

World
Demographic
Association



University of St.Gallen

The WDA – HSG Discussion Paper Series

on Demographic Issues

Features and Challenges of Population Ageing using the European Perspective

*by Asghar Zaidi
and Alexandre Sidorenko*

No. 2008/5



Features and Challenges of Population Ageing using the European Perspective

by Asghar Zaidi
and Alexandre Sidorenko

The WDA-HSG Discussion Paper Series
on Demographic Issues

No. 2008/5

MANAGING EDITORS:

Monika BÜTLER	Professor, University of St.Gallen, Switzerland
Ilona KICKBUSCH	Professor, The Graduate Institute of International And Development Studies, Geneva, Switzerland
Alfonso SOUSA-POZA	Director, World Demographic Association, Switzerland Professor, University of Hohenheim-Stuttgart, Germany

ADVISORY BOARD OF THE WORLD DEMOGRAPHIC ASSOCIATION:

Marcel F. BISCHOF	Founder of WDA, Spain
David E. BLOOM	Clarence James Gamble Professor of Economics and Demography, Harvard University, USA
Joseph COUGHLIN	Professor and Director AgeLab, Massachusetts Institute of Technology (MIT), USA
Rogelio FERNANDEZ-CASTILLA	Director, United Nations Population Fund, Technical Support Division, New York
Monica FERREIRA	Director, International Longevity Centre-South Africa, University of Cape Town, South Africa
Oliver GASSMANN	Professor of Technology Management, University of St. Gallen, Switzerland
Patrik GISEL	Deputy Chairman of the Executive Board, Raiffeisen Group, Switzerland
Peter GOMEZ	Chairman of the Board, Swiss Exchange (SWX), Switzerland
Melinda HANISCH	Director, Policy – Europe, Middle East, Africa and Canada, Merck & Co., Inc., USA
Alexandre KALACHE	former Director of WHO Ageing and Life Course Programme, Geneva, Switzerland
Ursula LEHR	Former German Minister of Health and Family, and founding Director of the German Centre for Research on Ageing, Germany
John P. MARTIN	OECD Director for Employment, Labour & Social Affairs, Paris
Jean-Pierre MICHEL	Professor and Director, Department of Geriatrics of the University Hospitals of Geneva, Switzerland
Rainer MÜNZ	Head of Research and Development, Erste Bank der Oesterreichischen Sparkassen AG, Austria
Hiroyuki MURATA	President, Social Development Research Centre, Japan
Alexandre SIDORENKO	Head, UN Focal Point on Ageing, New York
Alan WALKER	Professor and Director of ERA-AGE, University of Sheffield, UK
Erich WALSER	Chairman of the Board of the Helvetia Group, Switzerland

Main partners of the World Demographic Association are:

Helvetia Group
Raiffeisen Group
Merck & Co., Inc.
University of St.Gallen

This discussion paper series is kindly supported by the Ecoscientia Foundation

The opinions expressed in this article do not represent those of WDA.

Features and Challenges of Population Ageing using the European Perspective

by Asghar Zaidi and Alexandre Sidorenko

This paper will also appear in Schoenmaeckers, R. & L. Vanderleyden (Eds.),
“Population Ageing. Towards an Improvement of the Quality of Life?”,
(currently under preparation).

Table of contents

1. Introduction	2
2. Population ageing phenomenon in the European countries	5
3. Preparing for challenges associated with population ageing	14
3.1 Pension policy challenges	16
3.2 Long-term care policy challenges	18
3.3 Employment policy challenges	19
3.4 Migration policy challenges	22
3.5 Infrastructure development challenges	23
4. Conclusions	24

Features and Challenges of Population Ageing using the European Perspective¹

By Asghar Zaidi ² and Alexandre Sidorenko ³

1. Introduction

The phenomenon of population ageing could be referred to as the spirit of the time: in various countries people are thinking about the longevity gains and how best to meet the challenge of longer lives. Our views on this issue, as you would see from this paper, bear a very optimistic tone: the population ageing will have to be an achievement of our societies and not a potential disaster waiting to happen.

In this paper, we begin by sketching out the issue of population ageing and its possible implications. And then we go on to discuss public policies that are required to deal with the challenges posed by population ageing. A European perspective is taken up in this paper as the Europe as a region was the first to face the challenges of population ageing and also to pave the ways to address them. We briefly describe how individual countries as well as the European Union and the United Nations Economic Commission for Europe (UNECE) are steering strategies to deal with these challenges. At the outset, simple messages are outlined that would summarize the contents of this paper:

¹ This paper will also appear as a chapter in the book edited by Ronald Schoenmaeckers.

² Director Research, European Centre for Social Welfare Policy and Research, Vienna.

³ Head, UN Focal Point on Ageing, New York.

- Population ageing could be considered as a series of demanding challenges and, simultaneously, it could be embraced as new opportunities for the society depending upon how well the society prepares for it. If preparations are adequate and timely, they would actually turn challenges into opportunities and promote a greater extent of social cohesion across generations. But it could also become a hazard if the society fails to take into account all the challenges and act in advance.
- Another message that could come from this paper is that it is not just the public policies that need to be reformed to account for ageing issues; in fact the private sector and the civil society are among the key players in adapting to the new situation and in coming up with innovative solutions.

We recognize that Europe extends beyond the twenty-seven countries of the European Union and includes, along with others, several countries with economies in transition. These countries are a home of several hundred of millions of people and an arena of an extensive and intensive demographic transition to an ageing society. The demographic situation in some of these countries could be characterized as critical as the ongoing process of demographic transition has been aggravated by an extensive emigration of economically active population causing the phenomenon of accelerated ageing. On top of it, the processes of political, economic and social transition remain unfulfilled in many of these countries⁴, which make the adjustment to the population ageing a daunting task. The ageing situation

⁴ From Red to Gray: the “Third Transition” of Aging populations in Eastern Europe and the Former Soviet Union. The World Bank, Washington, D.C., 2007

in the countries of the former Soviet Union deserves special attention. Meanwhile, we believe that this paper could be a source of information for developing indigenous responses to challenges and opportunities – and as of now mostly challenges – of ageing in the transitional countries of Eastern Europe and the former Soviet Union.

It should be noted that the international community, including European countries, is not left empty-handed in their efforts to address the challenges and opportunities of ageing of their populations, and that the recent years have seen significant advances on the arena of international policy development. The most notable progress was achieved by the convening by the United Nations in April 2002 of the Second World Assembly on Ageing in Madrid, Spain. The Assembly developed and adopted the Madrid International Plan of Action on Ageing (MIPAA)⁵ – a broad policy framework to respond to the opportunities and challenges of population ageing in the twenty-first century. MIPAA offers coherent recommendations towards how individual countries should design and monitor their policy actions on ageing. Simultaneously, MIPAA outlines priorities for international collaborations across countries.

In September 2002, UNECE at the Ministerial Conference on Ageing in Berlin, Germany, adopted a Regional Implementation Strategy (UNECE RIS)⁶. UNECE RIS

⁵ Political Declaration and Madrid International Plan of Action on Ageing. United Nations, New York, 2003. Available at: <http://un.org/esa/socdev/ageing>

⁶ Ageing Populations. Opportunities and Challenges for Europe and North America. United Nations Economic Commission for Europe. United Nations, New York and Geneva, 2003. Available at: <http://www.unece.org/pau/age/berlin2002/conf2002frame.htm>

contains ten commitments with concrete objectives and measures for policy actions in Europe and other countries of the vast UNECE region. The first five-year review of the MIPAA in the European region has been concluded with the Ministerial Conference in León, Spain, which took place from 6 to 8 November 2007. The Conference in León analysed the achievements and obstacles in implementing MIPAA and UNECE RIS and outlined future perspectives for policy action on ageing in the region.⁷ Thus, undoubtedly, international policy documents on ageing under the auspices of the UN have been playing a significant role in the efforts to understand deeper the challenges associated with the population ageing and to prepare better to meet them.

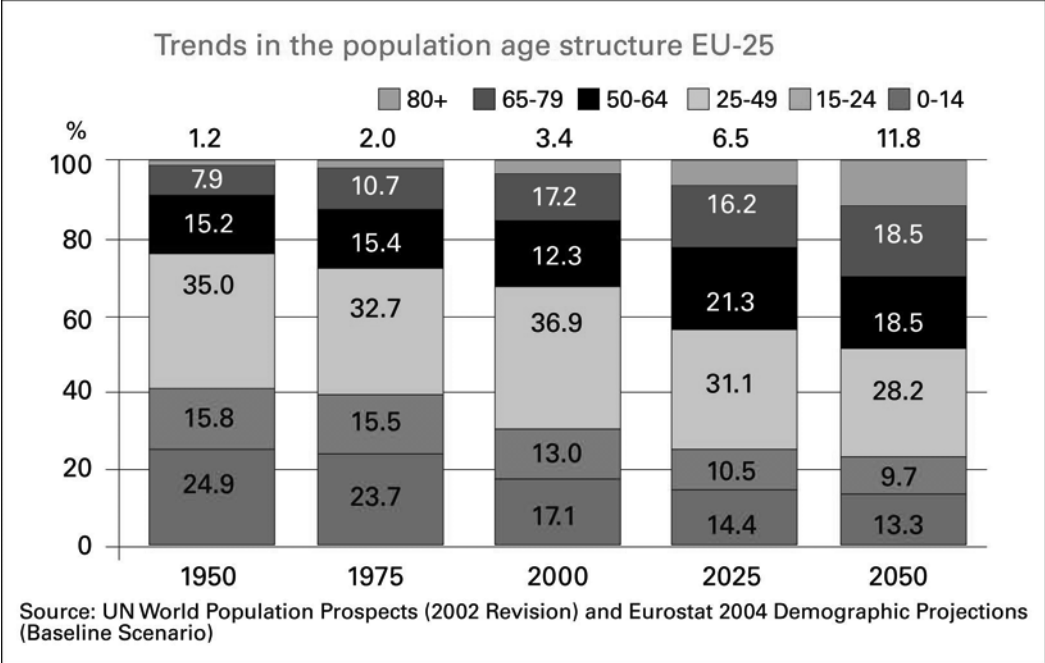
2. Features of population ageing phenomenon in the European countries

Figure 1 shows the data for the European Union 25 member countries. It illustrates how population shares of different age groups (between the ages of 0–14, 15–24, 25–49, 50–64, 65–79 and 80+) have changed in the last 50 years and will continue to change in the future 50 years. The youngest age group (0–14) are in the lowest part of the bar diagram and the oldest age group (80+) are at the top. The data covers the period from 1950 to 2050. Thus, these hundred years of data show how population structure is changing in the European Union countries. The last two bars at the top (representing the age groups 65–79 and 80+) illustrate how quickly the share of those two age groups is increasing: from 10% in 1950 it will rise to be close

⁷ The Conference adopted the Ministerial Declaration “A Society for All Ages: Challenges and Opportunities”. The report of the conference is available at:
http://www.unece.org/pau/age/ConferenceonAgeing_2007/ECE_AC30_2007_2.E.pdf

to 33% in 2050. So, the context of the population ageing phenomenon in Europe is a rising share of older people accompanied by a shrinking population overall.

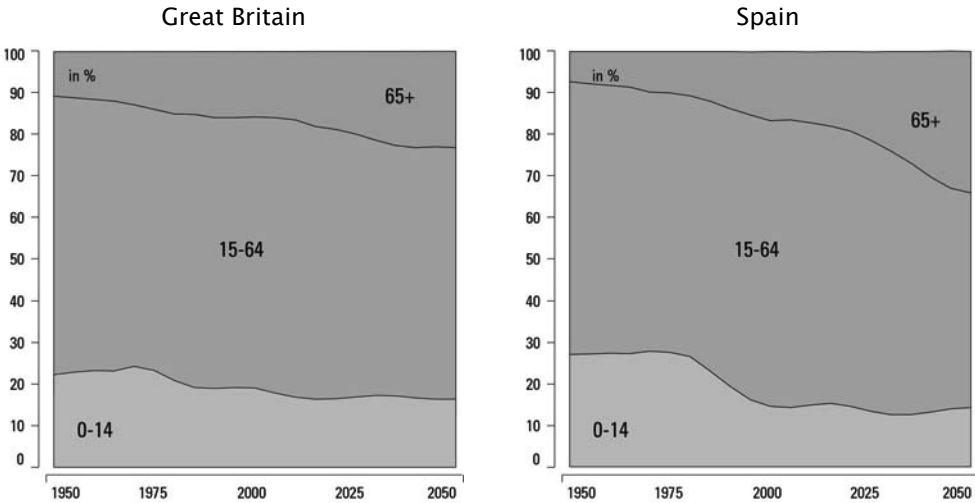
Figure 1: Rising share of elderly population in EU-25



The process of population ageing in Europe is not uniform. Let us compare this process across two individual countries: Spain and Great Britain. Spain will be absorbing a much quicker rise in the share of older people than most of the other European countries (and Great Britain is presented as a contrasting example here). As seen in Figure 2, from 2000 onwards the share of older people in the total population is increasing at a much faster rate for Spain than it is increasing for Britain. Thus while all European societies are ageing, some societies are ageing faster than others, so the challenges of ageing population come quicker for some

countries than for other countries. Another notable phenomenon obvious from this figure is the shrinking of the age group 15–64. This shows that as Europe moves into the future it will have a smaller fraction of its population forming the working age group. This challenge of shrinking working population is one of the main challenges that Europe will have to deal with in the future and this poses serious challenge for European economies to continue to grow and to be competitive.

Figure 2: Rising share of elderly population in Great Britain and Spain



Source: Marin and Zaidi (2007)⁸

So, what are the main factors that are driving ageing of European societies? Three obvious factors can be identified as:

1. Ageing of baby-boom generation (people born from 1945 through 1965) as they reach an average “retirement age” of 65+ in 2010 and beyond;
2. Much lower fertility following the baby boom period; and

⁸ Marin, B. and A. Zaidi (2007), *Mainstreaming Ageing: Indicators to monitor Sustainable Policies*, European Centre Vienna, Ashgate.

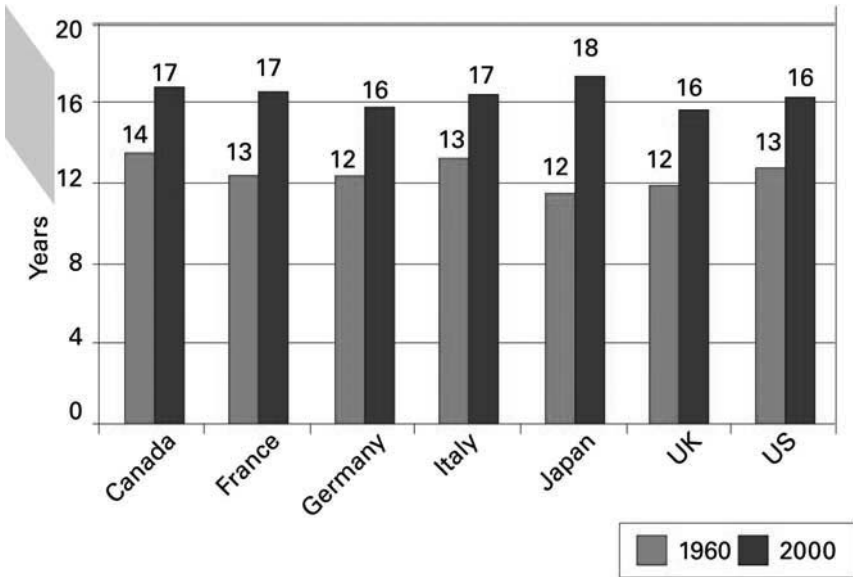
3. Rising life expectancy at older ages (a critical factor that is likely to continue!)

The first factor that is quite easy to understand is the ageing of the baby boom generation: this generation was born 1945 and 10–20 years after that. Thus, there will be a large number of people who will be retiring from early 2000s onwards in the next couple of decades. The main predicament has been that this phenomenon of the high baby boom did not continue and, instead, it was followed – at least in Europe – by a much lower fertility rate. Meanwhile, that can also be regarded as a success of societal development: the society offered much more choices to women, and women had much better control over when to have children, how many children to have in the family, or even not to have children at all. Thanks to an empowerment of women in the society, they are now offered different opportunities beyond staying at home and taking care of family and children. Women can expect to get much better and more equal opportunities in the future and thus they are more likely to be more often active in the labour market. Among the consequences, however, have been either a lower number of births per women or the postponement of births to a later age.

But the most successful phenomenon that we often associate with population ageing is the rise in the life expectancy, particularly at older ages. Those who make it to the age of 60 to 65 have much higher chances of surviving till much later in life. To illustrate this, two graphs are presented which give a comparison of life expectancy at 65 years for men and women in some EU and North American countries as well as Japan.

The first graph (Figure 3) presents the situation for men: on average men live 16–20 years after they have reached the average retirement age of 65. It should be noted that the life expectancy gains at older ages amounted to 3–4 years over a period of 40 years in the majority of developed countries (Japan observed even higher gains: 6 years). Equally important is that the phenomenon of population ageing is not just restricted to one or two countries, it is an issue observed in almost all countries of the Europe. Moreover, the rise in life expectancy is prominent across the globe in all developed countries, as well as in many developing and transition countries.

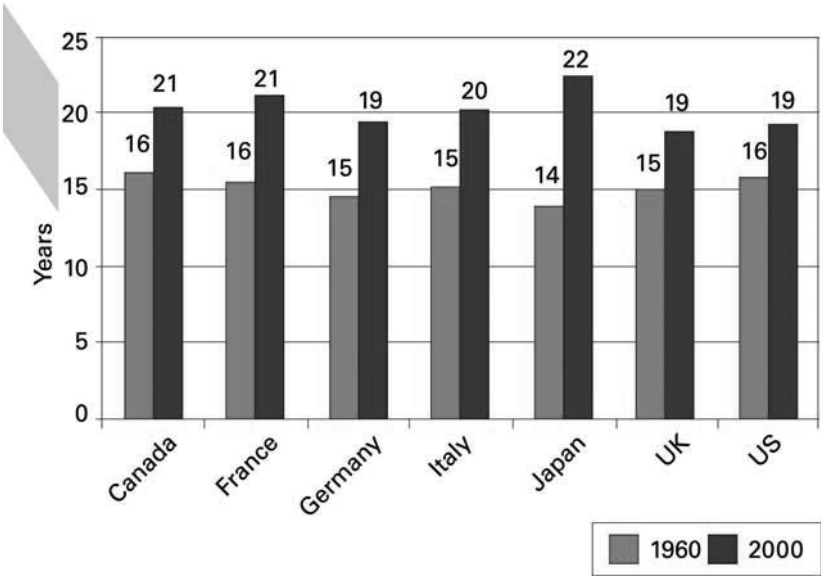
**Figure 3: Life expectancy gains in recent times for men at 65:
EU and other advanced countries**



Source: Authors' manipulation of UN data on life expectancy

Figure 4 clearly illustrates the fact that women live longer than men: 19–22 years at the age of 65. Thus the longevity gains in recent decades have been even more substantial for women, and this phenomenon is quite similar across countries (once again the exception is Japan, where life expectancy gains for women have been as much as 8 years).

**Figure 4: Life expectancy gains in recent times for women at 65:
EU and other advanced countries**



Source: Authors’ manipulation of UN data on life expectancy

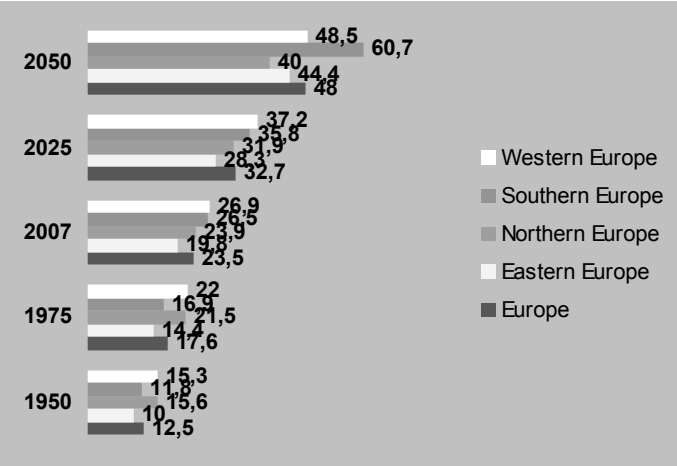
Europe has been at the forefront of many innovative policies that were introduced in the past century to provide resources and services for older people. It was Europe where the first retirement income systems were introduced: such a system was introduced first in Germany, then in the UK and then in other countries. Europe also had innovative ideas towards providing long term care for older persons: the

institutionalised long term care for older people is observed first time in Europe. There is no reason to expect now that when European countries face the challenges of population ageing at a greater extent that they will not live up to the challenges and provide adequate and timely solutions.

The population ageing has been a success and a sign of progress for European societies but it also raises concerns in particular for pensions and long term care. For example, pensions will have to be provided for much longer duration of retirement. Moreover, as Europeans are living longer and not every year gained in life would necessarily be spent in absolute good health, one could expect that a lot more resources will be required in providing health and care services to future population of older people. This is all very well understood, but what is often missed out in such debates is the social cohesion challenge: Europe in less than fifty years will become a society in which one out of three people would be aged 65+, so the European countries will be facing a serious challenge to find new ways to balance interactions across the generations. Social coherence across younger and older generation will be at the heart of solutions to population ageing challenges, and it is not just the public policies but also the civil society and the media that will be required to play an active role in finding social cohesion across generations. The ageing societies of Europe have to find a way in which they will continue to provide support to older people but at the same time not to consider them as a burden for future development.

The above illustrations are quite useful for depicting the major features of population ageing in Europe. However, they do not tell much about the implications of ageing for the society and its members. An indicator that does point to such implications is an old-age dependency ratio indicator as it shows the number of people above the age of 65 as a proportion of working age people (15–64 years old). In a typical *pay-as-you-go* (PAYG) pension system, the working age population put money in a pot and then the money from the same pot is used to pay for the pensioners of that time. So, changes in the old-age dependency ratio tells us that, in the future, there will be less people contributing to that PAYG pot and more people who will be receiving from it. In most European countries, the old-age dependency ratio has risen to an extent that now about five people contributing for one pensioner, and by 2050, that proportion would become roughly 2:1 (See Figure 5).

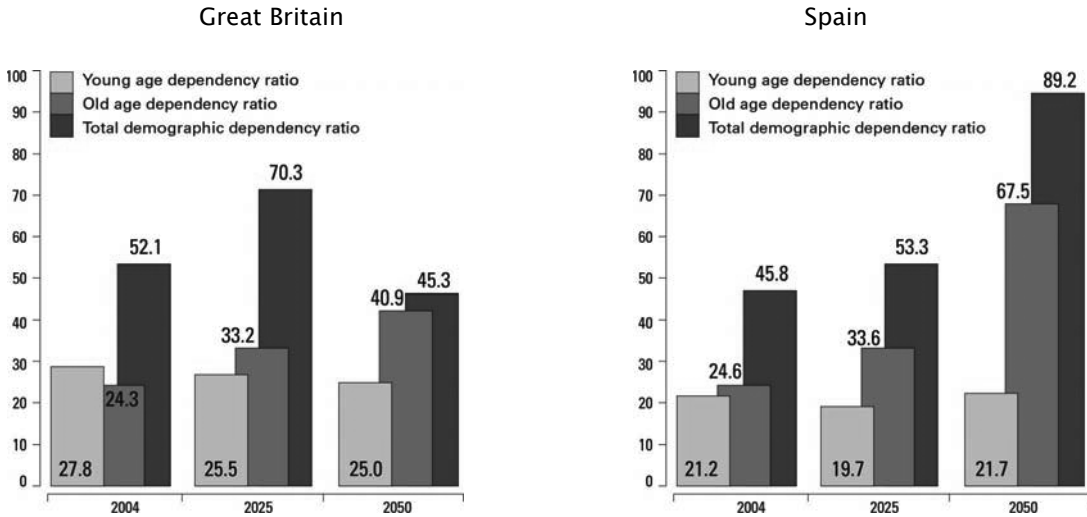
Figure 5: Old-age dependency ratio in Europe, 1950–2050



Source: World Population Ageing 2007, United Nations, New York, 2007

At this point, we compare dependency ratios in different European countries, using again data for Great Britain and Spain (Figure 6). In recent times, both the total and the old age dependency ratios have been rising in both countries, although the rise is observed to be more significant in Spain than in Britain. This implies that the speed of ageing is much faster in Spain. The third-bar in the graph (which is the total demographic dependency ratio) is showing that in Great Britain the dependency ratio between 2004 and 2025 will rise at a faster rate than it will rise in Spain. However, for Spain, the total dependency ratio will continue rising between 2025 and 2050, whereas a reversal of this trend is expected in Britain. Moreover, by 2050, the old age dependency ratio in Spain will reach much higher level than that in Great Britain. So, Spain will face the challenge of ageing and the issues arising out of population ageing at a higher degree than Great Britain and many other European countries and for a longer time period.

Figure 6: Dependency ratios for Spain and Great Britain



Source: Marin and Zaidi (2007)

3. How to adjust to the challenges associated with population ageing?

Five different areas of public policies are selected here for their importance in preparing for ageing societies of the future:

1. Pension policy
2. Health and long term care policy
3. Employment policy
4. Migration and integration policy
5. Infrastructure development

The scope of this paper would not allow us to go into many details of each of these policy areas; the objective here is to raise awareness about different issues within each area. It would therefore appear to be useful to outline the overall approaches that countries will need to adopt to come up with the right kind of policies. Most of these approaches are conceptually elaborated and practically detailed in the MIPAA and the UNECE Regional Implementation Strategy:

- The ageing-related policies will have to be transversal so that they could become a part of the overall developmental strategy in making Europe a high growing and competitive region; the importance of ‘mainstreaming ageing’ will have to be emphasized;
- The policies are to be pursued so as to benefit from a ‘full potential’ of older people and make our societies that are fit for people of all ages; thus ‘active ageing’ concept will have to be at the centre of all future policy strategies; and

- Involvement of key stakeholders, including the private sector and the civil society, will be a key to the success in designing and pursuing a comprehensive strategy to adjust to ageing societies.

Thus, the first approach envisages that policies on ageing have to become a part of an overall strategy of socio-economic development in which Europe seeks to become a region with high growth and a high degree of competitiveness while simultaneously to promote an improvement in quality of life for people of all ages. Another approach calls for mobilising the resources in order to obtain the full potential of people of all ages. Rejecting the views of ageing work force or older people as a burden and as non productive parts of our societies this approach aims at finding innovative ways to mobilize the skills and knowledge of older people that they have accumulated during active lives for the progress of the society. Active ageing is the concept that has been promoted strongly in Europe; it envisages that individuals while ageing could remain contributing to the well-being of the society and that of their own.

In addition, the future policies for ageing societies should involve all the key stakeholders of the society. The task of adjusting to ageing should not be the challenge for the public policies alone; it should also be faced by the private sector and the civil society, including the research community. The private sector enterprises and the civil society will have to come up with innovative ways in which they would provide for a society in which a greater number of older people are living alongside younger people.

3.1 Pension policy challenges

A broad consensus idea is that societies will have to continue to provide adequate pensions so as to maintain decent living standards for older members of the society. Indeed, provision of adequate resources to pensioners has always been the major and universal objective of the pension policy. If a pension policy failed that objective, it would have to be reformed and new ways to be found to provide resources to reach that objective. It has been shown (Zaidi and Grech, 2007)⁹ that recent pension reforms in the European countries are overly concerned about the fiscal sustainability. Specifically, countries are troubled by the proportion of GDP that is going towards pension provisions and its predicted rise.

One of the possible adjustments of pension schemes to ensure fiscal sustainability is to reduce the pension benefits of the forthcoming cohorts of retirees. Meanwhile, countries with such kinds of reforms will face challenges again in the future when a greater number of older people will have the risk of falling into poverty; thus these reforms raise concerns about social sustainability. Nonetheless, the pensions systems should not get overly generous, i.e. generous to an extent that they become unsustainable and will not have enough resources to continue honouring the pensions promise made during the contribution stage. It should be noted that in most of the countries that are adjusting their pension schemes, policy changes have not taken the form of large-scale cutbacks in benefits or the dismantling of public

⁹ Zaidi, A and A.G. Grech (2007), "Pension Policy in EU25 and its Impact on Pension Benefits", *Benefits - the Journal of Poverty and Social Justice*, 15(3): 229-311

programmes.¹⁰ Most of the reforms included parametric changes, such as increase in the age of retirement (entitlement) and/or indexing the amount of benefits following the increase in life expectancy.

Another common challenge that the pension policy would be facing is to continue to modernize its operational and functioning capability to cover most of the groups that are likely to be at risk of being in low pensions or without any social security coverage at all. There is a need to ensure pension entitlements for those people who are not normally covered in the formal systems, for instance, women who take time off from their formal working careers to care for their family members. In other words, the pension system will have to come up with ways to take into account those groups which provide non-quantifiable informal services to the society in order to include people of those groups into the pension system. Sweden, for instance, established ways to provide pension credits to those women who take time off from their work to take care of their own children or their elderly parents.

Another challenge that the pension policy of the future will be facing is to ensure intergenerational fairness. If a society promises too much generosity in pension benefits to the current generation of workers, it runs the risk that the future generations of workers will have to pay the bill of this generosity. Thus, the pension policy will have to be devised in a manner that it is fair *across* generations. In the context of many European countries, the private sector will have to play a significant role in providing for pensions through offering innovative financial products which

¹⁰ Major developments in the area of ageing since the Second World Assembly on Ageing. Report of the Secretary-General (E/CN.5/2007/7).

should be available for individuals to save and then benefit from those savings in their retirement.

3.2 Long-term care policy challenges

Longer lives are often associated with the increased probability of chronic disease and disability. There is, however, a well grounded hope that most of these formerly inevitable negative consequences of longevity are preventable. Preventive measures should include improving awareness in pursuing lifestyles that would result in improvements in health and functional status of people in later life. The purpose of the awareness raising efforts is to persuade individuals to realize that a healthy lifestyle during all stages of their life course will provide them not just additional years in life but also good health status in those additional years. Making appropriate changes in daily life is a challenge for individuals, yet the society as a whole has to make these healthy choices a public goal.

Meanwhile, for frail older persons an affordable long term care has to be made available. As for public policies and for private sector provisions, the ageing societies will have to facilitate the supply of formal as well as informal care mechanisms so as to respond to long term care needs of the oldest old. One important consideration is that public policies will have to ensure that informal care provisions continue to play a significant role in the future, thus public policies need to provide incentives to individual family members so that they would be able and willing to take care of their own older family members.

What is also very important is the coordination of all actors involved in the provision of long term care. Here, a partnership between public and private sectors as well as between different layers of the government is to be desired, so as to come up with solutions in which more affordable and good quality long term care will be provided in the future as a continuum of various formal and informal provisions. The private sector has always been the leader in coming up with innovative ideas, and it should see a clear motive to come up with innovations that will help meet additional demands of social and health care services that can be provided at home, at day care centres or in formal institutions.

3.3 Employment policy challenges

The phenomenon linked with demographic ageing is the shrink in the working age population. This phenomenon implies that in the future an overall decline in the population will be manifested in a smaller share of the working age population. The best way to ease the transition towards a smaller population would be, obviously, to encourage people to work for longer and remove the barriers that prevent them from doing so. As mentioned above, the pension policies have already been making changes to improve incentives for longer working careers, by raising the statutory pension age, by restricting pathways to early retirement and by eliminating mandatory retirement. It is important to refer here to the potential of employment of women, not just part time employment but also full time employment. Policies to encourage women into the workplace, through better provisions for child care and parental leave, will help redress the balance between work and family for women.

Employment potential of other groups, which often suffer from low employment, should be utilised. For example, policies towards greater employment amongst persons with disabilities should be pursued with a greater persistence. One should also keep in mind the importance of formalizing the employment status of the migrant population, which would also contribute to the labour force capacity of their new homelands.

In countries where early-retirement pathways have been heavily used, notably in Europe, a number of reforms have already taken place to discourage formal early retirement (e.g. Austria, Belgium, and France). Also, measures have been introduced to tighten qualifying conditions for other pathways, such as disability benefits (e.g. Denmark, the Netherlands, and the United Kingdom) and unemployment benefits (e.g. Austria, Finland, and the Netherlands). A higher pension eligibility age for men and women has also been introduced in several countries (e.g. Denmark, Germany, Italy, and the United Kingdom). However, caution is necessary in interpreting these trends. Country experience shows that, unless reform is comprehensive, there is a risk of substitution between early-retirement pathways. For instance, the phasing out of formal early retirement schemes in Belgium and France has been offset by a rise in the number of older unemployed exempt from active job search. Disability benefits remain a major early-retirement pathway in many OECD countries. Consequently, the effective retirement age is still well below official retirement age in many OECD countries.

One critical aspect in improving employment for older workers is their employers'

views on whether the productivity of older workers is aligned with the rising labour costs of older workers. Empirical studies show that the hiring rate of older workers is lower in those countries where the relative labour costs of hiring older workers are higher. This phenomenon reflects partly the negative employer attitudes that labour costs rise with age faster than productivity. Such an attitude leads to a push to older workers from their employers to find an appropriate pathway towards retirement. If public policies towards improving older workers' employment must work, it is essential that employers remove these negative perceptions and facilitate a better working environment in which older workers continue to improve their productivity. At the same time, rigid salary structures in which pay rises with seniority alone should also be replaced with more flexible ones, in which wage rises are associated with productivity gains and performance. Thus, employers and trade unions also have the responsibility to find ways to restrict rising labour costs with age.

What would also be required are the sectoral changes so that more and more people could be found working in the sectors that provide for older people. More people should be trained to work in the health and social care provision sectors. This is an important infrastructural development that societies will have to go through so as to prepare to meet the challenge of ageing population in the future. One other promising way to deal with this challenge of shrinking population is to increase the output of the society by raising the productivity of the working age population. The society has to adopt the life course approach and think where more people could

get into employment and where more people could do employment more productively.

3.4 Migration policy challenges

Ageing societies will consider importing younger workers from younger societies as it will ease labour shortages, though it would not stop the ageing of societies because the numbers required would be too vast. And, here lies one of the major challenges for the European countries, the integration of these migrant workers into the workforce as well as into the overall society. Referring again to the example of Spain, this country has been able to bring migrants (more than anticipated!) while reasonably successfully integrating them into the labour force. Europe as a region that includes Central Asian countries and Eastern European countries has a great potential to benefit from migration within the region. Caution is necessary here, though. In addition to the inevitable brain drain, those societies which export young workers are also ageing and the emigration would exacerbate challenges in some countries while offering solutions to other countries. One of the authors of this paper was told by an official in one of the countries of the former Soviet Union: "We are rejuvenating Western Europe while accelerating our own ageing". Indeed, in some of the Eastern European countries almost one out of every two people who are in the productive phase of their working life has either already left for Western Europe or they are planning to leave. So, some of the older European countries can deal with the challenge of population ageing by importing younger workers from the younger countries but such a solution will generate more problems for the countries

that are exporting those younger migrants with possible repercussion for the entire Eurasian region.

At the same time, the migration policy challenges should not be viewed too negatively: if the whole region of Eurasia is seen as a part of global village, then one can assume that some of the people who do not have employment opportunities in their own countries will be able to find employment opportunities elsewhere and bring back resources to their own country, and over the longer term this could contribute to the development of their own country. There is, however, a danger of over-reliance of some of the transitional countries with heavy emigration on the remittances as a source of increasing their GNP instead of facilitating national development, including establishing conditions for decent work at home. A viable solution to this dilemma is a perspective planning with evidence based integration of population ageing into national development strategies. Equally important is that these challenges of inter-related transitional processes in the mega-region of Eurasia should be addressed through cooperation across all countries of the region – beyond the twenty-seven members of the European Union.

3.5 Infrastructure development challenges

Infrastructural development is often an overlooked dimension of ageing societies: while societies continue to gain the absolute and relative number of older persons, institutional development lags significantly behind emerging challenges and opportunities. In other words, population ageing and societal infrastructure development for adapting to demographic transition do not match each other. A

stronger institutional and physical infrastructure development will assure a greater social cohesion across older and younger generations. Moreover, both institutional and physical infrastructures are an essential component of national capacity to deal with population and individual ageing.

An institutional infrastructure is itself a multi-dimensional notion: it includes various governmental agencies and national committees on ageing. A specifically designated focal point on ageing within the government at the central, provincial and local levels is particularly important for providing the necessary political and administrative weight to the ageing agenda. In addition to government entities, national infrastructure on ageing includes other essential stakeholders such as non-governmental organizations of and for older persons, academia and private sector. All these stakeholders have an important role in designing, implementing and monitoring national policy actions on ageing. Cooperation between and mutual reinforcement of national stakeholders is a central prerequisite of putting into practice various plans and programmes of action which otherwise are predestined to fill up the shelves of libraries and archives.

4. Conclusions

The population ageing is a well recognized and thoroughly investigated phenomenon. The essence of it is a rising share of older people and a falling share of younger people in society. This is not a disaster waiting to happen; in fact it may offer new opportunities for people of different ages to live together and for an

ageing society to continue to prosper. The core message of this paper is that the population ageing can lead to a disaster or it can become an opportunity but it all depends on how well ageing societies prepare to adjust for it. The task of adjustment to ageing was formulated as the central purpose of the Madrid International Plan of Action on Ageing. The Madrid Plan of Action determines that the success of the adjustment efforts will be measured in terms of social development, the improvement in quality of life of older persons, and the sustainability of the various formal and informal systems that support the quality of life throughout the life course.

The analyses included in this paper go through different policy domains and discusses various ideas about how public policies in the European countries ought to change in the future. The population ageing phenomenon is offering a new setting in which societies have to realise and benefit from the full potential of older people. A new social coherence will have to be found in a society in which younger and older people live well and productively with each other. And the phenomenon of population ageing is not just a challenge for public policies but also for all major stakeholders to work together for the future.

Previous Discussion Papers:

David E. Bloom and David Canning,
"Global demography: fact, force and future",
No. 2006/ 1

David E. Bloom, David Canning, Michael Moore and Younghwan Song,
"The effect of subjective survival probabilities on retirement and wealth in the United States",
No. 2007/ 1

Glenda Quintini, John P. Martin and Sébastien Martin,
"The changing nature of the school-to-work transition process in OECD countries",
No. 2007/2

David Bell, Alison Bowes and Axel Heitmueller,
"Did the Introduction of Free Personal Care in Scotland Result in a Reduction of Informal Care?",
No. 2007/3

Alexandre Sidorenko,
"International Action on Ageing: Where Do We Stand?",
No. 2007/4

Lord Adair Turner of Ecchinswell,
"Population ageing or population growth: What should we worry about?",
No. 2007/5

Isabella Aboderin and Monica Ferreira,
"Linking Ageing to Development Agendas in sub-Saharan Africa: Challenges and Approaches",
No. 2008/1

United Nations Population Fund (ed.),
"The Madrid International Plan of Action on Ageing: Where Are We Five Years Later?",
No. 2008/2

Svend E. Hougaard Jensen and Ole Hagen Jørgensen,
"Low Fertility, Labour Supply, and Retirement in Europe",
No. 2008/3

Ronald Lee and Andrew Mason,
"Fertility, Human Capital, and Economic Growth over the Demographic Transition",
No. 2008/4

Previous Letters:

Ariela Lowenstein,
"The Israeli experience of advancing policy and practice in the area of elder abuse and neglect",
No. 2007/1

Jeffrey L. Sturchio & Melinda E. Hanisch,
"Ageing and the challenge of chronic disease: do present policies have a future?"
No. 2007/2

Summary of a Special Session with: Bengt Jonsson (chair), Michaela Diamant, Herta Marie Rack and Tony O'Sullivan,
"Innovative approaches to managing the diabetes epidemic"
No. 2007/3

Baroness Sally Greengross
"Human Rights Across the Generations in Ageing Societies"
No. 2008/1

Marie F. Smith
"The Role of Lifelong Learning in Successful Ageing"
No. 2008/2

World Demographic Association

P.O. Box 2239
CH-9001 St.Gallen, Switzerland

phone: +41 (0)71 242 79 79
www.wdassociation.org

fax: +41 (0)71 242 79 78
info@wdassociation.org