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POPULATION AND DEVELOPMENT AND ITS CONTRIBUTION TO THE FOLLOW-UP AND
REVIEW OF THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT**

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Re-thinking older workforce potential in an aging world

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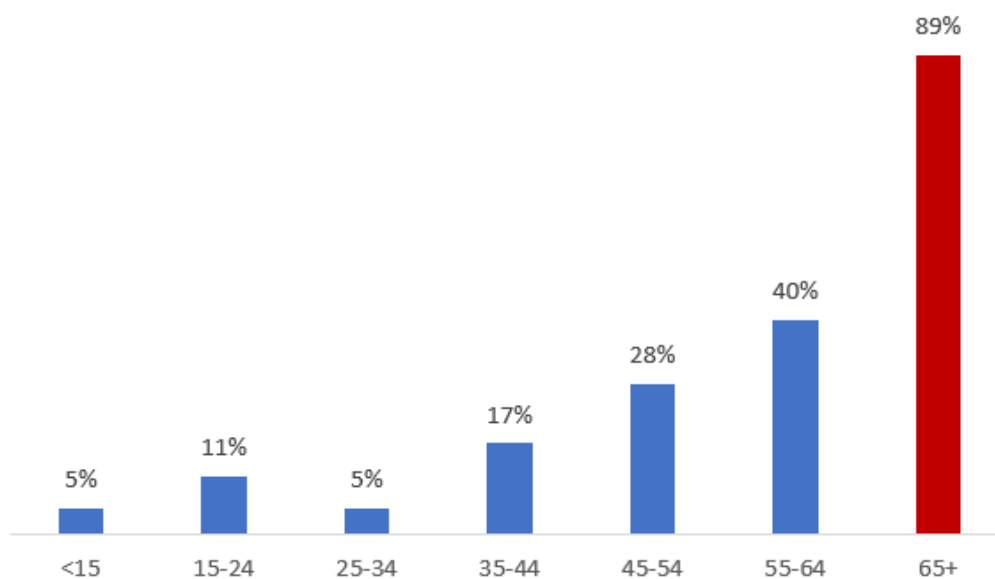
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I. The Impending Workforce Crisis

The global workforce is now at a tipping point. We are transitioning out of a decades-long period of rapid growth in working age populations and entering a new era of unprecedented population aging and slowing workforce growth. Population aging is driven by three major demographic forces. First, due to improved health care and innovations, global life expectancy increased from 47 years in 1950 to 67 years in 2000.² Second, total fertility rates fell drastically in the second half of the 20th century. The number of children per woman almost halved between 1950 (when women had on average five children) and 2000 (when women had on average 2.6 children).³ Finally, a surge in fertility rates in the middle of the 20th century, observed largely in North America, parts of Europe, and Australia, created a “baby boom,” a population bulge now entering the older ages.

Figure 1: Global Percent Change in Population by Age Group, 2015-2035



Source: United Nations, *World Population Prospects: The 2017 Revision*

As a result of these trends, there will be little growth in the traditional working age population (age 20-64), while the age 65+ population will increase dramatically (FIG 1). In fact, the percent of global population of traditional working age peaked in 2012 at 66% and will slowly decline over the next several decades.⁴ Meanwhile, the old age dependency ratio—the number of people age 65+ per every 100 people age 20-64—will jump from 14.4 in 2015 to 25.2 in 2040.⁵

Many countries and industries will therefore be confronting three significant workforce challenges in the coming decades. First, they will be increasingly contending with critical talent shortages among younger workers. Second, many will face a potential “brain drain” of their most experienced and knowledgeable

² World Bank

³ United Nations, *World Population Prospects, 2017 Revision*

⁴ International Labour Organization

⁵ United Nations, *World Population Prospects, 2017 Revision*

workers who are moving into their retirement years. Third, both private and public pension and entitlement systems will be strained by the rapidly growing numbers of retirees.

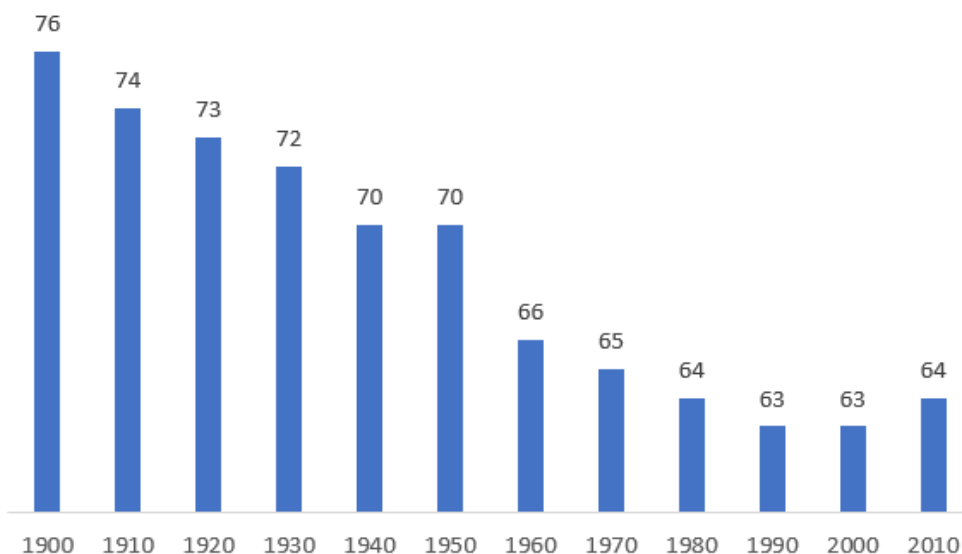
Consequently, there will be major risks to economic growth and potential stress in financial systems. According to estimates by the Boston Consulting Group, twelve of the world's fifteen largest economies, which are together responsible for 70 percent of the world's GDP, will be challenged by mounting labor shortages by 2030.⁶ Meanwhile, the World Economic Forum estimates that there is a \$70 trillion retirement savings gap among eight of the world's leading economies, caused by insufficient preparation by public and private pension systems, an amount which could grow to \$400 trillion by 2050.⁷

II. Employment and Productivity of the Age 65+ Population

A potential strategy to help address the impact of global aging is increased productivity among older workers, and a re-thinking of employment during later life and retirement.

Retirement, as we know it today, is a relatively recent phenomenon. Throughout most of history, many older people remained productive. For example, in United States, average retirement age at the beginning of the 20th century was 76 (FIG 2). Many of today's retirement systems were established in the early to mid-20th century, when life expectancy was much lower, there were large numbers of young workers, and there were relatively few dependent retirees. Retirement age was set at 65 or younger, and older people were actively encouraged to leave the workforce to make room for growing numbers of younger job-seekers. Consequently, people began leaving the workforce at much earlier ages.

Figure 2: Average Retirement Age, United States, 1900-2010



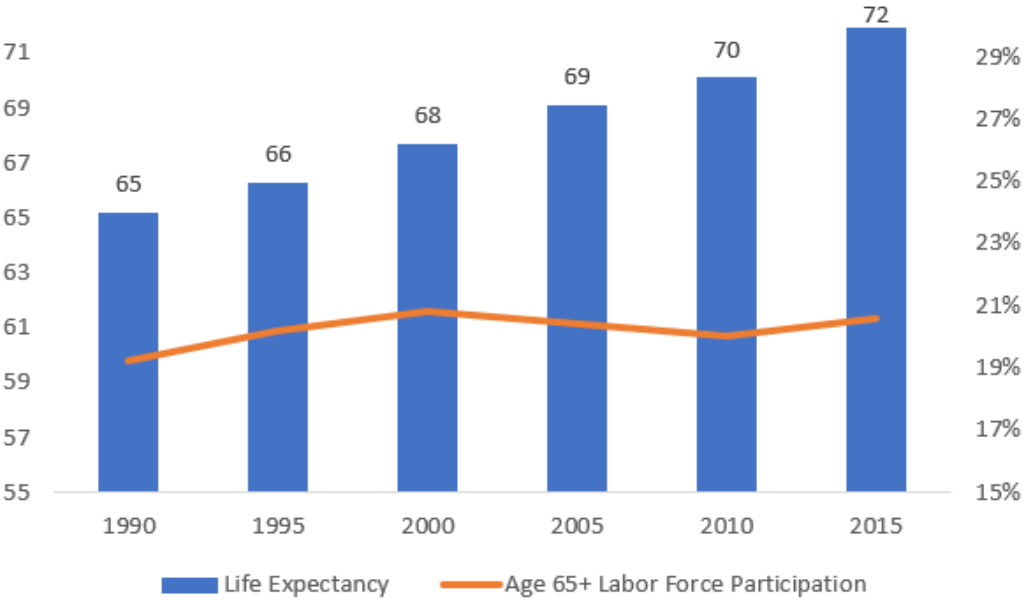
Source: Burtless G, Quinn JF, “Retirement Trends and Policies to Encourage Work Among Older Americans,” 2000; Munnell A, “What Is the Average Retirement Age?”, Boston College, 2011; Data show male average retirement age for comparability across timeline.

⁶ Boston Consulting Group, *The Global Workforce Crisis: \$10 Trillion at Risk*, 2014

⁷ World Economic Forum, *We'll Live to 100 – How Can We Afford It?*, 2017

Today, however, there is not only a growing need for older workers, but also improving health, vitality, and capability among the older workforce. The shift from industrial to information economies means the knowledge and experience of older workers is of higher value. Meanwhile, health and life expectancies have improved markedly. Nonetheless, even as global life expectancy has escalated, global labor force participation rates among the age 65+ has largely remained unchanged (FIG 3).

Figure 3: Global Life Expectancy and Age 65+ Labor Force Participation Rate, 1990-2015



Sources: International Labour Organization, World Bank

Global statistics, however, mask important differences in age 65+ labor force participation trends in different countries and economies around the world. In fact, between 2000 and 2018, age 65+ labor force participation rates in high income economies increased from 9.9% to 13.7% (FIG 4).

Figure 4: Age 65+ Labor Force Participation Rates by Country Income

	2000	2018
High income	9.9%	13.7%
Upper middle income	22.7%	19.0%
Lower middle income	29.8%	28.7%
Low income	50.0%	49.0%

Sources: International Labour Organization, World Bank

Regional differences are even more pronounced. In Northern and Western Europe and Australia/New Zealand, age 65+ labor force participation rates are estimated to have doubled between the years 2000 and 2018. In the United States, almost one in five people over the age 65 are currently working.

Figure 6: Age 65+ Labor Force Participation Rates by Region

	2000	2018
Africa		
Eastern Africa	59%	55%
Middle Africa	63%	62%
Northern Africa	17%	12%
Southern Africa	12%	9%
Western Africa	52%	50%
Asia		
Central Asia	14%	9%
Eastern Asia	25%	21%
South-Eastern Asia	32%	32%
Southern Asia	29%	28%
Western Asia	22%	13%
Europe		
Eastern Europe	11%	8%
Northern Europe	5%	10%
Southern Europe	5%	4%
Western Europe	2%	6%
Latin America/Caribbean		
Caribbean	19%	19%
Central America	30%	28%
South America	22%	21%
Northern America		
Northern America	12%	19%
Oceania		
Australia/New Zealand	6%	15%
Melanesia	49%	49%
Micronesia	23%	22%
Polynesia	16%	13%

Sources: International Labour Organization, United Nations World Population Prospects, The 2017 Revision

Rising age 65+ labor force participation rates in high income countries is driven by a variety of converging forces, including:

- **Elimination of pensions for many workers**, shifting the burden for funding retirement from employers to retirees.

- **Recent economic uncertainty**, which has been a wake-up call for many people that it may not be financially sustainable to retire without some employment income.
- **Tightening labor markets**, creating more attractive employment opportunities for older workers.
- **Disaffection with unproductive, leisure-dominated retirement**, as new generations seek greater purpose, stimulation, social engagement, and fulfillment in retirement.

III. Policies to Facilitate Work and Productivity in Later Life

Nations confronting population aging and labor shortages can implement policies that create more opportunities for older adults to remain productive and employed. Six potential strategies include:

- Encourage the development of flexible work arrangements, such as phased retirement, flexible work schedules and locations, seasonal work, and mentorship positions.
- Align pension and entitlement systems with continued work in later life, including eliminating tax penalties and work disincentives.
- Promote lifelong learning resources to enable older workers to update skills and capabilities.
- Reduce ageism in the workplace through discrimination laws and outreach to employers.
- Foster the development of age-friendly work environments that accommodate some of the physical limitations of older workers.
- Help create more positive images of work in later life by promoting the personal, financial, and health benefits of continued productivity and engagement.

Case Study 1

Sweden: Multi-Faceted Strategies to Employ Older Workers

Among major OECD economies, Sweden ranks #1 in labor force participation rates among populations age 55+. If other OECD economies could match Sweden's engagement of older workers, the benefits would be enormous. According to a recent study by PwC, the OECD could add \$2.6 trillion to its total GDP if other nations increased employment rates among people age over 55 to levels achieved in Sweden.⁸

Many attribute the nation's success to a mix of government foresight and proactive and positive collaboration between labor organizations and companies. While pension and tax policies penalize older workers in many countries, Sweden reformed its pension system in 1999 to allow for continued work while receiving full government pension payments. A decade ago, Sweden created an in-work tax credit that was particularly generous for older workers, abolished payroll taxes and pension contributions for older employees, and modified laws to increase older work employability through the 2007 Employment Protection Act. In 2009, new laws were introduced to combat age discrimination. In the private sector, cooperation between companies and labor organizations has empowered older workers to find new ways to work. For example, job security councils have been formed nationwide to support the unemployed, and to help older workers re-train and update skills for new career paths.

But there is room to improve even for the Swedes. Although Sweden excels in labor force participation among those age 55-64, its workforce participation for those age 65+ is decidedly average. In part, this is due to cultural norms and corporate policies that encourage exit at a traditional retirement age.

⁸ PwC, *The Golden Age Index*, 2017

Case Study 2

Japan: Policies to Promote Phased Retirement and Work Opportunities

Faced with a rapidly aging population and low immigration, Japan is implementing new strategies to motivate, empower, and employ its older workers.

Japan boasts high productivity and labor force participation rates among older workers, thanks in part to a 2013 law that requires employers to either create flexible or “phased retirement” career paths for older workers, raise retirement age, or remove age limits for jobs. While growth in phased retirement programs in the U.S. has been anemic due to tax and anti-discrimination laws, Japan is leading the way in developing creative ways to retain and empower older talent.

The government has also launched Silver Center Workshops, a public-private partnership that helps retirees find part-time jobs. In addition, Japan is changing its pension policies increase retirement above the nation’s traditional age of 60, lifting eligibility to age 62, rising to age 65 by 2025.

Case Study 3

United States: Growing Preference to Work in Retirement

New generations of older Americans are increasingly indicating they prefer to work in their later years. Nearly half (47%) of today’s retirees say they either have worked or plan to work during their retirement. Moreover, 72% of pre-retirees age 50+ say their ideal retirement includes part-time work.⁹

Many retirees report that work in retirement, which often includes more part-time work and flexible work schedules, is more enjoyable and fulfilling. Retirees are four times more likely to say they are continuing to work in retirement because they “want to” rather than because they “have to.”¹⁰

Regardless of work status, retirees agree that working in retirement helps people stay more youthful (83%), and that when people don’t work in retirement, their physical and mental abilities decline faster (66%).¹¹ In fact, analyses by the World Health Organization shows that cognitive functioning declined further between ages 55 and 65 in countries where workers left the labor force at early ages, suggesting that working in later life might help preserve cognitive functioning.¹²

⁹ Merrill Lynch/Age Wave, *Work in Retirement: Myths and Motivations*, 2014

¹⁰ IBID

¹¹ IBID

¹² World Health Organization, *Global Health and Aging*, 2011