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Key Learning:

In ageing societies with shrinking workforces due to low fertility rates, there is an increased likelihood that elderly citizens will stay in formal employment beyond the age of pension eligibility. Scientific research is, however, scarce about the impact of health and well-being of this new and extended work/life balance.

Demographic ageing will have unprecedented implications. There is a considerable probability for widening overall income inequalities between generations and within age cohorts. Driver of this gap is education and its ROI over lifetime. In addition, capital abundance may induce an increase in the supply of college educated labor force and this oversupply in turn may lead to lower per capita ROI (= lower wage premium for investment in higher education).

Skill development and maintenance, combined with prolonged years in good health, will be critical factors for societies in the 21st century to remain competitive. They are the key factors to successfully mitigate the risks of societies confronted with the dual challenge of ageing and shrinking workforces.

With low birth rates and growing life expectancies, nations will become older and the ratio between working and non-working citizens is likely to tilt towards the retirees. This increasing share of retirees puts pressure on a shrinking working population, which will need to produce more output per worker to ensure a constant living standard. To achieve this and to enhance productivity, a new balance between lifetime education (= investment in future productivity and output gains) and labor output (= immediate capitalization of human capital) is a critical and unsolved task for businesses, societies and policy makers.



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Latest economic research shows the following findings and trends:

- Organizations' training and education policies are – as reported by employees – correlate to their retirement age decisions since this investment is a tool for continued motivation of older employees.
- Ageing does imply a relative increase in retirees and a relative decrease in the active population.
- It is therefore not surprising that this development calls for a double and combined policy:
 - o A policy of education and training to substitute the diminishing quantity of workers by better trained employees;
 - o An innovative policy approach to reform pensions and social security to ensure the future sustainability of wealth & wellbeing of the retirees.
- As it is widely believed that education is a key factor for economic growth, skills upgrading at advanced stages of working life careers will become increasingly important – both for employees and employers. Latest research from Sweden about post secondary education documents its economic and social benefit. In the long run the benefits and gains exceed by far the upfront investment and there will be measurable benefits for the individual, the employer and the society.
- Major changes in the current model of work-life balance are needed to address the challenges of ageing societies. Under the current conditions employees' willingness and intrinsic motivation to postpone retirement should not be overestimated.
- A business case from AXA Winterthur – a leading insurance company in Switzerland with 4000 employees – demonstrates that a policy which proactively manages the age diversity and age-specific needs of their workforce has the potential to develop and prolong the human capital of elderly employees. Proactively addressing the growing age diversity challenges is part of the social contract in our societies. But it is also a sound business strategy: It creates competitive advantages and 3-fold benefits: for the employee, the employer and the customer.

Contact:

Dr. Hans Groth
Chairman of the Board
WDA Forum, St. Gallen / Switzerland
hgroth@wdaforum.org

