2008.

community. An influential report in the 1980s concluded that “on balance, we reach the qualitative conclusion that slower population growth could be beneficial to economic development for most of the developing countries”.³¹ This matter was also debated in length at the 1994 United Nations International Conference on Population and Development in Cairo, where countries committed themselves to a comprehensive approach that would include the integration of both population and development strategies.³² A comprehensive research project commissioned by the United Nations Population Fund (UNFPA) has examined in detail the consequences of demographic change on poverty and development.³³ The findings of the research support the view that the demographic transition and reductions in population growth rates throughout most of the developing world in the last few decades have contributed and are contributing to improvements in the lives of the world’s poor.

Poverty has specific and often cumulative age and gender dimensions. Accelerated ageing in developing countries will produce a rapid increase in the numbers of older people, and in their share of the population. To the extent that older people, and in particular older women, are more exposed to poverty risk, population ageing is likely to increase poverty, particularly in these countries. Current demographic trends, combined with the impact of migration and HIV/AIDS, are bound to make this trend even more significant in the future.

In developing countries, where there is limited access to social security benefits, the relationship between age and poverty is U-shaped, with the incidence of poverty being higher among younger and older groups. Evidence from qualitative and participatory research supports these findings and suggests a range of factors contributing to poverty and vulnerability in later life.³⁴ Older people’s access to paid work, basic services and social networks provides an important component of their well-being. The findings of a study on poverty in West Africa point to a substantial and possibly greater poverty risk among older compared to younger adults.³⁵

³¹ National Research Council: *Population growth and economic development: Policy questions* (Washington, DC, 1986), p. 90.

³² United Nations: *Programme of action of the International Conference on Population and Development*, doc. A/CONF:171/13 (Cairo, 1994).

³³ N. Birdsall, A. Kelley and S. Sinding: *Population matters: Demographic change, economic growth, and poverty in the developing world* (New York, Oxford University Press, 2001).

³⁴ A. Barrientos, M. Goman and A. Heslop: “Old age poverty in developing countries: Contributions and dependence in later life”, in *World Development* (Oxford), Vol. 31, No. 3 (2003).

³⁵ F. Ogwumike and I. Aboderin: “Exploring the links between old age and poverty in anglophone West Africa: Evidence from Nigeria and Ghana”, in *Generations Review*, Vol. 15, No. 2, Apr. 2005.

The poverty incidence among older people is not evenly distributed between urban and rural areas. In most countries, old-age poverty in rural areas is more acute. For example in China, the survey conducted by the China Ageing Working Committee and China Ageing Association in 2000 concluded that poverty incidence in rural areas was about four percentage points higher than in urban ones. Furthermore, according to data in urban areas, elderly women have higher poverty rates than men and poverty rates decline significantly for those that have access to a pension.³⁶

Elderly people make an important contribution to economies and societies. In India, recent research shows that households with elderly members do not have higher poverty rates than non-elderly households.³⁷ A study of 15 sub-Saharan African countries revealed, however, that the incidence of poverty was significantly higher in eight countries among households where older persons were living with children, usually their grandchildren.³⁸ In such living arrangements, often called “skipped generation households”, the parents have died from HIV/AIDS and older persons are the sole breadwinners and caregivers for young children.³⁹ In the United Republic of Tanzania, for instance, 28 per cent of all households are headed by older people over 55 years; 68 per cent of these households are caring for orphans and vulnerable children due to HIV/AIDS and other factors; and 61 per cent of them are headed by women over 55 years of age.⁴⁰

Through its demographic and economic effects, the HIV/AIDS pandemic poses a huge challenge to the financial management of national social protection systems. Although the share of contributors reaching retirement age declines, the number of surviving dependants entitled to benefits increases. Using a simplified social budget model, it has been observed that as long as a pension scheme can find new contributors to replace those prematurely dying of AIDS, the impact of AIDS on national pension schemes appears to be financially manageable – but this would require political commitment to reallocate resources to health care and other elements of social security.⁴¹

³⁶ Yang and Wang, forthcoming, op. cit.

³⁷ S. Pal and R. Palacios: *Understanding poverty among the elderly in India: Implications for social pension policy* (Institute for the Study of Labor, Bonn, 2008).

³⁸ N. Kakwani and K. Subbarao: *Ageing and poverty in Africa and the role of social pensions* (Brasilia, UNDP Poverty Centre, 2005).

³⁹ United Nations: *World Economic and Social Survey 2007: Development in an ageing world* (New York, 2007), p. 95.

⁴⁰ HelpAge International: *Mainstreaming ageing into the Tanzania poverty reduction strategy* (Dar es Salaam, 2004).

⁴¹ P. Plamondon, M. Cichon and P. Annycke: “Financial effects of HIV/AIDS on national social protection schemes”, in M. Haacker (ed.): *The macroeconomics of HIV/AIDS* (Washington, DC, IMF, 2004).

In Latin America and the Caribbean, old-age poverty profiles also widely differ across countries, and are mainly dependent on the development of pension systems. In South American countries with relatively well-developed pension systems (Argentina, Brazil, Chile and Uruguay), old-age poverty is substantially lower than the national average – but in many other countries in the region it is about equal to or higher than the national average.⁴² Four of the five countries in southern Africa that have universal social pension schemes – Botswana, Lesotho, Mauritius and South Africa – are making more progress than their neighbours towards achieving Millennium Development Goals (MDGs) on poverty and hunger, primary school completion and gender equality in primary education, while in Namibia higher spending on education and health for children has been recorded for households in which an older person is receiving a social pension. Similar results are coming through from Zambia and Mozambique, where cash transfers to older persons have led to higher spending patterns on children's schooling.⁴³

Globally, however, about 80 per cent of the world's population is not sufficiently protected in old age against health, disability and income risks.⁴⁴ This means that in low- and middle-income countries alone about 342 million older persons currently lack adequate income security. That number could rise to 1.2 billion by 2050, if the coverage of current mechanisms designed to provide old-age income security is not expanded.⁴⁵

A significant share of the workforce is engaged in the informal economy in developing countries. The ILO estimates that informal employment comprises about 65 per cent of non-agricultural employment in developing Asia, 51 per cent in Latin America, 48 per cent in North Africa and 72 per cent in sub-Saharan Africa. This share would be larger in some countries if informal employment in agriculture were included.⁴⁶ In the informal economy there is a high prevalence of ambiguous or disguised employment relationships which particularly exacerbate gender inequalities and affect older people. In recent years, several countries in different regions (such as Chile, Costa Rica, Ghana, Malawi, Morocco, Peru, South Africa, Thailand and the United Kingdom) have adopted new laws or modified existing ones to extend outreach to specific groups of homeworkers,

⁴² L. Gasparini et al.: *Poverty among the elderly in Latin America and the Caribbean* (La Plata, CEDLAS, 2007), p. 33.

⁴³ ILO: *Africa study on demographic change* (forthcoming).

⁴⁴ ILO: *Decent work and the informal economy*, Report VI, International Labour Conference, 90th Session, Geneva, 2002.

⁴⁵ United Nations: *World Economic and Social Survey 2007*, op. cit., p. xiv.

⁴⁶ ILO: *Women and men in the informal economy* (Geneva, 2002).

subcontractees, domestic workers and/or to address ambiguities in employment relationships.⁴⁷ The Employment Relationship Recommendation, 2006 (No. 198), provides further guidance on this latter point. The ILO resolution and conclusions concerning decent work and the informal economy, adopted in 2002, provide a comprehensive framework for action to move out of informality and also recognize older workers as one of the groups “especially vulnerable to the most serious decent work deficits in the informal economy”.⁴⁸

In many developing countries, there is evidence that among the elderly who need to work, most are more likely to be self-employed or entrepreneurs than wage earners; indeed, many work in the informal sector. In Latin America, the share of older workers in informal employment is high – and in several countries of the region the share of older women is higher than that of men.⁴⁹

In India, the vast majority of older people are self-employed and casual workers. While the proportion of the self-employed elderly in India varied from 75.6 per cent in 1983 to 81.5 per cent in 2004–05, the percentage engaged as casual workers was between 17.1 per cent and 16.5 per cent for the corresponding periods. The proportion of regular employees varied between 4.4 per cent in 2004–05 and 6.5 per cent in 1983. Although the general pattern applies to both elderly men and women, it is seen that a large proportion of elderly men compared to elderly women are engaged in self-employment, while the reverse is true for casual labour.⁵⁰ In China, according to recent urban surveys, there is a significant trend of employment informalization in the urban labour market, which is affecting older people. If we look at the situation of informal employment by age group and by gender, we can see that the older age groups present a higher participation in the informal economy, in particular older women.⁵¹

Poverty reduction strategies in developing countries, however, seldom target older age groups. The low priority attached to old-age poverty in development goes

⁴⁷ ILO: *The informal economy*, Governing Body doc. GB.298/ESP/4, 298th Session, Geneva, Mar. 2007.

⁴⁸ The resolution was adopted at the General Conference of the International Labour Organization, meeting at its 90th Session, 2002. The resolution defines informal economy as all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs.

⁴⁹ See detailed gender analysis on informality in old age in F. Bertranou (ed.): *Envejecimiento, empleo y protección social en América Latina* (Santiago de Chile, 2006).

⁵⁰ S. Rajan: *Demographic ageing and employment in India* (ILO, forthcoming).

⁵¹ Yang and Wang, forthcoming, op. cit.

back a long way. There is a widespread view that reducing poverty among the old may have less of an impact on poverty reduction and economic development than, for example, programmes aimed at reducing poverty among children or youth.

2.6. Retirement patterns

Deeply rooted in long-standing values of intergenerational solidarity, formal social security pensions – which started more than a century ago – quickly became an important part of society's intergenerational arrangements and were considered a necessary supplement to informal arrangements. The common understanding of what is “retirement” and what is a “retirement pension” has nonetheless evolved over the last century in developed countries, where the right to retire has been granted to the majority of their populations.

More than 100 years ago, when the first European retirement pension schemes were established, old-age pensions had the rather narrow function of providing a certain income to those physically unable to continue working on account of their age and health status. Even the Social Security (Minimum Standards) Convention, 1952 (No. 102), clearly links the retirement age to the ability to work: “The prescribed age shall be not more than 65 years or such higher age as may be fixed by the competent authority with due regard to the working ability of elderly persons in the country concerned.” However, in high-income countries, retirement gradually came to be seen as a well-deserved period of rest and leisure after years of hard work.

The effective retirement age started to go down in high- and some middle-income countries, even though on average people were living longer and increasingly enjoying relatively good health. Now there are growing signs that this natural inclination to retire early is changing. Conversely, in low-income and many middle-income countries with underdeveloped social security systems, people might want to retire earlier but are compelled by economic circumstances to continue working. Without access to affordable retirement, they may be forced to work against their wishes and possibly in spite of failing health. In fact, this is still the prevailing situation throughout the world: most people work until very old age and often until they die.

A survey carried out in the United Kingdom made a distinction between involuntary (push) and voluntary (pull) factors determining retirement. Push factors included health problems, redundancy, reduced job satisfaction, caring responsibilities, and a change in the individual worker's role or the nature of the

work itself. Other push factors cited were recession and industrial restructuring, as well as employer-fixed retirement ages. Ill health was the most frequently mentioned push factor. Among pull factors, financial security, i.e. the ability to afford retirement, was the most important. Other pull factors included the opportunity to look after the home and/or spend time with family, and a desire to enjoy quality time and hobbies.⁵²

Financial need is the most important reason for continuing to work, but not the sole factor. Other practical reasons and some considerations that are purely personal in nature also contribute to older persons' decisions to work longer or to return to the labour force following a period of absence. The previously cited survey in the United Kingdom also mentions job satisfaction and a desire to remain fit and active as reasons respondents gave for remaining at work.⁵³ Poor health may help explain the decision to retire early, but workers also mentioned improved health and well-being, as well as a better work-life balance as factors motivating a decision to remain at work. Relations with co-workers and managers, including feelings of appreciation and belonging, have similarly been cited as benefits derived from an extended working life, along with more time to prepare better for retirement.⁵⁴

Retirement wishes and plans of older workers who have alternatives need to be placed in a larger societal context, which comprises decisions to be taken by national and local governments, enterprises, the social partners and a broad range of civil society actors. Workers regard the right to retirement and access to cheap or free medical care as deferred remuneration for work during their earlier years. Societies that maintain relatively early ages of withdrawal from the labour force have to accept what such an implicit redistribution of income might cost in terms of overall levels of welfare if it cannot be compensated by an increased productivity of the shrinking workforce. How to accommodate the desires of older workers with the workforce needs of companies and organizations and the relatively smooth functioning of societies as a whole becomes an important societal challenge.

⁵² P. Irving, J. Steele and N. Hall: *Factors affecting the labour market participation of older workers: qualitative research*, Department for Work and Pensions, Research Report No. 281 (London, 2005), p. 3.

⁵³ *ibid.*, p. 60.

⁵⁴ Eurofound: *Employment initiatives for an ageing workforce in the EU15* (Dublin, 2006).

2.7. Social security: Extension and sustainability

Social security in general, and social security pensions in particular, have proven – if well designed and governed – to be very effective in preventing poverty and social insecurity throughout an individual's entire life cycle. They therefore have an important part to play in coping with the challenges brought about by demographic change in both developed and developing countries. Promoting social security for all and thus enabling all citizens of the world to weather life's challenges – regardless of whether they face a permanent social crisis in terms of persistent poverty, structural economic change triggered by economic and labour market adjustments, changing demographic and family structures, or temporary poverty when unemployed as a fall-out of global economic and financial crises – is a crucial part of the ILO's mandate and the Decent Work Agenda.

In many OECD countries, particularly those in Europe, thanks to solid social security pensions and the provision of affordable health care, the U-shaped relationship between age and poverty has been broken and the incidence of poverty among the elderly is in some cases even lower than for other age groups. An OECD study shows that in the majority of countries under consideration, the poverty incidence was much lower in the 1990s than in the 1970s, and in the case of Canada and Netherlands poverty among older persons was lower than among any other age group (over 18 years).⁵⁵

Given the importance of having a full perspective on intergenerational relationships and transfers, it is relevant to note that, in many of these countries, the poverty incidence among the youngest age groups has increased. This may be attributed to the substantial increase in unemployment rates (and in particular the increase in youth unemployment), as well as to the reduced fiscal space for expenditure on labour market policies, unemployment benefits and benefits for young families with children. The latter dates back to the time when governments sought to contain overall social expenditure and total public expenditure in the 1980s and 1990s. Pension expenditure was also contained. It is uncertain to what extent in the future pension systems in OECD countries will still play the poverty prevention role with an equal force: European Union⁵⁶ and OECD⁵⁷ studies show that pension reforms undertaken recently in many countries will lead gradually to a substantial reduction of benefit levels.

⁵⁵ OECD: *Ageing and income. Financial resources and retirement in 9 OECD countries* (Paris, 2001).

⁵⁶ European Union: *Current and prospective theoretical pension replacement rates*, Report by the Indicators Sub-Group (ISG) of the Social Protection Committee (Brussels, 2006).

⁵⁷ OECD: *Pensions at a glance 2005* (Paris, 2005).

As pensions and health care generally account for more than two thirds of all social security expenditure in countries, we shall now focus on these two social security benefits as well as a new challenge for old societies – long-term care. The section will conclude with considerations on the financial affordability of national social security systems.

Ageing and pension coverage

In high-income and an increasing number of middle-income countries, universal pension and health care coverage has been – or is being – achieved. But with increasing longevity and relatively short working lives, social security systems are under growing financial pressure. This often leads to reforms which will result in lower benefits for future generations of retirees. In most of the lower-income countries, people have no entitlement to any non-contributory social assistance or universal pensions that might lift them out of poverty when they reach retirement. Access to health care is also an important challenge for most developing countries, and in particular for older people who need more services.

Figure 2.1 shows the extent of pension coverage in selected countries in different regions of the world. Coverage can be measured – data allowing – in various ways. In this figure, we take the number of pensioners as a proportion of the population aged 60 years or more as the proxy indicator. An ideal indicator in this case would show what percentage of all the population over a certain age threshold (such as 60 or 65 years) is actually receiving any kind of pension benefit. This would require information on the number of pension recipients by age, and that is not available for many countries in question. Furthermore, the data used are from administrative sources; it would have been better to have available household survey data, but that was not possible for the majority of countries.

For most of the OECD countries, the coverage indicator used would be equal or close to 100 per cent or even higher (as there are many younger persons under 60 among pensioners). Full coverage would be reached if we took into account not only retirement pensions but also survivors' pensions, as even in the OECD many older women are receiving survivors' pensions awarded after the death of their spouses since either they have no entitlements to an old-age pension of their own or their spouse's entitlement is higher than that of women.

As we can see from figure 2.1, in the majority of countries outside the OECD, only a minority of the elderly receive any pension from the formal social security system. The worst situation is in Africa, where 10 per cent of the elderly – or even less – have any pension entitlement. And the situation will not improve radically

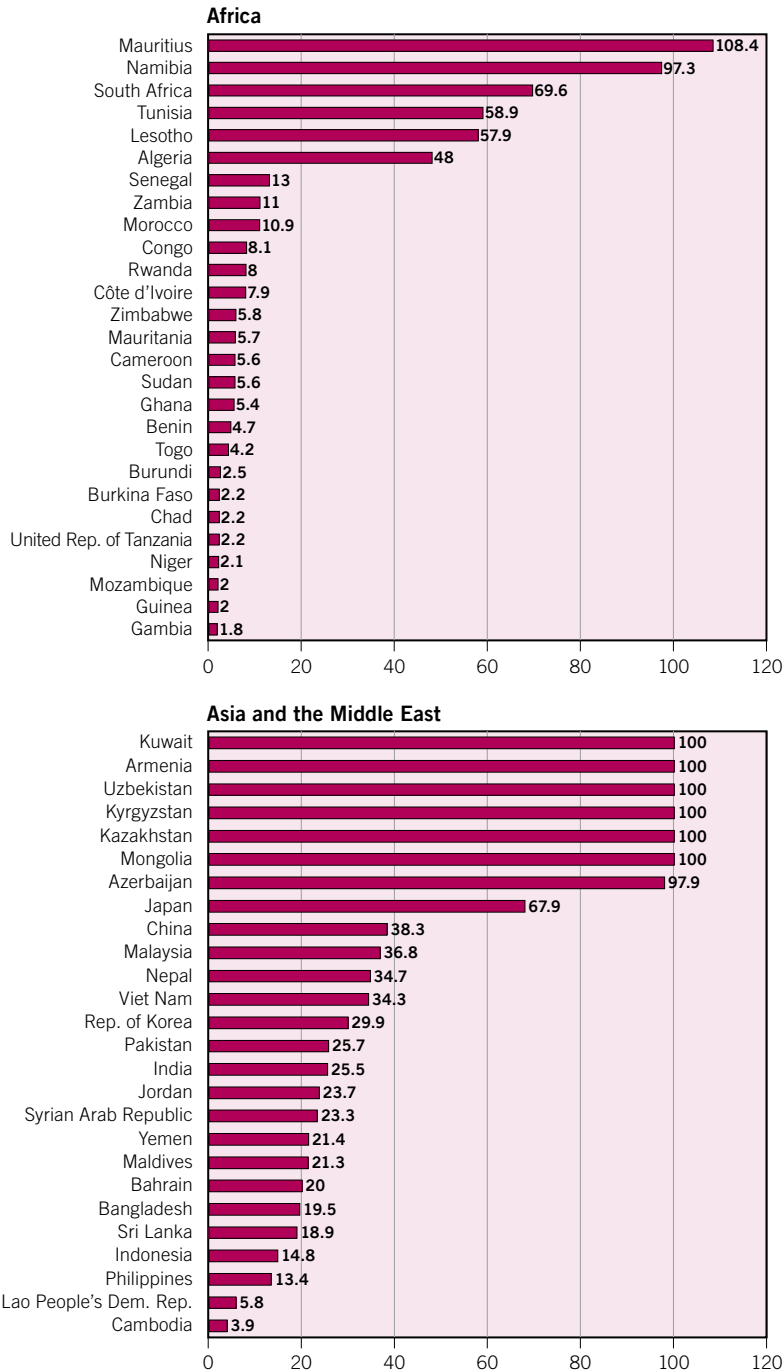
in the future. Most of the African contributory pension schemes are young, and not many workers have therefore contributed long enough to develop entitlements to benefits. At any rate, usually fewer than 10 per cent of all those in labour force or employment contribute to any pension scheme. The majority are working in the informal economy and are not covered by any contributory social security arrangements. The situation is significantly better in countries with a longer tradition in social security and a larger proportion of workers in the formal economy (like Tunisia or Algeria, for example).

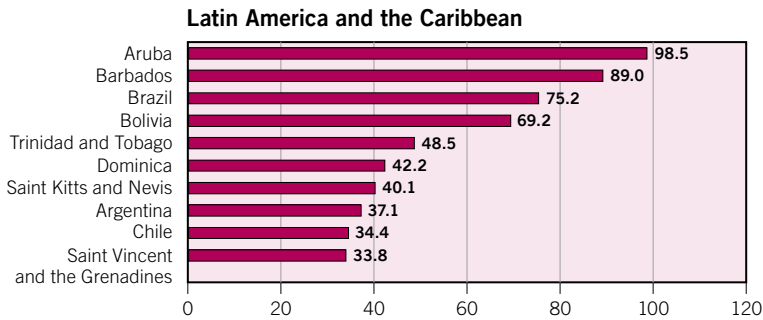
The highest coverage is in countries which, in addition to having contributory schemes for those in the formal economy, have introduced either universal pensions (Mauritius, Namibia and Lesotho) or social assistance pensions that extend to a large share of the population (South Africa). Achieving high coverage requires resources to be invested: Mauritius and South Africa spend more than 5 per cent of their GDP on pension and other social security benefits, while the majority of the sub-Saharan African countries do not allocate more than 1 per cent of GDP (the largest portion of which pays for civil servants' pensions).

In Asia, relatively high coverage is enjoyed by the populations of Mongolia and countries of the former Soviet Union. However, low social security expenditure in some of these countries (as well as other evidence) indicates that the actual pensions paid are very low and often not sufficient to keep the elderly out of poverty. In the case of Japan, the indicator is below 100 per cent – but this is only due to the fact that many Japanese retire much later than 60. For the rest of the Asian population, it still seems that the minority is covered with rates of between 20 and 40 per cent, with the exception of South-East Asian countries, where coverage is even lower. Taking into account policy reforms already undertaken, it might be expected that there will be improvements in the coverage in some of the countries in the future (e.g. efforts in China to also cover the rural population to some extent). But most of them are still confronted with the challenge of how to effectively prevent widespread and deep poverty among the rapidly ageing population, of which the majority work in the informal economy and have no access to any contributory social security schemes.

In Latin America and the Caribbean, with its long history of social security, coverage in the majority of cases reflects the proportion of those working in the formal economy (30–60 per cent, with the exception of some Caribbean islands, where the formalization of the economy is higher). In Brazil, contributory pensions combined with tax-financed rural and social pensions would seem to imply that a majority of the population receives some income support, although many are still not covered. Bolivia, which introduced a small universal pension scheme several years ago, has also succeeded in covering a large share of the elderly.

Figure 2.1. Old-age pensioners (at all ages) as a proportion of population of age 60 and over





Source: ILO Social Security Inquiry.

Nonetheless, evidence shows there are still many people who, despite the fact that they should be receiving benefits by law, remain outside the system.

These examples clearly reveal that only if efforts are made to expand gradually coverage by contributory schemes – coupled with the introduction of non-contributory pensions which can immediately provide income support to those who are already elderly – can there be any hope that all, or at least a majority of those in need will be covered.

Gender bias in access to social security

As noted above, poverty in old age has a strong gender dimension. Life expectancy for women is higher than for men; therefore, women generally outlive their partners and face reduced income support. Older women have no other choice but to maintain certain levels of activity to compensate for declining family support and the absence of universal pensions schemes in many countries.

Research in developing countries points to the basic vulnerability of widows, added to which they have restrictions on their residence, inheritance, remarriage and employment opportunities. Their situation is exacerbated in countries afflicted by wars. For instance, in Lebanon, in 1996, of widowed persons aged 60 and above, 84 per cent were women, while only 16 per cent were men.⁵⁸

Only a small proportion of women in developing countries are eligible for a pension. However, as will be further developed in Chapter 3, their benefits are

⁵⁸ Economic and Social Commission for Western Asia (ESCWA): *Population ageing in Arab countries* (New York, United Nations, 2007).

lower than those received by men by virtue of the fact that they generally worked in lower-paid jobs, with interruptions for child raising.⁵⁹

The worldwide pattern of pension coverage has a strong gender dimension. Women are less represented in the formal economy, and are contributing less to social insurance pensions than men. When women do receive social security pensions, they generally receive the same as men's – according to their earnings and years of service. The gender bias here is that women are often employed in jobs with lower pay than that of men. In addition, women may have fewer years of service. If the pension scheme is based on individual savings, women may have comparatively lower pensions than men, because women tend to live longer.

In the classical male breadwinner model, women are entitled to derived pension rights which are typically lower than for men. In addition, these entitlements are often conditional on the continuation of the marriage, which leaves women in a potentially vulnerable position.⁶⁰ It depends on the intra-household decision-making process as to how women will benefit during retirement. After the possible death of her husband, the wife normally receives less of her husband's previous pensions.

Where tax-financed pensions exist, relatively more women than men tend to benefit from such transfers. In most low- and middle-income countries, contributory pensions tend to benefit mainly men, while tax-financed pensions benefit mainly women.⁶¹ Figure 2.2 shows examples of the existing gender imbalance of pension coverage in selected countries and regions.

Although average indicators of coverage may be lower (as in Africa) or higher (as in Europe), the significant gender gap shows up everywhere: in nearly all countries elderly women are covered to a much lesser extent than elderly men.

Ageing and access to health care

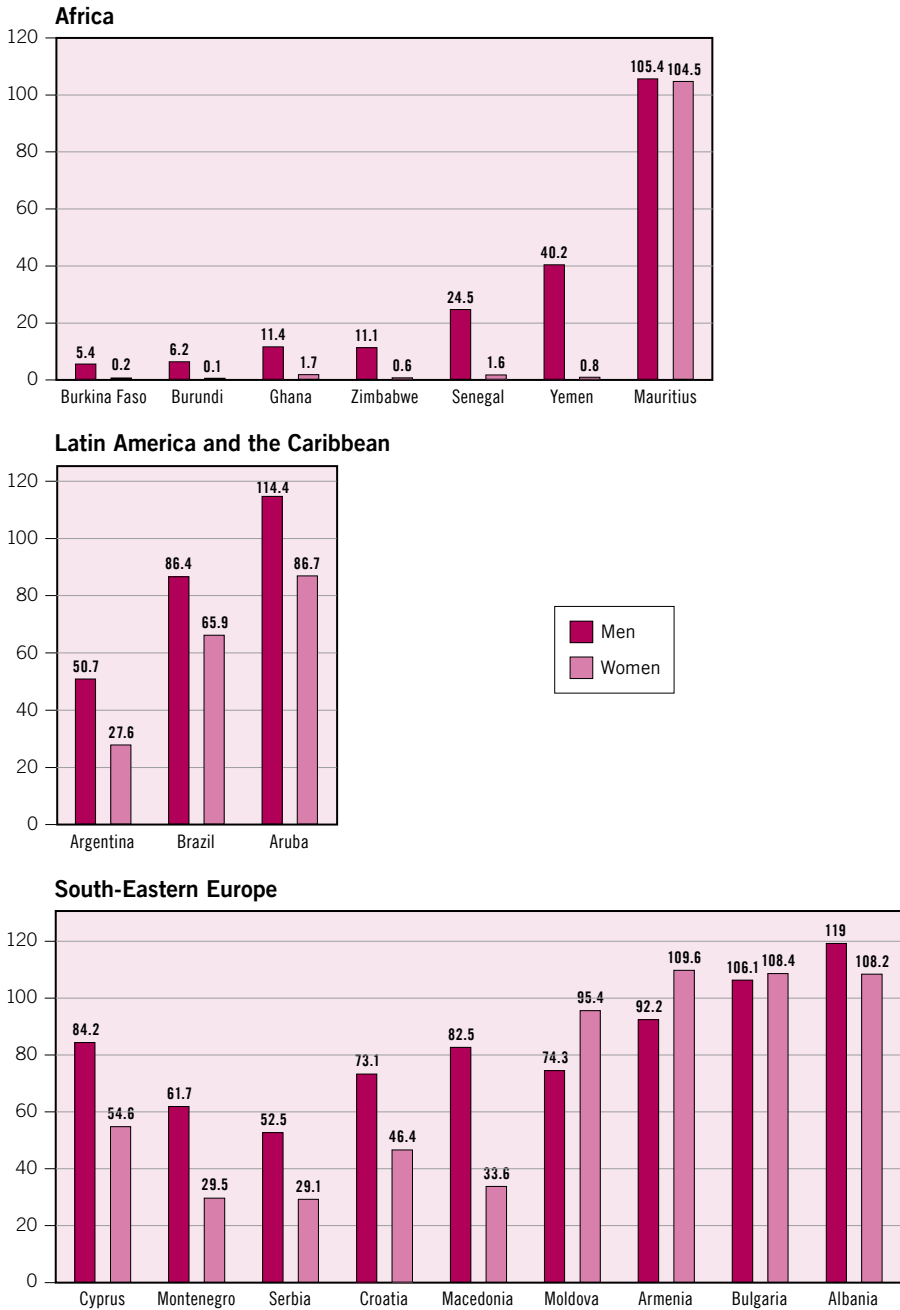
When people grow older they are exposed to an increasing risk of illness and disability. For older people in the developing world, personal health consistently ranks alongside material security as a priority concern. Physical health is for many poor

⁵⁹ D. Ewing (ed.): "Gender and Ageing", in *The Ageing and Development Report. Poverty, independence and the world's older people* (London, HelpAge International, Earthscan Publications Ltd., 1999), p. 35.

⁶⁰ W. van Ginneken: *Pensions for women in the informal economy: Options for developing countries* (Geneva, ILO, 1999).

⁶¹ W. van Ginneken: *Extending social security: Policies for developing countries*, ESS Paper No. 13 (Geneva, ILO, 2003).

Figure 2.2. Male and female old-age pensioners (at all ages) as a proportion of respectively male and female populations age 60 and over



Source: ILO Social Security Inquiry.

people their single most important asset, bound up with the ability to work, to function independently and to maintain a reasonable standard of living.

Despite its importance to older people, health care is inaccessible to many. Hospitals tend to be concentrated in urban centres, far from the rural areas where the majority of older people in developing countries live. Even those in urban areas can often only reach health facilities by using public transport, which is expensive and not adapted for easy access. Treatment is often unaffordable for older people, even where it is nominally free of charge. Where fee exemption policies exist – as they do in, for example, Ghana and Thailand – older people often do not benefit because of a lack of information, shortage of supplies and poor management.⁶²

The challenges to health systems in the developing world are twofold. The first is to postpone the onset of disease as long as possible, and the second, to provide adequate services. It is particularly the restricted access to health care in general that provides an important dimension of poverty in later life. There is a third and more fundamental constraint. Health spending in many developing countries is a tiny fraction of what is needed to meet these challenges. Per capita spending on health care in many countries of sub-Saharan Africa, for example, is under US\$10 a year – and that is skewed to the urban areas. In high-income and an increasing number of middle-income countries, there are concerns about rising health costs and the maintenance of adequate levels and quality of health care. Moreover, these countries will have to increase institutional long-term care, and are looking for ways to combine that with supporting older people at home and in collaboration with their communities and families.⁶³

High-income countries are confronted by rising financing problems related to ageing, a shortage of health workers, and the increasing prevalence of lifestyle-related diseases. Low- and middle-income countries generally suffer from low public expenditure, population coverage and access to health-care services, as well as from high out-of-pocket expenditures and the effects of the vicious cycle of ill health and poverty. Research results clearly show that without investments in improved access to health care throughout the entire life cycle of individuals, the extension of healthy life spans – a prerequisite for increasing the economic activity rates of older population groups – will not be possible.⁶⁴

⁶² HelpAge International: *State of the world's older people 2002* (London, 2002).

⁶³ D. Phillips and A. Chan (eds): "National policies on ageing and long-term care in the Asia-Pacific. Issues and challenges", in *Ageing and long-term care. National policies in the Asia-Pacific* (Singapore, Institute of Southeast Asian Studies; Ottawa, International Development Research Centre, 2002).

⁶⁴ C. Jagger et al.: "Inequalities in healthy life years in the 25 countries of the European Union in 2005: A cross-national meta-regression analysis", in *The Lancet*, Vol. 372, Issue 9656, 20 Dec. 2008 (published online, 17 Nov. 2008).

Ageing and care security for the elderly

The need for long-term care is obviously highly correlated with the size of the cohort of persons over age 80. However, it is not exclusively a problem of the very old, although their dependence on long-term care is substantially higher than that of younger people. A recent report of the Centre for European Policy Studies⁶⁵ indicated that in the EU and in the United States in 2004, about 17 per cent of the population over 65 years were dependent on long-term care. By contrast, in the United States only about 1.5 per cent of the population under 65 were considered to be long-term dependent. The self-reported chronic disease prevalence of the population group over 75 (which may serve as a proxy for the potential dependency risk in older age groups) exceeds at present 70 per cent in many European countries. Hence, the pressure on home-based and institutional care systems will increase with the growing number of the very old. In EU-25, the number of persons in the 80+ years old age group is likely to increase until 2050 by about 174 per cent, and in the United States similarly by about 176 per cent.

While the logistical challenges for home and resident care facilities will be substantial, the increasing cost of total social expenditure in countries is often overdramatized. According to EU projections, the average cost (EU-25) for long-term care is projected to increase from the present level of 0.9 per cent of GDP to 1.6 per cent of GDP.

The key to coping with the long-term care challenges lies with the health system and the prevention of health hazards in life and at the workplace. Timely investments in prevention policies of chronic diseases and disability would reduce dependency on care in older age groups. These policies are part and parcel of overall health and labour protection policies and will not be treated separately in Chapter 3.

Maintaining financial sustainability and benefit levels

Closing the coverage gap in order to prevent an increase in age-related poverty requires prompt action to establish social security systems in low-income countries. This gives rise to the issue of the “affordability” of such policies, which has to be considered in the context of the fiscal and broader economic environment at the national level.⁶⁶ However, it is also necessary to take account of the

⁶⁵ S. Tsovala and J. Mortensen: *The cross-Atlantic exchange to advance long-term care*, Special CEPS Report (Brussels, 2006).

⁶⁶ M. Cichon et al.: *Financing social protection* (Geneva, ILO/ISSA, 2004).

international context to ensure that global competition does not drive countries and their populations below agreed minimum labour and social standards, and to obtain international support in financing provisions of minimum basic social protection in low-income countries during the transitory period until they have the necessary domestic fiscal capacity to do so themselves.

In the absence of pension and health-care coverage, old-age poverty in low-income and many middle-income countries is likely to increase dramatically. Inadequate access to health care significantly increases the risk of disease and disability at a later age, and it reduces the productivity of workers at all ages.

The financial affordability and sustainability of social protection systems has become a major concern for countries at all stages of their economic development. Contrary to widely held convictions, a modest basic social protection package is demonstrably affordable even in developing countries, provided that it is introduced gradually. The sustainability of social security systems at later stages of the economic development process is at present often questioned, usually in the context of European countries facing dramatic increases in their old-age dependency rate. In 2050, there will be two working-age people per elderly citizen in the EU-25, as opposed to the current ratio of four to one.

Ageing will drive up expenditure on pensions and health care in the decades to come. Nonetheless, given the expenditure consolidation measures that many countries have deployed during the last two decades, they may not – or no longer – pose a serious threat to the financial equilibrium of national social protection systems. Even if, in the worst of all scenarios, the management of the demographic challenge were to fail generally, the effects on the sustainability of national social transfer systems, even in countries with highly developed systems, may be less dramatic than is commonly assumed. The latest available forecast by the EU Economic Policy Committee on the combined cost of the most important social security benefits as a result of ageing is reproduced in table 2.1.

An average increase in national social expenditure of 3–4 per cent of GDP is substantial, but not unmanageable. But, there are significant differences between individual countries, which have less to do with the ageing process itself than with the specific characteristics of programmes, including their financing, eligibility and benefit generosity. Projections take into account expected effects of social security reforms already legislated and implemented (like new benefit formulas or increased retirement age), as well as expected increases in labour force participation and employment rates.

Pensions and health-care costs are the main drivers of overall expenditure. The cost of pensions (measured as a percentage of GDP) is the product of the “system” dependency ratio and the financial ratio. The financial ratio is the ratio

Table 2.1. Expected increases in EU social expenditure, 2004–50

	Level in 2004 (per cent of GDP)	2030 (change from 2004 in percentage points)	2050 (change from 2004 in percentage points)
Pensions	10.6	+1.3	+2.2
Health care	6.4	+1.0	+1.6
Long-term care	0.9	+0.2	+0.2
Unemployment benefits	0.9	–0.3	–0.3
Education	4.6	–0.6	–0.6
Total	23.4	+1.6	+3.4

Source: European Commission: The impact of ageing on public expenditure: Projections for the EU25 Member States on pensions, health care, long-term care, education and unemployment transfers (2004–2050), Report prepared by the Economic Policy Committee and the European Commission (DG ECFIN), European Economy, Special report No. 1/2006 (Brussels, 2006), p. 11.

between the average pension and average output (GDP) per worker. The system dependency ratio measures the number of beneficiaries and contributors to pension systems. Most countries have experienced a faster increase in their system dependency ratio than the demographic dependency ratio. Countries can influence the system dependency ratio by either reducing the number of beneficiaries or increasing the number of contributors. They can influence the financial ratio through measures to increase productivity, or allow benefits to increase at a lower pace than productivity. The number of explicit instruments available to contain costs is therefore limited. Industrialized countries took decisive steps to contain social expenditure during the 1980s, 1990s and early 2000s. The measures and their effects are analysed in Chapter 3.

In order to offset demographic cost pressures, countries can also increase the revenues for redistribution. They can also – for political reasons – lower the “visible” cost of social security through contribution rate reductions by shifting resources from other public budgets to the social security system or offloading some of the cost to the public budget through privatization. But these measures do not reduce the real societal cost of social security – they just change the way the burden is shared.

Policy responses: An integrated life cycle and intergenerational perspective

3

While population ageing is inevitable and irreversible, it is not a catastrophe if the right policy measures are put in place. Such coping mechanisms may be found in the labour market and in the social transfer systems. This chapter presents the key policy measures that are responding – and will continue to respond – to the challenges outlined in Chapter 2. It also points to the interactions and synergies across policy measures, and the need for a balanced and integrated decent work strategy that is applied throughout the life cycle and promotes an intergenerational perspective.

The 2008 Declaration on Social Justice for a Fair Globalization, adopted at the 97th Session of the International Labour Conference, provides the overarching framework for an integrated and coherent policy response. The Declaration recognizes the importance of countries' commitment to place “full and productive employment and decent work for all as central objectives of their relevant national and international policies”.

3.1. Promoting employment

Now that people are living longer, older members of the community should be regarded as an asset for economies and societies. The fundamental challenge is to ensure for everyone the entitlement to at least a basic form of social security and income protection. The cost will be lower for society when everyone who is willing and capable to take on employment is able to do so. Social security is first

and foremost a rights-based policy which leads to entitlements, either through contributions made in the past or through tax-financed social transfers. A comprehensive policy response, including the four pillars of the decent work strategy, will therefore be needed to promote productive employment and decent work, in particular for older workers.

The Global Employment Agenda (GEA), adopted in 2003 by the ILO's Governing Body,¹ is the employment component of the Decent Work Agenda, and plays a key role in supporting countries' efforts to strive towards more efficient, fairer and more equitable economies and labour markets. The GEA sets forth ten core elements for developing a global strategy to boost employment, economic development and social justice. Some of these elements refer to the economic environment; others to the labour market. The former refer to conditions that make employment creation possible. The latter relate to labour market policies and institutions for employment promotion.² The main policy areas of the GEA are set out in a "vision" document presented to the Committee on Employment and Social Policy (ESP) at its March 2006 session.³ Furthermore, the Employment Policy Convention, 1964 (No. 122), plays a central normative role as it calls upon member States to "declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment".

The ILO's Older Workers Recommendation, 1980 (No. 162), stresses the importance of promoting productive employment and decent work in order to meet the ageing challenge. The Recommendation notes that "employment problems of older workers should be dealt with in the context of an over-all and well balanced strategy for full employment". It addresses issues related to equality of opportunity and treatment; employment protection; remuneration; preparation and access to retirement; and encouraging different methods of implementing policies and laws that can lead to decent conditions of work and employment of older workers. A key challenge – as indicated in the conclusions concerning social security adopted by the Conference in 2001 – is to increase the employment and participation of all population groups, with particular reference to women, youth, migrants, people with disabilities and older workers.

As already demonstrated in Chapter 1, promoting productive employment and decent work is key in mitigating the effects of population ageing on social protection schemes in both developed and developing countries. In this respect,

¹ ILO: *Review of the core elements of the Global Employment Agenda*, Governing Body doc. GB.286/ESP/1(Rev.1), 280th Session, Geneva, 2003.

² www.ilo.org/gea.

³ ILO: *Implementing the Global Employment Agenda: Employment strategies in support of decent work*, "Vision" document (Geneva, 2006).

policies and strategies (and in particular macroeconomic and sectoral policies) that create conditions for economic growth and employment generation, thereby reducing poverty at a faster rate, are of major importance.⁴ More than ever, in the context of the current financial crisis, success or failure on this front will determine economic recovery and set the course of future economic and social progress.

The ILO approach to promoting productive employment and decent work underscores the importance of a life cycle and intergenerational perspective – affirming that youth, adulthood and old age are but different stages of life which influence and interact with each other.

Promoting youth employment

There is international recognition that urgent action is needed to improve the labour market situation of youth. Throughout the world, young people suffer disproportionately from a decent work deficit. Between 1997 and 2007, the number of unemployed youth increased by 13.6 per cent, from 63 million to 71 million.⁵ In both industrialized and developing economies, young people are more likely to find themselves working longer hours under informal employment, intermittent work and insecure arrangements, which tend to be characterized by low productivity, low wages and limited labour protection. The labour market integration of today's youth remains a significant and growing challenge. Gender discrimination continues to limit the access of young women to quality education and ultimately to decent work in many parts of the world. The promotion of productive employment and decent work for youth is a key priority for the ILO's work and is guided by the resolution concerning youth employment adopted by the Conference in 2005.

The lack of employment opportunities early in life may permanently impair future employability as patterns of behaviour and attitudes established at an early stage tend to persist later in life. The *Global Employment Trends for Youth 2006* stated that: "A lack of decent work, if experienced at an early age, often permanently compromises a person's future employment prospects and frequently leads to unsuitable labour behaviour patterns that last a lifetime."⁶ In Indonesia, for

⁴ See, for example, M. Muqtada: *Macroeconomic stability, growth and employment: Issues and considerations beyond the Washington Consensus* (Geneva, ILO, 2003); R. Islam: *The nexus of economic growth, employment and poverty reduction: An empirical analysis* (Geneva, ILO, 2004); and S. Kapsos: *The employment intensity of growth: Trends and macroeconomic determinants* (Geneva, ILO, 2005).

⁵ ILO: *Global Employment Trends for Youth 2008* (Geneva, 2008).

⁶ ILO: *Global Employment Trends for Youth 2006* (Geneva, 2006), p. 1.

instance, the ILO contribution to the Poverty Reduction Strategy Paper (PRSP) stressed the link between age and poverty and proposed a life cycle approach to poverty reduction.⁷

A contentious issue that often comes up in policy debates is the substitution of older for younger workers. A common misconception tends to be that older generations should make room for the young, who should be spared the frustration of being rejected right at the start of their working life. Entry and exit flows in the labour market do not usually occur in the same sectors, companies or occupations. Early retirement schemes have been popular in the industrial sector and in industrial occupations in big firms. Entries are much more concentrated in the service sector, service sector occupations and smaller firms. There is therefore no reason to believe that these arrangements make room for younger entrants in the labour market as young workers are simply no perfect substitute for older workers.⁸

In addition, invalidity pensions and early retirement pensions are still used to facilitate the downsizing of enterprise in adjustment processes. However, the cost of early retirement schemes to trigger the replacement of older workers by younger workers has proven to be extremely high. Furthermore, they have been unsuccessful in terms of creating new jobs for youth. In France, for instance, during the 1980s, early retirement was particularly popular in unprofitable unmodernized sectors while new recruitment was concentrated in key expansion areas, sometimes in different regions.⁹

According to ILO calculations (using a sample of 75 countries), there is a slight positive correlation between employment rates (employment population ratios) of the young and old population for both men and women. In other words, countries with high employment rates for the young can also have high employment rates for the old. More jobs for older people do not automatically mean fewer jobs for young people. OECD calculations have confirmed that finding. It is more likely that as overall demand for labour increases, the demand for both young and old increases in parallel. Policies that aim at a high employment level in general are thus implicitly also an adequate response to demographic challenges.

⁷ ILO: *Working out of poverty: An ILO submission for the Indonesia PRSP* (Jakarta, 2004).

⁸ P. Auer and M. Fortuny: *Ageing of the labour force in OECD countries: Economic and social consequences* (Geneva, 2000).

⁹ ILO: *World Labour Report* (Geneva, 1995).

Increasing female labour force participation

Globally, women fare worse than men in the labour market. They have a higher likelihood of being unemployed and their participation and employment rates are lower than those of men. As for women who work, they are often confined to the less productive sectors and are less likely to have access to social protection and basic rights, as well as to have a voice at work.

Women's increased labour market participation is often mentioned as a main source of relief for the demographic challenge. A report submitted to the Conference in 2001¹⁰ noted that old-age dependency could be reduced substantially through a greater labour force participation of women. ILO calculations underscore this argument. They show that if, in industrialized countries, there was a significant increase in the employment rates of men – and in particular of women – of active age, there would be no real need to raise retirement age levels beyond those established in recent years. Figure 3.1 simulates the effect on economic dependency of a combination of increased participation rates of females to 90 per cent of that of men, and a further increase of the participation rates of men by 10 per cent.

An increased labour force participation of women has considerable potential for economic development – but only if the jobs in which women are engaged are decent. Furthermore, the effects of this increase not only relate to the proportion of the population who are in gainful employment, but also have an impact in terms of the volume of work performed. If this growing labour market participation of women results in part-time employment, the beneficial effects of increased employment rates may be limited.

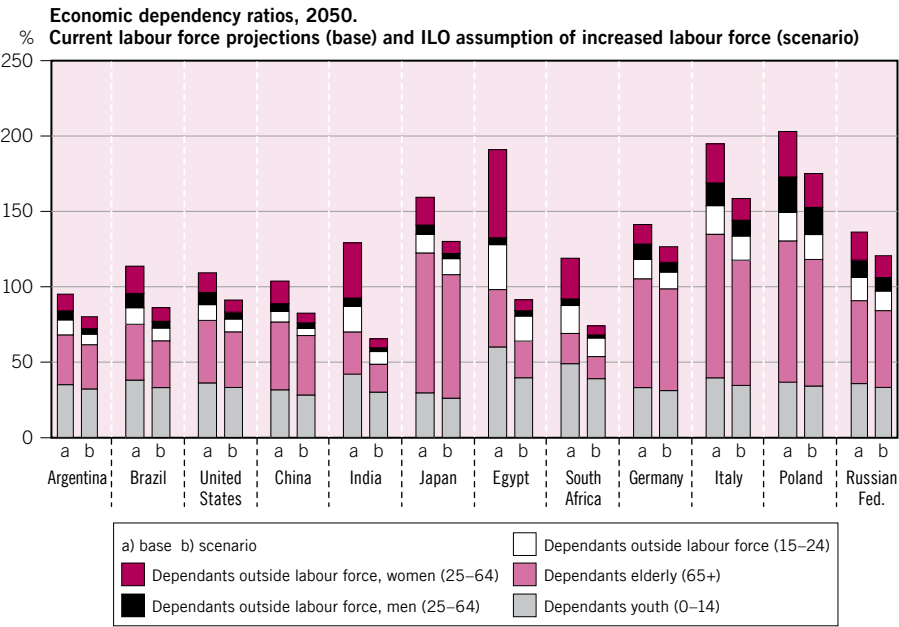
The European Union is making great efforts to promote female employment rates. In 2000, the Lisbon European Council set the long-term targets for female employment rates for 2010 at 60 per cent. The Barcelona European Council (2002) adopted a recommendation that by 2010, Member States should provide childcare to at least 33 per cent of children under age 3 and to at least 90 per cent of children between 3 years old and the mandatory school age.¹¹

There is evidence in the OECD that countries with high female employment rates also have high fertility rates. These countries, however, also present high rates of part-time employment. Those countries with policies that facilitate regular employment for both men and women, for example by offering public support for

¹⁰ ILO: *Social security: Issues, challenges and prospects*, Report VI, International Labour Conference, 89th Session, Geneva, 2001.

¹¹ Barcelona European Council: *Presidency conclusions* (Barcelona, Mar. 2002).

Figure 3.1. Simulated economic dependency rates in 2050 based on alternative retirement ages and increased labour force participation rates of men and women in selected countries



Source: ILO simulations.

childcare, flexible working hours and financial incentives to work for parents, are also those countries with the highest fertility rates.

Recent research¹² has shed some light on the link between family policies, fertility, employment and care. It shows that the effect of family policies on fertility does not only depend on their configuration, but also on the relationship between family policies, gender equality, and the labour market. Results show that labour market developments and women’s opportunities for employment may be more important determinants of higher labour force participation of women of childbearing age than specific family policy regulations. The situation of female participation in developing countries is very different. In developed countries a portion of the participation gap might be attributed to the fact that some women freely choose to stay at home because they can afford it. Yet in some developing

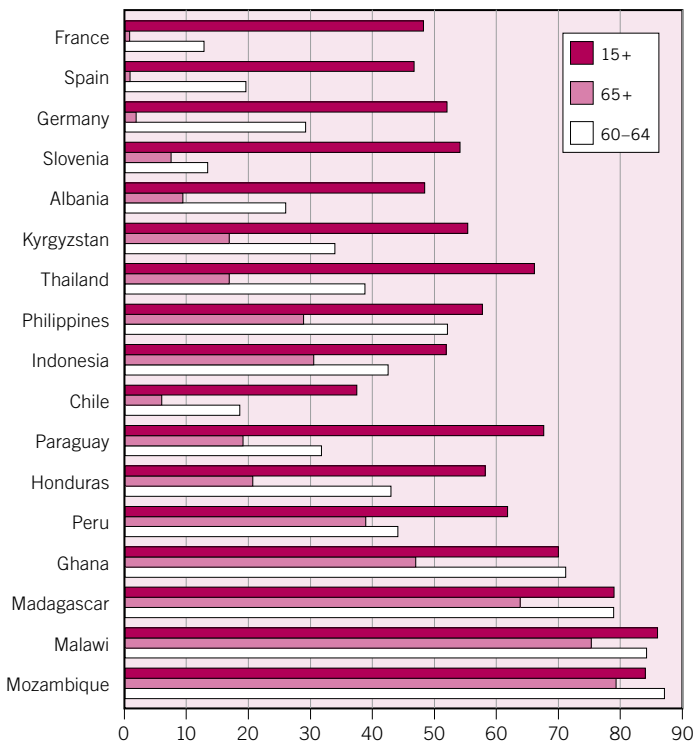
¹² G. Neyer: *Family policies and fertility in Europe: Fertility policies at the intersection of gender policies, employment policies and core policies*, MPIDR Working Paper WP2006-010 (Rostock, Max Planck Institute, 2006).

countries, remaining outside of the labour force is not a choice for the majority of women but an obligation; it is likely that women would opt to work in these regions if it became socially acceptable to do so. This, of course, does not mean that these women are inactive; most are heavily engaged in household activities and provide the majority of care responsibilities for family members.

Some progress is nonetheless being made in regions such as Latin America and the Middle East, where female labour force participation has substantially increased. In Latin America, the programme “Chile grows with you”, which is an integrated system of social interventions supporting children and families from birth until school age, is an example of a successful intervention.

As we can see in figure 3.2, in some developing countries, and particularly in sub-Saharan Africa, female participation is very high. But this should not be interpreted as a positive development, since the comparably high shares of employment are strongly related to the elevated incidence of poverty.

Figure 3.2. Female labour force participation for age groups 15+, 60–64, 65+, selected countries



Source: ILO: Laborsta.

International migration

Migration is not the only solution to compensate for population ageing, but there is international recognition that it certainly provides part of the answer. A substantial and widespread phenomenon, it involves more than 10 million people per year, as well as a growing number of countries.¹³ In 2005, international migrants constituted nearly 3 per cent of the world's population, up from 2.9 per cent in 1990.¹⁴ While international migration can be a productive experience for most people, many migrant workers suffer poor working and living conditions.

Migration replacement, i.e. the international migration needed to compensate for the reduction of the working-age population in ageing societies, has become an issue of major concern. A United Nations study¹⁵ has calculated that the immigration required between 2000 and 2050 in the European Union would be 47 million to maintain the size of the total population and 674 million to maintain the ratio of the working-age population (15–64 years) to the old-age population (65 years or older).

According to a recent study, the working-age population in OECD countries will not decline by 2020 if countries keep migration at current levels. But there are some important exceptions. In a number of countries, including Japan and Germany, current migration levels will not be high enough to offset projected population declines.¹⁶

ILO international labour standards provide a rich and varied set of protection mechanisms that are relevant for migration issues and migrant workers. While all ILO Conventions are also relevant to migrant workers, there are two that are migrant-specific: the Migration for Employment Convention (Revised), 1949 (No. 97), and the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143). Together with the 1990 International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, they form a fundamental charter of rights.

Temporary migration programmes are on the increase as a response to demographic change and the rising demand for labour in receiving countries. Temporary migration programmes, if carefully governed and managed, can,

¹³ ILO: *Towards a fair deal for migrant workers in the global economy*, Report VI, International Labour Conference, 92nd Session, Geneva, 2004.

¹⁴ United Nations: *Trends in total migrant stock: The 2005 revision*, CD-ROM documentation, Department of Economic and Social Affairs (New York, 2006).

¹⁵ United Nations: *Replacement migration: Is it a solution to declining and ageing populations?* Department of Economic and Social Affairs, Population Division (New York, 2001).

¹⁶ OECD: *International migration outlook 2008* (Paris, 2008).

in theory, generate significant net benefits for destination countries, migrants and their countries of origin.¹⁷ Migrants benefit from having a legal status and countries of origin gain from remittances and the eventual return of migrants, provided the experience they gain abroad can be put to productive use at home. Receiving countries secure the workers they need and may enhance the positive effects of migration by allowing migrants to stay long enough to accumulate savings.¹⁸

Demographic change and the skill shortages mentioned in Chapter 2 have brought about a rising global demand for highly skilled workers. The outflow of the highly skilled from sectors such as health, education or agriculture can put a brake on the achievement of development goals, particularly in smaller developing countries. However, the impact of this “brain drain” varies according to the characteristics of the country of origin (e.g. population size and level of development), the type of sector or occupation concerned and the type of migration (e.g. temporary, permanent, circular). And for some countries, the brain drain may have become a “brain gain” through migrant investments, networking for contacts and projects, knowledge transfer and other forms of migrant–home country collaboration.¹⁹

As mentioned earlier, the demand for medical practitioners in developed countries is set to rise with the ageing of the population. This demand, however, must not be met through the brain drain of skilled medical staff from developing countries. Developed countries should invest in training domestic medical students and also students from developing countries, rather than crowding out the health workforce in the latter.

Overall migration is not the sole solution to population ageing, but well-managed migration policies and programmes within the framework of an international partnership are an important part of the solution and can bring about mutual benefits for sending and receiving countries. The ILO has recently adopted a rights-based Multilateral Framework on Labour Migration which is the

¹⁷ Circular migration, in particular, has been referred to as an important means to have a “triple win” situation – for the host countries, the migrants’ countries of origin, and the migrants themselves. The European Commission has developed important initiatives and recommendations for fostering “circular migration” and “brain circulation”. See: Commission of the European Communities: *Migration and development: Some concrete orientations*, at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2005:0390:FIN:EN:PDF>.

¹⁸ United Nations: *International migration and development*, Report to the Secretary-General, General Assembly, 60th Session, agenda item 54(c) (New York, 2005).

¹⁹ Global Forum on Migration and Development (GFMD): *Highly skilled migration: Balancing interests and responsibilities* (Brussels, 2007).

centrepiece of the ILO Plan of Action on Labour Migration.²⁰ The Framework responds to demands for assistance, and addresses the major issues faced by migration policy-makers at national and international levels.

*Improving employment opportunities for older people
and the option of extending working lives*

As we saw in Chapter 1, despite sustained increases in longevity in mainly developed and some middle-income countries, the effective age at which workers retire has followed a downward trend. As a result, the number of years that workers can expect to spend in retirement has increased considerably – for men, from less than 11 years on average across the OECD in 1970 to just under 18 years in 2004, and for women, from less than 14 years to just under 23 years for the corresponding period.²¹

Extending working lives and increasing the employment rates of older workers is high on the policy agendas of many countries. The European Union has set itself two key objectives with regard to the employment of older people. In 2001, the Stockholm European Council set a target that, by 2010, at least half of the EU population aged 55–64 should be in employment. This was then followed by the conclusion of the 2002 Barcelona European Council that “a progressive increase of about five years in the effective average age at which people stop working in the EU should be sought by 2010”, the aim being to step up efforts to allow older workers to remain longer in the labour market.

The need to improve the labour market situation of older workers is taken into account in the EU “Employment Guidelines”.²² These guidelines emphasize that strategies for managing an ageing workforce must extend over several dimensions, and also highlight that, as part of a new intergenerational approach, particular attention should be paid to promoting access to employment throughout working life. They emphasize that promoting an increased labour supply in all population groups together with a life cycle approach to employment issues is crucial.

²⁰ The ILO convened a tripartite meeting of experts, which met in Geneva from 31 October to 2 November 2005, and debated and adopted the *ILO Multilateral Framework on Labour Migration: Non-binding principles and guidelines for a rights-based approach to labour migration*. The ILO Governing Body at its 295th Session in March 2006 decided that the Framework should be published and disseminated. See www.ilo.org/public/english/protection/migrant/download/multilat_fw_en.pdf.

²¹ OECD: *Live longer, work longer* (Paris, 2006).

²² Commission of the European Communities: *Guidelines for the employment policies of the Member States: Promoting the European Social Model* (Brussels, 2007).

However, a prolongation of working life is not appropriate for everyone. First, there are older people in ill health, or who spend their working lives in difficult working conditions or with long contribution periods. Research points to the fact that health status and working conditions are important variables that explain early withdrawal from the labour market. Blue-collar workers and less-qualified workers are more likely to retire earlier than white-collar workers and more highly qualified workers.

A recent study on European countries²³ shows the importance of the quality of work as a determining factor for the health status of workers over 50 years old, concluding that the qualitative aspects of work and health are both important factors in determining the involvement of older workers in the labour market. Research in Latin America also reveals the important linkages between quality of work, health and longer working lives.²⁴

Furthermore, the working conditions of older workers can influence their preference for leisure versus work. Work that is damaging to health, stressful and poorly paid hardly induces them to remain at work. When people below the statutory retirement age are unable to work because of poor health, they should be able to count initially on an adequate disability pension, followed by a decent pension after the statutory retirement age. For other workers, the decision to retire earlier than the statutory retirement age can be entirely voluntary. This is the case for those who started to work at a relatively young age and who have contributed to social security for many years. Early retirement for this group of workers is entirely justified and these workers should be able to retire on acceptable terms and with a decent retirement pension.

To work longer, an individual must be in good health, be receptive to the idea of working longer and have the opportunity to do so. The working conditions of elderly employees, health and safety at work, possibilities for lifelong learning and adequate working time and work organization throughout the life cycle all play a vital role in this respect. The key policies to contribute to productive employment and decent work for the older population will be dealt with in the following sections.

²³ T. Debrand and P. Lengagne: *Working conditions and health of European older workers*, Institute for Research and Information in Health Economics (IRDES) (Paris, 2008).

²⁴ J. Paz: *Envejecimiento y empleo en América Latina y Caribe* (Geneva, ILO, forthcoming).

3.2. Combating prejudice and age discrimination

Attitudes and prejudice with respect to older people are a major obstacle to opening up employment opportunities and often lead to direct and indirect discrimination against older workers. Stereotypes are numerous, such as that older workers are less productive, slow to learn new skills and adapt to technological and organizational change, and that physical capacities decline with age. While evidence has shown that physical and mental changes which often come with age require some degree of adaptation, this is more of a challenge – if not an opportunity – rather than a barrier.

Similarly, even the perception of older workers as less flexible, more resistant to change and lacking motivation does not stand up to the facts. Given a proper learning environment, older workers are willing, even eager, to learn new technologies. They are using computers in increasing numbers and this tendency is on the rise in the United States and elsewhere. However, workers are more willing to learn and develop skills if this enhances their opportunities to keep or find work or to improve career opportunities. And these opportunities are often limited for older workers because of the attitudes of some employers, or financial concerns. Policies should thus be considered to address this problem.

There is also the myth that older workers are unwilling to remain in the labour market past a certain age because work has become tiresome or too physically demanding. Yet, as already shown, new technologies and improved working methods tend to reduce the physical strain of much of today's work. Just as importantly, as will be seen in the section on working conditions, flexible working time arrangements not only make the extension of working life more feasible but, for many older candidates, a more desirable option.

In developing countries, misconceptions about the capacity and activity of older women influence the way they are treated. It has been argued that social custom and official policy are concerned with the burden of meeting the needs of older people; consequently, older women are viewed as inactive recipients of support as they are not always economically active.²⁵ The reality, as we have already seen, is that older women frequently have to combine the role of caregivers with other forms of paid and unpaid work.

Policies and adjustments at the enterprise level can play a major role in addressing myths and overcoming stereotypes. At the same time, awareness-raising campaigns conducted by governments, the social partners and the media can also help combat negative attitudes and misconceptions about older workers.

²⁵ D. Ewing: "Gender and ageing", in *The ageing and development report. Poverty, independence and the world's older people* (London, HelpAge International, Earthscan Publications Ltd, 1999).

Of course, an even more positive approach is to be proactive. This leads, then, to age diversity and age management.

Studies confirm that older workers are a valuable resource for companies and society as a whole. An interesting example is the Fáilte Isteach project of the Third Age Foundation in Ireland, which involves older people volunteering their time to teach conversational English classes to new migrants who have come to Ireland from all over the world.²⁶

It is critical that companies turn their attention to strategies to reach this sometimes under-appreciated and underutilized segment of the labour force. More and more enterprises are already taking a long-term view of their staffing needs. They view older workers as a valuable resource within an age-diverse workforce that offers the company or organization a range of abilities and comparative strengths. Enterprises increasingly recognize older people's contribution to work shadowing and mentoring. This allows older workers to help organizations preserve their institutional history and values by passing them on to newer and younger employees.

Diversity programmes, by recognizing and valuing the different backgrounds of employees and seeking to attract and retain the best qualified workers, place equal opportunities at the heart of both human resources management and age management. Moreover, emphasizing age diversity rather than concentrating solely on older workers' needs reduces the risk of reinforcing the myth that they are less productive and require special protection.²⁷ Age diversity and an all-inclusive workforce, in addition to giving employers access to a wider labour pool, may also help them seize new market opportunities or adapt more quickly to changing market conditions.²⁸

Good practice in age management has been defined as those measures that combat age barriers and/or promote age diversity (see box 3.1).

The OECD²⁹ suggests that employers' organizations set up web sites with information on best practices for accommodating age diversity in the workplace and observes that the Austrian Employers' Federation could serve as a model in this regard. Clearly then, non-discriminatory practices of diversity and age management are important managerial tools and central to increasing efficiency and productivity. In this regard, information campaigns have an important role to play. At the same time, legislation to prohibit age discrimination is crucial to achieving these goals, as well as to establishing equality of opportunity.

²⁶ www.thirdagefoundation.ie/.

²⁷ OECD, 2006, op. cit., p. 110.

²⁸ M. Fortuny, A. Nesporova and N. Popova: *Employment promotion policies for older workers in the EU accession countries, the Russian Federation and Ukraine*, Employment Paper 2003/50 (Geneva, ILO, 2003), pp. 62–63.

²⁹ OECD, 2006, op. cit., p. 129.

Box 3.1 Age management

The European Foundation for the Improvement of Living and Working Conditions identifies good practices in age management under eight headings. Good practice in the following areas means:

- **Recruitment.** Ensuring that older workers have either equal or special access to the available jobs and that potential applicants are not discriminated against either directly or indirectly.
- **Training and lifelong learning.** Ensuring that older workers are not neglected in training and career development, that opportunities for learning are offered throughout working life, that training methods are appropriate to older workers, and that positive action is taken where necessary to compensate for discrimination in the past.
- **Flexible working time practices.** Giving older workers greater flexibility in their hours of work or in the timing and nature of their retirement and adjusting working time and other aspects of employment to reflect changes in the way people work and in family and caring responsibilities of the workforce.
- **Employment exit and the transition to retirement.** Basing any redundancy decision on objective job-related criteria and ensuring that retirement schemes offer a choice of options and are fairly applied.

Source: Based on A. Walker: *Managing an ageing workforce: A guide to good practice* (Dublin, Eurofound, 1998).

Age discrimination legislation

The ILO's Discrimination (Employment and Occupation) Convention, 1958 (No. 111), calls upon Members to declare and pursue a national policy designed to promote equality of opportunity and treatment in respect of employment and occupation, with a view to eliminating any discrimination in respect thereof. For the purposes of Convention No. 111, discrimination includes any distinction, exclusion or preference made on the basis of race, colour, sex, religion, political opinion, national extraction or social origin. Some member States have interpreted certain language in the Convention as allowing them to add age to the original list of seven. The explicit inclusion of age as a form of discrimination had to await the adoption of the Older Workers Recommendation, 1980 (No. 162), which calls upon each Member to take measures to prevent discrimination in employment and occupation with regard to older workers. This should take place within the framework of a national policy to promote equality of opportunity and treatment for workers, whatever their age. The Termination

of Employment Recommendation, 1982 (No. 166), states that age should not constitute a valid reason for termination, subject to national law and practice regarding retirement.

In 2007, the ILO issued its second Global Report³⁰ on discrimination. The report observes that age-unfriendly working conditions are a manifestation of discrimination against older workers. It urges that measures in support of older workers be formulated in the framework of an overall and well-balanced strategy for full employment that gives due attention to all population groups (younger and older workers alike), in accordance with Recommendation No. 162.

Increasingly, countries are making efforts to enact age discrimination legislation. About 30 countries³¹ have some form of age discrimination legislation which explicitly forbids, prohibits or makes unlawful forms of direct and indirect³² age discrimination. However, in countries such as Guyana and Singapore, which both retain legislation regarding the prevention of discrimination in employment for older workers, there does not appear to be a distinction between direct and indirect discrimination. Such laws are effective so long as the different manifestations of direct and indirect discrimination are addressed in some way: in other parts of the legislation, in other laws, or judicial decisions in the country.³³

Within the OECD countries, the United States has the oldest age discrimination legislation. It covers workers aged 40 and above,³⁴ with no upper age limit. In addition to prohibiting age discrimination in employment, the legislation aims to promote employment based on ability rather than age. But, the Act exempts from its coverage employers with fewer than 20 employees.

³⁰ ILO: *Equality at work: Tackling the challenge*, Global Report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, International Labour Conference, 96th Session, Geneva, 2007.

³¹ Australia, Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Guyana, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Saint Lucia, Slovakia, Slovenia, South Africa, Spain, United Kingdom and the United States.

³² In order for age discrimination legislation to be fully effective it is important to distinguish between direct and indirect age discrimination. The definition of direct discrimination based on age is where one person is treated less favourably than another and this would not be the case if two people the same age were compared. Age-limited employment advertisements are an example of the forms that direct discrimination can take. Indirect age discrimination goes beyond what is directly observable to identify practices that may be discriminatory. For example, if a job advertisement overemphasizes physical qualities for a job that does not require them, then such an action could be considered indirect age discrimination.

³³ N. Ghoshel: *Age discrimination and older workers: Theory and legislation in comparative context*, Conditions of Work and Employment Series No. 20 (Geneva, ILO, 2008).

³⁴ When considering the importance of determining what constitutes unlawful discrimination in employment, it is curious that there is a lack of definition regarding terms like "older workers" and "age" in most legislation. The United States Age Discrimination in Employment Act, however, does define these terms.

The Republic of Korea has enacted affirmative action legislation under which businesses are required to ensure that at least 3 per cent of their workers are aged 55 years or older. Furthermore, its Aged Employment Promotion Law identifies 77 types of jobs, such as parking lot attendant and bus ticket seller, for which hiring priority should be given to older people.³⁵

An important development in late 2000 was the promulgation by the European Union of a major Directive on Discrimination which includes age among several other grounds not previously covered by EU texts. The Directive requires all the Member States to introduce legislation prohibiting direct and indirect discrimination at work based on age and other grounds over a period of five years. It covers employment, self-employment and occupation, as well as vocational training and guidance. An important issue, however, will be the enforcement of this legislation. Based on national responses, it has been observed that in some cases actions have been perfunctory, provisions weak and the response of the social partners only lukewarm.³⁶

There is interplay between gender discrimination and age discrimination, together with other types of discrimination such as race and ethnic origin. Forms of discrimination that affect women throughout their lives may be compounded as they grow older by age-based discrimination.³⁷ Among the EU-15, almost 23 per cent of women who reported having experienced age discrimination also cited gender discrimination.

Similarly, there is a link between age discrimination and discrimination based on disability. Thus, it is argued, since the incidence of disability rises with age, legislation banning discrimination on the basis of disability will also affect a significant minority of older workers.

The increase in the number of countries implementing age discrimination legislation is a positive development to ensure the rights and responsibilities of employers and older workers. Nonetheless, a strong legal framework and sound regulatory environment comprise only part of the solution to overcome age discrimination and promote the possibility of engaging in longer and healthier working lives. Awareness raising, including education and information campaigns, has its place, and the social partners – together with government – have a key role to play in carrying this out. Company-run diversity programmes, which view older workers as a valuable resource and capitalize on their abilities and

³⁵ United Nations: *World economic and social survey 2007: Development in an ageing world*, Department of Economic and Social Affairs (New York, 2007), p. 62.

³⁶ Eurofound: *Employment initiatives for an ageing workforce in the EU15* (Dublin, 2006).

³⁷ ILO: *ABC of women workers' rights and gender equality*, second edition (Geneva, ILO, 2007), p. 146.

comparative strengths within an age-diverse workforce, represent an especially positive and forward-looking approach to overcoming age discrimination.

A number of countries, such as Australia, Finland, Netherlands, Norway and the United Kingdom, have carried out large-scale government-sponsored information campaigns aimed at overcoming employer reluctance to hire and retain older workers. Such an approach may include guidelines for employers in terms of good conduct or best practices and a general campaign to expand awareness of issues related to population ageing and work. For instance, the United Kingdom's Age Positive campaign seeks to promote and raise awareness of the benefits of an age-diverse workforce. It uses research and publications, the press, special events, awards and its own web site to put across its message. It has identified over 120 Age Positive Champions – individuals, businesses, academic and research institutions and lobbying organizations – who serve as examples through their own employment practices or through research, campaigning and working in partnership with the Age Positive campaign team.³⁸

In the Netherlands, there has been close cooperation between the Government, employers and trade unions in changing attitudes and promoting best practices towards the promotion of productive employment and decent work for older workers. In 2003, they were joined by civil society organizations representing older workers, minorities, researchers, politicians and the media on a high-level Task Force on Older People and Employment,³⁹ which provided policy guidance for longer careers at an older age.

There are many other examples available in the Eurofound database on enterprise policies for older workers that have been collected from throughout the European Union.⁴⁰ These not only highlight what has been done through collective agreements, but also other related subject matter addressed through employer–union–worker representative organizations. They also provide evidence of the social partners' important role in improving the situation of older workers in the workplace.

In Singapore, the Tripartite Committee on Employability of Older Workers was established in May 2007. Among the Committee's recommendations, two are particularly relevant with respect to countering age discrimination. The first is to set up a Tripartite Alliance for Fair Employment Practices, comprising the

³⁸ OECD, 2006, op. cit.

³⁹ The Task Force delivered at the end of 2003 its concluding report: *And they worked happily ever after*.

⁴⁰ Eurofound: Ageing workforce web page: www.eurofound.europa.eu/areas/populationandsociety/ageingworkforceadvanced.php.

Government, trade unions and employers, with a view to promoting fair and equitable employment practices. The second calls for consideration of legislation for the re-employment of workers aged 62 and above by 2011.⁴¹

Non-governmental organizations (NGOs) have a vital role to play in encouraging employers to remove age barriers and carry out associated research. The largest such organization in terms of membership is the AARP. The organization represents a broad range of interests of older Americans aged 50 years and over, both within and outside the context of their working lives.⁴²

The African Union Policy Framework and Plan of Action on Ageing is the outcome of a cooperative endeavour between HelpAge International Africa Regional Development Centre and the Organization of African Unity (OAU). This policy document, which was adopted during the 38th Ordinary Session of the Assembly of Heads of State and Government of the OAU in Durban, South Africa, in July 2002, states as its very first recommendation that Member States should recognize the fundamental rights of older persons and commit themselves to abolishing all forms of discrimination based on age. Among the actions put forward are the development and review of legislation to ensure that older people, especially women, receive equitable treatment from customary and statutory laws, including the review of legislation on property and land rights, inheritance and social security.⁴³

All in all, proactive and concerted efforts by all of the key players can therefore go a long way towards erasing negative stereotypes and removing barriers to enhanced employment opportunities for older workers. Age management can take the place of age discrimination and provide a cornerstone to “active ageing”. Through this process, older people can expect to live longer and healthier lives, with a better quality of life within and/or outside the labour force, according to their choice.

⁴¹ S. Thangavelu: *Country study on the promotion of decent work for older persons in the formal and informal economy – Case of Singapore* (Singapore, National University, 2008).

⁴² AARP originally stood for the American Association of Retired Persons. However, in 1999, to reflect that its focus had become broader than American retirees, it officially changed its name to just AARP.

⁴³ HelpAge International Africa Regional Development Centre: *OAU Policy Framework and Plan of Action on Ageing* (Nairobi, 2002), p. 8.

3.3. Fostering employability and lifelong learning

Investing in the employability of the workforce is crucial to deal effectively with the economic and social consequences of demographic change and in particular to improve older workers' employment opportunities. Public policy and efforts at enterprise level should be directed at those who want to remain productively employed, many of whom – in particular women – may not have had the opportunity for adequate early or ongoing education and training.

ILO instruments and reports have proclaimed education, training and lifelong learning as central pillars of employability, productivity and economic growth. Yet older workers are far too often placed at a competitive disadvantage because of their limited opportunities to acquire education and training, first in their youth and then throughout their working lives.

The Human Resources Development Recommendation, 2004 (No. 195), calls upon member States to identify human resources development, education, training and lifelong learning policies which, inter alia, “stress the importance of innovation, competitiveness, productivity, growth of the economy, the creation of decent jobs and the employability⁴⁴ of people ...”. Regarding the development and implementation of training policies, it urges member States to “promote access to education, training and lifelong learning for people with nationally identified special needs, such as ... older workers ...”.

More recently, the International Labour Conference had a general discussion on the report *Skills for improved productivity, employment growth and employment* and adopted a set of conclusions that proclaimed education, vocational training and lifelong learning as central pillars of employability, employment of workers and sustainable enterprise development within the Decent Work Agenda.⁴⁵

Continuous education and skill development

The conclusions concerning skills for improved productivity, employment growth and development call on governments to focus on, “as part of their lifelong learning agenda, providing employment placement services, guidance and

⁴⁴ According to Recommendation No. 195, “employability relates to portable competencies and qualifications that enhance an individual’s capacity to make use of the education and training opportunities available in order to secure and retain decent work, to progress within the enterprise and between jobs, and to cope with changing technology and labour market conditions”.

⁴⁵ ILO: *Skills for improved productivity, employment growth and development*, Report V, International Labour Conference, 97th Session, Geneva, 2008.

appropriate active labour market measures such as training programmes targeting older workers and, where possible, supported by legislation to counter age discrimination and facilitate workforce participation”.⁴⁶ They also urge the social partners to contribute through “launching initiatives to advise the social partners and society on the value of the work and life experience of older workers while providing coordinated packages of age-friendly employment measures, including continuous updating of skills, in particular in new technologies”.

Education and training play a key role in providing individuals with the knowledge, skills and competencies needed to access employment and participate effectively in the labour market and, more generally, society. The abovementioned report⁴⁷ presents compelling evidence that effective education and skill development can help countries, both developed and developing, to sustain productivity growth and to translate that growth into more and better jobs. According to a recent study that focuses on the European Union, vocational education and training can significantly contribute to improving the employment participation and productivity of the European workforce, including migrants. Thus, it can play a vital role in alleviating the potentially negative effects of demographic developments.⁴⁸

In most countries, however, older people have lower levels of education and engage in less training than their younger counterparts – and older women are more disadvantaged than older men. A study of 13 mainly developing countries⁴⁹ indicates that in 2000, with the exception of males in the Republic of Korea, 80 to 90 per cent of older people had only completed a primary or lower level of education. Moreover, the levels for older women tended to be lower than for older men, with a substantial gender gap in China, India, Republic of Korea, Taiwan (China) and Viet Nam. In addition to the Republic of Korea, the only countries with completed levels of post-primary education for older men at 30 per cent or higher were the Philippines and Taiwan (China). For older women, the highest level of post-primary education was 22 per cent, in the Philippines. However, the level of education of the older population will change markedly between 2000

⁴⁶ ILO: *Conclusions on skills for improved productivity, employment growth and development*, International Labour Conference, 97th Session, Geneva, 2008.

⁴⁷ ILO, Report V, 2008, op. cit.

⁴⁸ CEDEFOP: *Implications of demographic change for vocational education and training in the EU* (Luxembourg, 2008).

⁴⁹ The study included Egypt and South Africa in Africa; China, Republic of Korea and Taiwan (China) in East Asia; Indonesia, Philippines, Singapore, Thailand and Viet Nam in South-East Asia; India in South Asia; and Brazil and Mexico in Latin America.

and 2045, with Egypt, Republic of Korea, Singapore and Taiwan (China) experiencing the largest increases.⁵⁰

Regarding training, employee participation also decreases with age in many countries. In Canada, it has been shown that at each successive educational level, a smaller proportion of older workers possess that level of qualification than do younger workers.⁵¹ In the Republic of Korea, very few participants in publicly-funded training for the unemployed are in the older age categories, with the bulk of the participants being less than 30 years old (table 3.1).

In Latin America, a recent study from the Servicio Nacional del Adulto Mayor in Chile noted that 90 per cent of the population over 50 years surveyed in 2003 had never participated in a training course. As we can see in table 3.2,

Table 3.1. Participation in vocational training for the unemployed by age in the Republic of Korea, 1998–2003

	1998	1999	2000	2001	2002	2003
Total (thousands)	362.9	358.4	216.3	180.4	152.3	108.2
By age (per cent) all ages	100.0	100.0	100.0	100.0	100.0	100.0
30–39	30.9	28.4	25.9	26.1	27.6	28.3
40–49	16.1	11.9	9.3	9.4	9.7	10.3
50+	7.8	5.8	4.6	4.2	5.0	5.7

Source: OECD: *Ageing and employment policies in the Republic of Korea* (Paris, 2005).

Table 3.2. Chile: Distribution of the population aged over 50, according to type of training (by sex, area and age), 2003

	Total	Sex		Age		Area	
		Male	Female	50–59	60–69	Urban	Rural
Training	4.6	6.5	3.0	8.2	2.8	5.2	1.2
Yes, enterprise	1.9	1.7	2.1	2.8	1.6	1.9	1.9
Yes, government programme	0.7	0.9	0.6	1.3	0.4	0.8	0.1
Yes, with own resources	0.3	0.3	0.3	0.4	0.2	0.3	0.1
Never attended	91.6	90.2	92.8	86.5	94.0	90.7	96.3
No answer	0.9	0.5	1.3	0.8	1.0	1.0	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: C. Antúñez, 2007, op. cit.

⁵⁰ A. Hermlin, M. Ofstedal and R. Tesfai: *Future characteristics of the elderly in developing countries and their implications for policy*, Comparative Study of the Elderly in Asia Research Report 06-62 (Ann Arbor, University of Michigan Studies Center, 2006).

⁵¹ Government of Canada: *Older workers: Challenges and policy issues*, Discussion paper, March 2007.

participation in training was higher among males than females; higher among the younger age groups; and more frequent in urban areas than in rural ones.⁵²

When analysing poverty in old age, education and skills development become a key issue. There is an important body of research that points to the importance of adult education, in particular for adult women, in poverty eradication.⁵³

According to a recent study on poverty in old age in Latin America and the Caribbean,⁵⁴ the percentage of older people with literacy skills is smaller than that of adults aged 25–59 years in all countries. The gap tends to increase in rural areas. When comparing with the age group 25–49 years, the differences are particularly marked in Bolivia, Haiti, Honduras and Nicaragua – the poorest countries in the sample. The study suggests a positive correlation between this literacy gap (in absolute terms) and the level of national poverty. In general, the poorer the country, the larger the relative disadvantage of the elderly in this basic skill.

As regards the distribution of older people and adults across skills levels, around 90 per cent or more of older people are unskilled in El Salvador, Guatemala, Haiti, Honduras and Nicaragua.

The level of education, however, is increasing rapidly among younger generations. This means that in the future, as figure 3.3 shows, older workers will have attained higher levels of education compared to the current situation. This increase in educational attainment could be an important source of future productivity gains and improved employment prospects for older people.

As the existing literature shows, education and skills are important factors for improving the employment prospects of older workers. On average, adults who spend more time on education or training have a higher probability of being economically active and a lower probability of being unemployed.⁵⁵ Relating this to older workers, the OECD finds that there is a positive and significant correlation across countries between their incidence of training and their average effective age of retirement.

In Hungary, a study revealed that 62 per cent of workers aged 45–64 years with a secondary education were working. This figure climbed to 75 per cent for those with a higher education. One third of the 60–64 age group with higher education were also working.⁵⁶ The Czech Republic has very high education gaps

⁵² C. Antúnez: *Estudio de alternativas de empleabilidad en población mayor de 50 años* (Santiago, 2007).

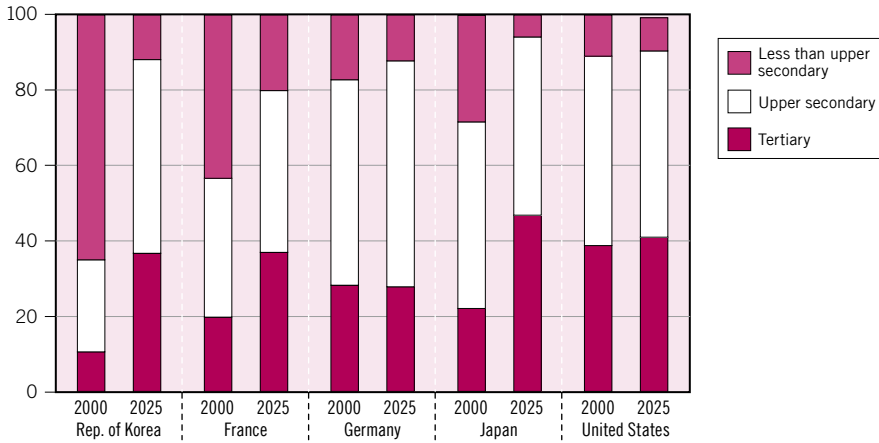
⁵³ DVV International: *Adult education and development 62/2004* (Bonn, 2004).

⁵⁴ Gasparini et al.: *Poverty among the elderly in Latin America and the Caribbean*, Background paper for the “World Economic and Social Survey 2007” (La Plata, Argentina, CEDLAS, 2007).

⁵⁵ Eurofound: *Working conditions of an ageing workforce* (Dublin, 2008), p. 49.

⁵⁶ Eurofound: *Employment of older workers and lifelong learning*, available at: www.eurofound.europa.eu/ewco/2005/09/HU0509NU01.htm.

Figure 3.3. Education levels of older workers in selected countries, 2000–25:
Share of labour force aged 50–64 by level of educational attainment (%)



Source: OECD, 2005, op. cit.

in participation rates among older workers by educational level. The difference in participation rates between older people with tertiary and primary education stands at 39 per cent or higher.⁵⁷ Even in poor countries, participation rates increase with the level of education. This is the case in India, where, for instance, 25 per cent of elderly illiterate people participate in work compared to about 50 per cent of those holding a technical diploma or the equivalent of a graduate or postgraduate degree. There are marked gender differentials with respect to the impact of education on workforce participation rates, as the level of education among females is much lower than males.⁵⁸

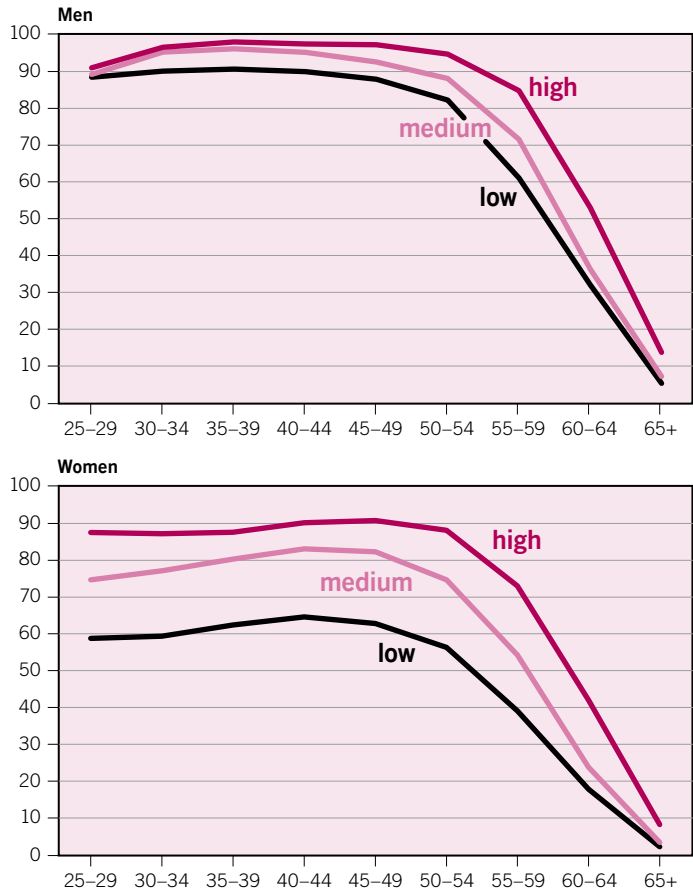
In the EU-25, skill level is a particularly important factor in the employment of older workers. At all ages, activity rates are significantly higher among the more educated, with the link of skill level to labour market participation being more pronounced for women than for men. For men, the difference in activity rates between the low and high skilled generally increases with age, being the widest for the age groups 55–59 and 60–64, where the difference exceeds 20 percentage points (see figure 3.4).

An inquiry into further training in Germany concluded that it is not age per se that explains participation in further training but rather the previous level of qualifications. It is mainly poorly qualified older workers who do not receive

⁵⁷ OECD: *Ageing and employment policies: Czech Republic* (Paris, 2004).

⁵⁸ S. Rajan: *Demographic ageing and employment in India* (ILO, forthcoming).

Figure 3.4. Participation rate by five-year age groups, by sex and by skills level in EU-25, 2006



Source: European Commission: *Employment in Europe 2007* (Brussels, 2007).

further training, whereas among highly qualified workers, participation in further training actually increases from the age of 50 years.⁵⁹ Finally, evidence from Turkey suggests that there may also be a cultural factor related to the relationship between the older and the younger generations. Many older workers feel that it may be more beneficial to offer education and training to their children rather than to participate in it themselves.⁶⁰

⁵⁹ G. Bosch and S. Schief: “Older employees in Europe between ‘work line’ and early retirement”, in *Transfer. The European Review of Labour and Research*, 4/07, 13(4) (Brussels, ETUI-REHS, 2007), p. 589.

⁶⁰ P. Auer and N. Popova: *Labour market policy for restructuring in Turkey: The need for more active policies* (Geneva, ILO, 2003).

In a large number of countries, public education and training programmes are not specifically targeted to older workers. They tend to be designed for the workforce as a whole, or younger people. The relatively short payback period prior to retirement for investment in older workers is often used to justify the unwillingness of employers to invest in training for these workers.

A recent OECD report,⁶¹ however, challenges employers to think again about the disputed investment value of training older workers. It shows that, because of the high turnover of young employees, the average time a 50-year-old can be expected to remain in a particular job is longer than that of a 20-year-old. According to an ILO study in Central and Eastern European countries, a national system for improving adult training existed until the transition in some of these countries. With the collapse of the political system and the acute drop in the ability of the State and of companies to finance adult training, opportunities for training the older workforce declined.⁶²

More and more countries realize the enormous potential that the older workforce represents and are increasingly investing in their older workforce. Furthermore, a growing number of companies are taking a long-term view of their staffing needs and recognize that older workers are a valuable resource.

In Latin America, for example, El Salvador, Mexico and Puerto Rico have developed training programmes targeting their older workforce. In Mexico, the INAPAM (National Institute for Older Persons) has developed a training programme targeting older adults who would like to be reintegrated into the labour market. The INAPAM, together with the Secretariat for Social Development and the Fund of Social Enterprises, has even developed a fund targeted at older people who would like to set up a viable enterprise.⁶³

It goes without saying that the adult population is in itself a large and broad group. It is a particular challenge to target those facing labour market disadvantages, such as older people with disabilities, immigrants or the older unemployed. The Norwegian Competence Reform, introduced in the late 1990s, is an agreement between the Government and social partners, which sets out primarily to meet growing competence demands but also to promote increased participation by the older workforce. The target groups for this measure are adults who lack formal education, older people who did not have access to education when they

⁶¹ OECD, 2006, op. cit.

⁶² Fortuny, Nesporova and Popova, 2003, op. cit.

⁶³ Paz, forthcoming, op. cit.

were young and adult immigrants with educational qualifications that are not recognized in Norway.⁶⁴

Consistent with the life-cycle approach, it is necessary to engage workers in the process of lifelong learning as early as possible so that a culture of learning is established. An adequate response to low levels of education and training of older workers should not therefore focus only on participation among this age group. The experience of workers at a younger age will have a key impact on their labour market decisions and outcomes when older. The concept of lifelong learning, which encompasses learning throughout the life cycle, is particularly relevant to a more expansive and proactive approach to education and skills development for older workers.

The European Foundation for the Improvement of Working and Living Conditions (Eurofound) speaks of “age management”, a key part of which is learning, training and lifelong learning. The Foundation offers a wide range of good practices, some of which are worth highlighting here: (1) the absence of age limits in providing access to in-house learning and training opportunities; (2) viewing training as an integral part of career planning and not solely as job-specific; (3) linking training to the course of an individual’s life; (4) organizing work so that it is conducive to learning and development, such as through mixed-age teams and groups; and (5) using older workers and their particular qualifications to facilitate further education for both older and younger workers and to establish and organize a knowledge pool.⁶⁵

Lifelong learning is a key priority in an increasing number of countries. Recently, the European Commission integrated its various educational and training initiatives under a single umbrella, the Lifelong Learning Programme. A number of instruments such as the European Qualification Framework for lifelong learning⁶⁶ have been developed to exploit fully the potential of the European lifelong learning area and the EU-wide labour market. Denmark and Sweden have been cited as two countries that invest heavily in lifelong learning programmes targeted specifically at poorly qualified workers to ensure that they maintain their employability.⁶⁷

⁶⁴ OECD, 2006, op. cit.

⁶⁵ Eurofound: *A guide to good practice in age management* (Dublin, 2006), p. 10.

⁶⁶ The European Qualifications Framework for lifelong learning (EQF) aims at linking countries’ qualifications systems, acting as a translation device for qualifications across different EU Member States, employers and individuals, thereby making it easier for individuals to work or study abroad, at: http://ec.europa.eu/education/lifelong-learning-policy/doc44_en.htm.

⁶⁷ Bosch and Schief, 2007, op. cit., p. 589.

Although China still has a long way to go in building a lifelong learning system and a learning society, there is an increasing debate on lifelong learning.⁶⁸ The 16th National Congress of the Communist Party of China in 2002 advocated that China should establish a lifelong learning society.⁶⁹ The Mexican Government also recognizes the importance of lifelong learning, but its implementation remains a challenge. Recent research suggests a two-pronged approach to lifelong learning. On the one hand, the problems facing the education system have to be resolved and, on the other hand, an integrated approach and the coordination of the various actors and stakeholders need to be promoted.⁷⁰

The social partners can play a leading role in shaping the structure of ongoing training. For instance, the European social partners are very much committed to coordinating their actions in the field of lifelong learning and it is a priority of their work programme. In recent years, bipartite and tripartite agreements on lifelong learning have been on the increase. Collective bargaining and social dialogue with governments have led, in many countries, to the establishment of training funds that finance lifelong learning and training. Examples from Asia and the Pacific Region include Malaysia and Singapore.⁷¹ Collective bargaining has indeed a key role to play in promoting lifelong learning. In Canada, an interesting study on collective agreements and older workers concluded that, although no training provisions specifically designed for older workers had been found in major Canadian collective agreements, some contract language could help protect the interests of older employees. This is typically the case when provisions stipulate that age cannot be used as a criterion to exclude older workers from training.⁷²

The overall importance of investment in education and skill development is underscored by rapid technological developments, which call for a continuous renewal and updating of skills. Research presents a mixed picture of the willingness and the ability of older workers to use new technologies. In Europe, a survey on time use and leisure activities reported that older workers have a 10 per cent lower probability of using computers than workers aged 25–35, and women’s use of the Internet is 20 per cent lower than for men at all ages.⁷³ An OECD

⁶⁸ World Bank: *Enhancing China’s competitiveness through lifelong learning* (Washington, DC, 2007).

⁶⁹ D. Yang and M. Wang: *Demographic ageing and employment in China* (ILO, forthcoming).

⁷⁰ G. Alvarez-Mendiola: “Lifelong learning policies in Mexico: Context, challenges and comparisons”, in *Compare*, Vol. 36, No. 3, Sep. 2006, pp. 379–399.

⁷¹ ILO: *Lifelong learning in Asia and the Pacific*, ILO Regional Tripartite Meeting, Bangkok, 2003, p. 14.

⁷² M. Fourzly and M. Gervais: *Collective agreements and older workers in Canada* (Quebec, Human Resources Development Canada, 2002).

⁷³ CEDEFOP: *Promoting lifelong learning for older workers* (2006).

study also reported that gender differences in computer usage increase with age.⁷⁴ Nevertheless, there has been a substantial decline in the proportion of workers who have never used a computer at work, with the largest improvement being among older workers.⁷⁵

An ILO survey of companies across different sectors in five countries found that employers felt that older workers generally faced difficulties in using new technologies, except for those who were better educated.⁷⁶ Elsewhere, there are references to studies carried out which show that, while older workers are less likely than younger workers to use new technologies, starting with computers and the Internet, they are eager to learn. It has been observed that, with proper instruction and access, older workers can learn to use new technologies, particularly computers, just as accurately as younger workers.⁷⁷

The key to allowing older workers to keep up with technological change is education and training. There is no inherent reason why older workers cannot acquire computer and other new technology skills and use them in their daily working lives. This task can be facilitated by encouragement to update skills, together with a supportive learning environment.

It is noteworthy that, in the United States, the Senior Community Service Employment Program (SCSEP), administered by the United States Department of Labor, provides job training, including computer classes, to workers aged 55 and over whose incomes are well below the federal poverty line.⁷⁸ SeniorNet represents another creative approach to helping older citizens acquire computer skills. It is a non-profit organization of computer-using adults, aged 50 and over, comprising 240 “learning centers” throughout the United States and other countries such as Australia and New Zealand. SeniorNet’s aim is to provide older adults with education for, and access to, computer technologies. It also collaborates in research on older adults and technology.

Another facet of new technologies is that they can form part of better working conditions. For older workers who have disabilities or health conditions that restrict travel or who live in remote communities, information and communication technologies may help them to offset or compensate for these limitations.

⁷⁴ OECD: *ICTs and gender* (Paris, 2007).

⁷⁵ Eurofound, 2008, op. cit., p. 3.

⁷⁶ Fortuny, Nesporova and Popova, 2003, op. cit., p. 56.

⁷⁷ B. Azar: “Older workers need not be left behind by technology”, in *APA Online*, Vol. 29, No. 7, 1998, pp. 1–2.

⁷⁸ L. Eyster, R. Johnson and E. Toder: *Current strategies to employ and retain older workers* (Washington, DC, The Urban Institute, 2008).

Career guidance and counselling

For those who actually lose their jobs, career advice and re-employment assistance take on added importance. The Older Workers Recommendation, 1980 (No. 162), calls upon member States to take all appropriate measures “to ensure that guidance, training and placement services provide older workers with the facilities, advice and assistance they may need to enable them to take full advantage of equality of opportunity and treatment”.

The Human Resources Development Recommendation, 2004 (No. 195), calls upon Members to assure and facilitate, throughout an individual’s life, participation in, and access to, career information and guidance, job placement services, job search techniques and training support services; and to identify, in consultation with the social partners, the roles and responsibilities of employment services, training providers and other relevant service providers with respect to career information and guidance. More recently, the abovementioned conclusions concerning skills for improved productivity, employment growth and development underscored that a positive transition to new employment requires employment services to be in place, including access to timely labour market information, career guidance and job placement services.⁷⁹

There is some question as to whether the principal focus of policy should be guidance and counselling aimed at the retention or the rehiring of older workers. Clearly this is not an “either/or” situation as both are necessary. ILO research suggests that the higher employment rate of older people in Denmark, for example, appears to be due primarily to their higher retention rate and that policies to encourage the retention of older workers may be more effective for maintaining their employment levels than measures aimed at enhancing the employability of older workers who have already lost their jobs.⁸⁰

Enterprises and organizations that are large enough to provide career counselling and career guidance from within are much better placed to assist older workers in ways that might reduce their chances of being displaced. This is particularly useful when there are opportunities to redeploy and – as far as possible – re-equip older workers for jobs elsewhere in the firm. However, where the size of the operation precludes the possibility of career guidance and retraining from within, outside options should be seriously considered. In this regard, in developed and developing countries alike, public employment services and private employment

⁷⁹ ILO, 2008, op. cit.

⁸⁰ J. Rubery: “Equal opportunities and employment policy”, in P. Auer (ed.): *Changing labour markets in Europe. The role of institutions and policies* (Geneva, ILO, 2001).

agencies can be enlisted. In addition to the range of difficulties that most workers have in common when they seek assistance from employment services and agencies, older workers have often suffered the added burdens of stereotypical attitudes and discriminatory practices. Equitable access to good employment services is thus essential and can affect the ability of older workers to find and keep a job.

Public employment services can advise older people on how to set up their own businesses. For some older workers who have the capital and the motivation not only to go on working, but to shift from wage to self-employment, this may represent a path worth pursuing. For those entrepreneurs wishing to make the transition from the informal to the formal economy, guidance in financial management, marketing and sales can help spell the difference between success and failure.

In the United States, One-Stop Career Centers and the SCSEP provide job-search assistance to older workers.⁸¹ At One-Stop Career Centers, staff, including older worker specialists, provide job counselling to older workers who are seeking new employment. They identify high-growth industries, companies with job openings and the required skills. They then advise older workers on how to pursue job openings, engage in interviews and deal with age-related issues.⁸²

In Japan, the Associations of Employment Development for Senior Citizens, located across the country, assist older white-collar unemployed persons, in particular, through the Career Exchange Plaza Project. In the course of 12 weeks, the Career Exchange Plaza helps with re-employment through seminars and meetings on job-search activities, such as résumé writing; job applications and interview techniques; the use of personal computers; an understanding of SMEs; and the planning of lifelong working lives. The success of the programme is largely attributed to the sharing of experiences by its participants.⁸³

Older women can often benefit from special career guidance and job-search assistance tailored to their specific needs. In this respect, it is interesting to note a programme in Singapore designed to encourage older women to return to work. The National Trade Union Congress (NTUC) scheme of “Women Back to Work” is to be turned into a national programme focused on more career guidance, training and counselling of women in the workforce.⁸⁴

Guidance and advice play an important role when older workers need to take decisions on retirement and face options such as taking up phased or part-time

⁸¹ As previously mentioned, SCSEP services are restricted to low-income older workers.

⁸² Eyster, Johnson and Toder, 2008, op. cit.

⁸³ H. Naganawa: “Re-employment of older white-collar workers”, in *Special Topic*, Vol. 41, No. 02, Feb. 2002.

⁸⁴ Thangavelu, 2008, op. cit.

retirement. For instance, it is important that they have the right advice on the effects flexible retirement will have on their net pay and pension entitlement before they retire. Recommendation No. 162 suggests implementing retirement preparation programmes with the participation of representative organizations of employers and workers.

Career advice and counselling are important to older workers, especially if they are threatened with unemployment. For those who lose their jobs, counselling and re-employment assistance are vital. Public employment services and private employment agencies must be fully enlisted to provide these services, intervene in those cases where age discrimination appears to be an issue, and advise older people on how to set up their own businesses.

Active labour market policies for older workers

Active labour market policies (ALMPs) are an example of labour market interventions that address both the demand for and supply of labour through a combination of various comprehensive initiatives. Supply-side measures attempt to improve the employment possibilities of particular target groups such as older workers. In the preceding sections, the report has discussed the principal supply-side measures. Demand-side measures such as job creation schemes set out to increase the number of jobs and make them available to disadvantaged groups such as young people, women, the long-term unemployed and, in this case, older workers.

The Government of the United Republic of Tanzania, in its National Policy on Ageing, points out that older people are among the poorest in society. Although they are skilled, knowledgeable and experienced as farmers, fishermen and civil servants, the majority of older people enter retirement ill-prepared. To rectify this situation, the National Ageing Policy paper calls for older people, individually or in groups, to be made aware of and helped to establish income-generating activities – for which relevant training would be made available.⁸⁵

Since the end of the 1990s, the Chinese Government, confronted with mass lay-offs and the rapid increase of urban unemployment, has adopted a series of active employment policies. Some of these, such as re-employment schemes, have been specifically targeted at older workers. According to a recent ILO study,

⁸⁵ United Republic of Tanzania: *National Ageing Policy* (Ministry of Labour, Youth Development and Sports, 2003), pp. 12 and 14.

these active employment policies have played an important role in promoting employment among the older workforce.⁸⁶

During the economic downturn and structural change brought about by the rise of new industries and the decline of old industries, older workers are disproportionately affected by large-scale worker retrenchments. In this respect, dislocated worker programmes can make an important contribution towards alleviating or minimizing the negative consequences of displacement for workers and their families. Specialized worker assistance resource centres are an important component of successful rapid response dislocated worker programmes for restructuring enterprises – particularly when a substantial number of workers are being displaced.⁸⁷

ALMPs that offer job creation incentives to employers usually take the form of various types of subsidies. In Argentina, a Labour Code reform carried out in 2000 offered rebates on social security contributions if workers hired on trial contracts were subsequently offered permanent employment. Rebates were larger if new contracts were for women heads of household, workers aged 45 and over or young workers aged 24 or under.⁸⁸

However, subsidies need to be well targeted, suggesting that age by itself is not a valid target.⁸⁹ As shown earlier, low-skilled older workers are particularly disadvantaged. This, then, may be an argument for some combination of a hiring or wage subsidy combined with a training subsidy for raising skills levels. In Japan, subsidies are paid for the hiring of persons aged 45–64 for whom finding employment is difficult due to lack of experience. The subsidy is issued on a trial basis to allow the employer to assess the suitability of the worker before deciding whether to make it a permanent hire.⁹⁰

The employment subsidy need not always go to the employer, especially if the resistance or disincentive is more on the worker's than the employer's side. In several countries, such as Germany, Japan, the United Kingdom and the United States, older workers receive directly a wage top-up for remaining in employment or finding a new job. In the United Kingdom, under the New Deal 50 Plus programme, persons aged 50 and over who have been receiving income benefits for

⁸⁶ Yang and Wang, forthcoming, op. cit.

⁸⁷ G. Hansen: *A Guide to Worker Displacement: Some tools for reducing the impact on workers, communities and enterprises* (Geneva, ILO, 2002).

⁸⁸ A. Marshall: *Labour market policies and regulations in Argentina, Brazil and Mexico: Programmes and impacts*, Employment Strategy Papers (Geneva, ILO, 2004).

⁸⁹ OECD, 2006, op. cit., p. 12.

⁹⁰ M. Fujimoto: *Country study on the promotion of decent work for older persons in the formal and informal economy – Case of Japan* (Tokyo, Japan Institute for Labour Policy and Training, 2008), p. 28.

six months or longer are eligible to receive an in-work benefit for up to 52 weeks once they obtain work of more than 16 hours per week. The earnings top-up is higher for those with lower household incomes.⁹¹

There is a concern that the offering of subsidies to older workers as a group may reinforce negative attitudes of employers towards hiring and retaining them. A wage subsidy that is targeted more narrowly at low-income or long-term unemployed older workers may thus represent a more suitable approach.⁹²

While all of these risks exist and it is important to be aware of them, they serve as an argument for tighter programme design and monitoring, as well as greater resources for programme evaluation. There is obviously still an overriding need for policies and measures to overcome the obstacles to retaining and hiring older workers.

3.4. Ensuring a safe and healthy working environment

A safe and healthy working environment is key in promoting productive employment and decent work for all workers, but this takes on added emphasis in relation to older workers. Maintaining the ability of older workers to remain at work depends to a great extent on their functional condition, itself influenced by their past working history. Their health status depends on the work post they occupy, and the social, cultural and economic situation of the country they live in. Workers who perform physical labour are also, most often, those who have the least schooling and the least occupational training. They may be exposed to exhausting conditions which increase the risk of work-related accidents and diseases. In this context, their physical capacity is likely to decline in later years, a fact which makes them more vulnerable at work. Conversely, workers who have had the advantage of lengthy schooling, followed by occupational training that equips them for work, generally tend to exercise professions where they can use their knowledge and progressively widen their experience. Often they do not work in the most harmful occupations and their skills are recognized and valued as they grow older.⁹³

Sound occupational safety and health policies and practices that invest in workers' safety, health and well-being during their entire working life therefore

⁹¹ OECD, 2006, op. cit., pp. 125–126.

⁹² *ibid.*, p. 113.

⁹³ A. Laville and S. Volkoff: "Elderly workers", in *ILO Encyclopaedia of Occupational Health and Safety*, Fourth edition (Geneva, ILO, 1998).

Box 3.2 Older Workers Recommendation, 1980 (No. 162)

Provisions related to improvement of working conditions and the working environment (Part III – Protection)

The Recommendation specifically addresses the issues of working conditions and the working environment of older workers. It calls for:

- Measures designed to enable older workers to continue in employment under satisfactory conditions, within the framework of a national policy to improve working conditions and the working environment at all stages of working life;
- Studies to identify the types of activity likely to hasten the ageing process, or in which older workers encounter difficulties in adapting to the demands of their work, to determine the reasons and to devise appropriate solutions.

“Where the reasons for the difficulties in adaptation encountered by older workers are mainly related to advancement in age, measures in respect of the type of activity in question should to the extent practicable be applied so as to:

- (a) remedy those conditions of work and of the working environment that are likely to hasten the ageing process;
- (b) modify the forms of work organisation and working time which lead to stress or to an excessive pace of work in relation to the possibilities of the workers concerned;
- (c) adapt the job and its content to the worker by recourse to all available technical means and, in particular, to ergonomic principles, so as to preserve health, prevent accidents and maintain working capacity;
- (d) provide for a more systematic supervision of the workers' state of health;
- (e) provide for such supervision on the job as is appropriate for preserving the workers' safety and health.”

keep them employed longer and ensure they are more productive. At the same time, they relieve the social security system of financial burdens caused by avoidable expenses for accidents, sickness, health care, rehabilitation and disability.⁹⁴

The link between occupational safety and health and employability of all workers was first addressed in depth by the European Agency for Safety and Health at Work in 1999. Since then, a series of case studies of initiatives from a variety of organizations indicates that occupational safety and health can contribute to the improvement of employability in several areas, including workplace

⁹⁴ A. Jolivet and S. Lee: *Employment conditions in an ageing world: Meeting the working time challenge*, Conditions of Work and Employment Series No. 9 (Geneva, ILO, 2004).

design or redesign; risk assessment of the work post, including work demands; maintenance of a safe and healthy work environment; training and retraining; and medical diagnosis, health screening, and the assessment of functional capacities.⁹⁵ For the purposes of this report, these can be grouped into three main categories to promote government and workplace policy and initiatives: (i) programmes that deal with safety and health risks, aimed at preventing work-related accidents and illnesses; (ii) adjustments to or adaptation of workplaces or work organization to help the ageing worker remain in work or assist in the reintegration of workers after an illness or injury; and (iii) workplace health promotion initiatives that use the workplace as a setting to undertake activities aimed at improving the general health and fitness of the workforce.

Concerning programmes aimed at primary prevention of occupational accidents and diseases (and as the Recommendation No. 162 points out), measures designed to enable older workers to remain at work have to be developed within the framework of a national policy to improve safety and health for all workers at all stages of working life. Many countries around the world have developed safety and health legislation and/or policies based on the principle of prevention. The proposed framework of action is increasingly being based on assessment of risks to all workers, with the implementation of a hierarchy of preventive measures starting with elimination of risk. This is an important concept because to become an “older worker”, one has to survive being a “younger worker”. Across Europe, for example, 18–24-year-olds are at least 50 per cent more likely to get hurt at work than older people. Young people are also more likely to suffer from an occupational illness.⁹⁶ This is because they lack physical and psychological maturity, skills and training. They may also be unaware of their employers’ duties and their own rights and responsibilities, and generally lack confidence in speaking out if there is a problem. The problems of occupational safety and health of younger workers are exacerbated in developing countries, where the sheer numbers of child labourers and young people in employment in hazardous sectors make them especially vulnerable.

On the other hand, older workers may experience a decline in some abilities, such as muscle strength, but they usually have compensatory strategies that arise from experience and training. Most studies indicate that older workers tend to have fewer accidents, but their injuries are often more severe. They may also take longer to recover. In addition, the types of injuries experienced by older and

⁹⁵ European Agency for Safety and Health at Work: *OSH in figures: Young workers – Facts and figures* (Luxembourg, 2007).

⁹⁶ *ibid.*

younger workers can be different – younger workers tend to get more eye and hand injuries, while older workers who have been working for many years tend to have more musculoskeletal problems. Anyone who is pushed to work harder than he or she safely can, irrespective of age, is at risk from injury. A national policy to improve the working environment for all and promote well-designed workplaces therefore benefits everyone. Workstations and tasks that are matched to the needs of the individual employee are the aim. In this way, different conditions for different workers may be needed to meet the needs of any employee, not just one that is older. Ageing workers should therefore not be considered as a category apart, as protective measures that are too targeted or too accentuated could marginalize and weaken their position.

At the workplace level it is important to anticipate individual and collective changes related to age, as well as changes in work techniques and organization in order to adapt workplaces to the needs of ageing. The highest priority must be given to conditions that are likely to pose particularly acute problems for older workers. Such areas may include regulation of posture, especially in tasks which require precise adjustments, strong muscular contraction or joint movements at extreme angles. Sleep patterns become less reliable with age and older workers become more sensitive to changes in working schedules and to disturbing environments (noise or lighting, for example). Thermoregulation also becomes more difficult with age and this causes older workers to have specific problems when working in heat. Sensory functions, such as vision and hearing, also begin to be affected from the age of about 40. The resulting problems are particularly noticeable in conditions of poor lighting, ambient noise or strong reverberation.⁹⁷ In general, organic decline with age is more noticeable in extreme situations, especially the often unregulated or unmonitored conditions in developing countries – and these, as mentioned above, should be modified in any case to avoid difficulties for young workers as well. However, physical strength and endurance, as well as cognitive functions, are very specific to individuals. Consequently, when considering the older person's ability to work, account must be taken of the fact that differences within the older population are greater than between older and younger groups.

Declines in health or cognitive, physical or sensory functioning can be minimized, prevented or overcome by simple adjustments; older workers should not therefore be excluded from the workforce on the basis of safety and health, or poor productivity or functioning. On the contrary, organizations would benefit from efforts to maintain the ability to work of their workers of all ages. Furthermore,

⁹⁷ Laville and Volkoff, 1998, *op. cit.*

the adoption and development of age-management strategies and policies at the workplace that target age discrimination, and flexible retirement practices that can retain older workers longer, are likely to have benefits for both the organization and the individual worker.⁹⁸

There is thus a need for a systematic evaluation of posts that are – or may be – occupied by older workers. Such a “risk assessment” would allow an inventory to be drawn up and priorities established for action. Because older workers’ injuries tend to be more severe when they occur, adjustments should be made to workstations or work organization to make conditions as safe as possible for them. It is also important to make sure a person is suited to a particular task and is safely able to do it. Action undertaken should be specific to each work situation, but the aim is to arrange for the widest possible flexibility in the design of workstations, equipment and organization. Restricted space, non-adjustable tools, rigid software – in short, all the characteristics of work which limit the workers’ ability to carry out a task – are likely to penalize a considerable portion of older workers. The same is true for the more constraining types of work organization, such as the predetermined distribution of tasks, frequent and urgent deadlines, or too many or over-strict orders. The search for flexibility therefore implies a search for varied individual and collective adjustments that can facilitate the successful integration of ageing workers into the production system.

One of the conditions for the success of work adjustments and retention of older workers is the establishment of work training programmes provided for workers of all ages and geared to their specific needs. Everyone, at every age, thinks and learns differently. In the course of their working lives, people who have received a considerable amount of training or who have had to carry out a variety of tasks are experienced learners – they are typically able to learn new skills and improve the ones they have with relative ease. Workers who have received little or no training, or who have carried out relatively simple and repetitive tasks for many years, will have limited knowledge and difficulties when confronted with new and unfamiliar tasks and the safety requirements associated with them. Changes in work require training, but older workers rarely receive it. Organizations often do not consider it worthwhile to train a worker nearing the end of his or her active life, and often workers themselves hesitate to undergo training, fearing they will not succeed. Furthermore, they do not always see the benefits that can be derived from it.⁹⁹

⁹⁸ K. Benjamin and S. Wilson: *Facts and misconceptions about age, health status and employability*, Health and Safety Laboratory Report No. HSL/2005/20 (United Kingdom, 2005).

⁹⁹ Laville and Volkoff, 1998, op. cit.

In fact, with age, it is the manner of learning which differs. Generally, older workers tend to use experience and expertise when working, but it may take longer for them to learn new skills. Hence, training requirements for safe working may be different for older workers. Training may need to be more practical, and new skills explained in a way that fits into what they already know. One response to the training needs of older workers is, first, to use different teaching methods according to each person's age, knowledge and experience, and, second, to allow a longer training period for older people. Effective implementation of training will also require the training of managers and supervisors, as well as a change of attitude, focused on maintaining the positive contribution of older workers.

There is also a significant gender dimension to ageing and occupational safety and health. At all stages of their working lives, women are more likely than men to work part time; to be concentrated in certain areas of employment; to be in low-status jobs; and to earn less than men. All these factors influence the well-being of women workers, especially in the later years of their employment. With age, therefore, they generally occupy posts with considerable constraints, especially in relation to time constraints and repetitive tasks. But the combination of age and gender discrimination means that few studies have explored their circumstances or analysed their occupational safety and health needs.¹⁰⁰ If the design of workstations and organization is to take account of such gender differences, action must be taken to promote the initial and continuing training of women, and to establish work careers that increase women's experiences and enhance their value.¹⁰¹ A greater commitment to age and gender equality is needed in occupational health research, workplace health interventions, and in the framing of wider social policy, including a focus on equalizing pensions and other benefits that will enable older women to make health choices about employment, if the needs of older working women are to be met.

Physical fitness in older workers also determines their ability to continue working. Employers should therefore help older workers remain fit and healthy by providing time, resources and access to facilities so that they can take part in healthy activities inside and outside the workplace. A healthy lifestyle enables them to build up resistance to disease, maintain strength and vigour, and develop reserve capacities. Among the lifestyle factors most detrimental to health and working capacity are lack of physical exercise, smoking, alcohol abuse and poor eating habits. Employers (and governments) have a vested interest in the physical

¹⁰⁰ L. Doyal and S. Payne: *Older women, work and health – Reviewing the evidence*, Help the Aged and The Age and Employment Network (United Kingdom, 2006).

¹⁰¹ Laville and Volkoff, 1998, op. cit.

well-being of their workers, if for no other reason than because illness and injury cost money in the form of sick leave, disability benefits, and lost productivity. Workplace health promotion initiatives aimed at improving the general health of the workforce can also benefit the employer in terms of work performance and productivity. General health promotion would significantly reduce preventable disease rates per unit of resource expenditure for older workers, partly because chronic disease rates are higher among this age group.

A report of a joint event by the World Health Organization and the World Economic Forum concludes that addressing diet and physical activity in the workplace has the potential to improve the health status of workers, contribute to a positive image of the company, improve staff morale, reduce staff turnover and absenteeism and reduce sick leave and disability payments.¹⁰² The information compiled in the report, however, reflects evidence collected from high-income countries, primarily in Europe and North America. The scarcity of information and case studies from low- and middle-income countries highlights an important gap in the current knowledge, which needs to be addressed.

3.5. Adapting working time, working life and work organization

Working time and work organization are very much affected by demographic change and, in particular, the increased feminization of the labour force. The shift from the single “male breadwinner” household to dual-earner households, the ageing of the labour force, as well as a growing concern over the quality of life and working life, particularly in the industrialized world, are having an impact on the way that work is organized.

These developments are shaping both workers’ and employers’ needs and preferences in relation to working life. From the standpoint of the enterprise, the drive to reduce labour costs, manage human resources in innovative ways and diversify customer demands have brought about innovative enterprise strategies – such as more flexible working arrangements, including hours of work. From the workers’ perspective, changes are taking place in relation to the duration and timing of work, which vary according to worker characteristics (in particular by gender and age), as well as over the life cycle.

¹⁰² WHO and World Economic Forum: *Preventing noncommunicable diseases in the workplace through diet and physical activity* (Geneva, 2008).

Working time and work organization have been important to the ILO since its inception. There are still major challenges in this area related to working time policies, which have been on the ILO's agenda since it adopted its first Convention: the Hours of Work (Industry) Convention, 1919 (No. 1). These include the need to limit excessive hours of work and provide for adequate periods of rest and recuperation, including weekly rest and paid annual leave, in order to protect workers' safety and health. These concerns have been enshrined for many years in a wide range of international labour standards relating to working time. In particular, the problem of long working hours and the need for adequate rest remain of vital importance – not only in the developing world, but in many industrialized countries as well. The Workers with Family Responsibilities Convention, 1981 (No. 156), is very relevant as it ensures access to services and arrangements developed to reconcile work and family. Recommendation No. 162, already mentioned above, specifically addresses the issues of the working conditions of older workers (see box 3.3).

The objective of promoting productive employment and decent work among key population groups requires a comprehensive strategy that can maximize each

Box 3.3 Older Workers Recommendation, 1980 (No. 162)

Provisions referring to working time and work organization

Within the framework of a national policy to improve working conditions and the working environment, it is recommended that studies be undertaken to identify the types of activity likely to hasten the ageing process, to determine the reasons, and to devise appropriate solutions.

Where the reasons for the difficulties in adaptation encountered by older workers are related to advancement in age, measures in respect of the type of activity in question should to the extent practicable be applied so as to: (a) remedy those conditions of work and of the working environment that are likely to hasten the ageing process; (b) modify the forms of work organisation and working time which lead to stress; (c) adapt the job and its content to the worker; (d) provide for a more systematic supervision of the workers' health; and (e) provide for such supervision on the job as is appropriate for preserving the workers' safety and health.

At the level of the enterprise, the following measures may be taken: (a) reducing hours of work of older workers employed on arduous, hazardous or unhealthy work; (b) promoting the gradual reduction of hours of work prior to the retirement date; (c) increasing annual holidays with pay based on length of service or age; (d) enabling older workers to organise work time and leisure; and (e) facilitating the assignment of older workers to jobs performed during normal daytime working hours.

individual's capacity to participate throughout the life cycle. The "linear working life concept" may have to be replaced by a more flexible organization of working life. More than a decade ago, the European Commission referred to the "norm of the varied working life" as the new form of life-work organization emerging in the new century.¹⁰³ This implies rethinking how periods of work, leisure, learning and caring are distributed throughout life.

Research on changing patterns and preferences for time use¹⁰⁴ argues that the institutionalized "three-box" life-course (education, paid work and retirement) is no longer the norm, even for male workers. Such patterns as part-time work, flexible working-time schedules, leave for caring or parental responsibilities, educational leave, career breaks, sabbaticals, working-time reduction, schemes for combining work and non-work activities and early retirement schemes are becoming increasingly widespread.

Promoting family-friendly work practices

There is evidence that family-friendly work practices are essential to increase fertility and promote female participation in countries where these are low, as well as to facilitate the reconciliation of work and family life. The dramatic declines in fertility in many developed countries are due to insufficient adaptation to the changes in working lives of both men and women: in most countries, the opportunities to combine work and family life remain underdeveloped. According to a recent OECD report,¹⁰⁵ the most common types of family-friendly work practices are working-time related, such as part-time work, granting days to care for sick children, and to a lesser extent employer-provided parental leave support. The report argues that working hours are key for people trying to reconcile work and family life. But it also states that, although part-time arrangements may be helpful in the short term, such as when an individual wishes to combine work with care obligations, they may be counterproductive in the long run. Part-time work can entail disadvantages in terms of career prospects and social security, particularly in old age. According to German data, individuals (in Germany, mostly women)

¹⁰³ European Commission: *Partnership for a new organization of work*, Green Paper, document drawn up on the basis of COM(97)128 (Brussels, 1997).

¹⁰⁴ Eurofound: *A new organisation of time over working life* (Dublin, 2003). This study considers a range of measures, such as the accessibility of more paid leave during the "stress phases" of life, in order to compensate for increasing the retirement age, and the introduction of social security structures to fit new time arrangements.

¹⁰⁵ OECD: *Babies and bosses: Reconciling work and family life* (Paris, 2007).

who reduce working hours or leave the workforce temporarily or indefinitely in order to care for dependent elderly relatives, face limitations on their employment prospects when they attempt to resume employment, as well as financial disadvantages in terms of their pension entitlement.

The OECD report illustrates the business case for family-friendly workplaces. In Japan and the Republic of Korea, prevailing employment conditions and practices imply that family life is dependent on mothers providing personal care, which restricts maternal employment and therefore contributes to low birth rates.¹⁰⁶ Some countries have started to formalize family-friendly practices which already existed in many workplaces (see box 3.4). These initiatives can impose labour costs on individual employers. However, when family-friendly workplace support is provided by employers on a voluntary basis and/or after agreement with unions, access to such support is unequal, and workers in weak bargaining positions may miss out.

According to ILO research in Japan and the Republic of Korea,¹⁰⁷ important changes are taking place in the structure of Japanese and Korean families due to rapid ageing, the increase in non-marriage, and declining total fertility rates. In the Republic of Korea, family-friendly measures are having a limited impact. Although flexible work arrangements have provided employment opportunities to married women who were not previously employed, they have had little effect on reducing the double burden of regular workers with family responsibilities. In fact, due to inadequate childcare facilities and other employment support systems, combined with gender discrimination, in the process of increasing labour market flexibility these “family-friendly” measures have tended to create a feminization of atypical employment and deteriorating conditions among women workers. In Japan, laws such as the Law on Childcare and Family Care Leave and the Equal Employment Opportunity Law have been enacted, but to no great effect. Among those who have taken childcare leave, the rate of continued employment is high; indeed, there is little recourse to the legislation.

Most initiatives related to family–life balance are found in developed countries. Some developing countries, however, are facing fast and important changes in family structures and this issue is becoming a policy priority. According to ILO research in Brazil,¹⁰⁸ increased female participation and a decline in fertility

¹⁰⁶ OECD: *Babies and bosses*, 2007, op. cit., box 7.1, pp. 174–176.

¹⁰⁷ M. Abe, C. Hamamoto and S. Tanaka: *Reconciling work and family: Issues and policies in Japan*, Conditions of Work and Employment Series No. 5 (Geneva, ILO, 2003); and T.H. Kim and K.K. Kim: *Reconciling work and family: Issues and policies in the Republic of Korea*, Conditions of Work and Employment Series No. 6 (Geneva, ILO, 2004).

¹⁰⁸ B. Sorj: *Reconciling work and family: Issues and policies in Brazil*, Conditions of Work and Employment Series No. 8 (Geneva, ILO, 2004).

Box 3.4 Legislative measures to promote family-friendly workplaces

Swedish policy (already in 1978) gives parents with children who are not yet in primary school (i.e. under 8) the legal right to work six hours a day (at pro-rated pay).

Germany grants the right to work part time to employees in enterprises with 15 or more workers, while the Netherlands enacted the right to change working hours for employees in enterprises of ten or more workers.

The 2001 Japanese Law on Childcare and Family Care Leave stipulates that firms must take at least one measure out of five options (short-time working hours, flexitime, adjustment of time to start/end work, exemption of non-scheduled work, setting up and operation of a childcare centre) to assist employees who are bringing up a child under 3 years old.

United Kingdom law grants parents with children under age 6 the right to request flexible working hours. Legislation does not guarantee parents an entitlement to part-time work, but these requests are often granted. The law forces employees to give a motive for their request and employers must justify refusal. This forces both parties to explain their motives and enhances workplace communications.

Source: OECD, 2007, op. cit.

indicate that the role of women has been changing rapidly – although that of men has remained unchanged. Women are the main source of assistance for the elderly and for dependent children, and they are increasingly less available to fulfil these caring roles. As a result, public policy is having to redefine how family responsibilities should be fulfilled. Brazil has accordingly taken steps to promote equality of opportunity and treatment between women and men.¹⁰⁹ Furthermore, a study of the labour legislation and collective agreements indicates the existence of measures that facilitate the balance between work and family, such as maternity leave providing job security for the expectant mother. But labour legislation only applies to workers in regulated employment. In addition, benefits are mostly paid during the reproductive phase, and this does not facilitate a balance between work and family throughout working life. Research on the current status of flexible time in

¹⁰⁹ A positive step in this direction was taken by the new Brazilian Civil Code promulgated in 2003, which recognized the total equality of rights and obligations of spouses, and broadened the concept of family, including single-parent families and stable, non-marital unions as family entities recognized by the State. The egalitarian perspective of the family has become an important reference for the redefinition of gender roles. In the same manner, the 1990 *Estatuto da Criança e do Adolescente* recognizes the right of children to filiation, irrespective of the parents' wishes. This principle aims to combat lack of recognition of paternity, which is quite common in poor families.

regulated enterprises revealed that implementation was low and did not have much impact. This may be attributed to the fact that the legislation is recent and not well known in the business community. What is more, the unions view these measures with great suspicion as an alternative to a reduction of the basic working week.

Flexible pathways to retirement

As mentioned above, the prolongation of working life is a high priority in most developed economies. It is regarded not only as an important way to secure social security systems, but also as a decisive answer to the demographically induced labour shortages and changed age composition of the labour force. Work–family responsibilities can significantly influence the choice and ability of older workers to work full time or part time, as well as the time of the day and number of hours they work (this is especially true for older women who may be forced to address the care needs of their grandchildren, for example).

There is increasing recognition that working time is an important dimension of “decent” employment conditions for older workers, and that working time flexibility is an important policy tool to promote “active ageing”.¹¹⁰ According to the European Commission report on employment in 2007, reduced working hours would generally help to raise employment levels among older people.¹¹¹ Although increasing the availability of arrangements allowing for reduced working hours for older workers appears a positive step, in principle, ILO research shows that it may have unintended consequences such as inducing those who would stay in full-time work to take part-time employment, or even marginalizing and stigmatizing older workers in the workplace. The latter is one of the reasons why some countries such as Belgium and the Netherlands have moved away from an age-specific policy to granting everyone the right to a reduction of working hours.¹¹² Furthermore, take-up rates of progressive retirement are low in European countries. The OECD¹¹³ points out that if reductions in working time are heavily subsidized, there is a risk that they might involve reductions rather than increases in the effective labour

¹¹⁰ Jolivet and Lee, 2004, op. cit.

¹¹¹ Older people are over-represented in part-time work, and countries with greater shares of older workers in part-time employment have higher employment rates for the 55–64 group. Furthermore, the proportion of involuntary part-time workers (i.e. those that are employed part time because they could not get a full-time job) in the EU is low for older workers (at around 12 per cent, compared to 20 per cent for the working-age population in 2004). This indicates that part-time work meets the wishes of most older workers in such employment.

¹¹² Jolivet and Lee, 2004, op. cit.

¹¹³ OECD, 2006, op. cit.

supply of older workers. Finland and Sweden have given subsidies to encourage people to work part time. However, while these initiatives may have encouraged some older workers to delay retirement, the impact on aggregate labour supply in terms of hours worked is less clear (box 3.5).

The OECD suggests that measures to promote a more phased transition between work and retirement – especially if it involves a public subsidy to reduce

Box 3.5 The experience of Finland and Sweden with part-time pensions

In **Finland**, part-time pensions are a popular way of achieving a smooth transition from work to retirement. In 2001, 6 per cent of persons aged 56–64 received part-time pensions. This entitled workers aged 56 and over to 50 per cent of the income lost due to a reduction in working time, paid through the pension system. Part-time workers were granted full accrual of pension rights. Surveys reveal that most people receiving this payment moved into full retirement, showing that it encouraged older workers to exit the workforce gradually. But it is not clear whether this encouragement increases or reduces labour supply. One survey suggested that half of the recipients would have worked full time were it not for the programme. The benefit of such a scheme in diverting people from premature early retirement must thus be set against the negative effect on hours worked among those who would have kept on working anyway plus the fiscal cost. As of 2005, the partial pension is only available from the age of 58 years, with less than full accrual of pension rights (pension rights accrue both from wage and earnings reduction).

In **Sweden**, concerns about negative effects caused the replacement in 2001 of a subsidized partial pension in favour of more neutral conditions enabling people who wish to work part time to do so without unduly subsidizing them. Results from surveys during the 1990s showed a growing interest in part-time work while drawing a pension. But research shows that during the 1990s there was no strong positive correlation between the recipients of a partial pension and employment rates. Sweden has questioned such generous rewards that may at best be having a largely dead-weight effect and at worst be reducing the number of hours worked. Under the new pension arrangements, a generous partial pension is available in the state sector. However, under reformed arrangements for pensions available to all workers, workers are permitted to draw a part of their pension early while still working. In this case, there is no subsidy to encourage workers to take up this option. They must balance the value of working part time with a top-up that may make this affordable, against the future impact on their pension in full retirement caused by taking part of the pension early with an actuarial reduction.

Sources: OECD, 2006, op. cit.; Finnish Centre for Pensions, 2008.

working time – should be carefully evaluated in terms of its net impact on the effective labour supply of older workers. Flexible pathways from work to retirement, therefore, depend on a changing culture, in which individuals face a range of options and see the consequences for themselves of whichever one they choose.¹¹⁴

The abovementioned ILO report¹¹⁵ also finds that the working hours of older workers do not significantly differ from those of other age groups. Female workers work on average shorter hours than their male counterparts at all stages of working life. Yet the hour–age profile is remarkably similar. The report argues that one of the key reasons for this is that many of those workers who did not want the prevailing working-time patterns may have already exited from the labour market. In this respect, its finding that the preferred length of working time for inactive older people is much shorter than that for employed ones is particularly interesting. The report concludes that it is of critical importance to know the extent to which working-hour constraints discourage older workers from continuing to work or returning to work, especially beyond the standard retirement age. The rise in availability of part-time work over recent years would therefore appear to be an important factor in addressing the working-time desires of older workers who might otherwise be inactive.

Regarding more atypical forms of working-time arrangements such as shift work and night work, according to ILO research¹¹⁶ these are less suitable for older workers. Of course, the actual effects of shift work on older workers also depend on other individual and social circumstances, but there are good reasons to believe that shift work, particularly when combined with night work, is not advisable for workers aged over 50 years.

Policies to facilitate a progressive transition from working life to retirement vary widely between countries as well as enterprises. Box 3.6 presents some examples of national and enterprise policies.

There is recognition that policies geared towards promoting participation of the older age groups should consider flexibility in working time and work organization. Age-specific measures, however, are not always desirable or effective. Older workers' physical and mental capabilities, and even their preferences and attitudes toward work, are the function of both past and present conditions. Therefore, options allowing workers to adjust their working time should be provided at all stages of employment – and not only at the end of their working life.

¹¹⁴ OECD, 2006, op. cit.

¹¹⁵ Jolivet and Lee, 2004, op. cit.

¹¹⁶ N.S. Ghoshel Jr, S. Lee and D. McCann: *Conditions of work and employment for older workers in industrialized countries: Understanding the issues*, Conditions of Work and Employment Series No. 15 (Geneva, ILO, 2006).

Box 3.6 National policies for the gradual transition into retirement

A variable/flexible reduction before the age of retirement. In the *Netherlands*, since July 2000, the law on the adjustment of working time gives all workers the right to lengthen or shorten their weekly working time. It is not specifically aimed at older workers. The only condition required for exercising this right is the minimum of one year of continuous service for the same employer. There is no limit on the span of hours a worker may ask for below or above the usual working time. Similar to *Belgium*, firms employing more than ten persons may refuse workers' requests only in the case of serious economic problems or for operational reasons. Another way of reducing working hours is progressive retirement: in 2000, two-thirds of all collective agreements contained progressive retirement provisions.

A variable reduction after the age of retirement. This option refers to the various possibilities of cumulating pension and income. This is the case in *Spain*, where, since 2002, the opportunities for a gradual and flexible retirement have been increased. It is now possible to cumulate a partial pension with part-time work until workers are eligible for pension benefits. Pension is proportionate to the reduction of working time.

A reduction of working time more connected to external mobility. In the *United States*, part-time employment is a significant feature of the employment of older workers. "Phased retirement" refers to staying with a career job on a part-time or part-year schedule, while phasing out employment over a certain number of years to complete retirement. "Bridge employment" refers to leaving a career job and moving to part-time work in another firm, in the same industry or in a different one.

Enterprises in action. In the 1990s, Volkswagen AG used partial retirement to reduce its workforce. This became very difficult when the Early Retirement Rule was replaced in 1996 by the Partial Retirement Act. The latter is less attractive to older workers as they lose a high proportion of their pensions if they take partial retirement. The VW agreement concluded in 1997 concerning partial retirement contains improvements for employees, compared to the provisions of the Partial Retirement Act, because it applies the "block model" option. There is also a system of "time vouchers" based on an agreement between management and the works council. This allows employees to save part of their income, payments for extra shifts, extra holidays and overtime work in a special fund which is covered against loss of value. Workers may use it at their own discretion. As of age 55, employees can exchange their time vouchers for periods of time off, or receive higher pension benefits after retirement.

In *Japan*, a 2000 Survey on Employment Management revealed that, among firms with employment extension or re-employment schemes, most workers maintained the same working days and hours as before retirement. Among the various difficulties in managing employees over 60, firms recognized the need for reappraising working hours and working patterns. Yokogawa Electric, a manufacturer employing 19,000 employees, offers progressive retirement options before 60 years in the case of transfer to an affiliate company. At a certain age, employees are given fixed days off to reorient themselves for working after 60. Nagoya Tetsudo, which employs more than 70,000 persons, sets certain jobs aside for employees over 50, such as sedentary jobs in railway or in road transport services. After 60, this is combined with a reduction of working hours by 4.5 hours from the standard weekly working time in the group.

Source: Jolivet and Lee, 2004, op. cit.

3.6. Ensuring adequate and sustainable social security

Social security systems are a social and economic necessity. They work best if they are well integrated and coordinated with wider social protection and labour policies. All these policies and institutions can be designed in a way that serves both social and economic objectives, and reinforce each other when it comes to coping with demographic change.

This section will make the case for a basic package of social security guarantees available to everybody, introduced at an early stage, and the maintenance of decent levels of social security at a later stage of economic development. Social security is a productive factor and constitutes an investment in social cohesion and political stability which, in turn, are prerequisites for successful economic activities.¹¹⁷ Improved economic performance will progressively create the fiscal space that permits the financing of a decent level of social security, even in times of increasing dependency rates.

A basic social security package for all

In most developing countries – and probably increasingly in some industrialized countries – old age is a main determinant of poverty. Logically, as societies age, overall poverty levels out structurally. Old-age poverty is not only a problem for the elderly, but is also a concern for entire households; in the absence of transfer incomes for the elderly, household incomes have to be shared among more people and per capita consumption declines. Child poverty – high in developing countries and on the increase again in industrialized countries – has the same effect. Health care costs, which are systematically higher than average for the young and the elderly, again have the same systemic effect. Intra-family demographic burdens and demographic change have thus a marked impact on the welfare levels of all population groups.

For too long, the interaction between demographic shifts and social security has exclusively been discussed in a cost containment context. Similarly, the fact that a basic set of social security guarantees can help to mitigate the effects of demographic and economic shocks (including food price hikes) has long been ignored.

¹¹⁷ M. Cichon and K. Hagemeyer: “Changing the development policy paradigm: Investing in a social security floor for all”, in *International Social Security Review* (Oxford, Blackwell Publishing Ltd), 60(2–3), 2007, pp. 169–196.

A basic set of social security guarantees could consist of the following provisions:

- All residents should have access to basic/essential health-care benefits through pluralistic delivery mechanisms, whereby the State accepts overall responsibility for ensuring adequacy of the delivery system and its financing.
- All children should enjoy income security, at least at the poverty level, through various family/child benefits aimed at facilitating access to nutrition, education and care.
- The poor and unemployed in the active age group should have access to employment guarantees and forms of targeted income support.
- All residents in old age or with disabilities should enjoy income security, at least at the poverty level, through pensions for old age, disability and survivors.

These basic guarantees would normally be financed from general taxation or at least be “underwritten” by the State.

Countries can and do realize these guarantees through various combinations of means-tested, conditional and universal benefits, services and guarantees. Means-tested benefits target those who are most in need, while conditional transfers may – in addition – promote a change in behaviour, such as better school attendance or the use of certain health services. Conditional transfers can be used for child and family benefits in the basic social protection package, and they are designed to address some of the causes of poverty.¹¹⁸

The ILO has undertaken two costing studies,¹¹⁹ one in Africa and the other in Asia, which provided an initial estimation of the costs of a basic social protection package in low-income countries now and over the coming decades. The package included, along with basic child benefits, universal access to essential health care; a social assistance/100-day employment scheme for working-age persons; and universal basic old-age and disability pensions.¹²⁰

¹¹⁸ A. Barrientos: “The role of tax-financed social security”, in *International Social Security Review*, 60(2–3), 2007, pp. 169–196.

¹¹⁹ ILO: *Can low-income countries afford basic social security?*, Social Security Policy Briefings, Paper 3, Social Security Department (Geneva, 2008).

¹²⁰ It was assumed that the simulated universal old-age and disability pension would be set at 30 per cent of GDP per capita, with a maximum of US\$1 (PPP) per day (increased in line with inflation) and would be paid to all men and women aged 65 and older; and to persons with serious disabilities in working age (the eligibility ratio was assumed to be 1 per cent of the working-age population, which reflects a very conservative estimate of the rate of disability).

As shown in figures 3.5 and 3.6, the initial annual cost of the overall basic social protection package (including the most “expensive” component – access to basic health care) is projected to be in the range of 3.7 to 10.6 per cent of GDP in 2010, and would increase only moderately by 2030. Six countries – Burkina Faso, Ethiopia, Kenya, Nepal, Senegal and the United Republic of Tanzania – would spend more than 6 per cent of GDP. The cost of such a package for low-income countries,¹²¹ would thus be somewhat higher than their current social protection expenditure (which generally does not exceed 3 per cent of GDP on health care and 1 per cent of GDP on non-health social security measures).

The annual cost of providing universal basic old-age and disability pensions is estimated in 2010 at between 0.6 and 1.5 per cent of annual GDP in the countries considered. Projected costs for 2010 remain at or below 1 per cent of GDP in six of the 12 countries, while Burkina Faso, Ethiopia, Kenya, Nepal, Senegal and the United Republic of Tanzania find themselves with costs of between 1.1 and 1.5 per cent of GDP. As shown in figure 3.6, the cost of such pensions would increase only moderately by the year 2030 – despite the ageing process.

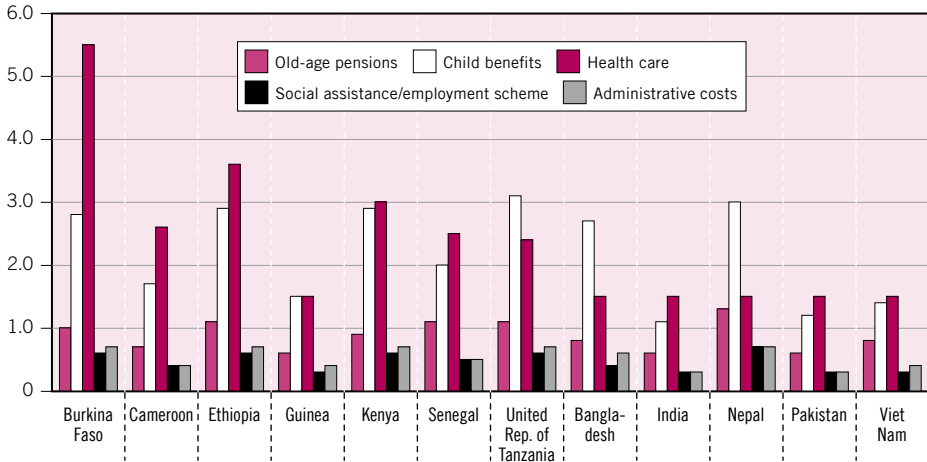
A basic social protection package appears affordable, but on the condition – in most cases – that it is progressively implemented. In some countries, it may require a joint effort between low-income countries and the international donor community for a transition period. Low-income countries may be able to reallocate their existing resources, for example by progressively increasing social protection expenditure to 20 per cent of total government expenditure.

There are obviously some cases where the fiscal space for social transfers cannot be extended easily in the very short term. Each country case has to be analysed in detail. However, figure 3.7 shows that “policy space” for financial manoeuvre may be wider than often assumed. It maps two almost parallel regression lines: national public expenditure; and public expenditure on social protection and health (in the IMF definition) in each case measured as a percentage share of GDP, against the GDP per capita figure. It is not surprising that both types of expenditure are expected to increase in line with GDP per capita. But even more interesting is the cloud of expenditure levels around the regression lines. This indicates that at the same levels of GDP per capita, countries are in a position to exercise a substantial degree of discretion with regard to the level of overall public expenditure and, within that envelope, to the share of public resources allocated to social expenditure.¹²²

¹²¹ Assumed benefits levels are: pensions and social assistance of 30 per cent of per capita GDP, child benefit levels of half that amount and health expenditure that maintain a minimum health professional staffing ratio of 300 professionals for 100,000 population.

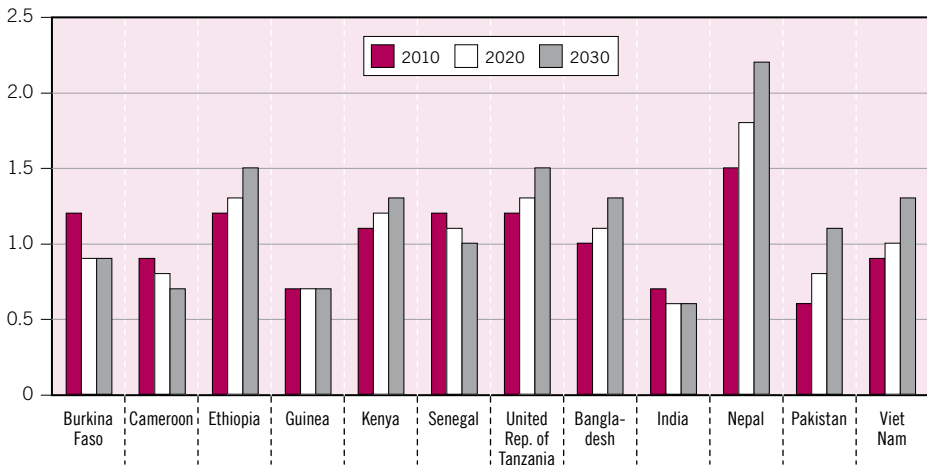
¹²² ILO: *Social Security for all: Investing in social justice and economic development*, Social Security Policy Briefings, Paper 7, Social Security Department (Geneva, 2009).

Figure 3.5. Costs for components of a basic social protection package as a percentage of GDP for selected countries in Africa and Asia, 2010



Source: ILO, *Can low-income countries afford basic social security?*, 2008, op. cit.

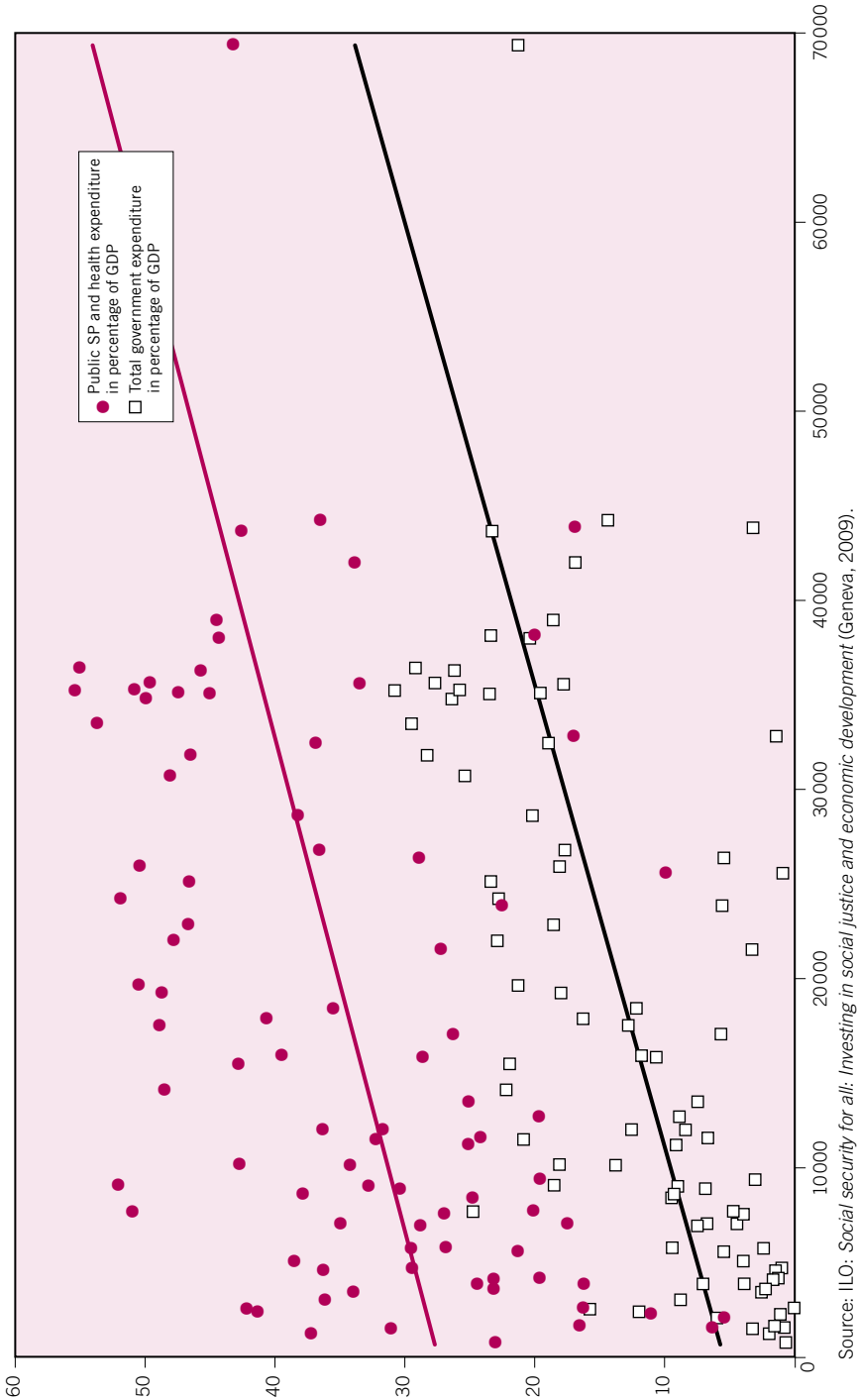
Figure 3.6. Costs for basic universal old-age and disability pensions as a percentage of GDP for selected countries in Africa and Asia (selected years)



Source: ILO, *Can low-income countries afford basic social security?*, 2008, op. cit.

This shows that the financing of social security systems requires case-by-case political decisions and negotiations between the various stakeholders in the public expenditure portfolio. Each country must find its own fiscal consensus. ILO micro-simulation results in Senegal and the United Republic of Tanzania show

Figure 3.7. Total public expenditure and social expenditure at different levels of GDP per capita



that the introduction of basic old-age cash benefits can have a significant impact on poverty reduction.¹²³ For the simulations it is assumed that benefit levels for old-age and disability pensions are fixed at 70 per cent of the food poverty line per eligible individual. On that basis, they show that in the United Republic of Tanzania a universal old-age pension would cut poverty rates by 9 per cent, with a considerably stronger effect – 36 per cent – for older men and women, and 24 per cent for individuals living in households with elderly family members. As expected, they also find for Senegal that old-age and disability pensions have a more pronounced effect on older persons, especially on older women and their family members.

It may be observed that there are many ways to achieve some affordable social security coverage in developing countries, as a first step in their national social security development strategy. While some countries seek to extend social insurance and combine it with social assistance, others subsidize social insurance coverage for the poor to enable them to enjoy insurance coverage, while yet others seek to establish tax-financed universal schemes. Each approach has its advantages and its problems, and each will be “path dependent” – in other words dependent on past developments and national values. The fact is that about 30 developing countries are already successfully putting in place elements of minimum social security packages through social transfer programmes; for example, the *Bolsa Família* programme in Brazil, the *Oportunidades* programme in Mexico; and Namibia, Nepal and South Africa have tax-financed basic pension systems.

Investing in basic social security benefits at an early stage of economic development is key in achieving the Millennium Development Goals (MDGs) and has been taken up as a tangible social dimension of globalization. It is being promoted by the ILO and other United Nations agencies (including the United Nations Department of Economics and Social Affairs (UNDESA), and the United Nations Children’s Fund (UNICEF)), in cooperation with donor agencies (the GTZ and DFID) and key NGOs.

Principal avenues to higher levels of social security

Basic social security benefits provide a platform for a progressive strategy that will achieve higher levels of social security as countries develop economically and their fiscal space for social transfers increases. ILO policy expressed in Conventions sets out to provide a minimum necessary level of protection (in the

¹²³ F. Gassman and C. Behrendt: *Cash benefits in low-income countries: Simulating the effects on poverty reduction for Senegal and Tanzania* (Geneva, ILO, 2006).

case of pensions – minimum necessary income security) to all those in need of such protection.¹²⁴ Affordability and sustainability have always been a concern alongside concerns about adequacy of coverage and benefit levels. In other words, it advocates that minimum standards should be achieved “as soon as possible” but “as rapidly as national conditions allow”.¹²⁵ It is quite clear that financial affordability and sustainability, on the one hand, and adequacy of benefit provision on the other, are two sides of the same coin.

Generating old-age income security

Only meaningful benefits effectively covering those in need can create a will among contributors and/or taxpayers to finance respective policies. Inadequacy (and/or bad governance), as too many examples in a history of social security show, undermines sustainability. The will to finance such programmes quickly erodes.

Adequate benefits should be guaranteed in the first place to those with lower incomes and – when contribution or residency periods are taken into account to establish the right to benefit – required periods should not be set too high. Indeed, reduced benefit amounts should be guaranteed even to those with working careers or residency which are shorter than generally prescribed periods.

It is quite clear that any purely earnings- or contribution-related pension scheme delivering “actuarially fair” or “actuarially neutral” pensions is unable to deliver that expected outcome on its own. There is a need to create or provide pension entitlements that would not arise within such a system.

This can only be achieved by subsidizing contributions, in one way or another, and/or subsidizing benefits – by means of redistribution within the

¹²⁴ Although countries can ratify a Convention while only initially providing protection to a specified percentage of the population, it is expected that all those needing protection will be eventually covered. This expectation is explicitly expressed in the Income Security Recommendation, 1944 (No. 67), which states that even countries which already have necessary social security provisions in place should “take further steps towards the attainment of income security by the unification or co-ordination of social insurance schemes, the extension of such schemes to all workers and their families, including rural populations and the self-employed, and the elimination of inequitable anomalies”.

¹²⁵ However, this should not be used as justification for doing nothing. These phrases should be interpreted in a similar way to Article 2 of the International Covenant on Economic, Social and Cultural Rights (1966), which states that “Each State Party to the present Covenant undertakes to take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights ... by all appropriate means.” As the United Nations Committee on Economic, Social and Cultural Rights explains: “while the full realization of the relevant rights may be achieved progressively, steps towards that goal must be taken within a reasonably short time ... Such steps should be deliberate, concrete and targeted as clearly as possible towards meeting the obligations ...”.

social insurance system.¹²⁶ This is usually ensured by establishing a minimum pension, redistributive benefit formula in a defined benefit system and/or treating certain non-contributory periods of certain categories of contributors as contributory. Subsidizing contributions of certain categories of members might also be envisaged.

Redistributive measures often come from outside the group of members of a pension scheme but still apply only to members of the contributory scheme. Topping up the lowest pension from the contributory scheme to a level of guaranteed minimum by state budget funds, but only to those who have contributed a required minimum number of years (like in Chile or in Poland), is one such example. Paying (again from the general revenues) contributions on behalf of certain categories of members during a specified period (i.e. to those on maternity or parental leave, like in Sweden or to a certain degree in Poland) is another example of these types of measures. Another group of measures could include subsidies of employees' or employers' contributions of low-income earners, with a view to enhancing their build-up of pension entitlements.

Redistribution between the members within a contributory pension scheme will not have negative effects on membership and incentives to contribute – as long as it is accepted by the members. While subsidies from outside the scheme to its members can, to a certain extent, have positive effects on membership and contribution incentives, it raises important equity questions if the membership of the scheme is not universal.

The other possible way to deliver minimum income security to beneficiaries is to do it basically outside the pension insurance scheme(s), either through a universal pension paid to all residents meeting specified criteria (such as reaching a certain age) or through an income or means-tested pension secured to all those below a specified income threshold. These pensions are called “social pensions” by some, and they are seen as the most effective way to reach all those who cannot be reached by contributory schemes in a relatively short time.

ILO standards allow both universal and means-tested pensions as a way to provide minimum income security. For many, the universal pension solution has an advantage over the means-tested approach. Not only is it much simpler and less costly to administer and deliver, but primarily it is the most equitable way to provide everybody with a minimum income security upon retirement, avoiding the stigma and exclusion often associated with means-testing. However, the actual solution will always depend on prevailing societal attitudes towards equity and

¹²⁶ Even a strictly defined contribution (DC or NDC) pension system allows a certain degree of redistribution from male to female contributors when using unisex life tables to calculate pensions.

redistribution and overall cost concerns. Mixed systems of old-age income security consisting of different “tiers” or “pillars” of the pension system have emerged almost everywhere.

The global landscape of pension systems has changed dramatically since the early 1980s. A large number of countries have undertaken pension reforms. These reforms have most often been driven by a perceived need to consolidate the finances of national pension schemes in view of increasing dependency rates.

Recent pension policies

Box 3.7 recapitulates the last two decades of national and international debate on pension policies, thus setting the historical background for the emerging pragmatic ILO pension policy recommendations that focus on social outcomes rather than on organizational and administrative processes.

Systemic financing reforms, as discussed in box 3.7, do not automatically change expenditure levels. As stated in Chapter 2, over the last decades many countries have reacted decisively and consolidated pension expenditure, but have had to pay for this by reducing benefit durations and levels.

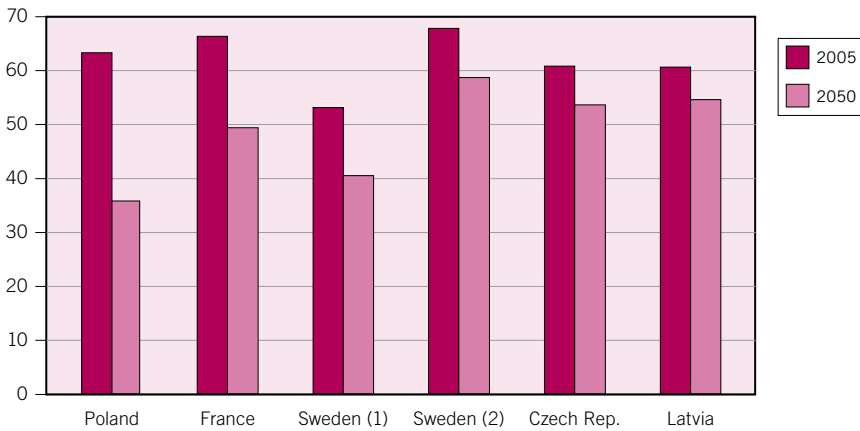
Most countries that have reduced costs over the last few years have – with a few exceptions (such as Luxembourg) – resorted to a combination of measures. The downward trend of de facto retirement age has begun to reverse in many OECD countries and further hikes of legal retirement ages are planned in a wide range of countries. Standard retirement ages are being increased in a number of countries, among which: Australia (for women from 60 to 65); Austria (for women up to 65 by 2033); Bulgaria (for women from 55 up to 60 by 2009); Czech Republic (up to 63 for men by 2016, for women by 2019); Germany (for both sexes moving from 65 to 67 between 2012 and 2029); Greece (from 58 to 65), Estonia (for women up to 63 by 2016); Hungary (for women up to 62 by 2009); Republic of Korea (from 60 to 65); New Zealand (from 60 to 65); Romania (for women up to 60 and for men up to 65 by 2014); Slovakia (for women up to 62 by 2014); Switzerland (for women from 62 to 64); Turkey (increase to 65); United Kingdom (for women up to 65 by 2020); and the United States (increase from 65 to 67).¹²⁷ In a number of European countries, there have been reforms of early or special retirement benefits.¹²⁸

¹²⁷ OECD: *Pensions at a glance: Public policies across OECD countries* (Paris, 2007); and European Union: *Promoting longer working lives through pension reforms. First part: Flexibility in retirement age provision*, Social Protection Committee (Brussels, 2008).

¹²⁸ European Union: *Promoting longer working lives through pension reforms. Second part: Early exits from the labour market*, Social Protection Committee (Brussels, 2008).

There is evidence that in “old” countries, governments have also resorted to reducing benefit levels, notably pension benefit levels, which probably explains why social expenditure projections in many European countries no longer indicate explosive trends. Figures 3.8 and 3.9 show expected theoretical replacement rates for selected EU Member States as reported in their national pension strategy

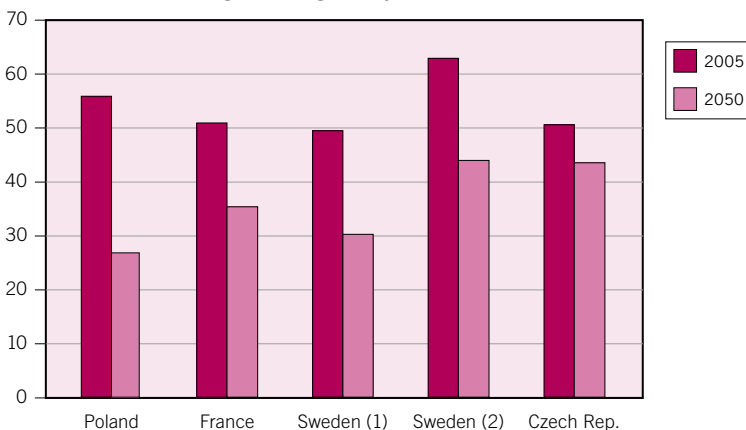
Figure 3.8. Theoretical gross replacement rates in selected EU Member States: Average earnings, 40 years of contributions, retirement at 65



Sweden (1): national pension system only; Sweden (2): including occupational pensions.

Source: ILO/SECSOC comparative analysis of data included in national pension strategy reports.

Figure 3.9. Theoretical gross replacement rates in selected EU Member States: Average earnings, 30 years of contributions (broken careers)



Sweden (1): national pension system only; Sweden (2): including occupational pensions.

Source: ILO/SECSOC comparative analysis of data included in national pension strategy reports.

Box 3.7 Two decades of pension policy debate, the financial crisis and the renewed need for social guarantees

The last 20–25 years have witnessed a great change in pension policies all over the world. In the early 1980s, Chile was the first country to replace its partially funded defined benefit scheme by a fully funded defined contribution scheme, i.e. a privately managed mandatory retirement savings scheme. In 1994 the World Bank, in a landmark publication,* advocated a three-pillar system, consisting of a modest social assistance scheme financed from taxation, as well as a mandatory and a voluntary individual savings scheme. The main message of the book was that this system would insulate pension schemes against the effect of ageing societies and also increase growth thanks to a rise in national savings.

However, subsequent assessments have shown that national pre-funding of pension schemes did not insulate against the effects of ageing, bad governance or economic shocks. Systematic reforms often camouflaged the fact that actual benefit levels were reduced over time. For the long-term financial viability of old-age income security systems, it is immaterial how pension schemes are financed, through capitalization or through PAYG schemes. Ultimately the society has to allocate a certain amount of its annual output to enable pensioners to consume. Whether that allocation is financed directly from the current incomes of the active population or whether income transfers are created through a selling and purchasing process on the capital market is irrelevant from the point of view of the use of GDP.

Recent developments on the capital markets have nonetheless made it obvious that the primary allocation of risk under the two financing systems is different. Under a PAYG-financed defined benefit scheme, the risk of adverse economic and demographic developments is most directly felt by the active population – while pension entitlements defined by law without a direct link to the financial situation of the pension scheme are not directly affected. Pensioners might share the risk in secondary cost containment measures through legal adjustment of pension levels and the shortening of the average duration of pension payments through higher retirement ages or other limitations to eligibility conditions.

In a capitalized system, the risk of adverse developments is largely borne by the pensioners whose pensions automatically adjust to adverse individual and wider economic adjustments. The financial and economic crisis that hit the global economy in 2008 illustrates the point.

The global meltdown of asset prices has an obvious impact on pension schemes. In October 2008, the then Chief of the Congressional Budget Office in the United States, Peter Orszag, announced that public and private pension funds in the country had already lost roughly US\$1 trillion, or about 10 per cent of their total assets.

The effect that these developments have on contributors and pensions is not straightforward. They will most likely affect people who will retire in the next few months and years. The ultimate effects on pension levels will depend on the velocity of the recovery of asset prices and possible fiduciary regulation that determines minimum reserve levels and the way pensions are calculated. In defined benefit schemes, where pension amounts are calculated without regard to the level of reserves, the impact will be less than in defined contribution schemes, where benefits guarantees are less effective by nature.

If the crisis turns into a long-term downward adjustment of asset prices, pension entitlements will be affected or contributions of active contributors will have to go up. The impact will be most obvious in defined contribution schemes. In such schemes, if the adjustments needed for their long-term stability cannot be achieved by way of increased contributions, the outcome will inevitably be lower benefits paid at retirement. The impact of a market downturn such as the present one therefore falls mainly and heavily on the contributors and pensioners. The size of the overall effect will depend on the depth and the duration of the downturn of asset prices. If the present asset price reductions turn into permanent level adjustments then old-age income will be reduced. If the downturn is short-lived the effect will be transitional.

In response to the World Bank, the ILO published a compendium.** The ILO shows itself to be less prescriptive about paradigm change, with respect to the choice between PAYG and funded pension systems and public and private management. But it does stress the importance of social outcomes and adequacy of benefit levels, so as to provide income security in old age and thus give people the right to affordable retirement. That message is now more pertinent than ever. The primary purpose of pension schemes is to provide reliable predictable levels of income replacement in old age and invalidity and not to subject the standard of living in old age to undue capital market risks.

* World Bank: *Averting the old age crisis: Policies to protect the old and promote growth*, World Bank Policy Research Report (Washington, DC, 1994). ** C. Gillion et al. (eds): *Social security pensions: Development and reform* (Geneva, ILO, 2000).

reports. From these graphs it is obvious that it is not only the countries that embarked on so-called paradigmatic reforms that will see replacement rates going down – unless people contribute significantly longer and retire much later. From the examples of France and the Czech Republic, it may be seen that even so-called parametric reforms may reduce future replacement rates quite considerably.

Figure 3.9 encapsulates the emerging new uncertainty. The general vehicle to accommodate revenue reductions consists of cuts in benefit levels. These cuts often result in added uncertainty for those hardest hit by global and national adjustment processes. The expected turbulences on national labour markets – reflecting changing patterns of work distribution in an increasingly globalizing labour market – coupled with the global adjustment processes, may lead to “broken” careers for many people. Such careers may be marked by spells of unemployment or periods of retraining required by new labour market conditions. Figure 3.9 demonstrates that people with broken careers (i.e. with longer spells of unemployment due, inter alia, to increasing labour market volatility) will in future most likely face replacement rates that may no longer meet the requirements of ILO Conventions.

Figures 3.10 and 3.11 show OECD calculations that confirm the effect of reforms on expected future benefit levels. There are dramatic reductions of pension replacement rates for all workers. Even more disconcerting is the fact that the pre-reform gap between the pension replacement rates of all earners and those of low-income earners seem to have widened further in many countries. This should give new importance to the ILO's development policies that focus on the adequacy of social outcomes of pension reforms.

In low-income countries, contributory systems for formal economy workers scarcely extend to workers in the informal economy. In middle-income countries, such as in Latin America, formal pension coverage is not increasing, despite the change to defined contribution systems. This has been one of the reasons why non-contributory and tax-financed pension schemes have become so much more prominent in Latin America.¹²⁹

In other middle-income countries, such as Tunisia and the Republic of Korea, the extension of contributory pension coverage has taken place, but is now also supplemented by tax-financed pensions. In high-income countries, pension benefit levels from statutory contributory systems have generally not kept up with wages – and in some cases not even with inflation. The coverage of contributory pensions remains incomplete, in particular for fragmented careers, women, self-employed workers, the informal economy, and in the face of compliance problems.¹³⁰

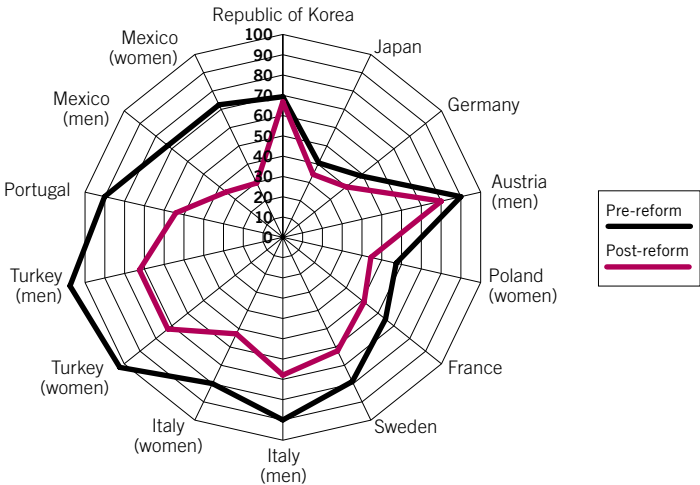
Over the past 20–30 years, the trend has therefore been towards a greater use of tax-financed social assistance pension schemes.¹³¹ Historically speaking, important contributory statutory pension schemes were in place in all high-income and most middle-income countries before the State started to set up tax-financed pensions, as a last resort. The challenge is therefore to design and manage the link between tax-financed and contributory social security schemes, to ensure that, in the presence of social pensions, workers remain motivated to contribute to the long-term development of contributory and financially sustainable pension arrangements. It is also necessary to define pension policies in the context of a broader socio-economic framework that includes consideration for family support systems, the employment status of workers, as well as the accumulation of savings and other personal assets, such as housing.

¹²⁹ F. Bertranou et al.: "The impact of tax-financed pensions on poverty reduction in Latin America: Evidence from Argentina, Brazil, Chile, Costa Rica and Uruguay", in *International Social Security Review*, 57(4) (Geneva, ISSA, 2004), pp. 3–18.

¹³⁰ N. Barr: *Strategic policy directions for social policy*, paper presented at the Fifth International Research Conference on Social Security, ISSA, Warsaw, 5–7 March 2007.

¹³¹ W. van Ginneken: "Extending social coverage: Concepts, global trends and policy issues", in *International Social Security Review*, 60(2–3) (Geneva, ISSA, 2007), pp. 39–57.

Figure 3.10. The effects of pension reforms on pension replacement rates – All recipients



Source: On the basis of OECD, *Pensions at a glance*, 2007, op. cit.

Figure 3.11. The effects of pension reforms on pension replacement rates – Low-income workers



Source: On the basis of OECD, *Pensions at a glance*, 2007, op. cit.

ILO focus on social outcomes

What can ultimately be learned from the present crisis is that there is still a need to ensure a minimum of income security for the older generations in some form of state guarantee of a minimum pension level, and preferably a minimum overall replacement rate for the individual. These minimum guarantees can be built into all pension systems, no matter whether they are multi-tier systems or mono-tier systems, capitalized or non-capitalized. The minimum benefit levels of the Social Security (Minimum Standards) Convention, 1952 (No. 102), might provide an international benchmark for the levels of such guarantees.

Following that reasoning, the ILO's mandate in pension policy, as determined by its Constitution and its Conventions and Recommendations, requires it to promote ten basic guarantees of national social pension schemes (box 3.8).

The ILO has always maintained that – wherever possible – retirement should be flexible and include an element of individual choice. However, the decision to retire may not be entirely voluntary, either because enterprises force workers to retire or because workers are in poor health. These workers should be able to retire on acceptable terms and with a decent retirement pension.

It is therefore necessary to strike a delicate balance between the interests and income needs of elderly persons and the need to maintain a level of pension scheme expenditure that is acceptable to the active population. In industrialized countries, societies probably have to define a set of rules that stipulate a fair ratio between the average period of time per cohort (and possibly occupational group) spent in retirement and the period spent in activity in the labour market. Earlier retirements could be possible by “buying” additional years of retirement through the reduction of pension levels or the payment of real actuarial cost to the pension funds by employers who wish to shed labour at pre-normal retirement ages.

There is a variety of further measures that balance social and financial objectives. The inclusion of minimum retirement ages and strong economic incentives to contribute longer have become a significant component of all pension reforms everywhere over last two decades – either through strengthening the relationship between the amounts of benefit and contributions paid within the defined benefit schemes, or through partially or totally replacing defined benefit schemes by defined contribution schemes (either PAYG-financed, such as the “Notional Defined Contribution” schemes, or fully funded schemes).

However, such reforms have to include solidarity-based solutions to provide income security in old age to those who, for various reasons, have shorter or broken working careers. These include – primarily but not only – solutions

Box 3.8 National social pension schemes should provide ten basic guarantees

- (1) **Universal coverage.** Everybody should have a right to affordable retirement through pension systems that provide all residents with at least a minimum level of income protection in old age and disability.
- (2) **Benefits as a right.** Entitlements to pension benefits should be precisely specified as predictable rights of residents and/or contributors.
- (3) **Protection against poverty.** Pension systems should provide a reliable minimum benefit guarantee that effectively protects people against poverty.
- (4) **Income security.** Those with lower than average incomes and whose contributions have been paid for at least 30 years should have a total of pensions from different sources which is at least 40 per cent of their pre-retirement income (this reflects the minimum requirements set by ILO Convention No. 102).
- (5) **Actuarial equivalence of social insurance contributions and pension levels.** A minimum replacement rate for all contributors adequately reflecting the level of the contributions paid should be guaranteed.
- (6) **Guarantee of a minimum rate of return on savings.** The real value of contributions paid into savings schemes should be protected.
- (7) **Gender fairness.** Benefit provisions should be gender-neutral and gender-fair for working parents.
- (8) **Sound financing.** Schemes should be financed in such a way as to avoid uncertainty about their long-term viability.
- (9) **Fiscal responsibility.** Pension schemes should not crowd out the fiscal space for other social benefits in the context of limited overall national social budgets.
- (10) **State responsibility.** The State should remain the ultimate guarantor of the right to affordable retirement and access to adequate pensions.

Source: ILO: *Pension reforms in Central and Eastern Europe in a global perspective. Lessons learned*, Address by A. Diop at the Wissenschaftliches Kolloquium, "Internationale Entwicklungen in der Rentenpolitik", Berlin, Apr. 2008.

compensating the unfavourable position of women on the labour markets who have had shorter spells of formal employment and lower wages. They must also seek to provide protection to those who have had long unemployment spells throughout their working life. This can be done by basic universal pensions supplemented by contributions for periods of child care, other unpaid reproductive and productive work, and periods of involuntary unemployment.

What might emerge is a pension system pyramid,¹³² in line with national development patterns that would gradually be built up and consist of:

- the introduction of universal or social pensions at an early stage of economic development, but nonetheless aiming at 100 per cent population coverage;
- a mandatory social insurance tier for all formal economy workers and such informal economy workers that can be included;
- a voluntary tier consisting of occupational pensions or other voluntary private arrangements;
- a non-pension old-age income security tier that supports various non-pension benefits, aiming to guarantee a certain income security for older citizens (guaranteed housing, access to financial and other assets, as well as access to long-term care and affordable health care).

Providing health care and long-term care for the elderly

Health services and long-term care may be financed by a variety of sources – public, international, private and contributions – and they can be supplied by various types of service providers (public, private, NGOs, etc.).

Both developed and developing countries are already simultaneously employing various financing mechanisms to work towards providing universal coverage to the whole population based on adequate benefit packages. In middle-income developing countries, there may be greater scope for combining social health insurance with private health insurance schemes to provide universal coverage for all, including older persons who have never been insured previously. For low-income developing countries the expansion of health-care systems also needs a combination of different private and public mechanisms; but if financing this expansion risks crowding out other social goals, external financing would be needed for the formation of an ultimately self-sustaining health-care system.¹³³

Worldwide experience and evidence show that there is no single right model for providing universal access to social health protection and long-term care protection. Countries use various means of resource generation, risk pooling, health-care delivery and financing. Experience has also revealed that social protection

¹³² M. Cichon: *Approaching a common denominator? An interim assessment of the World Bank and ILO positions on pensions*, Preliminary paper (Geneva, ILO, 2004).

¹³³ United Nations, 2007, op. cit., p. 146.

evolves over years or even decades and is contingent upon historical and economic developments, social and cultural values, institutional settings, political commitment and leadership within countries. In addition, most national health financing systems are based on multiple options that cover disjointed or overlapping sub-groups of the population, while others remain uncovered.

The ILO¹³⁴ suggests coordinating all financing mechanisms within a country to increase the volume of resources and risk pools available for universal health care. However, this increase should not be consumed by an equal increase in transaction and administrative costs.

A pragmatic strategy to rationalize the use of various health financing mechanisms with a view to achieving universal coverage and equal access should be developed in three stages: (i) by first taking stock of all existing financing mechanisms in a given country; (ii) by subsequently assessing the remaining coverage and access deficits; and finally (iii) by developing a coverage plan that fills gaps in an efficient and effective way.

In this context, the government plays a pivotal role as facilitator and promoter and defines the operational space for each subsystem. This entails developing an inclusive legal framework for the country and ensuring adequate funding and comprehensive benefits for the whole population. The framework should also regulate voluntary private health insurance, including community-based schemes, and consider regulations to ascertain good governance and effective protection. This framework establishes a *rights-based approach* to social health protection, which takes into account the needs and capacity to pay, thereby realizing the objective of including the population not covered by social health protection.

When developing the coverage plan, *all options of financing mechanisms* – including all forms of compulsory and voluntary schemes, for-profit and non-profit schemes, public and private schemes ranging from national health services to community-based schemes – should be considered if they contribute, in the given national context, towards achieving universal coverage and equal access to essential services for the population as a whole.

The coverage plan should be accompanied by, or include, an overall *national health budget*, making it possible to establish and project – on the basis of a National Health Account – the total resources such as taxes, contributions and premiums available to finance health care. It should also estimate the expenditure

¹³⁴ ILO: *Social health protection. An ILO strategy towards universal access to health care*, Social Security Policy Briefings, Paper No. 1 (Geneva, 2008).

of the different subsystems in such a way that the process of achieving affordable universal coverage and access might be accelerated and built in line with a realistic and sustainable plan.

While it is obvious that the elderly consume more health care per capita than people in younger age groups, policies that increase the relative share of health financing at their income should be avoided. In their active years, the elderly have subsidized the health care for previous older generations and they should benefit from the same arrangements when they get old. Health-care cost should not become an undue burden in old age and thus undermine the degree of income security that is provided by national pension schemes.

Comprehensive social security strategies

To conclude, what is needed to meet the challenges of inadequate pension and health coverage, of longer life, and of deteriorating dependency rates, is to conceive new comprehensive social security policies geared towards income security in old age and access to health care. The approach of the ILO is first of all based on ensuring adequate social outcomes. Adequate social outcomes can be combined with fiscal responsibility and rational and successful economic development policies.

National social security pension schemes should provide a number of guarantees, such as universal personal coverage, benefits as a matter of right, protection against poverty, and income security. When minimum retirement ages are being set up, they should take into account the working ability of the older workers. Flexible retirement should be facilitated.

Access to affordable health care is the second most important social security issue for an ageing population. A pragmatic strategy to rationalize the use of various health financing mechanisms with a view to achieving universal coverage which includes access for the elderly can be established by combining all possible health financing instruments in a rational and cost effective way.

All social transfer policies are only sustainable if built on national consensus formed through social dialogue. The insured and beneficiaries should participate in the design and governance of these policies.

3.7. Making use of social dialogue and international labour standards

Social dialogue

Social dialogue plays a key role in achieving the ILO's objective of promoting opportunities for women and men throughout the life cycle to obtain decent and productive work in conditions of freedom, equality, security and human dignity. Social dialogue can greatly contribute to the better management of demographic change. No particular model of dealing with demographic change should be imposed on any country, but rather unique models should emerge through dialogue and consensus building.

Demographic change is high on the agendas of the social partners in many parts of the world. In the European Union, they develop a work programme to ensure that social dialogue at the European level deals with the major concerns of Europe's workers and employers. In the current work programme, they have included key issues such as demographic change, active ageing, youth, and life-long learning.¹³⁵

Box 3.9 presents the main issues raised by the International Organisation of Employers (IOE) and the trade union advisory committee to the OECD (TUAC) at the G8 Labour and Employment Ministers Conference in 2005¹³⁶ and shows the important contribution that both employers' and workers' organizations can and are willing to make to address challenges related to demographic change.

As already seen in this report, collaboration with both employers' and workers' organizations as well as their individual actions are crucial to the design of appropriate policy responses; and social dialogue is key in this process. Some of the areas where social dialogue is particularly relevant are described below.

Given that the situation of women in the labour market is a major societal and economic challenge for managing demographic change, social dialogue on issues to improve the quantity and quality of female employment and promote equality of opportunity and treatment between women and men are of crucial importance. These issues relate to narrowing the gender pay gap; improving parental leave and care provisions; and the provision of universal, accessible, high-quality and affordable childcare and elderly care infrastructures.

¹³⁵ UNICE/UEAPE, CEEP and ETUC: *Work Programme of the European Social Partners 2006–2008* (Brussels, 2006).

¹³⁶ IOE and TUAC: *Statements submitted to the Ninth G8 Labour and Employment Ministers Conference, Meeting the Challenge of Demographic Change* (London, 2005).

Box 3.9 G8 Labour and Employment Ministers Conference “Meeting the challenge of demographic change” – IOE and TUAC positions

Some key issues raised by the IOE:

- (1) Policy responses will be both varied and cross-cutting, impacting on numerous areas. Flexible work arrangements; part-time work; temporary work; easing restrictions on business start-ups can be policy responses across these issues.
- (2) Older workers often want to ease themselves out of the workforce in a transition, rather than a “big bang” approach to retirement. But longer working lives will require cultural shifts that both employers and employees will have to grasp.
- (3) Youth unemployment policy responses should be seen in the context of the overall employment situation, but will require specifically targeted measures.
- (4) Migration is an important element in this debate. Governments need to develop national debate about the reality of migration.
- (5) Business has a key role in providing labour market information.
- (6) International organizations should continue to work closely on the issue of ageing and share knowledge and information, while avoiding duplication.

Some key issues raised by the TUAC:

- (1) Stronger economic growth is essential to improving the employment prospects of older workers.
- (2) Trade unions support efforts to develop a smooth path for a flexible transition from work to retirement in order to contribute to active ageing.
- (3) Trade unions should be full partners in mapping out and implementing active ageing strategies.
- (4) The need to prevent abuses of fundamental workers’ rights resulting from processes of globalization makes the case for action to enforce core labour rights.
- (5) Decent work should be at the core of all socio-economic policy and its pursuit should be central in national employment and poverty reduction strategies.
- (6) Trade unions’ approach to modernising pension and social security systems is based on three principles: (i) beyond a certain age, paid employment should not be necessary to enjoy a decent standard of living; (ii) publicly administered social security should play an important role in achieving this objective; and (iii) retirement systems should be developed and negotiated in a tripartite framework.

Source: IOE and TUAC, 2005, op. cit.

The management of migration is another important area in which social dialogue is vital. Indeed, labour migration policies are likely to have broad support if they are developed with the full participation of those representing the interests of the most directly affected – and social dialogue is needed in both origin and destination countries.¹³⁷

Social dialogue and collective bargaining can create a broad commitment to education and training and a learning culture, strengthen support for the reform of training systems and develop lifelong learning strategies. In addition to promoting skills development, they can also be instrumental in the equitable and efficient distribution of the benefits of improved productivity.¹³⁸

The inclusion of occupational safety and health provisions in collective bargaining agreements is also very important. Moreover, employers' and workers' organizations can bring their experience to bear in the design of preventive and protective policies and programmes that take age into consideration.

Social dialogue and collective bargaining agreements on working time and work organization are particularly important. These can pave the way for, *inter alia*: negotiated flexible working arrangements, including leave arrangements, for men and women that do not undermine their long-term participation and position on the labour market; measures combining part-time employment and part-time retirement; and innovative forms of work organization. Both intersectoral and sectoral collective agreements are relevant in these areas.

Furthermore, social dialogue can play a key role in the design and implementation of age discrimination legislation. Employers' organizations in particular can and indeed do play a key role in combating age- and sex-related stereotypes and mindsets.

There is evidence that various forms of partnership and social dialogue enhance the effectiveness and coverage of social protection for all. While governments, workers and employers constitute the core partners, it is important to expand this partnership to make social security more effective and to promote social protection for low-income workers in self-employment and the informal economy.¹³⁹

¹³⁷ ILO, Report VI, International Labour Conference, Geneva, 2004, *op. cit.*

¹³⁸ ILO, Report V, 2008, *op. cit.*

¹³⁹ ILO, Report VI, 2001, *op. cit.*

International labour standards

The ILO has adopted a wide range of legal instruments of extreme relevance to the formulation and implementation of national policies on demographic change. While most of these instruments do not explicitly focus on the challenges of demographic transitions, they refer to aspects of work and family life that are pertinent for all population groups affected by this change.

The instrument that addresses demographic change most directly is the Older Workers Recommendation, 1980 (No. 162) (see Appendix II). The Recommendation lays down the right of older workers to equality of treatment, firmly recommends the prohibition of discrimination on the grounds of age and indicates measures that could be implemented to deal with the special needs of older workers. It supplements the existing instruments on equality of opportunity and treatment for older workers, their protection in employment and the preparation for, and access to, retirement.

Appendix III lists the ILO instruments that are directly relevant to national policies on demographic change. It provides an important checklist for national policies on demographic change that should help safeguard the rights of older workers and other groups affected by demographic transition. The list contains 15 Conventions and 15 Recommendations.

In addition to Recommendation No. 162, ILO social security Conventions and their accompanying Recommendations set out important guarantees for workers in retirement (e.g. through the provision of old-age pensions and their provision to beneficiaries residing abroad). These include: the Social Security (Minimum Standards) Convention, 1952 (No. 102); the Equality of Treatment (Social Security) Convention, 1962 (No. 118); the Employment Injury Benefits Convention, 1964 (No. 121); the Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128); the Medical Care and Sickness Benefits Convention, 1969 (No. 130); the Maintenance of Social Security Rights Convention, 1982 (No. 157); and the Employment Promotion and Protection against Unemployment Convention, 1988, (No. 168). These instruments establish important guarantees in view of the specific risks that older workers are more likely to face due to their advanced age (e.g. sickness, unemployment, disability and survivors' benefits), and make provision for medical care. They further protect workers with family responsibilities by providing for family benefits (see box 3.10).

A key instrument of particular relevance for countries wishing to develop adequate employment promotion policies is the Employment Policy Convention, 1964 (No. 122). The Employment Relationship Recommendation, 2006 (No. 198), sets out to provide protection to vulnerable workers who are

Box 3.10 ILO standards guaranteeing income security in old age

Social security pensions are designed to provide income security in old age and in the event of disability and death of the breadwinner. Parts V, IX and X of Convention No. 102 provide for these contingencies, as does Convention No. 128.

Both of these Conventions stipulate that old-age pensions are paid in the form of life annuities (“periodical payments” paid “throughout the contingency”) to persons reaching the age prescribed by the national legislation. In general, this age should not be higher than 65 years. Convention No. 102 lays down that if the legal retirement age is higher than 65 years, it shall be fixed with due regard to the working ability of elderly persons in the country concerned. Convention No. 128, for its part, provides that the legal retirement age, if more than 65 years, shall be fixed with due regard to demographic, economic and social criteria.

Conventions Nos 102 and 128 further require that survivors’ pensions should be granted at least in case of “the loss of support ... as the result of the death of the breadwinner” and where the survivor is incapable of self-support. Disability pensions should be granted in case of “inability to engage in any gainful activity, to an extent prescribed, which inability is likely to be permanent or persists after the exhaustion of sickness benefit”. These benefits should also consist of periodical payments paid “throughout the contingency” (or, in case of disability pension, “until an old-age pension becomes payable”).

With regard to the mechanism (or combination of mechanisms) for the delivery of the abovementioned pensions, the Conventions leave the choice to ratifying States, namely either through earnings-related or flat-rate social security schemes, contributory or non-contributory schemes, means-tested or not – the importance being that benefits be provided at least at the levels required by the Conventions.

As regards earnings-related pensions, the Conventions stipulate that a minimum replacement rate is guaranteed at least for those workers with earnings at the average level or lower. For old-age earnings-related pensions, Convention No. 102 requires the minimum replacement rate to be at least 40 per cent of the worker’s* previous earnings; and in the case of contributory benefits, such a level of pension should be paid after 30 years of contributions. Survivors’ and disability earnings-related pensions should also not be lower than 40 per cent of the worker’s previous earnings,** with this level being granted after at least 15 years of contributions. In the case of pensions paid at a uniform rate, their amount should not be lower than 40 per cent of the earnings of an unskilled manual worker. This rate applies to means-tested pensions as well, but their level should meet an additional criterion: “it shall be sufficient to maintain the family of the beneficiary in health and decency”.

* Convention No. 128 requires higher benefit levels with a replacement rate of at least 45 per cent of previous earnings or of the earnings of an unskilled worker. ** 50 per cent of previous earnings if a disability pension is awarded as a result of an employment-related injury.

uncertain about the existence of an employment relationship, including women workers, young workers, older workers and workers in the informal economy. Other key instruments on employment promotion are the following: the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143); the Workers with Family Responsibilities Recommendation, 1981 (No. 165); the Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159); the Private Employment Agencies Convention, 1997 (No. 181); and the Human Resources Development Recommendation, 2004 (No. 195).

ILO Conventions and Recommendations are important instruments for the development of national policy frameworks to cope with demographic transitions. But they are also safeguards for workers and their families. As such, they have an essential role to play in achieving the public consensus needed to adopt and implement such frameworks.

The present state of ratification of relevant Conventions covering the above policy areas shows a total number of 650 ratifications (see Appendix III). However, the overall level of ratification of Conventions relevant to demographic transition is only about 25 per cent of all potential ratifications. In view of the vital role these instruments play for ILO constituents by helping them manage demographic changes and protect the population groups most affected by demographic transition, an initiative to increase the number of ratifications of these Conventions could be an important component in the follow-up to this report.

The way forward: An integrated 4 decent work framework to the demographic challenge

Declining fertility rates and increased longevity – the main causes of population ageing – are major achievements of social and health policies. Globally, the rate of population growth is slowing down. However, the increase of more than 2 billion people in the next four decades remains a major challenge. The number of people aged 60 and over is growing faster than that of any other age group. Between now and 2050, the population over age 60 will nearly triple. This chapter recapitulates the challenges posed by population ageing and policy options to cope with change. It then lists the areas where the ILO can support country action.

4.1. Core challenges and policy options

Ultimately, each society in demographic transition faces two basic challenges:

- (1) It has to generate productive employment and decent work in order to mitigate the effects of demographic transition on income levels.
- (2) It has to redistribute an adequate proportion of national income in cash or in kind from the active to the inactive or less active groups in the population to enable the recipients to lead a decent life.

These challenges lead to different priorities in developing and developed countries.

*Rooting out poverty and breaking away
from informality in developing countries*

In the majority of developing countries, poverty is a reality for a large proportion of children, the elderly and the active population, and it is more acute among women than men.

Creating productive employment and decent work and investing in employability and adequate working conditions throughout the life cycle to meet the requirements of a globalizing economy and maintain the highest possible levels of aggregate demand through macroeconomic policies indicate the way forward.

In the absence of transfer incomes, many children have to start working at an early age and older workers have to continue working late in life, even if that is detrimental to the health of both these categories of the population and their productivity is low. Hence, extending social security to provide at least basic coverage to all is a key policy challenge. Calculations show that even poorer developing countries can afford some social security schemes with broad coverage.

In general, demographic developments in many developing countries provide a window of demographic and economic dependency that is almost stable for about four decades, allowing them to introduce social security systems without the financial pressure exercised by demographic ageing in other parts of the world.

Maintaining standards of living in developed countries

Maintaining economic per capita growth and well-being in developed countries requires measures to keep up numbers in the labour force and retain a level of employment that cannot be compensated only by productivity gains.

In order to face this challenge, efforts to increase the labour market participation of older workers and women, to promote youth employment and to manage migration in a rational way, need to be developed or strengthened. The key policy tool is an integrated approach that includes demand- and supply-side economic measures, as well as coherent labour market and social security policies with microeconomic incentives that support rather than counteract each other. These policies must set out to maintain a decent-sized workforce, combined with a level of productivity that avoids unacceptable welfare losses. Social dialogue is crucial to building a common understanding of policy challenges and options to create better jobs for people who live longer.

The affordability of social security systems in older countries in the developed world has been challenged in recent decades. Ageing has often been quoted

as one of the main reasons for the alleged non-affordability of the European “welfare states”. Recent projections of total social expenditure in most “old” countries show that following a period of consolidation during the 1980s, 1990s and early 2000s, the situation is likely to remain manageable. Some countries are faced, however, with substantial policy challenges. They need to adapt their systems, spending structures and volumes to fiscal spaces that can be realistically achieved.

In both developed and developing countries, all policies tackling the challenges of the demographic transition should seek to promote productive employment and decent work – and macroeconomic growth and employment policies can play a key role in this area. Furthermore, measures are needed to create the workplace conditions that enable people of all ages to become increasingly economically active, maintain their activity or expand their productivity so that a decent standard of living can be shared with those who cannot or should not be forced to work.

Suggested policy responses

Tackling the above challenges requires an integrated approach that promotes productive employment and decent work based on the following principles that cut across various policy areas:

- (a) employment and social protection interventions are imperatively linked. This holistic approach becomes more obvious in the context of demographic change;
- (b) a long-term life-cycle and intergenerational approach is needed. Dealing with the “ageing challenge” is not only about old-age policies, but policies throughout the life cycle and across age groups;
- (c) finding innovative and context-specific solutions requires a solid and agreed information basis and can entail difficult choices of alternative policy options. The only approach is therefore through informed social dialogue;
- (d) policy interventions will require a mix of policies and measures. The policy mix needs to be considered in the national and local contexts;
- (e) there is a limited range of policies providing such an integrated approach to counteract the potentially negative effects of demographic transition.

These principles and policies are highlighted below.

Mobilizing labour supply and promoting employment and decent work

An integrated and coherent approach to youth employment promotion

Productive employment and decent work for young people entails long-term action covering a range of economic and social policies. This requires an integrated and coherent approach combining intervention at the macroeconomic and microeconomic levels, focusing on labour demand and supply, and addressing both quantitative and qualitative dimensions of youth employment. The implementation of the resolution concerning youth employment adopted by the 93rd Session of the International Labour Conference in 2005 is crucial.

Increasing female labour force participation and promoting gender equality

Women's labour market participation has been mentioned as a vital source of relief for demographic pressures – as long as the jobs they are engaged in are decent. In developing countries, many women work in the informal economy, while in developed countries they are over-represented in part-time employment. All over the world they assume the bulk of care-giving and household work. Action must be taken to improve the situation of women in the world of work, as this is key to combating poverty and fostering social and economic progress. Reconciling professional, private and family life has an essential role to play in increasing female participation and promoting gender equality, and is a vital factor in work quality.

Promoting employment opportunities for people with disabilities

Tapping the talents of people with disabilities (many of whom are of advanced age) and increasing their participation is key to increasing overall activity. Promoting the productive employment and decent work of people with disabilities has numerous advantages. It reduces the cost of disability benefits, may reduce poverty – and presents a strong business case. Policies and programmes targeting people with disabilities, and in particular a supportive legislative and social policy framework, are therefore of utmost importance. The ILO code of practice on managing disability at the workplace provides guidance to employers on ways to adopt a positive strategy in managing disability-related issues in the workplace.

Managing migration

It is widely recognized that migrant workers contribute to growth and development in their countries of employment. Yet, migration also poses serious challenges. Many migrant workers, especially low-skilled workers, experience serious abuse and exploitation. Women, increasingly migrating on their own and now accounting for almost half of all international migrants, face specific protection problems. A rights-based approach to labour migration which takes account of national labour market needs, as presented in the ILO Multilateral Framework on Labour Migration, can be an effective tool to counteract domestic labour market shortages in fast-ageing countries.

Improving employment opportunities for older people

Increased longevity and better health have not always been translated into longer working lives. In many countries, extending working lives and increasing the employment rates of older people are high on the political agenda. However, adequate complementary measures must be put in place to promote productive employment and decent work among the elderly.

Investing in employability within a lifelong learning framework

Education, training and lifelong learning foster a virtuous circle of higher productivity, increased employment of better quality, income growth and development. But in most countries, older people have lower prior levels of education and engage in less training when compared to their younger counterparts, and older women are more disadvantaged than older men. An adequate response to the low levels of education and training of older workers should not focus only on participation among this age group.

The experience of workers at younger ages will have a key impact on their labour market decisions and outcomes when older. The concept of lifelong learning is particularly relevant. Public and private employment services that are gender-sensitive as well as adequately designed and targeted to older age groups can be of great assistance.

Combating age-related prejudices and discrimination with particular attention to older women

There is a need to develop and implement measures to combat stereotypes and prevent discrimination in the employment and occupation of older workers, so as to overcome prejudice and make the extension of working lives socially acceptable. This is particularly important for older women workers. Multigenerational relationships and traditional attitudes towards older generations are changing. “Ageism” is already becoming an issue in some societies.

Creating fair and safe working conditions for all workers

A safe and healthy working environment can play an important role in reducing long-term invalidity, preserving adequate working capacity and ensuring decent retirement and health in old age. Furthermore, sound occupational safety and health policies may help to extend working lives and increase productivity. This is a crucial challenge for employers, workers and societies as a whole.

New forms of working time and work organization

Demographic changes, the increased feminization of the labour force and the related shift from the single “male breadwinner” household to dual-earner households are shaping workers’ needs and preferences in relation to working life and time. A more adaptable and flexible organization of working time can contribute greatly towards balancing work and private life – in particular in the case of women and older women workers. Moreover, the timing of people’s exit from the labour market does not only depend on incentives to continue working or to retire, but on the unfolding of individual working lives over a certain period.

Reorienting social security systems

Social security has to be viewed as an investment rather than a cost. Social security systems have to invest in people over their entire life cycle to enable them to lead a meaningful and productive life. Individual benefits schemes need to guarantee – in all countries, including developing countries – a minimum level of income security to all disabled persons and workers over retirement age. This would avoid old-age and disability-related poverty and place the support of the elderly on a solidarity basis rather than leaving individual families with an unequal burden of maintaining the older generation. It would also enable the

older generation to assume family duties (inter alia, caring for adults and children directly or indirectly affected by HIV/AIDS).

Cash transfer schemes have to provide income and food security to children and allow them to attend schools. Only healthy and well-trained children will turn into productive adults who contribute in a meaningful way to society.

Health services and working conditions have to maintain people's health to enable them to sustain potentially longer working lives.

Unemployment benefit systems need to combine an income replacement function that allows people sufficient time to seek adequate employment of the highest possible productivity levels, with a basic poverty protection function.

Transfer schemes, often built on the principle of earned rights, should be complemented by a component that is built on societal solidarity. This would avoid undue loss of entitlements if people undergo occupational training or other periods of skills-retooling, or experimentation with self-employment to ensure the flexibility that global labour markets are demanding.

In developed countries, societies have to define rules pertaining to the time when people are allowed to withdraw from the labour market and be supported by society. For instance, they could stipulate the ratio between the average period of time per cohort (and possibly occupational group) spent in retirement and the period spent in activity in the labour market. Earlier retirements could be made possible by "buying" additional years of retirement through the reduction of pension levels or the payment of real actuarial cost to the pension funds by employers who wish to shed labour at pre-normal retirement ages.

Facilitating the transition of the informal economy into the mainstream

Most people do not enter the informal economy by choice but out of a need to earn a livelihood. Especially in circumstances of high unemployment, under-employment and poverty, the informal economy has significant job and income-generation potential. Furthermore, it represents a reservoir of entrepreneurship potential that can be fully tapped when integrated into the mainstream of development support.

From the demographic transition perspective, informality presents two challenges. First, those working in the informal economy, from all age groups, do not usually contribute to taxes or social security schemes, while they are the first to suffer from the ensuing deficits and lack of coverage. Second, older workers are usually over-represented in these types of activities and are especially vulnerable.

To facilitate the transition to formalization of the informal economy, the resolution and conclusions concerning decent work and the informal economy adopted by the International Labour Conference in 2002 – as well as the subsequent discussion¹ on policy development and good practices cutting across several policy areas – provide a menu for action that can be adapted to specific conditions.

Maintaining high levels of labour demand throughout the crisis and beyond

There is a risk that the current economic and financial crisis might compromise or stall policies that help coping with demographic transition. To mitigate the employment and social impact of the financial and economic crisis, the Office has identified a number of short- and medium-term policy measures to be considered, including the fine-tuning of the macro policy mix to promote employment and social protection. A number of governments from all over the world have taken measures to avoid banks collapsing while adapting their monetary and fiscal policy to the new challenges. It is important to ensure that demand stimulus packages are adopted and that these explicitly target employment.

Despite shrinking fiscal space, social security benefit packages and public employment programmes will be broadened, as well as targeted measures for displaced workers. Such policies not only help mitigate the social impacts of the crisis by boosting demand, thus acting as a counter-cyclical measure, but also aim at stabilizing aggregate demand in countries with long-term structural demographic change.

However, reverting to policies that addressed rising unemployment by shifting older workers into retirement is short-sighted and would create adverse incentives. The situation would take a long time to redress and would undo years of efforts of activation policies.

¹ ILO: *The informal economy: enabling transition to formalization*, Tripartite International Symposium on the Informal Economy: Enabling Transition to Formalization, Geneva, November 2007.

4.2. Possible ILO follow-up action within an integrated decent work framework

Each country has to adopt its own policy mix that strikes a fair balance between the interests of society as a whole and individual population groups. The resulting national policies and strategies should take as a guiding principle the Declaration on Social Justice for a Fair Globalization, adopted at the 97th Session of the Conference in 2008. As previously mentioned, at the heart of the 2008 Declaration is the recognition of two key principles which define the Decent Work Agenda: the universality of the ILO's objectives and the recognition of the indivisibility of these objectives, which the Declaration describes as "inseparable, interrelated and mutually supportive". Failure to promote any one of these objectives hinders progress towards achieving the others. The ILO might provide support in various ways, as follows:

- (a) assist Members in improving their data and information bases on labour market developments and the performance of national social protection systems. Such information systems support the evidence-based development and monitoring of policies. The Office should also undertake research and analysis on demographic transition, its impact and possible policy responses;
- (b) mainstream the issues arising from the demographic transition and "ageing" into all its current programmes and frameworks;
- (c) increase the number of ratifications of ILO Conventions that are directly relevant for the formulation of national policies on demographic changes, as discussed in Chapter 3. One area that might benefit from an additional instrument is social security. In 2007, the Office analysed to what extent the existing framework of up to date ILO instruments supported the mandate of the campaign to extend social security coverage and issued a technical paper.² The results were reported to the Governing Body Committee on Employment and Social Policy in November 2008.³ The main findings were that the up to date social security Conventions have had a positive impact on the development of social security schemes in most countries worldwide and serve as models for regional instruments and national laws. However, they show limitations in promoting the provision of the above priority minimum guarantee package,

² ILO: *Setting social security standards in a global society – An analysis of present state and practice and of future options for global social security standard setting in the International Labour Office*, Social Security Policy Briefings, Paper 2, Social Security Department (Geneva, 2008).

³ ILO: *Preparations for the Global Employment Forum (GEF)*, Governing Body doc. GB.280/ESP/3, 280th Session, Geneva, Mar. 2001.

and a complementary binding or non-binding instrument may be needed to promote the provision of a social security floor for all. The issue should best be taken up in the context of the next recurrent discussion of the Conference on social security;

- (d) establish a “guiding policy framework” for developing national action plans on ageing and older workers based on existing ILO instruments. As reviewed in Chapter 3, it appears that, on the whole, the different policy areas that are relevant for the formulation of national policies on demographic change are well covered by ILO instruments. The Office might nevertheless issue a guiding policy framework for national policies that brings together the provisions in existing instruments and the mainstreaming strategy described above. Such a framework could provide guidance to countries in their preparations for comprehensive national action plans to cope with the challenges of the demographic transition. Such action plans should, in turn, be developed on the basis of tripartite consultations and respect ILO instruments – and the Office could provide technical assistance accordingly. National action plans could be reviewed on a voluntary basis in the form of peer reviews organized by the Office;
- (e) support the formulation of a United Nations Convention protecting the rights of older persons. Following the adoption of the Convention on the Rights of Persons with Disabilities in 2006, the United Nations is in the process of contemplating the codification of a Convention on the rights of older persons. The ILO could support the work on this Convention on the basis of its international labour standards. The ILO Decent Work Agenda, as well as a guiding policy framework with its wider policy scope encompassing all ages and a life-cycle approach, could explicitly complement this Convention.

Appendix I

Demographic and labour force trends

Table 1. Demographic ratios

	Life expectancy at birth				Total fertility rates (children/woman)		Youth dependency ratio* (%)		Elderly dependency ratio** (%)	
	Joint		Males		2005–10	2045–50	2005	2045	2005	2045
	2000–05	2045–50	2005–10	2045–50						
WORLD	67.2	75.4	65.0	73.1	2.6	2.0	44.0	31.6	11.4	23.6
More developed regions	76.5	82.4	72.9	79.4	1.6	1.8	25.1	25.4	22.6	42.7
Less developed regions	65.4	74.3	63.7	72.1	2.8	2.1	48.6	32.5	8.7	20.8
Less developed regions, excluding least developed countries	67.9	76.4	66.1	74.2	2.5	1.9	44.8	28.9	6.1	9.4
Less developed regions, excluding China	63.4	73.3	61.7	71.1	3.1	2.1	55.6	34.2	9.8	26.1
Least developed countries	54.6	67.2	53.4	65.4	4.6	2.5	75.2	46.4	18.4	34.1
AFRICA	52.8	66.1	51.7	64.4	4.7	2.5	75.0	45.8	12.4	39.4
Eastern Africa	50.9	65.3	50.0	63.6	5.3	2.5	84.2	48.2	23.3	44.8
Middle Africa	47.0	61.4	45.8	59.8	6.0	2.8	88.6	56.9	15.8	30.2
Northern Africa	68.7	76.7	66.8	74.5	2.9	2.0	53.3	32.2	5.5	7.5
Southern Africa	49.0	62.4	48.5	61.0	2.7	1.9	52.4	35.4	5.5	6.2
Western Africa	50.3	64.8	49.6	63.7	5.3	2.6	83.0	46.5	7.4	18.1
Sub-Saharan Africa	50.0	64.5	49.0	62.9	5.1	2.6	81.2	48.1	6.7	12.5
NORTH AMERICA	78.5	83.3	75.9	80.7	2.0	1.9	30.5	27.9	5.9	8.1
LATIN AMERICA AND THE CARIBBEAN	73.3	79.6	70.1	76.5	2.4	1.9	46.7	28.9	12.3	28.2
South America	72.9	79.5	69.4	76.2	2.3	1.9	44.7	28.6	8.9	26.0
Central America	75.1	80.3	72.4	77.7	2.5	1.9	52.8	29.4	8.3	24.2
Caribbean	71.5	78.4	68.9	75.7	2.4	1.9	44.5	30.6	7.6	17.4

		Life expectancy at birth				Total fertility rates (children/woman)				Youth dependency ratio* (%)		Elderly dependency ratio** (%)	
		Joint		Males		Males		Females		2005	2045	2005	2045
		2000–05	2045–50	2005–10	2045–50	2005–10	2045–50	2005–10	2045–50				
EUROPE		74.6	81.0	70.5	77.8	70.5	77.8	1.5	1.8	23.3	24.2	7.4	18.1
Eastern Europe		68.6	75.9	63.0	71.7	63.0	71.7	1.3	1.7	21.8	21.7	20.2	38.8
Northern Europe		79.0	83.9	76.4	81.6	76.4	81.6	1.8	1.8	27.1	26.8	23.9	39.8
Southern Europe		79.4	84.1	76.4	81.3	76.4	81.3	1.5	1.8	22.3	24.7	26.1	55.3
Western Europe		79.9	84.5	76.9	81.7	76.9	81.7	1.6	1.8	24.6	25.8	25.9	47.9
ASIA		69.0	77.4	67.2	75.2	67.2	75.2	2.4	1.9	42.7	28.1	9.9	26.0
East Asia		74.1	79.9	72.1	77.7	72.1	77.7	1.7	1.8	29.7	24.3	9.1	23.7
South-East Asia		70.4	78.6	68.0	76.2	68.0	76.2	2.3	1.9	45.0	28.3	9.7	24.8
South Central Asia		64.5	75.0	63.1	73.0	63.1	73.0	2.9	1.9	54.3	29.7	5.9	9.5
Western Asia		69.7	78.3	67.5	76.1	67.5	76.1	3.0	2.0	53.1	32.7	5.8	7.9
OCEANIA		75.2	81.1	72.6	79.0	72.6	79.0	2.3	2.0	38.4	30.2	7.8	17.2

* (Population under age 15)/(Population aged 15–64). ** (Population aged 65 and older)/(Population aged 15–64).

Source: Medium variant, in United Nations: *World Population Prospects: The 2006 Revision*, Population Division, Department of Economic and Social Affairs (New York, 2007).

Table 2. Labour force in thousands, by region, subregion and sex, 1980–2020

	1980	1990	2000	2010	2020	Absolute change 1980–2020	Growth rate 1980–2000	Growth rate 2000–20
World								
Men	1 184 611	1 448 673	1 695 371	1 959 231	2 175 855	991 244	0.43	0.28
Women	744 945	956 946,1	1 123 085	1 320 142	1 475 428	730 482,8	0.51	0.31
Total	1 929 556	2 405 619	28 184 56	3 279 373	3 651 283	1 721 727	0.46	0.29
Africa								
Men	109 758	146 921	193 614	248 534	315 622	205 864	0.76	0.63
Women	72 903	99 324	128 148	163 339	208 973	136 070	0.76	0.63
Total	182 661	246 245	321 762	411 873	524 595	341 934	0.76	0.63
Eastern Africa	64 608	87 927	114 915	148 683	193 328	128 720	0.78	0.68
Middle Africa	22 196	29 238	38 801	50 604	67 137	44 941	0.75	0.73
Northern Africa	31 266	43 212	56 141	73 618	88 590	57 324	0.79	0.58
Southern Africa	12 774	16 875	21 490	22 028	22 668	9 894	0.70	0.05
Western Africa	7 224	10 365	13 986	16 879	20 547	13 323	0.93	0.47
Latin America								
Men	88 508	114 083	141 000	163 507	184 855	96 347	0.59	0.31
Women	36 847	59 009	89 376	119 791	146 243	109 396	1.42	0.64
Total	125 355	173 092	230 376	283 298	331 098	205 743	0.84	0.44
Caribbean	10 624	13 376	15 927	18 422	20 365	9 741	0.45	0.28
Central America	28 185	39 768	53 548	65 785	79 207	51 022	0.9	0.48
South America	86 546	119 948	160 900	199 090	231 526	144 980	0.86	0.44
North America								
Men	74 255	81 788	89 430	97 327	102 168	27 913	0.20	0.14
Women	52 003	65 191	75 644	85 213	90 949	38 946	0.45	0.20
Total	126 258	146 979	165 074	182 540	193 117	66 859	0.31	0.17

	1980	1990	2000	2010	2020	Absolute change 1980–2020	Growth rate 1980–2000	Growth rate 2000–20
Asia								
Men	716926	903935	1 073 853	1 251 586	1 385 402	668 476	0.50	0.29
Women	436 409	574 870	667 801	779 508	861 630	425 221	0.53	0.29
Total	1 153 335	1 478 805	1 741 654	2 031 094	2 247 032	1 093 697	0.51	0.29
South-East Asia	148 367	196 761	247 707	305 187	353 470	205 103	0.67	0.43
South-Central Asia	370 651	470 999	576 402	718 506	861 907	491 256	0.55	0.45
Eastern Asia	594 423	758 096	850 944	919 583	922 284	327 861	0.43	0.08
Western Asia	39 893	52 950	66 601	87 818	109 372	69 479	0.67	0.64
Europe								
Men	188 952	194 663	189 383	188 953	177 560	-11 392	0.01	-0.06
Women	142 847	153 274	155 582	164 269	158 553	15 706	0.09	0.02
Total	331 799	347 937	344 965	353 222	336 113	4 314	0.04	-0.026
Eastern Europe	156 071	157 516	145 248	143 473	130 083	-25 988	-0.07	-0.10
Northern Europe	44 244	47 288	47 480	49 745	50 420	6 176	0.07	0.06
Southern Europe	55 844	61 674	64 744	69 704	67 780	11 936	0.16	0.05
Western Europe	75 641	81 459	87 494	90 301	87 829	12 188	0.16	0.01
Oceania								
Men	6212	7 283	8 089	9 324	10 249	4 037	0.30	0.27
Women	3 937	5 276	6 535	8 022	9 080	5 143	0.66	0.39
Total	10 149	12 559	14 624	17 346	19 329	9 180	0.44	0.32

Source: ILO: Laborsta.

Table 3. Labour force participation rates by age 1980–2020, all regions

		1980	1985	1990	1995	2000	2005	2010	2015	2020	Change 2005–1980	Change 2020–2005
Africa												
15–24	men	71.2	72.5	70.9	71.4	70.1	69.0	68.6	68.5	68.4	-2.2	-0.6
	women	50.0	52.3	52.6	51.8	50.5	49.8	50.3	51.0	51.5	-0.2	1.7
25–39	men	93.9	95.0	95.8	95.0	95.8	96.0	96.0	96.0	95.9	2.1	-0.1
	women	59.8	60.0	61.4	61.1	61.1	61.7	62.2	62.9	63.7	1.9	2.0
40–54	men	97.0	97.2	97.0	96.8	96.5	96.4	96.1	95.9	95.8	-0.6	-0.6
	women	62.2	62.3	62.0	61.3	60.2	59.8	60.0	60.6	61.4	-2.4	1.6
55–64	men	89.4	89.8	88.3	89.0	87.1	86.5	85.3	84	82.9	-2.9	-3.6
	women	51.3	50.7	50.0	49.0	48.5	48.3	47.2	46.4	46.2	-3.0	-2.1
65+	men	61.9	65.1	61.5	61.1	59.2	57.4	55.8	54.1	52.4	-4.5	-5.0
	women	30.1	31.2	30.2	28.1	26.9	25.8	25.6	25.4	25.1	-4.3	-0.7
Eastern Africa												
15–24	men	78.8	80.5	80.0	80.5	79.3	78.0	77.4	76.9	76.6	-0.8	-1.4
	women	73.3	74.5	73.6	73.0	71.5	70.3	70.2	70.3	70.4	-3.0	0.1
25–39	men	97.0	97.5	97.4	97.8	97.5	97.3	97.0	96.8	96.6	0.3	-0.7
	women	83.9	83.7	83.7	83.6	83.2	83.3	83.4	83.5	83.7	-0.6	0.4
40–54	men	97.3	97.7	97.4	97.5	97.1	96.8	96.5	96.2	96.1	-0.5	-0.7
	women	82.9	82.7	82.7	82.3	81.9	81.6	81.4	81.5	81.7	-1.3	0.1
55–64	men	92.9	93.4	93.0	93.2	92.5	91.8	91.0	89.9	88.6	-1.1	-3.2
	women	72.2	71.7	71.9	71.2	70.8	71.0	70.8	70.7	70.5	-1.2	-0.5
65+	men	73.6	75.2	73.9	74.6	73.3	71.9	70.1	68.3	66.7	-1.7	-5.2
	women	48.2	48.2	47.9	46.7	45.6	44.3	44.1	43.9	43.7	-3.9	-0.6
Middle Africa												
15–24	men	77.9	75.1	76.3	76.4	77.7	76.0	75.7	75.9	76.0	-1.9	0.1
	women	60.2	58.4	59.5	59.3	60.2	59.4	59.5	59.8	60.0	-0.8	0.6
25–39	men	97.3	96.1	96.5	96.6	97.0	96.7	96.6	96.5	96.4	-0.6	-0.3
	women	66.3	67.4	67.4	67.4	66.8	66.8	66.8	66.8	66.9	0.5	0.2

		1980	1985	1990	1995	2000	2005	2010	2015	2020	Change 2005–1980	Change 2020–2005
40–54	men	97.4	96.8	97.2	97.4	97.6	97.1	97.0	97.0	97.0	–0.3	–0.1
	women	68.4	69.6	69.6	69.7	69.2	69.9	69.8	69.9	69.9	1.4	0.1
55–64	men	91.5	90.3	91.0	91.2	91.7	91.3	91.2	91.2	91.1	–0.2	–0.2
	women	56.6	58.4	58.3	58.3	57.2	56.9	56.9	57.0	56.9	0.3	0.0
65+	men	75.1	71.5	72.9	73.0	74.7	74.3	74.2	74.2	74.1	–0.8	–0.1
	women	34.1	35.3	35.8	35.9	35.3	35.0	34.8	34.8	34.9	0.9	0.0
Northern Africa												
15–24	men	60.5	59.9	54.3	55.2	52.9	51.3	50.0	47.9	45.9	–9.2	–5.4
	women	18.0	22.5	24.8	22.6	21.9	21.6	21.9	21.8	21.0	3.6	–0.5
25–39	men	89.1	91.5	94.8	90.1	93.1	94.6	95.1	95.2	95.1	5.5	0.6
	women	21.9	24.6	30.6	30.2	32.2	34.8	36.8	38.0	38.7	12.9	3.8
40–54	men	97.4	96.9	96.3	95.5	95.3	95.9	95.7	95.5	95.3	–1.5	–0.6
	women	27.8	27.0	25.0	25.6	26.2	28.0	30.0	32.0	33.6	0.2	5.6
55–64	men	86.8	86.3	81.5	83.5	77.7	77.9	76.6	74.6	72.9	–8.9	–4.9
	women	17.9	17.6	15.8	14.6	14.1	15.0	15.1	15.5	16.5	–2.9	1.5
65+	men	46.7	52.8	42.3	39.7	35.3	32.6	30.4	28.4	26.8	–14.1	–5.9
	women	12.8	15.4	11.1	6.1	5.8	5.7	5.9	6.3	6.6	–7.1	0.9
Western Africa												
15–24	men	72.1	76.4	74.9	75.3	73.6	72.0	71.2	71.0	70.9	–0.1	–1.1
	women	46.15	46.15	46.15	46.15	46.15	46.15	46.15	46.15	46.15	–0.79	–0.29
25–39	men	95.0	96.3	95.6	95.8	95.8	95.7	95.6	95.4	95.3	0.7	–0.4
	women	60.0	59.5	59.8	59.8	59.5	59.5	59.5	59.4	59.5	–0.5	0.0
40–54	men	96.3	97.4	97.1	97.2	96.9	96.4	96.0	95.7	95.6	0.1	–0.8
	women	68.6	68.5	69.1	68.7	67.9	67.5	67.6	68.0	68.1	–1.2	0.6
55–64	men	90.2	91.8	91.3	91.5	90.9	90.0	89.2	88.5	87.9	–0.2	–2.1
	women	60.1	59.6	60.2	59.9	59.0	58.3	57.9	57.5	57.5	–1.8	–0.9
65+	men	69.8	73.7	72.0	72.6	71.7	70.2	68.7	67.6	67.1	0.4	–3.2
	women	32.6	33.2	33.6	33.5	32.0	30.4	29.9	29.9	29.9	–2.2	–0.4

Table 3 (cont.)		1980	1985	1990	1995	2000	2005	2010	2015	2020	Change 2005–1980	Change 2020–2005
Southern Africa												
15–24	men	60.8	61.7	60.8	60.2	57.5	55.7	53.8	53.7	53.5	-5.1	-2.2
	women	55.2	54.3	51.3	47.4	43.2	40.5	39.0	38.7	38.6	-14.7	-2.0
25–39	men	87.7	90.5	92.8	95.4	95.9	96.1	96.1	96.0	96.0	8.4	0.0
	women	68.2	67.2	66.0	63.6	61.6	60.9	61.0	61.1	61.0	-7.3	0.1
40–54	men	95.9	96.3	96.4	96.4	95.9	95.4	95.0	94.8	94.8	-0.5	-0.6
	women	63.2	61.7	59.6	56.0	53.6	52.2	51.4	51.0	51.0	-11.0	-1.2
55–64	men	78.8	80.0	79.6	79.5	78.1	76.9	76.2	75.7	75.3	-1.9	-1.6
	women	39.0	37.2	34.7	30.3	27.7	26.2	25.5	24.9	24.5	-12.8	-1.7
65+	men	25.3	26.3	26.7	27.5	26.8	25.6	24.8	24.4	24.1	0.3	-1.5
	women	11.7	10.8	9.5	7.6	6.5	5.7	5.3	5.2	5.1	-6.0	-0.5
Europe												
15–24	men	62.8	60.8	57.0	50.7	48.6	45.8	46.6	45.7	44.0	-17	-1.8
	women	54.9	50.7	44.3	34.6	40.6	38.8	39.8	39.3	38.1	-16.1	-0.7
25–39	men	96.5	95.7	95.3	92.6	92.8	92.8	92.5	92.1	91.9	-3.7	-0.9
	women	73.4	75.7	78.3	76.4	77.6	79.4	80.7	81.7	82.4	6.0	3.0
40–54	men	94.3	93.8	93.7	91.1	89.8	89.7	89.3	89.0	88.8	-4.6	-0.9
	women	68.3	69.0	72.1	73.8	75.2	77.2	78.7	80.0	80.9	8.9	3.7
55–64	men	66.4	61.0	56.3	54.7	50.4	52.9	51.5	51.0	51.0	-13.5	-1.9
	women	29.5	26.9	26.8	28.6	28.5	33.9	35.9	37.4	38.6	4.4	4.7
65+	men	12.5	10.6	9.8	9.9	8.2	7.7	7.0	6.6	6.3	-4.8	-1.4
	women	4.6	4.2	4.5	5.0	4.0	4.0	3.9	3.9	3.9	-0.6	-0.1
Eastern Europe												
15–24	men	63.2	60.2	55.0	48.5	44.5	40.4	41.7	39.3	35.8	-22.8	-4.6
	women	57.9	60.6	49.5	39.3	33.8	30.2	31.3	23.4	17.4	-27.7	-12.8
25–39	men	97.3	97.1	96.9	91.7	92.2	93.0	92.8	92.6	92.7	-4.3	-0.3
	women	91.0	90.5	90.0	83.1	81.9	83.2	83.5	83.8	84.3	-7.8	1.1

		1980	1985	1990	1995	2000	2005	2010	2015	2020	Change 2005–1980	Change 2020–2005
40–54	men	94.0	93.5	93.1	89.8	87.2	87.0	85.9	85.8	86.0	-7.0	-1.0
	women	86.9	86.9	87.0	84.4	82.1	81.0	80.1	80.2	80.3	-5.9	-0.7
55–64	men	64.1	61.6	54.1	57.4	46.0	48.7	46.9	45.3	44.2	-15.4	-4.5
	women	28.9	27.5	26.0	28.7	24.8	28.9	30.1	30.3	30.2	0	1.3
65+	men	15.6	14.7	14.3	15.3	11.1	10.0	8.7	7.7	6.9	-5.6	-3.1
	women	5.3	5.9	6.8	8.0	5.6	5.5	5.3	5.1	4.9	0.2	-0.6
Northern Europe												
15–24	men	75.0	75.1	74.5	65.6	65.8	63.0	63.0	63.2	62.4	-12.0	-0.6
	women	65.4	66.0	66.9	58.1	59.1	58.2	58.8	59.6	59.5	-7.3	1.3
25–39	men	95.9	96.1	95.4	93.6	93.1	92.0	91.2	90.5	89.9	-3.9	-2.1
	women	69.5	71.9	76.3	75.4	77.8	78.6	79.7	80.5	81.1	9.1	2.5
40–54	men	94.2	93.8	93.4	90.9	89.8	89.2	88.4	87.7	87.3	-5.0	-1.9
	women	74.0	75.1	78.1	78.4	79.5	80.4	81.2	82.1	82.7	6.4	2.3
55–64	men	72.4	69.4	68.0	62.9	63.9	66.4	65.5	66.9	67.3	-6.0	0.9
	women	41.9	39.5	41.7	42.0	45.1	50.2	51.1	54.7	56.5	8.3	6.3
65+	men	12.8	11.0	11.1	9.4	9.1	9.4	9.8	9.9	10.0	-3.4	0.6
	women	4.6	4.2	4.5	3.9	3.9	4.2	4.4	4.6	4.7	-0.4	0.5
Southern Europe												
15–24	men	59.5	56.4	53.9	48.8	48.5	45.8	43.6	42.0	41.0	-13.7	-4.8
	women	45.5	43.3	44.3	37.5	38.0	36.1	35.5	34.9	34.3	-9.4	-1.9
25–39	men	96.5	95.8	95.2	92.5	92.3	92.1	92.2	91.9	91.4	-4.4	-0.7
	women	50.9	56.6	64.7	64.8	69.0	72.8	76.1	78.6	80.1	21.9	7.3
40–54	men	94.2	93.2	93.1	90.7	91.0	91.4	91.3	91.1	90.9	-2.8	-0.5
	women	38.2	41.2	46.5	50.1	55.5	62.6	68.3	72.1	74.5	24.3	11.9
55–64	men	66.5	60.4	57.1	51.6	50.8	51.8	50.8	51.0	50.8	-14.7	-1.0
	women	20.9	19.9	19.8	19.9	21.9	26.5	29.6	32.3	33.4	5.6	6.9
65+	men	14.9	10.4	8.6	9.5	8.8	8.3	7.6	7.1	6.9	-6.6	-1.4
	women	5.5	4.0	3.8	4.4	4.2	4.2	4.1	4.1	4.2	-1.3	0

Table 3 (cont.)		1980	1985	1990	1995	2000	2005	2010	2015	2020	Change 2005–1980	Change 2020–2005
Western Europe												
15–24	men	58.6	57.8	54.3	48.8	48.8	47.8	48.3	47.4	46.9	-10.8	-0.9
	women	51.8	50.6	48.5	42.7	42.3	41.2	41.7	41.0	40.6	-10.6	-0.7
25–39	men	95.4	92.7	92.3	93.5	94.2	93.5	92.8	92.3	92.0	-1.9	-1.5
	women	62.2	64.6	68.9	75.2	77.8	79.1	80.1	80.7	81.4	16.9	2.3
40–54	men	95.2	94.9	95.0	93.6	93.2	93.0	92.6	92.1	91.8	-2.2	-1.2
	women	53.4	56.7	63.5	71.6	75.8	80.4	83.5	85.4	86.7	27.0	6.3
55–64	men	65.8	56.0	53.4	49.1	49.3	51.8	51.4	51.7	52.1	-14.0	0.3
	women	29.8	24.9	27.0	29.2	31.9	38.7	43.2	45.5	47.1	8.9	8.4
65+	men	7.2	5.8	5.0	4.1	3.9	3.7	3.7	3.5	3.4	-3.5	-0.3
	women	3.0	2.1	2.0	1.6	1.5	1.6	1.7	1.8	1.9	-1.4	0.3
Asia												
15–24	men	75.3	73.0	70.6	68.4	65.5	63.7	63.6	62.6	61.8	-11.6	-1.9
	women	57.7	56.6	54.9	51.2	46.6	45.1	44.9	43.8	43.3	-12.7	-1.7
25–39	men	97.8	97.7	97.5	97.2	96.9	96.6	96.2	96.0	95.8	-1.2	-0.8
	women	64.5	65.4	66.9	66.6	66.8	66.6	65.8	65.7	65.7	2.1	-0.9
40–54	men	96.2	96.2	96.4	96.4	96.0	95.7	95.6	95.4	95.0	-0.5	-0.7
	women	44.1	44.3	46.8	48.8	47.6	46.5	48.2	47.0	44.2	2.4	-2.3
55–64	men	79.8	79.2	78.6	78.8	78.1	77.9	76.9	75.8	75.3	-1.9	-2.6
	women	32.8	34.2	37.6	36.8	36.5	36.5	36.4	35.9	36.3	3.7	-0.2
65+	men	44.5	42.9	42.3	40.8	39.3	36.9	34.7	32.3	30.5	-7.6	-6.4
	women	11.4	11.7	12.8	13.0	13.0	13.2	13.7	14.1	14.3	1.8	1.1
Eastern Asia												
15–24	men	80.0	76.6	73.5	72.7	68.5	65.1	66.7	65.3	65.4	-14.9	0.3
	women	81.0	78.0	75.2	73.6	69.9	67.0	67.8	66.5	66.5	-14.0	-0.5
25–39	men	98.6	98.4	98.2	97.7	97.4	97.1	96.8	96.6	96.5	-1.5	-0.6
	women	82.1	84.0	86.4	87.3	88.0	88.5	88.7	89.2	89.5	6.4	1.0

		1980	1985	1990	1995	2000	2005	2010	2015	2020	Change 2005–1980	Change 2020–2005
40–54	men	96.2	96.2	96.8	96.9	96.6	96.3	96.4	96.2	95.7	0.1	–0.6
	women	52.2	53.3	58.2	61.1	58.4	56.1	59.8	57.2	51.6	3.9	–4.5
55–64	men	75.8	75.7	75.9	76.5	76.4	76.7	76.0	75.0	75.2	0.9	–1.5
	women	29.6	32.6	39.0	38.0	37.6	37.5	36.6	35.2	35.9	7.9	–1.6
65+	men	33.0	32.5	33.5	31.7	29.9	27.2	24.2	21.7	19.8	–5.8	–7.4
	women	7.2	8.1	9.9	10.6	10.9	11.1	11.7	12.2	12.6	3.9	1.5
South-Central Asia												
15–24	men	72.7	71.5	69.3	66.7	64.5	63.0	61.8	60.9	59.7	–9.7	–3.3
	women	34.2	34.1	33.5	31.8	29.9	29.9	30.3	30.9	31.4	–4.3	1.4
25–39	men	97.2	97.3	97.2	96.9	96.7	96.4	96.1	95.9	95.5	–0.8	–0.9
	women	44.3	45.0	45.4	44.2	44.0	45.1	46.2	47.4	48.3	0.8	3.2
40–54	men	97.0	96.9	96.7	96.4	96.0	95.6	95.3	95.1	94.8	–1.4	–0.8
	women	45.8	46.0	46.1	45.1	45.0	45.5	46.1	46.8	47.7	–0.2	2.2
55–64	men	85.6	84.5	82.8	81.7	80.3	79.2	78.0	76.7	75.8	–6.4	–3.4
	women	31.9	32.2	32.2	31.8	31.5	31.8	32.3	32.7	33.0	–0.1	1.2
65+	men	58.7	56.6	54.3	52.8	51.4	49.2	47.6	45.9	44.0	–9.5	–5.2
	women	14.7	14.4	14.3	13.3	12.5	12.1	12.1	12.1	12.2	–2.6	0.1
South-East Asia												
15–24	men	70.9	67.8	67.6	64.6	65.0	64.3	63.7	63.9	63.0	–6.6	–1.3
	women	54.3	52.5	54.6	51.6	49.6	48.4	48.1	48.2	47.7	–5.9	–0.7
25–39	men	96.9	96.7	96.7	96.9	96.6	96.5	96.4	96.2	96.1	–0.4	–0.4
	women	62.5	63.1	67.0	65.8	67.2	69.0	71.2	73.2	75.0	6.5	6.0
40–54	men	95.1	95.4	95.8	95.9	95.9	95.8	95.7	95.6	95.6	0.7	–0.2
	women	65.0	64.9	67.3	66.4	67.6	70.1	71.8	72.9	73.6	5.1	3.6
55–64	men	80.3	80.6	81.6	83.9	83.0	82.7	81.3	79.7	78.5	2.4	–4.2
	women	50.0	49.2	51.0	49.8	50.0	50.3	51.0	50.8	50.6	0.3	0.3
65+	men	51.8	50.3	50.4	49.6	49.0	48.0	46.4	44.3	42.3	–3.8	–5.7
	women	22.2	22.2	23.9	24.7	24.9	25.6	26.8	27.5	27.5	3.4	1.9

Table 3 (cont.)		1980	1985	1990	1995	2000	2005	2010	2015	2020	Change 2005–1980	Change 2020–2005
Western Asia												
15–24	men	64.9	64.6	63.3	59.4	57.0	59.7	59.4	59.2	59.2	-5.2	-0.5
	women	35.4	32.3	29.9	27.1	24.4	25.5	25.6	25.8	26.4	-10.0	0.9
25–39	men	95.8	96.0	96.0	95.8	94.4	93.7	93.1	93.1	93.2	-2.1	-0.5
	women	42.4	41.8	41.2	38.9	37.2	38.6	40.5	42.9	45.4	-3.8	6.8
40–54	men	92.4	91.9	91.7	91.0	88.9	90.1	89.9	89.8	89.8	-2.3	-0.3
	women	45.5	40.7	38.4	36.0	33.9	34.7	35.0	35.5	36.7	-10.7	2.0
55–64	men	74.0	72.1	67.6	69.0	65.3	66.6	66.1	65.1	64.2	-7.4	-2.4
	women	29.8	26.9	26.2	25.1	21.8	21.3	22.1	22.1	21.6	-8.5	0.3
65+	men	36.6	32.8	30.6	33.4	34.3	33.1	31.9	30.5	29.5	-3.5	-3.6
	women	13.3	9.5	8.3	10.0	11.2	12.4	13.0	13.3	13.4	-0.9	1.0
North America												
15–24	men	73.3	71.8	70.8	68.7	67.2	63.2	61.8	61.2	59.9	-10.1	-3.3
	women	61.3	62.9	62.4	61.4	62.0	60.1	59.7	59.6	59.0	-1.2	-1.2
25–39	men	95.4	94.8	94.3	92.7	93.2	92.5	92.2	91.9	91.6	-2.9	-0.9
	women	65.0	71.1	74.4	75.6	76.3	76.3	76.6	76.9	77.0	11.3	0.7
40–54	men	92.6	92.4	92.0	90.1	90.0	89.2	88.5	88.0	87.6	-3.4	-1.6
	women	61.4	67.0	73.7	75.7	77.5	78.0	78.8	79.5	80.1	16.6	2.1
55–64	men	72.3	68.1	67.4	65.3	66.7	68.6	68.2	68.1	67.6	-3.7	-1.0
	women	40.5	41.1	44.3	47.9	50.9	56.0	59.3	62.1	63.7	15.5	7.7
65+	men	18.5	15.4	15.8	16.2	16.9	18.1	18.8	19.1	19.1	-0.4	1.0
	women	7.8	7.0	8.2	8.3	8.8	9.7	10.4	10.9	11.1	1.9	1.4
Latin America and the Caribbean												
15–24	men	71.6	71.8	71.7	70.4	68.1	63.8	59.6	57.5	56.9	-7.8	-6.9
	women	34.7	51.3	53.1	56.0	56.5	55.7	54.5	52.1	49.1	21.0	-6.6
25–39	men	96.3	96.3	96.1	96.1	95.7	95.3	94.7	94.1	93.6	-1.0	-1.7
	women	40.4	46.2	51.4	58.3	61.7	65.9	69.5	72.5	74.5	25.5	8.6

		1980	1985	1990	1995	2000	2005	2010	2015	2020	Change 2005–1980	Change 2020–2005
40–54	men	93.6	93.6	94.0	93.9	93.3	92.9	92.0	91.4	91.0	-0.7	-1.9
	women	34.0	39.5	45.1	53.0	57.4	62.0	65.7	68.5	70.6	28.0	8.6
55–64	men	77.6	76.8	77.0	77.1	77.0	76.1	75.2	74.2	73.3	-1.5	-2.8
	women	21.4	23.4	26.3	32.3	34.6	37.2	39.9	42.0	43.6	15.8	6.4
65+	men	41.1	39.5	37.8	39.2	38.5	37.2	35.1	33.2	31.6	-3.9	-5.6
	women	9.7	9.5	9.5	12.1	12.8	13.7	14.7	15.7	16.6	4.0	2.9
Caribbean												
15–24	men	58.8	59.6	58.4	60.1	58.1	57.8	57.9	56.6	55.4	-1.0	-2.4
	women	34.5	44.5	44.7	44.9	41.9	42.6	44.1	41.5	39.3	8.1	-3.3
25–39	men	95.4	95.1	94.5	94.7	94.7	94.7	94.4	94.1	93.9	-0.7	-0.8
	women	54.3	56.5	59.6	61.3	63.9	65.4	67.6	69.9	72.3	11.1	6.9
40–54	men	94.1	93.7	93.0	92.8	92.5	92.6	92.5	92.0	91.4	-1.5	-1.2
	women	48.0	48.2	51.5	54.2	57.5	60.7	63.9	65.9	67.3	12.7	6.6
55–64	men	77.7	77.2	74.7	75.2	72.8	71.7	70.7	70.1	70.5	-6.0	-1.2
	women	29.6	29.2	28.2	27.6	27.8	29.4	32.4	35.1	37.2	-0.2	7.8
65+	men	36.1	34.4	32.2	31.4	30.1	29.0	27.6	26.4	25.6	-7.1	-3.4
	women	11.8	10.2	9.8	8.4	8.3	8.1	8.5	9.3	10.4	-3.7	2.3
Central America												
15–24	men	69.9	69.9	71.2	72.1	70.1	60.3	51.5	48.5	48.0	-9.6	-12.3
	women	31.2	46.1	48.1	50.9	49.7	43.9	42.5	41.5	34.9	12.7	-9.0
25–39	men	95.8	96.2	96.9	96.8	96.5	96.3	95.9	95.3	94.6	0.5	-1.7
	women	35.1	39.2	41.5	45.5	47.1	50.4	53.2	55.4	57.2	15.3	6.8
40–54	men	95.4	95.7	96.2	95.1	95.4	96.1	96.2	96.2	96.2	0.7	0.1
	women	31.3	35.0	37.2	39.8	44.6	48.8	52.9	56.2	58.5	17.4	9.8
55–64	men	88.8	85.6	85.0	80.8	81.8	80.9	79.9	78.7	77.3	-7.9	-3.6
	women	24.7	24.3	24.7	27.1	29.1	31.7	34.6	36.8	38.1	7.0	6.4
65+	men	61.6	58.8	55.2	52.2	50.4	45.7	39.7	34.0	29.2	-15.9	-16.5
	women	16.5	16.1	13.7	14.4	14.6	13.9	13.8	13.8	14.0	-2.6	0.1

Table 3 (cont.)		1980	1985	1990	1995	2000	2005	2010	2015	2020	Change 2005–1980	Change 2020–2005
South America												
15–24	men	73.7	74.0	73.4	70.7	68.2	65.7	63.1	61.4	60.8	-8.0	-4.9
	women	36.1	39.3	41.9	45.9	47.5	49.6	51.3	52.6	53.7	13.5	4.1
25–39	men	96.6	96.5	96.0	95.9	95.5	94.9	94.3	93.6	93.1	-1.7	-1.8
	women	40.6	47.4	53.8	62.5	67.1	72.3	76.4	79.6	81.8	31.7	9.5
40–54	men	93.0	92.9	93.4	93.6	92.7	91.9	90.6	89.5	88.9	-1.1	-3.0
	women	33.2	39.9	46.9	57.2	61.6	66.6	70.5	73.5	75.9	33.4	9.4
55–64	men	74.4	74.3	74.9	76.2	75.9	75.1	74.1	73.1	72.3	0.7	-2.8
	women	19.5	22.4	26.5	34.5	37.2	39.9	42.5	44.4	46.1	20.4	6.2
65+	men	35.8	34.6	33.3	36.3	35.8	35.5	34.5	33.7	33.1	-0.3	-2.4
	women	7.4	7.5	8.2	11.9	12.8	14.3	15.8	17.1	18.1	6.9	3.8
Oceania												
15–24	men	73.5	71.5	69.8	67.1	65.2	66.2	66.1	65.9	65.6	-7.3	-0.6
	women	63.7	63.4	64.7	63.4	63.3	63.9	64.3	64.5	64.6	0.3	0.7
25–39	men	94.1	93.4	92.9	91.4	90.6	89.4	88.3	87.4	86.7	-4.7	-2.7
	women	58.6	61.7	67.5	69.3	70.1	71.7	73.0	73.9	74.6	13.1	2.9
40–54	men	58.6	61.7	67.5	69.3	70.1	71.7	73.0	73.9	74.6	13.1	2.9
	women	57.1	60.3	68.4	71.3	73.3	75.5	77.5	78.9	79.8	18.5	4.2
55–64	men	69.3	63.5	64.1	63.7	64.9	66.8	67.0	67.5	67.8	-2.5	1.0
	women	27.3	25.8	29.5	34.0	40.8	48.4	54.3	59.1	61.7	21.1	13.3
65+	men	14.9	13.2	13.3	13.2	13.7	14.4	14.5	14.5	14.6	-0.5	0.2
	women	5.1	4.5	4.1	4.3	4.9	5.8	6.2	6.5	6.7	0.7	0.9
Australia–New Zealand												
15–24	men	77.5	75.0	72.8	71.1	68.6	69.2	69.0	68.8	68.2	-8.3	-1.0
	women	65.7	64.7	60.9	57.3	51.3	50.9	48.6	43.1	37.6	-14.8	-13.3
25–39	men	95.7	94.9	94.2	92.8	91.8	90.2	88.8	87.6	86.7	-5.5	-3.5
	women	55.7	59.4	66.4	68.3	69.1	71.1	72.7	73.8	74.7	15.4	3.6

		1980	1985	1990	1995	2000	2005	2010	2015	2020	Change 2005–1980	Change 2020–2005
40–54	men	93.6	92.3	91.7	90.5	89.0	88.3	87.5	86.8	86.1	-5.3	-2.2
	women	54.3	58.0	67.9	71.2	73.4	76.1	78.4	80.0	81.1	21.8	5.1
	men	68.4	61.8	62.2	61.6	63.1	65.5	65.7	66.2	66.4	-2.9	0.9
	women	23.5	21.7	25.9	30.4	38.2	46.8	53.3	58.7	61.6	23.3	14.8
65+	men	12.0	10.1	8.8	9.3	10.2	11.0	11.3	11.5	11.5	-1.0	0.5
	women	3.2	2.5	2.5	2.6	3.1	3.8	4.2	4.3	4.4	0.6	0.6
Polynesia												
15–24	men	64.3	61.3	59.4	57.8	54.6	53.5	53.7	51.1	51.9	-10.8	-1.6
	women	38.3	36.1	36.1	36.1	34.1	34.5	35.7	34.2	35.9	-3.7	1.4
25–39	men	95.8	95.5	94.7	94.5	94.4	94.2	93.8	93.2	92.9	-1.6	-1.3
	women	49.5	52.9	57.2	59.9	60.2	60.5	61.0	61.8	62.1	11.0	1.6
40–54	men	93.8	93.0	91.4	91.3	91.5	91.4	91.4	91.0	90.6	-2.4	-0.8
	women	44.8	47.0	50.1	54.3	54.0	53.6	53.5	52.9	52.6	8.8	-1.0
55–64	men	74.5	72.0	70.0	68.2	67.3	65.3	66.1	64.9	65.5	-9.2	0.2
	women	27.3	26.6	26.9	31.5	30.7	30.1	30.8	29.4	29.4	2.8	-0.7
65+	men	36.0	34.2	30.1	29.4	28.2	27.4	25.8	24.5	22.8	-8.6	-4.6
	women	9.5	7.8	6.4	8.4	8.5	8.4	8.5	8.6	8.6	-1.1	0.2
Micronesia												
15–24	men	44.1	51.7	59.7	55.1	53.6	53.0	53.2	53.3	54.6	8.9	1.6
	women	37.9	62.2	59.6	50.2	45.3	42.0	43.3	39.7	38.1	4.1	-3.9
25–39	men	87.3	90.9	90.7	90.1	91.1	91.8	91.6	91.3	91.2	4.5	-0.6
	women	49.2	58.1	62.0	62.5	62.5	62.6	62.5	62.3	62.3	13.4	-0.3
40–54	men	92.4	93.2	94.7	94.3	94.0	93.7	93.1	92.3	90.9	1.3	-2.8
	women	53.6	57.5	55.1	55.2	56.0	58.3	62.3	67.6	70.3	4.7	12.0
55–64	men	87.3	85.3	86.6	85.4	83.8	83.2	81.6	80.2	78.4	-4.1	-4.8
	women	43.6	43.1	43.9	46.9	48.1	48.9	52.8	56.5	58.7	5.3	9.8
65+	men	62.0	55.2	57.8	59.3	56.9	55.5	54.6	54.1	53.9	-6.5	-1.6
	women	42.6	31.0	38.8	42.6	38.2	35.1	34.5	34.4	34.4	-7.5	-0.7

Table 3 (cont.)

		1980	1985	1990	1995	2000	2005	2010	2015	2020	Change 2005-1980	Change 2020-2005
Melanesia												
15-24	men	60.8	61.6	62.1	57.8	58.5	60.8	61.4	61.7	62.2	0	1.4
	women	59.7	93.5	86.5	86.9	86.1	87.7	85.0	89.5	89.3	28.0	1.6
25-39	men	86.7	86.9	87.1	85.8	86.2	86.6	86.6	86.5	86.4	-0.1	-0.2
	women	73.6	73.4	73.1	73.9	74.5	74.6	74.8	75.0	75.2	1.0	0.6
40-54	men	87.1	87.2	87.2	87.4	87.4	87.3	87.2	86.9	86.8	0.2	-0.5
	women	75.1	74.7	73.9	73.7	74.4	75.0	75.7	76.4	76.7	-0.2	1.8
55-64	men	76.7	76.7	76.6	77.0	76.7	76.7	76.3	76.2	76.1	0	-0.6
	women	63.8	64.0	63.0	62.8	62.0	63.9	64.7	65.1	65.3	0.1	1.4
65+	men	54.7	54.5	56.6	54.9	54.5	54.2	53.5	53.0	52.9	-0.5	-1.3
	women	38.8	38.0	35.5	36.8	36.7	36.8	36.4	36.6	36.9	-2.0	0.1

Source: ILO: Laborsta.

Table 4. Regional unemployment rate by age band over time

Youth (15–24), male and female	1991	2000	2005	2006
Developing economies and EU	14.4	13.0	13.9	12.9
Central and Eastern Europe (non-EU) and CIS	21.0	19.6	18.6	18.6
East Asia	7.4	7.7	7.0	6.8
South-East Asia and the Pacific	8.9	13.3	16.6	17.3
South Asia	7.0	10.6	11.5	11.1
Latin America and the Caribbean	16.1	15.6	16.0	15.1
Sub-Saharan Africa	12.7	11.9	11.5	11.5
Middle East	20.0	19.6	20.6	20.7
Northern Africa	27.0	29.5	25.3	24.1
Prime age (25–54), male and female	1991	2000	2005	2006
Developing economies and EU	6.2	5.8	6.1	5.6
Central and Eastern Europe (non-EU) and CIS	9.5	9.1	7.7	7.6
East Asia	2.6	2.8	2.5	2.4
South-East Asia and the Pacific	2.1	2.7	3.6	3.6
South Asia	2.2	2.9	4.2	4.1
Latin America and the Caribbean	6.2	6.4	6.2	5.8
Sub-Saharan Africa	6.6	6.8	6.7	6.6
Middle East	7.2	6.9	7.0	7.1
Northern Africa	8.8	10.1	8.3	7.4
Older (55+), male and female	1991	2000	2005	2006
Developing economies and EU	4.3	4.4	4.4	4.1
Central and Eastern Europe (non-EU) and CIS	5.7	5.4	4.6	4.5
East Asia	2.6	2.9	2.8	2.3
South-East Asia and the Pacific	1.5	1.6	1.9	1.8
South Asia	1.4	1.5	2.0	2.5
Latin America and the Caribbean	3.3	3.3	3.3	3.1
Sub-Saharan Africa	4.2	4.3	4.4	4.5
Middle East	4.3	4.1	4.2	4.3
Northern Africa	5.2	6.1	4.2	3.5
Older (55+), male	1991	2000	2005	2006
Developing economies and EU	4.5	4.7	4.8	4.5
Central and Eastern Europe (non-EU) and CIS	6.3	6.2	5.4	5.4
East Asia	3.0	3.3	3.1	2.7
South-East Asia and the Pacific	1.4	1.6	1.5	1.5
South Asia	1.1	1.4	1.8	2.3
Latin America and the Caribbean	3.2	3.3	3.0	3.0
Sub-Saharan Africa	4.2	4.4	4.4	4.5
Middle East	4.2	4.3	4.3	4.4
Northern Africa	5.2	5.6	4.4	3.8

Table 4 (cont.)

Older (55+), female	1991	2000	2005	2006
Developing economies and EU	4.0	3.9	3.9	3.6
Central and Eastern Europe (non-EU) and CIS	4.7	4.3	3.7	3.6
East Asia	1.7	2.1	2.1	1.7
South-East Asia and the Pacific	1.7	1.6	2.4	2.2
South Asia	1.8	1.6	2.2	2.7
Latin America and the Caribbean	3.3	3.2	3.9	3.2
Sub-Saharan Africa	4.2	4.3	4.4	4.5
Middle East	4.4	3.5	3.9	3.9
Northern Africa	5.3	7.7	3.2	2.1

Source: EMP/Trends Econometric Models, Oct. 2007, preliminary estimates.

Appendix II

The Older Workers Recommendation, 1980 (No. 162)

The Recommendation was adopted at the 66th Session of the International Labour Conference on 4 June 1980. It defines “older workers” as all those who are liable to encounter difficulties in employment and occupation because of advancement in age.

At the outset it states the principle that employment problems of older workers should be dealt with in the context of an overall and well-balanced strategy for full employment, which gives due attention to all population groups and ensures that employment problems are not shifted from one group to another.

It calls on all member States to adopt a national policy to promote equality of opportunity and treatment for workers of all ages and to take measures to prevent discrimination against older workers, particularly with regard to access to vocational guidance and placement services; access to employment of their choice that takes into account their personal skills, experience and qualifications; access to vocational training facilities, in particular further training and retraining; and employment security.

National policy should further aim to improve working conditions and the working environment at all stages of working life and devise measures designed to enable older workers to continue in employment under satisfactory conditions.

It further recommends that measures be taken with a view to ensuring that the transition from working life to freedom of activity is gradual, that retirement is voluntary and that the age qualifying a person for an old-age pension is flexible.

Points referring to working time and work organization

Within the framework of a national policy to improve working conditions and the working environment, it is recommended to identify the types of activities likely to hasten the ageing process, to determine the reasons, and to devise appropriate solutions. Where difficulties in adaptation are related to advancement in age, measures in respect of the type of activity should be applied so as to: (a) remedy those conditions of work and of the working environment that are likely to hasten ageing; (b) modify the forms of work organization and working time which lead to stress or to an excessive pace of work; (c) adapt the job and its content to the worker; (d) provide for a more systematic supervision of the workers' state of health; and (e) provide for such supervision on the job as is appropriate for preserving the workers' safety and health. At the level of the enterprise the following measures may be taken: (a) reducing the normal daily and weekly hours of work of older workers employed in arduous, hazardous or unhealthy work; (b) promoting the gradual reduction of hours of work, during a prescribed period prior to the retirement date; (c) increasing annual holidays with pay on the basis of length of service or of age; (d) enabling older workers to organize their work time and leisure to suit their convenience; and (e) facilitating the assignment of older workers to jobs performed during normal working hours.

Provisions related to preparation for and access to retirement

- The Recommendation suggests that, whenever possible, measures should be taken with a view to: (i) ensuring that, in a framework allowing for a gradual transition from working life to freedom of activity, retirement is voluntary; and (ii) making the age qualifying for an old-age pension flexible.
- Legislative and other provisions making mandatory the termination of employment at a specified age should be examined.
- Each Member should endeavour to ensure that older workers whose hours of work are gradually reduced and reach a prescribed level, or who start to work on a part-time basis, receive, during a prescribed period prior to the date on which they reach the age normally qualifying workers for an old-age benefit, a special benefit in partial or full compensation for the reduction in their remuneration.

- Older workers who are unemployed during a prescribed period prior to the date on which they reach the age normally qualifying workers for an old-age benefit should, where an unemployment benefit scheme exists, continue until such date to receive unemployment benefit or adequate income maintenance.
- Older workers who have been engaged in occupations that are deemed arduous or unhealthy or are recognized as being unfit for work to a degree prescribed, should be eligible, during a certain period prior to the date on which they reach the age normally qualifying workers for an old-age benefit, for an early retirement benefit.
- Older workers who are fit for work should be able to defer their claim to an old-age benefit beyond the age normally qualifying workers for such a benefit, for example either for the purpose of satisfying all qualifying conditions for benefit or with a view to receiving benefit at a higher rate taking account of the later age at which the benefit is taken and, as the case may be, of the additional work or contributions.
- Retirement preparation programmes should be implemented during the years preceding the end of working life with the participation of representative organizations of employers and workers and other bodies concerned. Such programmes should, in particular, enable the persons concerned to make plans for their retirement and to adapt to the new situation by providing them with information on issues such as the old-age benefit they can expect to receive, their tax status as pensioners, and the related advantages available to them such as medical care, social services and any reduction in the cost of certain public services as well as the opportunities and conditions for continuing an occupational activity, particularly on a part-time basis, and on the possibility of establishing themselves as self-employed.

Appendix III

Relevant ILO instruments

1. Conventions

Convention No.	Title	Content	Number of ratifications
Social security			
Convention No. 102	Social Security (Minimum Standards) Convention, 1952 (Parts II, III, IV, V, VI, IX, X)	Provision of the following benefits, <i>throughout the contingency, to all persons protected</i> (may be subject to qualifying conditions): Medical care: medical care of preventive or curative nature in case of morbid condition. Sickness: cash benefits (45 per cent of reference wage) in case of morbid condition involving suspension of earnings. Unemployment: cash benefits in case of suspension or loss of earnings due to inability to obtain suitable employment (45 per cent of reference wage). Old age: cash benefit upon reaching pensionable age (40 per cent of reference wage) to guarantee to people protected the means of a decent standard of living for the rest of their life. Employment injury: medical care and cash benefits (50 per cent of reference wage) in case of morbid condition, incapacity for work, invalidity or a loss of faculty and death of the breadwinner (40 per cent of reference wage) due to employment injury.	46

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Convention No.	Title	Content	Number of ratifications
Convention No. 102 (cont.)		Invalidity: cash benefit (40 per cent of reference wage) in case of long-term inability to engage in gainful activity – may be terminated by the payment of old-age benefit. Survivors: cash benefit (40 per cent of reference wage) in case of death of the breadwinner subject to a qualifying period.	
Convention No. 121	Employment Injury Benefits Convention, 1964 [Schedule I amended in 1980]	Provision of (extended) medical care and cash benefits in cases of total or partial incapacity for work or invalidity (60 per cent of reference wage) or death of the breadwinner (50 per cent of reference wage) due to employment injury, throughout the contingency; the benefits shall be afforded with a view to maintaining, restoring or, where this is not possible, improving the health of the injured person and his ability to work and attend to his personal needs. Obligation to provide rehabilitation services in order to prepare a disabled person wherever possible for the resumption of his previous activity and to take measures to further the placement of disabled persons in suitable employment; additional benefits for injured persons requiring constant assistance.	24
Convention No. 130	Medical Care and Sickness Benefits Convention, 1969	Provision of preventive and curative medical care (as under Social Security (Minimum Standards) Convention, 1952 (No. 102); dental care and medical rehabilitation and cash benefits (60 per cent of reference wage), throughout the contingency.	15

Convention No.	Title	Content	Number of ratifications
Convention No. 168	Employment Promotion and Protection against Unemployment Convention, 1988	Provision of cash benefits in case of full (50 per cent of reference wage) or partial unemployment, conditional to the unemployed person seeking for work; specific provisions for coverage of persons e.g. elderly and migrant workers on their return home; divorced/separated persons; guarantee to persons in receipt of unemployment benefit that the periods during which benefits are paid will be taken into consideration for acquisition of the right to and calculation of disability, old-age and survivors' benefit and to guarantee the right to medical care and sickness benefit after the end of unemployment; adoption of policy to promote full, productive and freely chosen employment adapted to personal circumstances (age, length of service, acquired experience, etc.); guarantee of equality of treatment for all persons protected without discrimination on the basis of disability, age, etc.	7
Social security for migrant workers			
Convention No. 118	Equality of Treatment (Social Security) Convention, 1962	Covers migrant workers; equality in treatment between nationals of ratifying States in the provision of social security benefits abroad, maintenance of acquired rights and of rights in course of acquisition for branches ratified , on a reciprocity basis (may be conditional to residence period).	37
Convention No. 157	Maintenance of Social Security Rights Convention, 1982	Covers migrant workers; maintenance of acquired rights and rights in course of acquisition for nationals of ratifying States for all social security branches existing under national legislation ; no reciprocity condition; social services available to persons concerned to assist with award and receipt of benefit and the exercise of related rights.	4

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Convention No.	Title	Content	Number of ratifications
Equality of opportunity and treatment			
Convention No. 111	Discrimination (Employment and Occupation) Convention, 1958	Promotion of equality of opportunity and treatment in respect of employment and occupation through policy and effective measures; prohibition of discrimination on the grounds of race, colour, sex, religion, political opinion, national extraction or social origin, or any other distinction, exclusion or preference which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation.	169
Convention No. 156	Workers with Family Responsibilities Convention, 1981	Adoption of policies ensuring effective equality of opportunity and treatment for men and women workers by prohibiting discrimination against persons with family responsibilities employed or wishing to engage in employment and preventing conflict between employment and family responsibilities.	40
Employment			
Convention No. 122	Employment Policy Convention, 1964	Design of active employment policy to promote full, productive and freely chosen employment; provision of work to all available for and seeking work; guarantee fullest possible opportunity for each worker to qualify for, and to use his skills and endowments in, a job for which he is well suited irrespective of race, colour, sex, etc.	102
Convention No. 159	Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983	Design of national policy on vocational rehabilitation and employment of disabled persons; ensuring that appropriate vocational rehabilitation measures are made available to all categories of disabled persons, and at promoting employment opportunities for disabled persons; policy shall be based on the principle of equal opportunity.	80
Convention No. 181	Private Employment Agencies Convention, 1997	Prohibition for private employment agencies to discriminate against jobseekers/workers on the basis of disability, age, race, sex, etc.	22

Convention No.	Title	Content	Number of ratifications
Social policy			
Convention No. 117	Social Policy (Basic Aims and Standards) Convention, 1962	Recommends promoting improvement in such fields as public health, nutrition, education, conditions of employment, the protection of migrant workers, social security, etc.; improvement of standards shall be regarded as the principal objective in the planning of economic development.	32
Migrant workers			
Convention No. 97	Migration for Employment Convention (Revised), 1949	Obligation e.g. to treat lawfully residing migrants for employment not less favourably than own nationals in respect of remuneration, membership of trade unions and social security; protection of those migrants admitted permanently against expulsion in cases of illness or injury.	49
Convention No. 143	Migrant Workers (Supplementary Provisions) Convention, 1975	Protection of all migrants (including illegally employed migrants) against abusive conditions; equality of treatment of all migrants in respect of rights arising out of past employments (including social security rights); provision of adequate means to facilitate the reunification of the families of legally residing migrant workers.	23

2. Recommendations

Recommendation No.	Title	Content
Social security		
Recommendation No. 67	Income Security Recommendation, 1944	Recommends: Establishment of income security schemes to provide income replacement in case of inability to work or obtain remunerative work, or due to the death of the breadwinner, by way of compulsory social insurance (when possible) for contingencies including sickness, invalidity, old age, death of breadwinner, unemployment and employment injury, or by way of social assistance, through which, inter alia, disabled, aged persons and widows not compulsorily covered under social insurance schemes are entitled to special maintenance allowances; coverage should be provided to employed and self-employed persons and their dependants, and all persons in need, e.g. disabled, people in old age and widows.

Employment and social protection in the new demographic context

Recommendation No.	Title	Content
Recommendation No. 69	Medical Care Recommendation, 1944	Recommends: Provision of preventive and curative medical care to all the population, whether or not in gainful employment, by way of social insurance, social assistance, or a combination of both.
Recommendation No. 121	Employment Injury Benefits Recommendation, 1964	Supplements Convention No. 121; provides detailed guidance on accidents and occupational diseases covered under employment injury; recommends progressive extension to specific categories of workers excluded.
Recommendation No. 131	Invalidity, Old-Age and Survivors' Benefits Recommendation, 1967	Supplements Convention No. 128; Recommends: Old age: lowering pensionable age when justified for certain categories of persons; progressive extension of coverage to casual workers and all economically active persons; cash benefit of 55 per cent of reference wage. Invalidity: coverage of incapacity to engage in an activity involving substantial gain; extension to casual workers and all economically active persons; cash benefit of 60 per cent of reference wage. Survivors: extension of entitlement to wives, children and other dependants of casual workers and all economically active persons; same rights for invalid and dependent widowers as for widows; cash benefit of 55 per cent of reference wage. For all branches: minimum amounts of benefit fixed in legislation so as to ensure a minimum standard of living, which should be increased in certain circumstances (e.g. need of constant help).
Recommendation No. 134	Medical Care and Sickness Benefits Recommendation, 1969	Supplements Convention No.130; Recommends: Progressive extension of medical care by stages to all economically active persons and to all residents; progressive extension of sickness benefit to all economically active persons; inclusion of supply of medical aids (e.g. eyeglasses) and services for convalescence in type of medical care provided in Convention No.130; no qualifying period for entitlement to medical care; cash benefit to be granted in case of absence from work due to rehabilitation or convalescence leave under medical supervision.

Recommendation No.	Title	Content
Recommendation No. 176	Employment Promotion and Protection against Unemployment Recommendation, 1988	Supplements Convention No. 168; detailed guidelines and recommendations for the adoption of measures for the promotion of productive employment and protection of unemployed persons, including: – progressive extension of unemployment benefits to all employees (with possible exclusion of public employees whose employment up to normal retirement age is guaranteed by national laws or regulations); – extension of the duration of cash benefit until pensionable age for unemployed persons who have reached a prescribed age prior to the pensionable age; – assessment of the criteria for “suitable employment” according to age, length of service in former occupation, acquired experience, duration of unemployment, state of the labour market and repercussions of the employment on personal and family situations; – extension of medical care to unemployed persons, including to those not in receipt of unemployment benefit, and to their dependants; – guarantee to persons in receipt of unemployment benefit that the periods during which benefits are paid will be taken into consideration for acquisition of the right to and calculation of disability, old-age and survivors’ benefit, and for acquisition of the right to medical care and sickness (maternity and family) benefit after the end of unemployment.

Social security for migrant workers

Recommendation No. 167	Maintenance of Social Security Rights Recommendation, 1983	Conclusion of bilateral and multilateral social security agreements and administrative and financial arrangements. Provides model bilateral agreements.
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Older workers

Recommendation No. 162	Older Workers Recommendation, 1980	Supplements existing instruments on equality of opportunity and treatment for older workers, on their protection in employment and on preparation for and access to retirement; recommends prohibition of discrimination on the grounds of age.
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Recommendation No.	Title	Content
Equality of opportunity and treatment		
Recommendation No. 165	Workers with Family Responsibilities Recommendation, 1981	Recommends: Adoption of policy for the employment of persons with family responsibilities without direct/indirect discrimination; provision of vocational training facilities and educational leave arrangements for workers with family responsibilities; terms and conditions of employment enabling reconciliation of employment and family responsibilities; provision of childcare and family services and facilities as well as social security benefits tax relief for workers with family responsibilities.
Employment		
Recommendation No. 166	Termination of Employment Recommendation, 1982	Supplements Convention No. 158. Recommends: prohibition of discrimination on the grounds of age; absence from work in case of illness/injury shall not be a valid reason for the termination of employment; provision of severance allowance and other income protection in case of termination; provision of supplementary “benefits” when termination is for economic, technological, structural or similar reasons.
Recommendation No. 169	Employment Policy (Supplementary Provisions) Recommendation, 1984	Supplements Convention No. 122; provides detailed guidelines on the design and development of employment promotion and population policy; recommends the adoption of specific measures to respond to the needs of all categories of persons frequently having difficulty in finding long-lasting employment, including older workers.
Recommendation No. 188	Private Employment Agencies Recommendation, 1997	Supplements Convention No. 181. Recommends: prohibition of private employment agencies advertising employment in ways that directly/indirectly discriminate on grounds such as race, colour, age, religion, etc.; adoption of measures to encourage private employment agencies to promote equality in employment through affirmative action programmes.

Recommendation No.	Title	Content
Recommendation No. 195	Human Resources Development Recommendation, 2004	Recommends: identification of human resources development, education, training and lifelong learning policies for people with nationally identified special needs, such as youth, people with disabilities, migrants, older workers, etc.; giving policy priority to training of unemployed, those seeking to enter or re-enter the labour market and people with special needs, to develop and enhance their employability to secure decent work; developing a national qualifications framework for the assessment, certification and recognition of skills, etc.
Recommendation No. 198	Employment Relationship Recommendation, 2006	Recommends: providing guidance on establishing the existence of an employment relationship; combating disguised employment relationships; ensuring standards applicable to all forms of contractual arrangements, including those involving multiple parties, so that employed workers have the protection they are due; ensuring that standards applicable to all forms of contractual arrangements establish who is responsible for the protection contained therein; providing effective access to appropriate procedures and mechanisms for settling disputes regarding an employment relationship; ensuring compliance with, and effective application of, laws and regulations; and providing for training in relevant international labour standards, comparative and case law for those dealing with the resolution of disputes and enforcement of national employment laws and standards.

