

# The economic implications of ageing societies during recession

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# The Economics of Ageing Societies

1. Demand
2. Supply
3. Infrastructure
4. Financial
5. Behaviour

# Ageing Populations

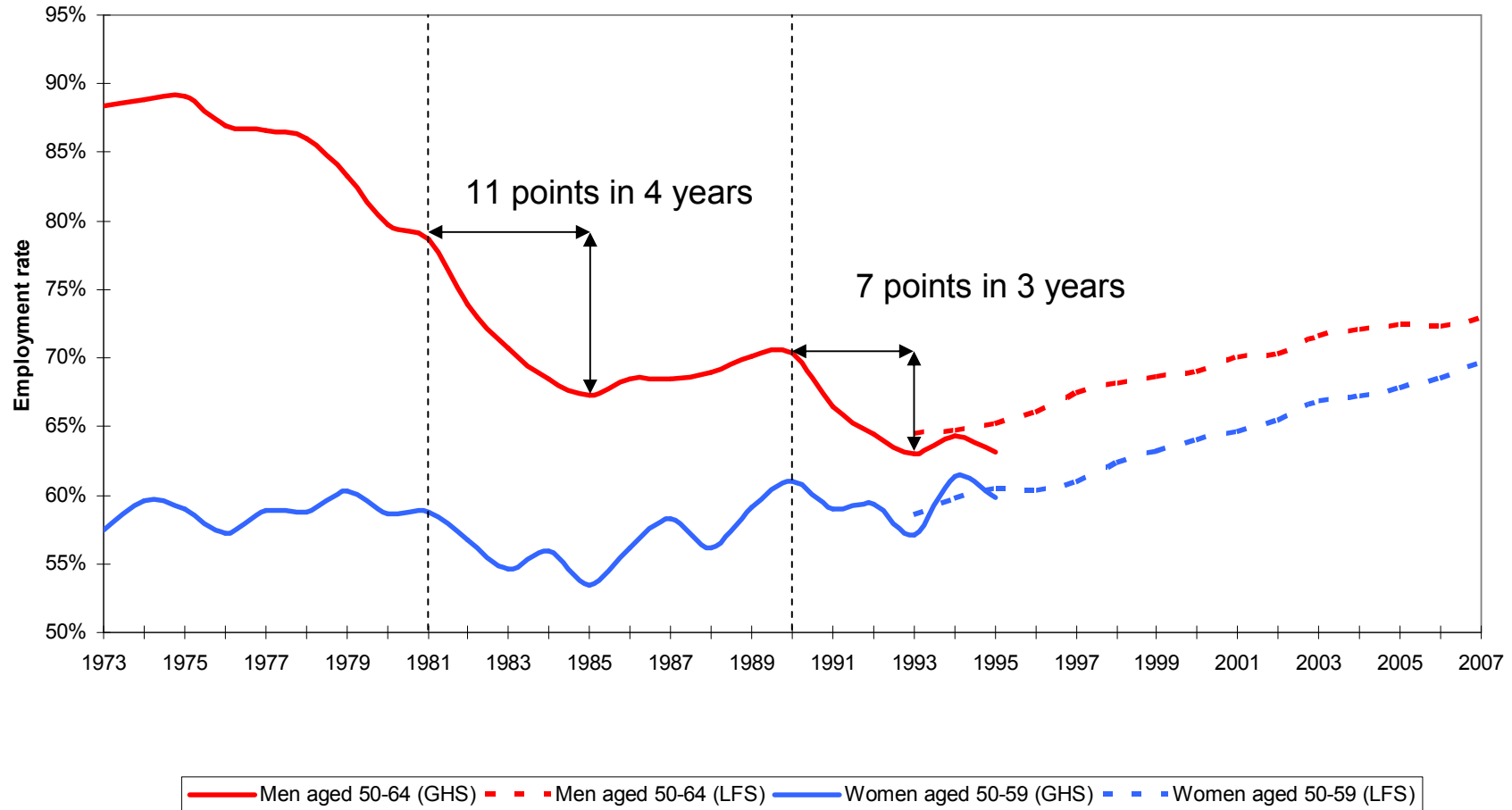
- Life expectancy increases with income and public health – massive increases since 1830
- 1 in 4 children born today in OECD countries can expect to become a centenarian; 2 out of 4 if trends continue
- Developed societies already face the challenge
- Developing countries are in a race between development and ageing. 1-2-4 in China
- Chronological age is a bad predictor of biological age

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## Recession and Older Workers

- Older workers lose jobs disproportionately. In UK, unemployment of those over 50 is rising at more than double the rate of any other group.
- Only 1/3 of those who leave work early do so voluntarily. Unemployed 50+ men only have a 1 in 5 chance of being in work 2 years later (ELSA, wave 2)
- Majority who move into work were jobless for very short time. Chance of men having work in the future falls by 1/4 for each year out of work (ELSA, wave 3)
- Impact on economy in the next upturn
  - 410,000 fewer 50+ workers in 1993 than 1990
  - est 350,000 never worked again
  - 1999 labour supply suppressed by 100,000

# Labour market: impact of past recessions in UK



- Male 50-SPA employment fell dramatically in 80s and 90s
- Recovery to 1990 levels took until 2001

# Recession and Older Workers

- Personal loss from exiting work early (DC pension)
  - 1 year early : £370 per year for life
  - 5 years early: £1680 per year for life  
(man; single life; level income; median earnings; 10% DC pension; 3% real interest)
- Unemployment increases mortality and morbidity rates
- Direct and perceived effects of burst asset bubbles on spending and saving

## Demand-side

- “Ageing Europe” (CIA)
- US immigration and birth-rates
- Lisbon Agenda/Barcelona targets on over-50s in work
- The “lost generation”: lower income over 30 years; higher social costs
- Older people are a major part of the demand motor to pull out of recession
- Without them, downturn will be longer and deeper than in younger countries

## Supply-side

- Pensions settlements involve working longer (not just SPA/MRA)
- Flexibility – wages, work patterns, caring
- Infrastructure at work – universal design
- Discrimination and attitudes



# Training & Skills

- Maintaining skills and work habits
  - Professional skills
  - Job search
  - Physical and mental capacity
- Learning skills (appropriately)
- Transferring skills
- Maintaining the overall skill and knowledge base in work environments

# Infrastructure

- Age-friendly communities
- Age-aware policies
- Age-blind procedures
- Older entrepreneurs
- Innovation to meet the demands from ageing populations
  - Products
  - Services
  - Lifestyle
  - Grand-children

## Care in later life: a case study

- Need and demand outstrip supply
- Workforce and consumers have high propensity to spend on goods and services
- Opportunity to raise quantity and quality of provision for predicted increase in demand

BUT

- Imperfect markets
- Information asymmetry

AND CRUCIALLY

- Not yet sustainable funding models

THEREFORE: INNOVATION OPPORTUNITY



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